

March 2020 Quarterly Update

PainChek achieves 50% + growth in aged care beds, clients and facilities during March 2020 quarter

- Key increase in all sales related KPI's across the business:
 - contracted clients from 98 to 175 (+79%),
 - contracted Residential Aged Care (RAC) from 380 to 588 (+55%), and
 - total contracted beds from 32,023 to 49,811 (+56%).
- Met the milestone of 25,000 licenses under the Government funded initiative and received the contractual payment of \$1.25M in March 2020 supporting the cash flow positive quarter result.
- The 49,811 approved bed licenses under the government funded initiative translate to \$2.26M in normalized contracted Annualized Recurring Revenue (ARR) in Year 2 of the client contracts (post government funded period).
- The Department of Health, in light of COVID-19, has extended the timeframe for the rollout of the \$5M Government initiative to May 2021. The Company remains confident of achieving delivery of PainChek® to 100,000 people living in RACs with dementia and cognitive impairment over this extended period.
- The COVID-19 impact is anticipated to impact existing clinical research plans and slow expansion into international markets in the short term, with the Company realigning projected revenue and cost bases to reflect the changes.
- A number of trials underway with Australian home care providers utilizing the PainChek "Shared Care" App to support the increasing demand for home care service and packages.
- PainChek's consolidated cash balance at 31 March 2020 was \$6.4 million.

Commenting, PainChek CEO, Philip Daffas, said:

"The Company progress and achievements to date are a reflection of the transformational impact PainChek® has on pain management and better medication treatment for people living with dementia and other communication difficulties.

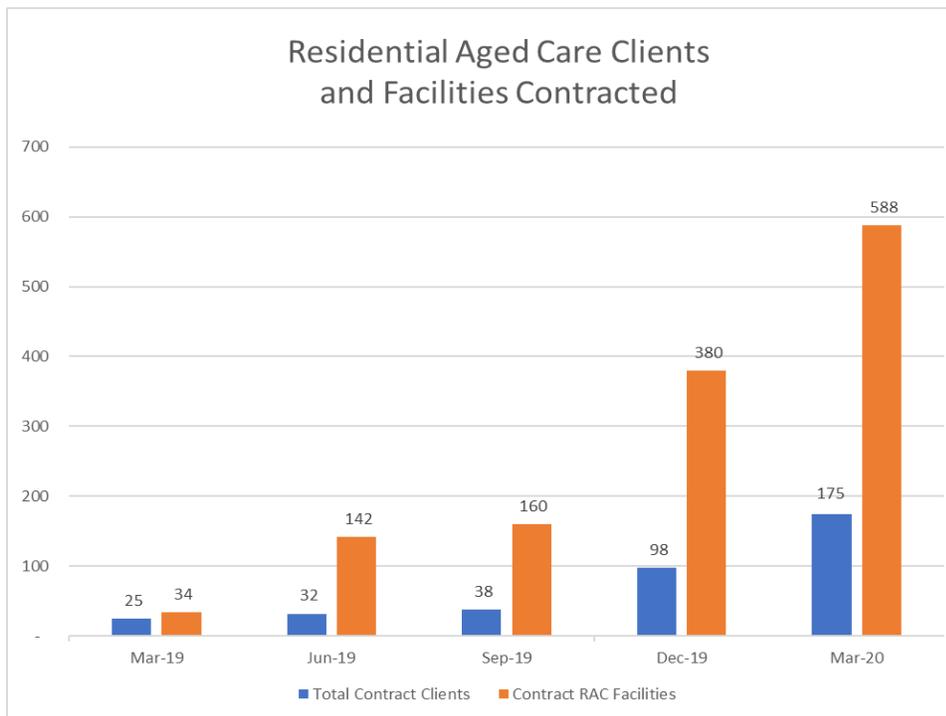
We have been focussed on tightly managing cash expenditure and delivering continued sales growth, which has been fundamental to us achieving a positive operating cashflow result for the quarter.

The Company continues to focus on its key commercial milestones for calendar 2020, recognising the impact of COVID 19, and establishing PainChek® as the new global gold standard for pain assessment in multiple healthcare market segments."

PainChek® Ltd (ASX: PCK) (“PainChek®” or “the Company”), developer of the world’s first smart phone-based pain assessment and monitoring application, has achieved significant growth for the quarter ended 31 March 2020.

As can be seen from the graphs below, RAC clients and facilities contracted have grown significantly during the quarter, as have the contracted number of RAC approved beds and Government funded trial beds.

Performance Update for the Quarter – Table 1



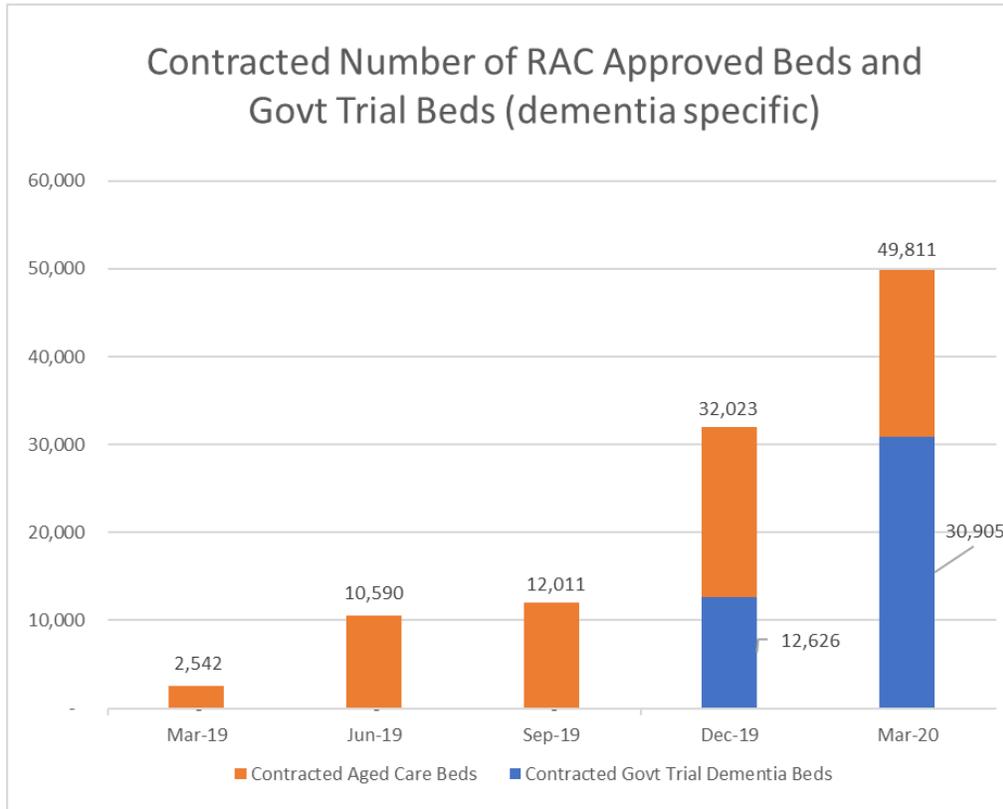
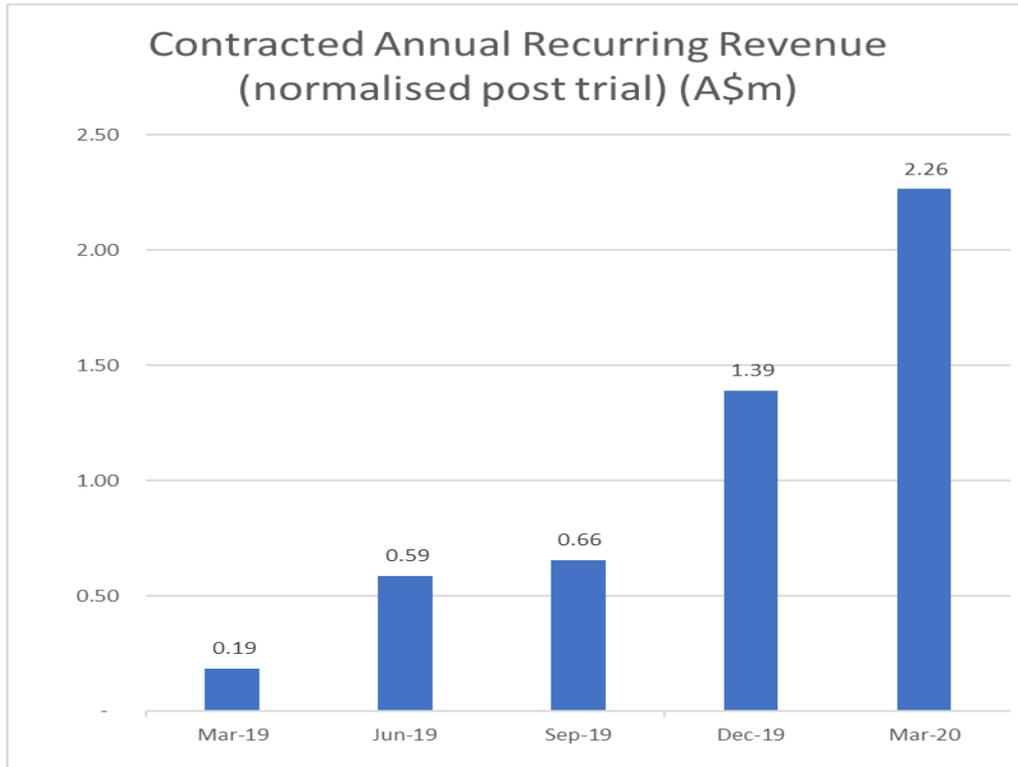


Table 2 reflects the total approved beds contracted in all markets as well as the dementia specific beds signed under the Government initiative.

- Total approved beds contracted have increased from 32,023 at 31 December 2019 to over 49,811 beds as at 31 March 2020 (56% increase for the quarter).
- Under the government funded initiative, the Federal Government is funding a subset of the total approved contracted beds, in that the grant is funding the use of PainChek® for those people living with dementia or cognitive impairment. The data gathered from the RAC participants indicates that this subgroup is on average 62% of the total approved beds. PainChek has therefore attained 30,905 dementia specific beds at 31 March 2020.
- During March (refer ASX release dated 24 March 2020), PainChek met the initial Federal Government milestone of 25,000 PainChek® licenses which triggered the contractual payment of \$1.25M to the Company.

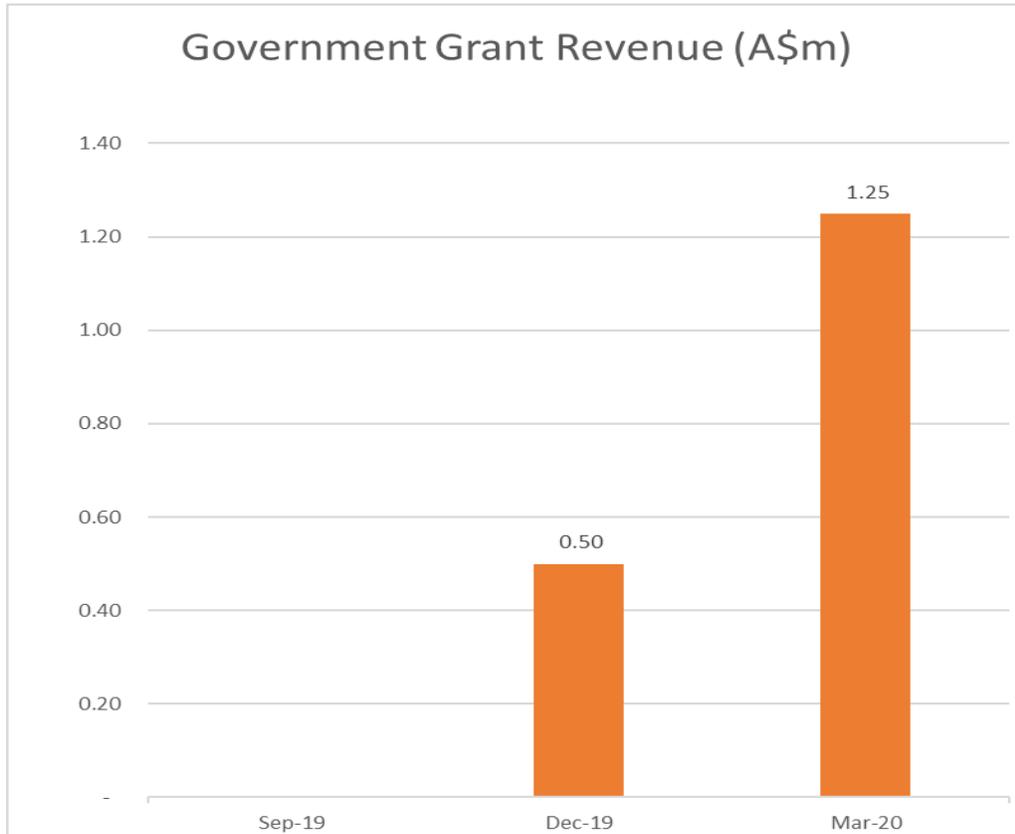
The Company also achieved a significant increase in contracted ARR for the quarter, in line with the increase in PainChek licenses.



* Contracted ARR for the quarters to 30 September 2019 were calculated on the basis of contracted MRR x 12 months, as subscription contracts were on PainChek's normal commercial terms to that point in time. Contracted ARR for the quarters ending 31 December 2019 and later are presented on a normalized basis post completion of the Government grant reflecting contracted pricing on completion of the trial assuming the contracts are not terminated after the initial 12-month term.

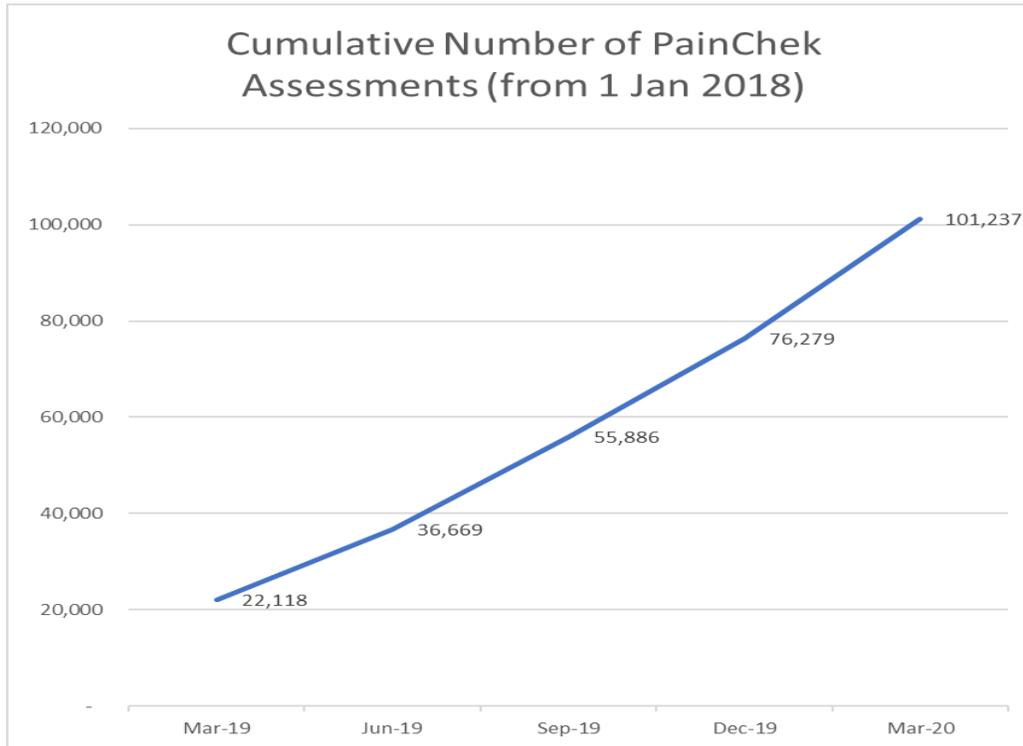
Annual Recurring Revenue offers a significant insight into revenue generation as;

- PainChek's normal commercial pricing will apply to total approved beds across all existing RAC's in year two of the contract, on the assumption that the clients do not terminate their contracts after the initial 12-month grant period. To date there has been a zero-churn rate of clients.
- For the 49,811 approved beds contracted to 31 March 2020, the normalized contracted Annual Recurring Revenue in year 2 of the contract is \$2.26M. This is an increase of 63% from the 31 December 2019 figure.
- All PainChek clients acquired prior to the government trial are opting into the grant over this calendar year, as their current contracts come up for renewal. Normal commercial pricing terms will apply in subsequent terms on contract renewal.



- As advised in PainChek’s last quarterly update, the revenue generated under the Federal Government grant is subject to AASB 120 Accounting for Government Grants, and accordingly PainChek’s revenue in relation to the trial will be recognized under that standard and is based on the achievement of contractual milestones.
- PainChek received the upfront payment of \$500k from the Department of Health in December 2019, and subsequently received the milestone payment of \$1.25M in March 2020 on achievement of the first 25,000 PainChek® licenses issued. These amounts have been recognized as grant revenue in the month of receipt.
- The \$1.75 million in total grant revenue for the nine months to 31 March 2020 is in addition to subscription revenues of approximately \$215k recognized over that period.

In addition, there have now been greater than 100,000 cumulative clinical pain assessments in aged care demonstrating the App’s clinical utility and uptake in the residential aged care market.



Australian Government Funded Sales Activity this Quarter

On 3 December 2019 (see ASX release of 6 December 2019) the Federal Government signed an agreement to provide funding of \$5M for the national trial of PainChek® in Australian residential aged care. The funding under the grant has been allocated as \$3m in FY2020 and a further \$2m in FY2021.

The funding makes provision for a universal PainChek® access license for the more than 1,000 Residential Aged Care Providers in Australia and their 100,000 residents living with dementia or cognitive impairment for a one-year period.

In the quarter ended 31 March 2020, the Company signed 76 new clients to the government trial and three existing clients signed for an additional 311 beds under the trial. These clients comprise a total of 207 RACs and 17,760 beds. The agreements are for a 2 to 3-year period combining the government funded dementia bed program for the first year and our standard approved bed terms for the additional years.

Of the new clients acquired during the quarter, the significant ones include the following (number of approved places noted):

- Baptistcare WA 806
- Helping Hand Aged Care 865
- Infinite Aged Care 1,129

- MECWA 1,000
- Lutheran Church of Australia 921
- Royal Freemasons 1,427

All of contracted bed numbers referred to above and in the performance charts include the total number of approved places for all clients who have agreed to participate in the trial. As noted previously, the Government trial is funding PainChek® licenses for dementia specific and cognitively impaired residents only.

Federal Government /Department of Health Grant Changes: COVID-19 update

Given the impact of the COVID-19 pandemic on the residential aged care sector, as of April 20th 2020, the Federal Government and Department of Health have agreed to adjust the existing PainChek grant contract to include the following changes:

- It will pay the second \$1.25M milestone payment in June 2020, regardless of the number of PainChek® licenses issued that quarter e.g. PainChek will have an extension of time to activate the full 25,000 additional licenses.
- The original grant term of one year has been extended by an additional 7 months to 31 May 2021, providing that milestones 3 and 4 be met by 31 May 2021 (if not met in full the pro-rata amount based on the number of licenses issued will be paid).

The following are the new scheduled milestones and related dates for which payments will be made under the contract terms to PainChek:

Milestone	Payment Amount (excl. GST)
Upfront payment on contract execution (received Dec 2019)	\$500,000
Provision of 25,000 cumulative licenses during FY2020 (Milestone 1 received March 2020)	\$1,250,000
Provision of 50,000 cumulative licenses during FY2020 (Milestone 2 anticipated June 2020)	\$1,250,000
Provision of 75,000 cumulative licenses during FY2021 (Milestone 3 now March 2021)	\$950,000
Provision of 100,000 cumulative licenses during FY2021 (Milestone 4 now May 2021)	\$950,000
Provision of evaluation report during FY2021	\$100,000
Total funding	\$5,000,000

Impact of COVID-19 on PainChek

The pandemic has significantly impacted the normal routines of hospitals with all non-COVID-19 related research programs being postponed for the immediate future. In addition, the impact to the residential aged care sector has been well reported and has caused aged care facilities to go into lock down mode and focus on protecting their vulnerable residents and carers during this difficult time. The ability of RACs to take on new projects will be limited for some time, and PainChek staff are unable to make sales visits and conduct on-site training sessions.

During our discussion with the Department of Health in Australia both parties agreed that the pandemic is likely to have a 3 to 6 months impact on the government PainChek® project in Australia, hence the Department's agreement to extend the term of the project by an additional seven month period to May 31st 2021 as described above.

In addition, the Company has engaged with their aged care clients and with the Department of Health in re-iterating how PainChek® can help protect the vulnerable residents and carers in aged care during these times:

- The PainChek® Adult App is now a proven and accurate pain assessment system in multiple markets with more than 100,000 clinical assessments completed to date.
- Regular pain assessments are of even greater importance for the vulnerable during COVID-19, as chronic pain may be associated with an impaired immune system.
- The PainChek® design is unique and its availability is timely given the COVID-19 challenges. PainChek® allows carers to safely and rapidly conduct a pain assessment that complies with social distancing requirements and infection control procedures, minimising risks for patients, residents and their carers.
- The App can be rolled out fully remotely and all training and support can be conducted on-line with our e-learning platforms.

These benefits and systems are all in place and already being provided to new and existing clients. Our goal is to maintain a level of sales and implementation momentum during this next 3 to 6 months period that fits with the needs of aged care. We believe our “digital” technology delivery capabilities will also provide the basis of a revised business model that will enable us to deliver our product more cost effectively to the market post this pandemic, whilst also meeting any future requirements for increased safety and security.

As a business we also have realigned the company's priorities to forecasted sales and revised our cost projections globally to ensure we can transition effectively through this challenging period and come out even stronger at the end of this year. Cost saving measures enacted include:

- Board directors and CEO taking a 20% cut in base fees/salary for the months of April to June 2020;

- All senior staff agreeing to take a 10% to 20% cut in base salary for 3 months;
- Hiring freeze on new positions for six months;
- Reduced contractor expenditure; and
- Minimal travel expenditure.

Home Care Market opportunity:

A recent KPMG report confirmed the government funded Home Care market to be valued at \$2.1Bn. Since 2017 there has been a rapid growth of approved home care providers in Australia – growing from 490 providers in 2016 to 863 providers in 2018.

Most recently the federal government confirmed a further increase in home care funding packages to support the desire for elderly people to stay at home as long as possible and support the drive towards Consumer Directive Care. It is generally assumed this trend will accelerate given the recent pandemic.

PainChek has recently started a number of pilot trial sites with the PainChek® “Shared Care” App in the Australian Home Care market. This includes a pilot in Victoria with a large international broker of home care services and with two of our existing aged care clients, both of whom are amongst the top 20 largest Home Care providers.

The PainChek® Shared Care version is unique as it allows people caring for the client in the home environment to conduct pain assessments during home care visits and allows other family members to continue the pain assessments in between the carer visits. This facilitates sharing the results on-line with the case manager and healthcare professional for faster and more cost-effective pain assessments using the PainChek® technology.

We have formed a working team to manage these pilots and build a sustainable market entry strategy.

FDA and Children’s research plans:

PainChek continues positive progress towards FDA *de novo* regulatory clearance for the adult dementia app in the US market. The Company has now submitted a Supplement to its initial Pre-submission Application to the FDA seeking their feedback on the planned human factors validation testing and clinical trials protocols developed by our research partners, Healthcare Human Factors and Donawa Lifesciences. PainChek is seeking FDA confirmation that these studies will provide FDA with all the necessary data to support a successful PainChek® Adult *de novo* US clearance application. We already have TGA and CE mark clearance, and with FDA clearance we will effectively have access to more than 70 percent of the global medical device market.

A research agreement with Melbourne’s Murdoch Children’s Research Institute (MCRI) was signed in June 2019 to conduct a clinical trial of a PainChek® Infant App with 100 infants. Considerable preparatory work has been done to set up including ethics approvals, trial protocols and the development of the trial Infant App. This study is currently on hold due to the COVID-19 pandemic.

Given the impact of the COVID-19 pandemic on global healthcare systems including hospitals and the aged care sector, PainChek is unable to give guidance on when the planned FDA de novo Dementia App and the “PainFaces” Infant App clinical studies will commence. However, the Company remains in close contact with our clinical trial partners and committed to ensuring our preparedness to conduct those studies once the COVID-19 constraints on conducting clinical studies ease.

International Expansion:

The UK market expansion has also been impacted due to the current global pandemic. The PainChek UK team has taken the opportunity to build a revised marketing strategy to support aged care during the pandemic and accelerate sales as aged care facilities can re-commence with new projects.

PainChek’s collaboration with Person Centred Software UK remains in place and the Company will recommence our international expansion plans in line with the lifting of restrictions across Europe and other countries.

Philips Healthcare collaboration:

During this past quarter the PainChek® technology has been incorporated in one of the Philips research studies in a Netherlands based hospital. PainChek’s research and technical team have been in regular contact with Philips’s research team in order to clarify technical specifics and logistics for incorporating PainChek® into the research project run by Philips. The focus of the study is around facial assessment of pain and delirium detection. This collaboration is separate to other potential plans and collaborative opportunities that we have discussed with Philips during our HealthWorks Global Breakthrough sessions in Eindhoven.

PainChek has recently finalized and provided technical specifications. Philips’s research team has agreed on the logistics of incorporating PainChek’s technology in the study and technical specificities provided by PainChek last week are currently being discussed internally at Philips.

The collective aim of the parties’ is to finalize all documentation and agreement in relation to this study so that they are ready to jointly execute the study and the other collaborative business opportunities immediately following the easing of COVID-19 related measures.

Item 6.1 of Appendix 4C accompanying this quarterly report relates to director fees and salaries paid in the quarter.

This release has been authorized for release by the Company’s board.

Philip Daffas
CEO – PainChek Limited
29th April 2020