

June 2020 Quarterly Update

PainChek delivers strong sales growth and business continuity during COVID-19

HIGHLIGHTS

Increases in all sales related KPI's across the business for both the quarter and year ended 30 June 2020:

	Jun-19	Mar-20	Jun-20	Increase for June 20 Qtr	Increase for June 20 Yr
Contracted Clients	32	175	207	18.3%	546.9%
Contracted RAC Facilities	142	588	722	22.8%	408.5%
Contracted Aged Care Beds	10,590	49,811	61,571	23.6%	481.4%
Contracted Govt Funded Dementia Beds	N/A	30,905	37,470	21.2%	N/A

- 722 Aged Care Facilities and 61,571 approved beds now under annual PainChek® license is an additional 24% growth in beds over the previous quarter, and close to 500% growth over the June 2019 results.
- Total beds now under license translate to \$2.66M in normalized contracted Annualized Recurring Revenue (ARR) in Year 2 of the client contracts (post government initiative period).
- Implemented bed licenses in the quarter increased by 80%.
- PainChek remote digital delivery platform has been successfully implemented to continue the business growth and to reflect the changed business environment.
- Partners identified and planning for trials in the \$2 Billion AUS Home Care market now underway with leading Australian Home Care providers to support the increasing demand for home care service and packages.
- Received the second quarterly milestone payment of \$1.25M from the Federal Government in June 2020, in advance of meeting the second 25,000 licenses target. This payment has not been recognized as grant revenue in the period, but has been deferred to FY2021 when the conditions under the grant have been met, in accordance with AASB 120 Accounting for Government Grants.
- Department of Health has extended the terms for the future milestones by an additional six months due to the impact of COVID-19.
- PainChek maintains a strong consolidated cash balance at 30 June 2020 of \$6.1 million.

PainChek CEO Philip Daffas commented on the quarter:

“These results demonstrate our ability to continue significant growth of the business during these difficult times. The PainChek digital technology has provided the platform to continue sales and implementation within Aged Care and, most importantly, provide a safe clinical tool for carers and their residents. The proven PainChek technology and remote digital capability provides the basis for rapid global market expansion with a lower delivery cost.”

PainChek® Ltd (ASX: PCK) (“PainChek®” or “the Company”), developer of the world’s first smart phone-based pain assessment and monitoring application, is pleased to report on another period of outstanding growth during the quarter ended 30 June 2020.

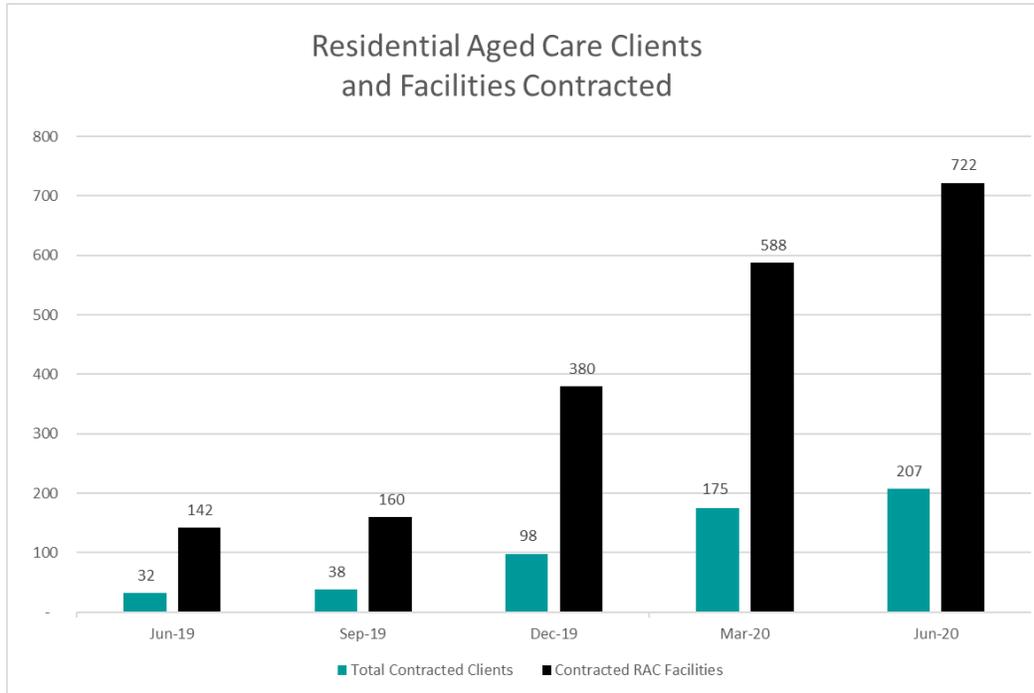


Table 1 above reflects PainChek’s total contracted clients and RACs globally. The numbers have grown significantly over the year ended 30 June 2020 to 207 Aged Care clients and 722 aged care facilities. Total clients have grown 18% during the June quarter and 547% over FY2020. Similarly, total RACs contracted have increased 23% during the June quarter and 409% over FY2020.

In the past 12 months PainChek has contracted an additional 175 Aged Care clients and 580 Aged Care facilities, mostly within Australia where the Company now has approximately 25% of the aged care facility market under 2-3 year agreements. To date, the Company has supplied and implemented PainChek® into more than 110 of these contracted clients and is scheduled to implement the remaining contracted clients through PainChek’s remote digital delivery capability over the coming months.

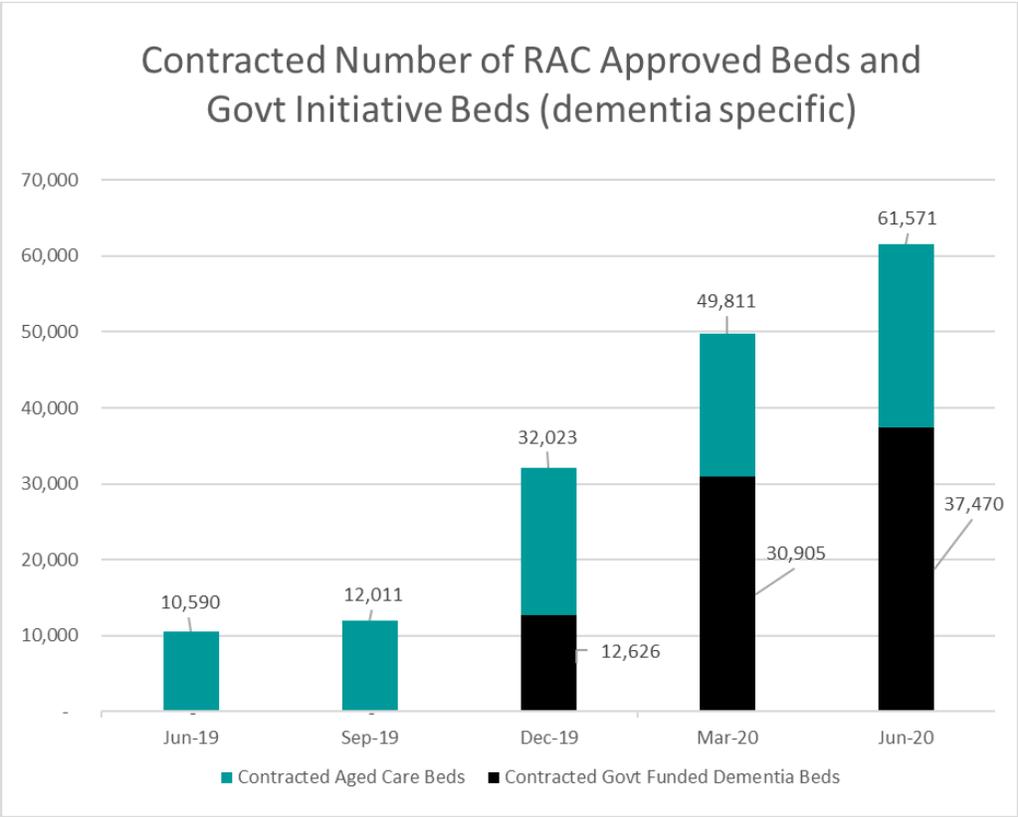


Table 2 above reflects the total approved beds contracted in all markets, including the dementia specific beds signed and funded under the Government initiative.

- Total approved beds contracted have increased from 49,811 at 31 March 2020 to 61,571 at 30 June 2020 (24% increase for the quarter, 481% increase for the year).
- 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 to date indicates that this subgroup is on average 62% of the total approved beds. On this basis, PainChek has achieved a total of 37,470 dementia specific beds as at 30 June 2020, representing a 21% increase for the quarter.

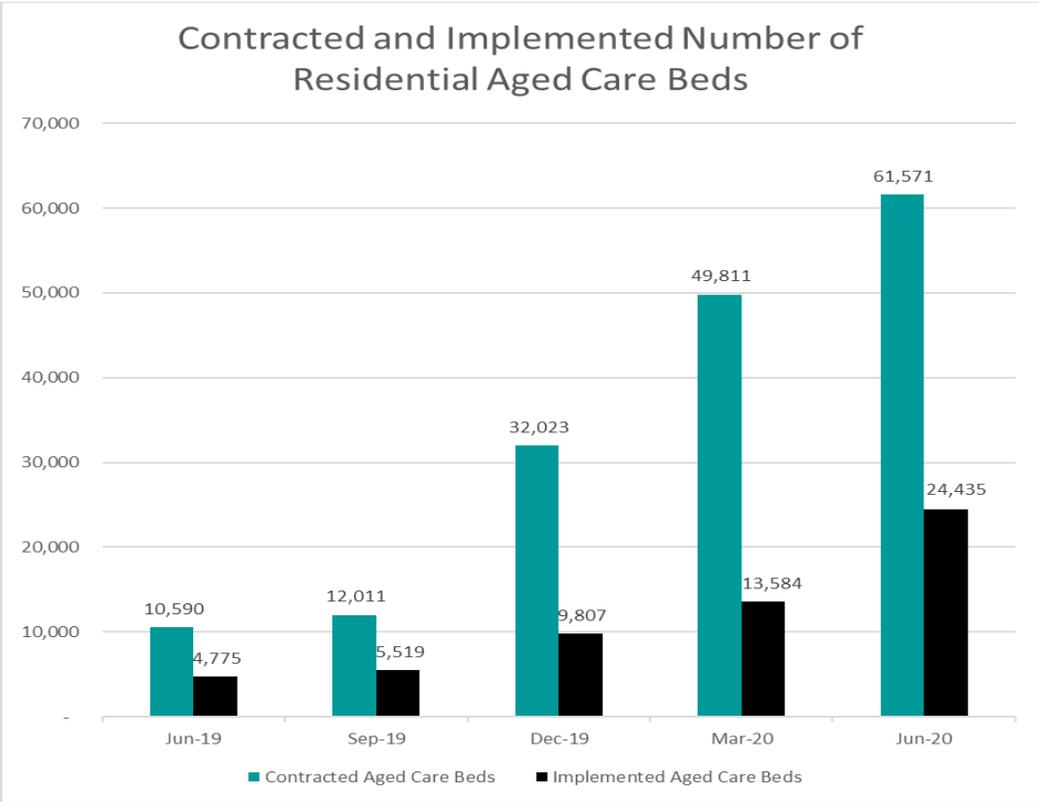
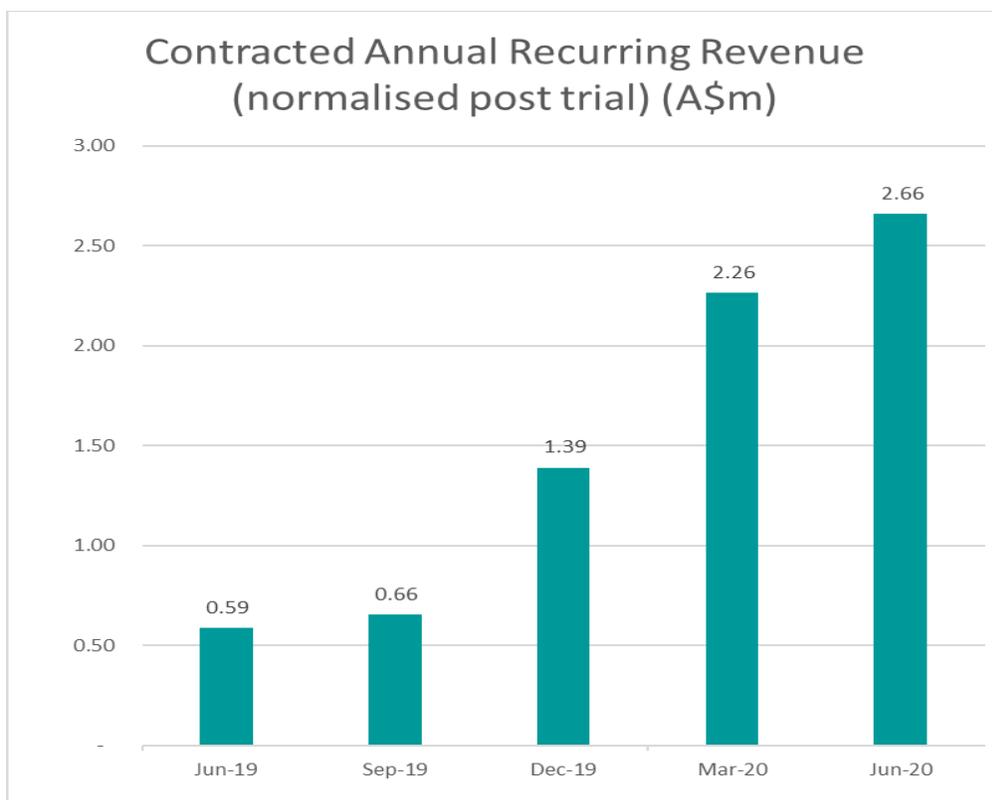


Table 3 above reflects total contracted and implemented beds at each quarter end across all markets. There is a lag in implementing the total approved beds for the following reasons:

- There is always a time differential between signing up the client and scheduling implementing of PainChek across multiple aged care facilities, which increases when there has been a large number of sign ups in a short period.
- Large clients can take a number of months to implement, particularly when their facilities are over a geographically disperse area.
- The continuing impacts of COVID-19 in terms of staff availability to attend face to face training and implement change in clinical practices.

To improve implementation rates the Company has significantly improved the quality and quantity of the on-line training and successfully transitioned to provide this service to clients through the remote digital delivery platform (see digital platform section below). This is reflected in an 80% increase in implemented beds in the June quarter during a very difficult period for aged care due to COVID.



* Contracted ARR figures for the quarters to 30 September 2019 was 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 is 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 grant period.

Table 4 above demonstrates the increase in contracted Annualized Recurring Revenue (ARR) for the quarter and the year, in line with the increase in PainChek® licenses.

- ARR offers insight to the Company’s future 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.
- For the 61,571 approved beds contracted as at 30 June 2020, the contracted Annualized Recurring Revenue on a normalized basis in year 2 of the contract is \$2.66M (an 18% increase for the quarter and a 451% increase for the year).
- All PainChek clients acquired prior to the government trial, with the exception of a small number have opted into the grant prior to 30 June 2020. Normal commercial pricing will apply in subsequent terms on contract renewal.

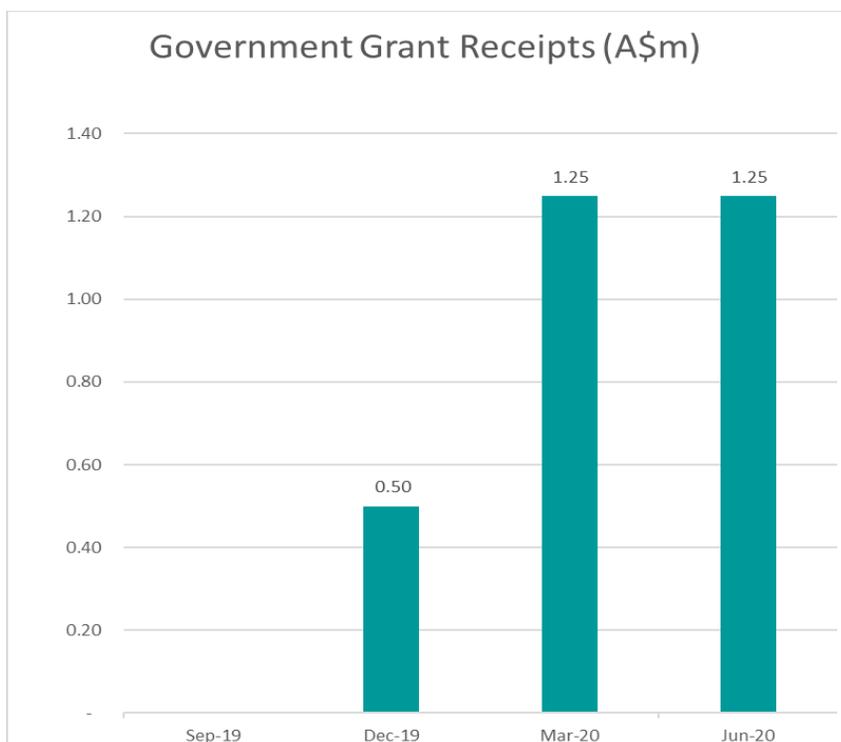


Table 5 above summarizes the receipts to date under the Government funded trial.

- 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 and the matching of expenditure to revenue.
- 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 year ended 30 June 2020.
- The \$1.25 million receipt in June 2020 was received in advance of the second license milestone being met. The full amount has been deferred for revenue recognition to FY2021, when the conditions of the second milestone have been fully met and the necessary expenditure incurred.

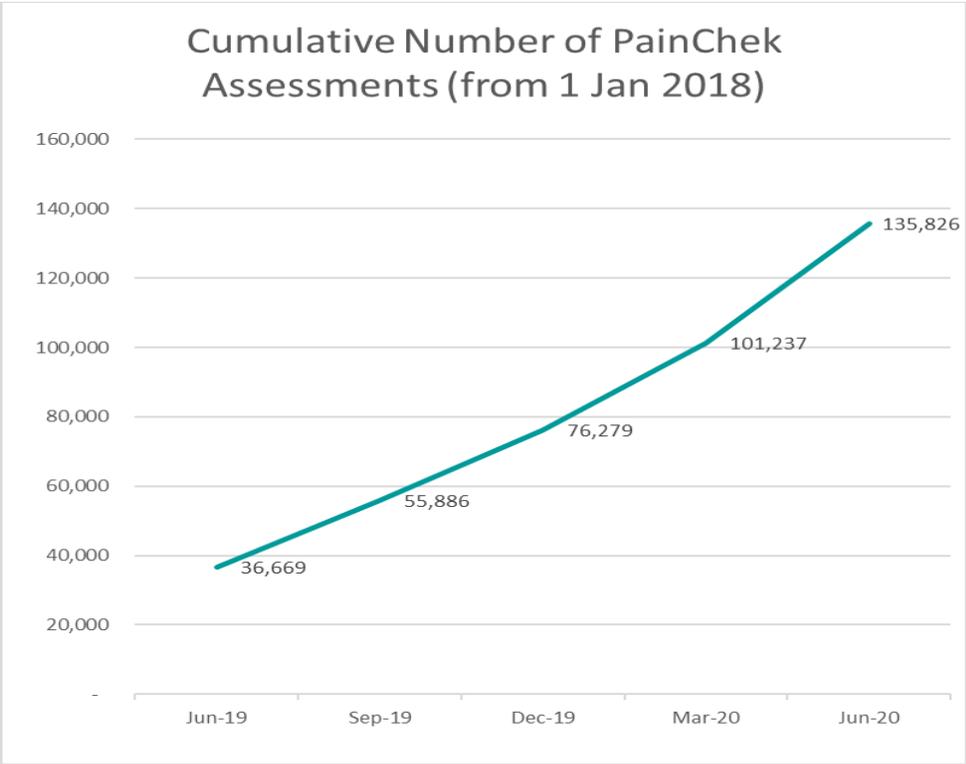


Table 6 above reflects the cumulative number of PainChek® assessments up to 30 June 2020. There have now been more than 135,000 clinical pain assessments conducted by clients, demonstrating the App’s strong clinical utility and uptake in the residential aged care market.

These pain assessments are a lagging indicator of the actual clinical utility, describing past usage of PainChek within fully implemented RAC’s. These cumulative numbers are impacted by the number of RAC’s that have been implemented to date, the mix of residents within an aged care facility and the individual RAC clinical protocols for pain assessment, amongst other factors. The Company stores every pain assessment conducted on its portal and the data indicates that a fully trained aged care center with three months or more experience with PainChek can conduct up to 10 pain assessments on a resident living with dementia in a one-month period. This makes PainChek® a very cost-effective tool given the clinical utility it provides.

Australian Government Funded sales activity this quarter

In the quarter ended 30 June 2020, the Company signed 33 new clients to the government trial and a number of existing clients signed for an additional 14 RAC’s and 1,158 approved beds under the trial. The new clients comprise a total of 119 RACs and 9,602 beds. The agreements are for a two to three-year period, and combine the government funded dementia bed program for the first year and the PainChek standard approved bed terms for the additional years.

Significant clients acquired during the quarter, as well as the number of approved places, includes:

- RSL Lifecare 2,589
- Baptistcare NSW & ACT 1,824
- Warrigal Pty Ltd 924

- Hall & Prior WA 800
- Hall & Prior NSW 665
- Hardi Aged Care 601
- Nazareth Care 572

The company also received a first order from the listed aged care provider Estia Health for their South Australian aged care centers as a pre-cursor for a potential broader national roll out across the Estia group later this year.

As of 30 June 2020, the Company has delivered and fully implemented PainChek® into 107 of the clients signed to the government trial, covering 278 facilities and have scheduled to implement the remaining clients and facilities over the coming months.

Federal Government /Department of Health grant changes

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 the Australian residential aged care market. 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.

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

- The second \$1.25M milestone payment was made in June 2020. PainChek will have an extension of time to activate the full additional 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 next milestones and related dates for which payments will be made under the contract terms to PainChek:

Milestone	Payment Amount (excl. GST)
Provision of 75,000 cumulative licenses during FY2021 (Milestone 3 now March 2021 or sooner as achieved)	\$950,000
Provision of 100,000 cumulative licenses during FY2021 (Milestone 4 now May 2021 or sooner as achieved)	\$950,000
Provision of evaluation report during FY2021	\$100,000
Total funding	\$5,000,000

PainChek remote digital delivery capability allows for full business continuity during COVID-19

The pandemic has significantly impacted the normal routines of hospitals. 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.

PainChek has successfully pivoted to using its remote digital capability to continue to deliver PainChek to clients around the world. The digital capability allows the Company to sell, install, train and provide technical support to the PainChek App to all RAC facilities, even during lock down. This is a key capability which can be leveraged on a global basis as the Company extends further into International markets.

This digital capability also leverages the PainChek e-learning platforms which provides education to the clients and allows them to continue with their work without face to face interaction. The outcomes are that as of 30 June 2020;

- **192 Providers** managing **612 facilities** have been given access to PainChek and training
- **1,338 staff** have been trained
- **144 on-line workshops** which have trained **932 staff**
- **406 staff** have completed the PainChek e-learning platform
- Based on the PainChek train-the-trainer approach, a **total of 3,875 staff** are now registered to use PainChek®.

*“With the advent of COVID-19, IRT Group rapidly changed its rollout approach to PainChek, adopting a remote training approach and running in excess of **72 video conferencing sessions** across its **21 residential aged care centres**. The PainChek app has allowed IRT to provide employees with an innovative pain assessment and management tool that enables them to **practice safe distancing whilst assessing and managing resident pain.**”*

- **Alex Reed, Strategic Projects Manager, Aged Care Centres at Illawarra Retirement Trust (IRT)**

PainChek and its benefits during COVID-19

During the past quarter, the Company has continued to work with the Aged Care community and the Department of Health in re-iterating how PainChek can help protect the vulnerable residents and carers in aged care during these times:

- 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.

“PainChek has transformed the way we monitor and treat pain with those residents living with dementia. Under the restrictions required for COVID-19, PainChek® has been even more beneficial. As a non-contact digital healthcare solution supportive of our social distancing requirements, we have continued to use PainChek® to safely assess our residents living with dementia and cognitive impairment.”

- **Jim Murray, Facility Manager, Allambie Heights Village**

Australian Home Care Market Expansion

During the past quarter PainChek has developed a market entry strategy for the Australian home care market including segmentation, opportunity sizing, positioning and preliminary pricing. PainChek is currently engaged with two leading HCP Providers – Healthcare Australia (HCA) and NovaCare – and plans to conduct pilots in the current quarter with outcomes scheduled for September 2020. The intention is to collect important consumer clinical data as well as employee experience in using the app as part of a broader market launch into the home care market in Australia and overseas.

It is known that of the approximate 500,000 Australians living with dementia, 70% of them are in the community. There are various federal and state funding streams that support older Australians and their ability to live longer at home, primarily the Home Care Package (HCP) scheme which was deregulated in 2017 – allowing consumers to control their funds and select providers. There are currently 129,000 people with an approved HCP. The annual government per recipient HCP funding ranges from \$8,800 (level 1) up to \$51,100 (level 4) depending on the level of support required. Consumers living with dementia are typically in the level 3 or level 4 bracket and there is an additional dementia supplement payment for those consumers.

Home care packages account for more than \$2 billion of federal funding per annum, with FY2019's mid-year fiscal review releasing a further half a billion dollars' worth of packages to meet need. Since deregulation there has been exponential growth in HCP providers, with the number of operators sitting at 925, almost double what it was in 2016.

With an increased demand for value-based services in a competitive market, PainChek is well placed to support innovative quality improvement for home care providers by effective and consistent measurement of pain.

FDA regulatory clearance progress

PainChek continues positive progress towards FDA *de novo* regulatory clearance for the adult dementia app in the US market. The Company submitted a Supplement to its initial Pre-submission Application to the FDA seeking its feedback on the planned human factors validation testing and clinical trials. PainChek is awaiting FDA confirmation during this quarter that these studies will provide FDA with all the necessary data to support a successful PainChek® Adult *de novo* US clearance application. Commencement of all clinical trials in the USA has been delayed because of COVID-19 and the Company remain in close contact and are ready to progress as the situation improves.

In the meantime, PainChek already has TGA and CE mark clearance that covers around 40 percent of the market, and with FDA clearance the Company will effectively have access to more than 70 percent of the global medical device market.

PainChek infant's App development and research plans

The research agreement with Melbourne's Murdoch Children's Research Institute (MCRI) is in place to conduct a clinical trial of a PainChek® Infant App with 100 infants. Considerable preparatory work has been done to set up for this including ethics approvals, trial protocols and the development of the trial Infant App. Considering recent developments with the COVID-19 crisis in Melbourne, the trial remains on hold. However as soon as restrictions on non-COVID related research are lifted the study will resume. In the interim, PainChek is being proactive and continues to pursue other additional methods and partners to evaluate the performance of PainChek® Infant App and achieve TGA and CE mark regulatory clearance during Calendar 2021.

International Expansion

The UK team has established a digital market presence in light of the COVID-19 pandemic. Remote working has continued successfully to generate leads in residential aged care. The pipeline continues to grow with good product feedback. Sales tools including local case studies have proved to be invaluable in the absence of sector conferences and face to face demonstrations.

PainChek UK has successfully created and led a number of sector webinars to raise awareness across residential aged care and the digital onboarding model has also been proven.

The UK market is showing signs of recovery as the government continues to push for economic growth. Market confidence to make spending decisions should follow. The care sector, as a whole, has ridden the Coronavirus storm and emerged ready to serve residents in a 'business as usual' manner. Whilst there is a focus to contain the virus, and prevent a second wave, there is evidence of returning to a new level of normality.

The second half year of the calendar year should see greater engagement and interest in AI-technology and data. The past quarter (lockdown) has highlighted the importance of using care technology to provide better quality of care and has shone a light on the value of data. To aid second half year growth, PainChek UK will implement new opportunities to increase market access through a number of channels such as working with the National Care Forum, Care England and its technology partners that all have an active client list.

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

Philips Healthcare collaboration

During this past quarter the PainChek and Philips research study plan has continued to progress. The focus of the study is around combining PainChek facial pain indicators with other classic patient vital sign measures to pre-actively assess the risk of a delirium for a patient in hospital care.

In addition, communications have now re-opened between the two parties around the fit of PainChek pain assessment technology within the Philips global pain management strategy as a result of the Philips HealthWorks Global Breakthrough sessions in Eindhoven in December 2019.

The collective aim of the parties' is to progress and finalize these collaborations so that they are ready to jointly execute immediately following the easing of COVID-19 related measures.

Summary

PainChek has successfully pivoted to continue to deliver its product and services during this past quarter. PainChek is a digital solution that helps protect residents and their carers during pandemics such as COVID-19. PainChek is the most commonly used digital clinical tool across Australian Residential Aged Care and the Company now plans on expanding into the Home Care sector.

While COVID-19 has impacted the Company's research programmes and international expansion in the short term, management believes it is now well placed to use the proven digital sales and service delivery model to expand internationally in an effective and efficient manner for the long term.

The upcoming quarter goals include continued expansion into aged care, the results of the home care pilots and a clearer path to market in the US through the FDA Adult study plans and for the Children's App clinical study and regulatory work.

Finally, the Company is gaining recognition internationally and will continue to work with partners such as Philips Healthcare to enter new geographical markets and new healthcare segments.

The June 2020 quarterly cash flow report follows. The director fees and CEO salary amount is reflected at paragraph 6.1.

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

Philip Daffas
CEO – PainChek Limited
28th July 2020