

30 September 2022 Quarterly Update and Appendix 4C

PainChek consolidating aged care business in multiple countries and building global partnerships for expansion into new markets

PainChek Ltd (ASX: PCK) (“PainChek” or “the Company”), developer of the world’s first smart device-based pain assessment and monitoring application, is pleased to announce its quarterly activities and cashflow report (Appendix 4C) for the quarter ended 30 September 2022.

Highlights

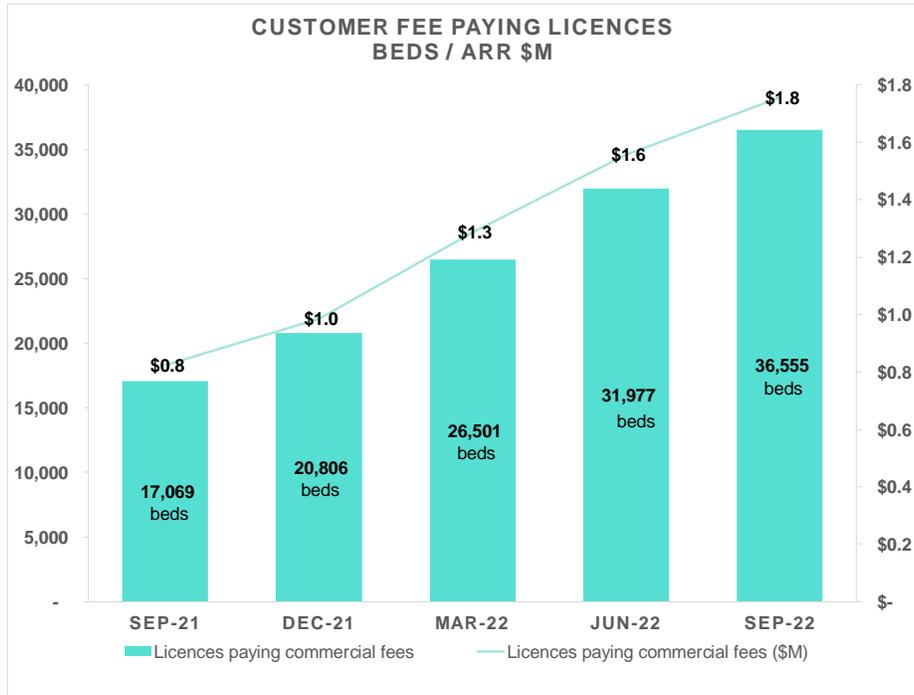
- Global recognised customer revenue grows to \$364,000 for the quarter, a 9% increase over previous quarter.
- Current annual recurring revenue (ARR) from commercial fee paying clients is now \$1.8M, a 13% increase on previous quarter and 125% for the year. Total potential ARR, from all contracted clients is \$4.2m.
- 70,000 licences now implemented worldwide being used for PainChek® assessments.
- Global cumulative pain assessments on PCK database now over 1.67 million, a 15% growth on previous quarter.
- ANZ momentum continues – positive report from KPMG, increasing utility of PainChek and additional new integration partners
- Focus on UK business development efforts – upcoming collaboration with Walgreens Boots Alliance, successful attendance at UK Care Show & additional new integration partners.
- North America – integration agreement with PointClickCare provides PainChek access to more than 10,000 nursing homes and 1,000,000 residents in US/Canada.
- Clinical studies & R&D efforts are being progressed to support future commercialisation of infant & children’s products.
- Successful capital raise completed July 2022, current cash balance \$6.9m.

Commentary

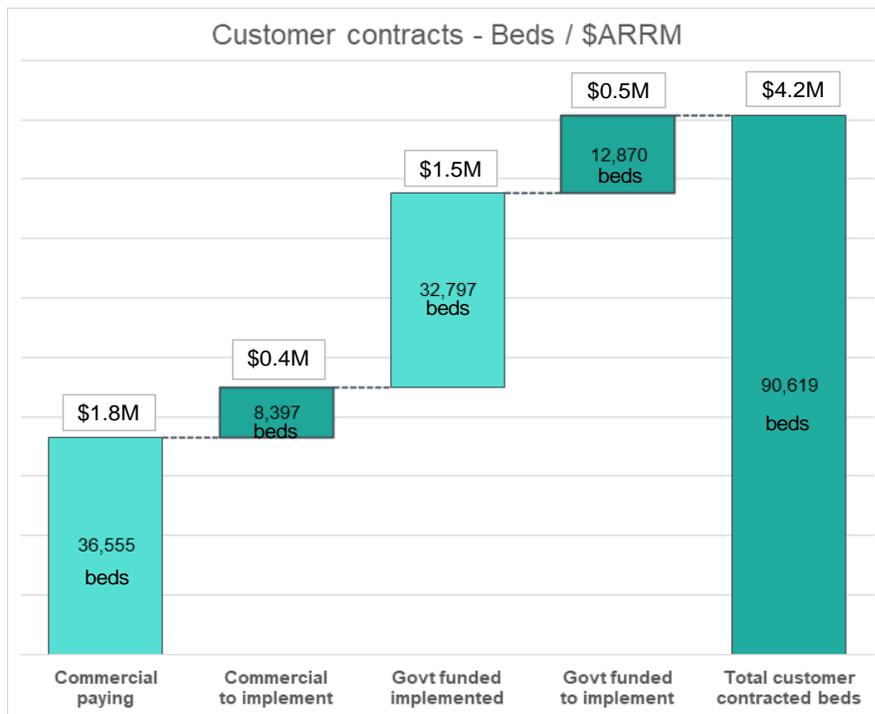
Philip Daffas PainChek CEO said: “The team has continued to hone its efforts in delivering the Company’s three pillar strategy. In Aged Care we are continuing to successfully deliver in Australia, UK and New Zealand and planning our launch in Canada this quarter as a platform for a broader launch to include the USA post the projected FDA clearance in 2023. We have also continued to pursue the significant opportunity that exists in the hospital sector with a global strategic partner and we are generating supportive clinical evidence in readiness for a commercial launch of PainChek® Infant in 2023.”

Residential Aged Care (RAC) Activity Summary

- A total of 36,555 licences are under standard PainChek commercial terms increasing actual ARR to \$1.8M – a 13% increase over prior quarter and an annual growth rate of 125%.



Residential aged care (RAC) market penetration is 70,000 licences now implemented across Australia, New Zealand, United Kingdom and Ireland. There are a further 21,000 licences where customers have committed to implement and then move to commercial terms by early 2023, which would provide PainChek with a total potential ARR of \$4.2M. This excludes potential new sales and the breakdown is provided in the table as follows:



- There are a further 28,000 beds, not included in the above, where customers have deferred any commitment decisions to 2023 due to a variety of operational and economic factors

ANZ market

- Implemented commercial beds are 32,000 with an ARR of \$1.6M.
- RAC implementation and user training continues to be delivered remotely and the PainChek clinical team has implemented 64,000 beds and trained over 10,000 users and “train the trainers” to assist customers in their transition to digital platforms. This includes 1,150 beds in New Zealand.
- PainChek utility continues to grow, with more than 1.67 million PainChek clinical assessments conducted in aged care as of 30 September 2022, an increase of 154% over the previous year and 23% over the prior quarter, reflecting continued strong clinical utility and implementation progress.
- In the ANZ region, PainChek now has integration agreements and/or in principle agreements to integrate in place with 12 Care Management partners, covering all major CMS providers and up to 205,000 aged care beds in ANZ RAC market.
- Additional integration agreements are in place with three medication management partners, who can provide a pipeline opportunity of up to 850 residential aged care facilities in Australia, and more than 90% of all residential aged care facilities in New Zealand.
- KPMG published the final evaluation report of the Government funded PainChek pilot across Australian Residential Aged Care in October 2022. It reported a range of positive impacts, such as:
 - Providers reported a reduction in the severity of pain over time, indicating PainChek enabled an improvement in pain management practices
 - PainChek results were used to support General Practitioners to review resident medications
 - There was a close correlation between PainChek® assessments and non-opioid medication usage. There was also some correlation between the number of PainChek® assessments being undertaken and psychotropic medication administration, indicating that PainChek® may be used to rule out pain in people with challenging behaviour prior to administration of psychotropic medications
 - Staff using PainChek reported a range of benefits including improved ability to identify pain, improved knowledge of pain, improvements in resident quality of life and improved health outcomes for residents
- PainChek relocated its head of Business Development to New Zealand for [3] months, given the significant interest and sales pipeline in the region, and further sales are expected to be reported in Q2 FY23.

UK market update

- In the UK there are now 8,500 contracted beds and close to 4,500 of these are implemented. The pipeline continues to grow in the aged care sector and new opportunities in the hospital and home care sectors are developing.
- PainChek received its first orders in Ireland for three care homes, from HSE (Health Service Executive) and more are expected to follow. HSE runs all of the public health services in Ireland, including aged care.
- New client’s include Future Care Group UK which has contracted to roll out PainChek® across its 18 homes and 900 beds, this group aspires to be at the forefront of technology supporting dementia care.

- PainChek UK attended the UK Care Show (pictured below) in what was the most successful event attended since launching in the UK. PainChek’s representatives reported new leads into the business development pipeline and significant progress with key clients.



- Walgreens Boots Alliance UK: PainChek UK were invited to present to their care management sales & marketing team at the Boots annual digital transformation conference in Nottingham during September. The Walgreens Boots Alliance provide medication management services to 50% of the UK aged care market. PainChek and Walgreens Boots Alliance are agreeing final terms to co-market and present the PainChek® solution to their UK client base. We will update the market of any progress with this agreement and significant sales contracts during the next quarter.
- The Welsh funded pilot is gaining momentum, PainChek ran an engagement workshop with 15 care homes in September which are now in the process of implementing PainChek.
- Promising initial results through first Scottish funded licences implemented at residential care homes will support the Scottish Care Inspectorate (Regulator) to promote better pain management through PainChek across all Care Homes during inspections.
- PainChek UK now has integration agreements and/or in principle agreements to integrate with 11 Care Management partners and 5 medication management partners, who can provide a pipeline opportunity of up to 475,000 residential aged care beds

North America

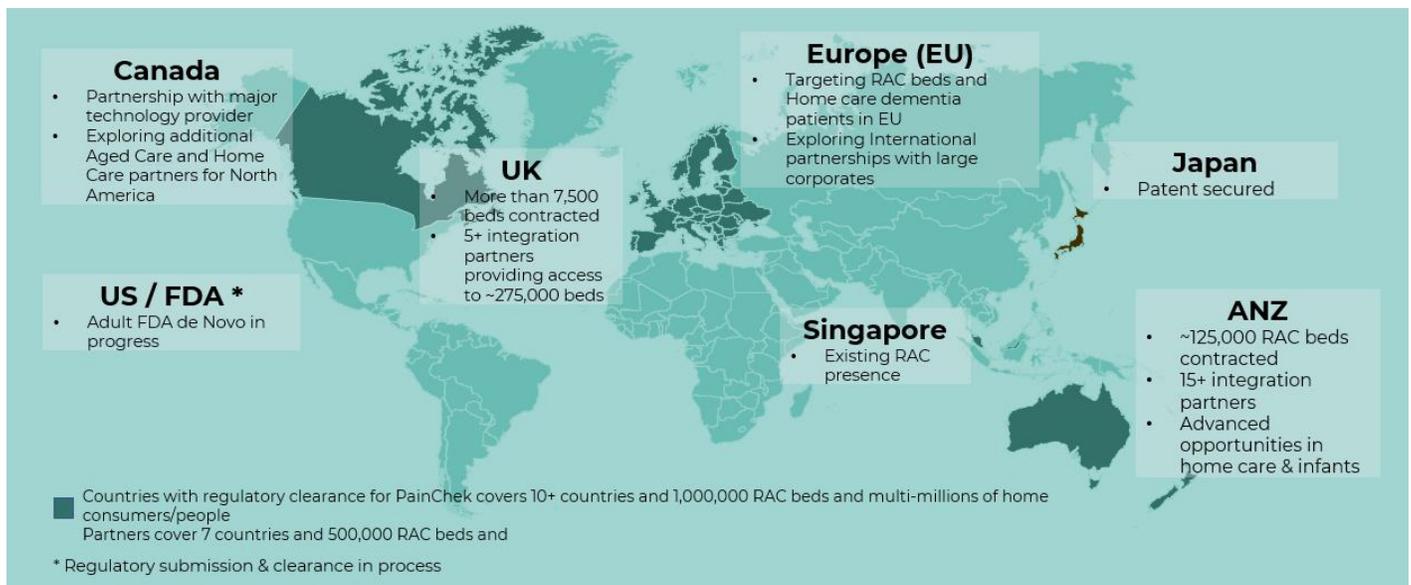
- PainChek signed a Marketplace Partner agreement with PointClickCare during the period. The agreement gives PainChek a non-exclusive, worldwide, fully paid-up, royalty free right and licence to integrate the PainChek solution into the PointClickCare Care Management Solution for their USA and Canadian

customers. The USA and Canada are priority growth markets for PainChek, where there are in total more than 17,000 nursing homes providing long term care across more than 1,900,000 beds. PointClickCare alone covers more than 10,000 nursing homes and 1,000,000 residents in the US and Canada. During the next quarter PainChek expects to report progress toward its first pilot sales in care homes in Canada, where PainChek already has regulatory clearance and update on USA FDA de Novo regulatory clearance which is currently projected for Q4 Calendar 2023.

- USA FDA regulatory clearance progress continues for the Adult and Infant Apps. Healthcare Human Factors, Toronto, Canada has commenced human factor validation testing of the PainChek® Adult app and portal with doctors, nurses, nurse assistants and allied health professionals in the US, as required by FDA. The testing is scheduled for completion end of November 2022, will involve 60 participants, and provides data to support adequacy of the PainChek training and information for users prior to the commencement of clinical trials in the US.

Japan

PainChek recently confirmed its intent to expand international activities into Japan after being accepted into the JETRO Business Connect program for 2022. JETRO is Japan’s core governmental organization for promoting inward foreign business. As part of its program PainChek will receive comprehensive support services to enter the Japanese market. This includes a broad range of Japan market data, a series of online business matching events, connecting PainChek with local partners throughout Japan, and guidance in relation to the Japanese regulatory clearance processes which is expected to take in excess of 12 months.



Integration partners

PainChek's technology partners continue to grow, not only in number, but in size, geographical scope, regions served, and industries supported. From a base of Aged Care Management Systems in Australia, PainChek partners now include eMAR and Medication Management tools, Electronic Health Records (EHR) systems and others. These partners directly service Aged Care, Community and Disability Care, Pharmacy and Hospitals with client bases around the globe.

PainChek has recently engaged in several new major partnerships and integration agreements which significantly expand the potential scope of our integrated client base. Key among these include engagements with:

- Intersystems – a global leader in the EHR space, boasting a truly global reach in the hospital sector and ~400M client records under management (more below)
- Point Click Care – a market leader in Aged Care Management, with majority market share across the USA and Canada
- Choice Aged Care – an Australian provider, expanding PainChek engagement to become a core part of the medication review process provided by on-site pharmacists.

With 30+ sector partners, and growing, PainChek's partnerships offer not only adds value for clients, but meaningful sales/marketing opportunities, and access to trusted collaborators to provide support as the Company continues to grow and diversify.



Hospitals

- PainChek attended the HIMSS (Healthcare Information and Management Systems Society) conference in Bali. HIMSS, which includes 480 provider organisations and 110,000 members, is committed to reform the global health ecosystem through the power of information and technology. PainChek demonstrated a proof-of-concept integration with the Intersystems TrakCare electronic medical records system.



Children's and Infant App

- Having completed the initial Infant App product development and achieved regulatory clearance for multiple markets, PainChek is now planning to generate real world clinical data with various partners in the hospital setting in order to provide a platform and the clinical utility evidence for a broader market launch. This includes the following:
 - The Royal Children's Hospital in Melbourne has recruited and trained Research Assistants and is now recruiting patients for the "Painfaces Study", a clinical study with the PainChek® Infant (Multi-dimensional) Application. The study will evaluate the validity and reliability of the application for the assessment of procedural pain amongst infants in the Emergency Department.
 - Recruitment has commenced in Europe in an infant circumcision project. Parents participating in the study are being trained in the use of PainChek® Infant to assess their child's pain and how to use the results to optimise their child's pain management.
 - PainChek® for Toddlers – Simulation testing using BabyFACS coded images of toddlers (i.e. children aged 12 to 36 months) and the facial analysis model included in the PainChek® Infant App have demonstrated promising results.

PainChek® for Children with Disabilities

- Stage 1 ethics approval has been received in the research collaboration with Telethon Kids Institute (UWA) and Children and Adolescent Health Services (WA Government). This follows announcement last quarter that a team of Western Australia researchers had received a State Government of Western Australia Future Health Research and Innovation Fund grant to work in collaboration with PainChek to develop a new pain assessment tool specifically for children with disabilities aged 5 to 12 years. The project, known as 'Detecting pain in kids who can't tell you it hurts: PainChek® for children with disabilities' received \$392,820 in funding over two years part of which has been allocated to PainChek for the App development.

Corporate

PainChek completed its most recent capital raising early in the quarter, which was in two parts as previously reported:

- A placement of shares raising \$3.0M from institutional and sophisticated investors. Allotment was completed on 1 July 2022. The receipt of funds spanned the year end balance sheet date, the cash receipt and 30 June 2022 accounting is shown in the table below. \$1.76m will be reported in equity, before costs, as at 30 June 2022.
- An Entitlement Offer to raise up to \$1.59m, fully underwritten by Canaccord Genuity (Australia) Limited. The allotment of shares was made on 4 August 2022.

	30 June 2022	1 July 2022 and 4 August 2022	Total
	\$m	\$m	\$m
Placement of Shares	\$1.76	\$1.24	\$3.00
Entitlement Offer		\$1.59	\$1.59
Total Equity before costs	\$1.76	\$2.83	\$4.59

Revenue

- Q1 FY23 customer revenue (unaudited) \$364,000 up 9% on Q4 FY22 and 129% on prior year.
- Government Grant (Other Revenue) YTD is \$20,000 (unaudited). The final costs associated with the grant terms were charged in October and therefore the remaining \$102,000 of deferred grant income will be recognised in Q2 FY23.

Cashflow

- The capital raise was completed in the quarter and current cash reserves are \$6.9m as at 30 September 2022
- Proceeds from issue of equity are \$2,822,000 less costs of \$126,000. This is in addition to the share placement received in June 2022 (see above).
- Receipts from customers were \$404,000 (Q4 FY22: \$585,000). Most customer subscriptions are annual, and a large proportion of customers have a Q4 renewal date which increases the cash receipts in that quarter.
- Research and development payments were \$419,000 (Q4: \$261,000). The increase in payments follows the planned FDA trials that have now commenced and were highlighted in the Q4 investor presentations.
- Advertising and Marketing payments were \$186,000 (Q4: \$179,000).
- Staff Costs payments were \$1,108,000 (Q4: \$1,061,000).
- Administration and Corporate costs increased to \$599,000 (Q4: \$389,000). There were increases in travel with the CEO in the UK, head of business development in New Zealand and attendance at international events. In addition, there were annual insurance premiums and recruitment fees.

- In accordance with ASX Listing Rule 4.7C.3, the amount of \$148,000 stated in section 6.1 of the Appendix 4C paid to related parties and their associates related to director fees and salaries for the quarter. The company made payments to directors during the period of \$148,000: \$40,000 to non-executive and \$98,000 to executive directors, this includes payment of a Short Term Incentive for the prior year.

¹ <https://dcricri.org/coa-aptic/>

This announcement has been approved for release by the Board.

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About PainChek®

PainChek® Ltd is an Australian based company that develops pain assessment technologies.

Pain often goes unrecognised and under-treated in people with communication difficulties. PainChek Universal is a clinically validated smartdevice-based medical device that enables best practice pain assessment for all people, everywhere.

PainChek Universal is a complete point-of-care solution that combines the existing PainChek® App with the Numerical Rating Scale (NRS). This enables best-practice pain management for all residents living with pain in any environment — from those who cannot verbalise pain to those who can, and those who fluctuate between the two.

The PainChek® App uses artificial intelligence and facial recognition to detect pain in those who cannot self-report. This gives a voice to those who cannot verbalise pain, whilst also driving objectivity and consistency in all assessments. For those who can self-report, PainChek Universal also includes access to the Numerical Rating Scale, a well-established standard used to document pain levels amongst these individuals. PainChek Universal also supports pain assessment using both tools at the point of care, for those people whose ability to communicate fluctuates.

PainChek® is being rolled out globally in two phases: first, PainChek® for adults who are unable to effectively verbalise their pain such as people with dementia, and second, PainChek® for infants who have not yet learnt to speak. Both the adult and infant products have received regulatory clearance in numerous markets including Australia, Europe, UK, NZ, Singapore and Canada.

To find out more, visit www.painchek.com

+Rule 4.7B

Appendix 4C
Quarterly cash flow report for entities
subject to Listing Rule 4.7B

Name of entity		
PAINCHEK LTD		
ABN		Quarter ended ("current quarter")
21146035127		30/09/2022
Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
1.0 Cash flows from operating activities		
1.1 Receipts from customers	404	404
1.2 Payments for		
(a) research and development	(419)	(419)
(b) product manufacturing and operating costs		
(c) advertising and marketing	(186)	(186)
(d) leased assets		
(e) staff costs	(1,108)	(1,108)
(f) administration and corporate costs	(599)	(599)
1.3 Dividends received (see note 3)		
1.4 Interest received	0	0
1.5 Interest and other costs of finance paid		
1.6 Income taxes paid		
1.7 Government grants and tax incentives	20	20
1.8 Other (GST)	(41)	(41)
1.9 Net cash from / (used in) operating activities	(1,928)	(1,928)
2.0 Cash flows from investing activities		
2.1 Payments to acquire:		
(a) entities		
(b) businesses		
(c) property, plant and equipment	(7)	(7)
(d) investments		
(e) intellectual property		
(f) other non-current assets		
2.2 Proceeds from disposal of:		
(a) entities		
(b) businesses		
(c) property, plant and equipment	1	1
(d) investments		
(e) intellectual property		
(f) other non-current assets		
2.3 Cash flows from loans to other entities		
2.4 Dividends received (see note 3)		
2.5 Other (provide details if material)		
2.6 Net cash from / (used in) investing activities	(6)	(6)
3.0 Cash flows from financing activities		
3.1 Proceeds from issues of equity securities (excluding convertible debt securities)	2,696	2,696

3.2	Proceeds from issue of convertible debt securities		
3.3	Proceeds from exercise of options	0	0
3.4	Transaction costs related to issues of equity securities or convertible debt securities		
3.5	Proceeds from borrowings		
3.6	Repayment of borrowings		
3.7	Transaction costs related to loans and borrowings		
3.8	Dividends paid		
3.9	Other (provide details if material)		
3.10	Net cash from / (used in) financing activities	2,696	2,696

4.0	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	6,141	6,141
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,928)	(1,928)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(6)	(6)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	2,696	2,696
4.5	Effect of movement in exchange rates on cash held	24	24
4.6	Cash and cash equivalents at end of period	6,927	6,927

5.0	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter	Previous quarter
		\$A'000	\$A'000
5.1	Bank balances	6,927	6,141
5.2	Call deposits	0	0
5.3	Bank overdrafts		
5.4	Other (provide details)		
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	6,927	6,141

6.0	Payments to related entities of the entity and their associates	Current quarter \$A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	148
6.2	Aggregate amount of payments to related parties and their associates included in item 2	

Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.

7.0	Financing facilities <i>Note: the term "facility" includes all forms of financing arrangements available to the entity. Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end	Amount drawn at quarter end
		\$A'000	\$A'000
7.1	Loan facilities		
7.2	Credit standby arrangements		
7.3	Other (please specify)		
7.4	Total financing facilities		

7.5 **Unused financing facilities available at quarter end**

7.6 Include in the below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.

8.0	Estimated cash available for future operating activities	\$A'000
8.1	Net cash from / (used in) operating activities (item 1.9)	(1,928)
8.2	Cash and cash equivalents at quarter end (item 4.6)	6,927
8.3	Unused finance facilities available at quarter end (item 7.5)	0
8.4	Total available funding (Item 8.2 + Item 8.3)	6,927
8.5	Estimated quarters of funding available (Item 8.4 divided by Item 8.1)	4
<p><i>Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.</i></p>		
8.6	<p>If Item 8.5 is less than 2 quarters, please provide answers to the following questions:</p> <p>8.6.1 Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?</p> <div style="border: 1px solid black; height: 30px; width: 100%;"></div> <p>8.6.2 Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?</p> <div style="border: 1px solid black; height: 50px; width: 100%;"></div> <p>8.6.3 Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?</p> <div style="border: 1px solid black; height: 30px; width: 100%;"></div>	
<p><i>Note: where item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered</i></p>		

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Date: 31/10/2022
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Authorised by: By the board
.....
(Name of body or officer authorising release - see note 4)

Notes

- 1 This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
- 2 If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, AASB 107: Statement of Cash Flows apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
- 3 Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
- 4 If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
- 5 If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.