

30 January 2018

PainChek Limited (**ASX: PCK**)
ABN 21 146 035 127
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Phone +61 8 9388 8290
info@paincheck.com

Quarterly Update October – December 2017

During the past quarter the company has continued to deliver on our milestones in the key areas of Product, People and Process.

Product Development and Market Introduction:

The PainChek™ iOS App – Enterprise version - was successfully launched at the National Alzheimer's conference in Melbourne during October and we are building strong engagement with the Residential Aged Care (RAC) community in Australia. Two new customers have since purchased licenses for their facilities, and the company now has a strong pipeline of potential RAC clients of varying sizes. The commercial model and business experience being built in Australia now and through 2018 will provide a solid basis for future international market expansion.

In parallel we continue to build additional technologies to support the market expansion:

- We have completed the development of the PainChek Android version which expands our ANZ market opportunity to 80% of the RAC market and 99% of the global consumer smart phone/device market. The Android version is now in beta testing and projected for Enterprise market launch during Q1 2018.
- The first children's App development remains on schedule for Q4 2108. During the past quarter we collected the 0-1 years baby pain images and commenced the model development.
- We have commenced discussions with one of the leading Residential Aged Care third party care management systems for integration of PainChek™ with their platform.

The collaboration with Dementia Support Australia (DSA) has made positive progress over the past quarter in Western Australian and South Australia. The Australia wide roll out will commence in Q1 2018 with the availability of the Android version and planned integration of PainChek™ into their backend system to provide automated documentation and remove any double handling of data.

People and capability build:

The positive response from our RAC target customer base during 2017, led to the recruitment of a Head of Business Development for the Australia and New Zealand (ANZ) markets. David Allsopp was appointed in December 2017 and commenced with PainChek Ltd on January 22nd, 2018.

David adds a new set of skills to the small but highly effective PainChek Ltd team. We now have a good balance of the global healthcare, business strategy, commercial, technology and clinical/regulatory capabilities required to be successful in this market. We plan to add more capability in the areas of clinical and technical to support our commercialisation drive during 2018.

Processes:

FDA: We have engaged with the FDA for US regulatory approval and are awaiting feedback on regulatory classification for the PainChek™ App. We have designed the PainChek™ App taking into consideration the US geriatric pain assessment guidelines and are confident we can obtain FDA approval by the end of 2018.

Company name change: We received shareholder approval to change the company name to PainChek Ltd during the quarter and it was effective on the ASX on January 22nd. The PainChek™ name and logo has been trademarked in international markets and the new branding will drive positive brand awareness and consistency of message as we enter international markets.

Clinical Publications: The clinical team's work in confirming PainChek™ validity and accuracy has now been recognised and published in two highly acclaimed peer review journals. The team also were accepted to present on their PainChek™ study during the scientific sessions at the Alzheimer's conference in Melbourne. These papers and presentations provide the solid basis for medical device acceptance within the healthcare community.

Summary:

We enter 2018 with a solid platform built over the past year. A proven product, peer reviewed clinical publications, regulatory approvals, a balanced team and most importantly strong local customer engagement that has led to early sales.

We are now focusing on building the commercial model in Australia and delivering a high level of customer satisfaction in the process. This will provide the basis for successful international expansion.

On a personal note, I thank our shareholders for the support over the past year and for the help and guidance of the PainChek Ltd board. We truly have a unique product and with it, the

opportunity to improve healthcare delivery for a vulnerable community in a cost-effective manner.

Kind regards



Philip Daffas
CEO & Managing Director
PainChek Ltd

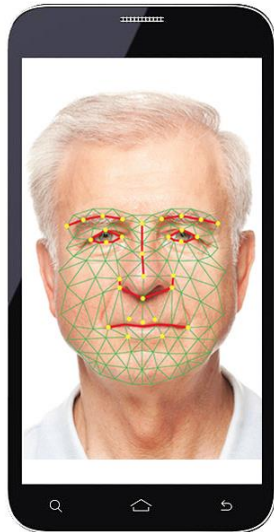
For further information contact:

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Tel: +61 8 9388 8290

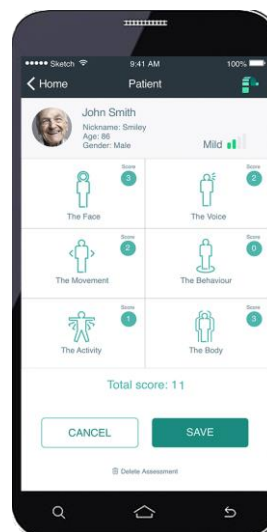
Philip Daffas
Managing Director
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The PainChek™ Technology:

PainChek™ uses cameras in smartphones and tablets to capture a brief video of the person, which is analysed in real time using facial recognition software to detect the presence of facial micro- expressions that are indicative of the presence of pain.



PainChek™ artificial intelligence assesses facial micro-expressions that are indicative of the presence of pain



PainChek™ six domains of pain assessment that calculates pain severity score

This data is then combined with other indicators of pain, such as vocalisations, behaviours and movements captured to calculate a pain severity score. Due to its speed, ease of use and it's reproducibility, PainChek™ will be able to be used to detect and measure a person's pain, and then further measurements can be used to monitor the effectiveness of pain management.

PainChek™ will be rolled out globally in two phases: first, PainChek™ which is designed for adults who are unable to effectively verbalise their pain such as people with dementia, and second, PainChek™ for Children who have not yet learnt to speak.

Appendix 4C

+Rule 4.7B

Quarterly report for entities subject to Listing Rule 4.7B

Introduced 31/03/00 Amended 30/09/01, 24/10/05, 17/12/10, 01/09/16

Name of entity

PAINCHEK LTD

ABN

21146035127

Quarter ended ("current quarter")

31/12/2017

| Consolidated statement of cash flows | Current quarter \$A'000 | Year to date (6 months) \$A'000 |
|---|-------------------------|------------------------------------|
| 1.0 Cash flows from operating activities | | |
| 1.1 Receipts from customers | 15 | 15 |
| 1.2 Payments for | | |
| (a) research and development | -457 | -710 |
| (b) product manufacturing and operating costs | | |
| (c) advertising and marketing | -111 | -143 |
| (d) leased assets | | |
| (e) staff costs | -71 | -97 |
| (f) administration and corporate costs | -84 | -352 |
| 1.3 Dividends received (see note 3) | | |
| 1.4 Interest received | 2 | 15 |
| 1.5 Interest and other costs of finance paid | | |
| 1.6 Income taxes paid | | |
| 1.7 Government grants and tax incentives | | |
| 1.8 Other (provide details if material) | | |
| 1.9 Net cash from / (used in) operating activities | -705 | -1,274 |
| 2.0 Cash flows from investing activities | | |
| 2.1 Payments to acquire: | | |
| (a) property, plant and equipment | -1 | -2 |
| (b) businesses (see item 10) | | |
| (c) investments | | |
| (d) intellectual property | -57 | -393 |
| (e) other non-current assets | | |
| 2.2 Proceeds from disposal of: | | |
| (a) property, plant and equipment | | |
| (b) businesses (see item 10) | | |
| (c) investments | | |
| (d) intellectual property | | |
| (e) 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 | -58 | -394 |

| | | | |
|------------|---|------------|--------------|
| 3.0 | Cash flows from financing activities | | |
| 3.1 | Proceeds from issues of shares | 80 | 3,750 |
| 3.2 | Proceeds from issue of convertible notes | | |
| 3.3 | Proceeds from exercise of share options | 140 | 230 |
| 3.4 | Transaction costs related to issues of shares, convertible notes or options | 0 | 0 |
| 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) | | |
| 3.1 | Net cash from / (used in) financing activities | 220 | 3,980 |

| | | | |
|------------|--|--------------|--------------|
| 4.0 | Net increase / (decrease) in cash and cash equivalents for the period | | |
| 4.1 | Cash and cash equivalents at beginning of quarter/year to date | 5,237 | 2,630 |
| 4.2 | Net cash from / (used in) operating activities (item 1.9 above) | -705 | -569 |
| 4.3 | Net cash from / (used in) investing activities (item 2.6 above) | -58 | -337 |
| 4.4 | Net cash from / (used in) financing activities (item 3.10 above) | 220 | 3,513 |
| 4.5 | Effect of movement in exchange rates on cash held | | |
| 4.6 | Cash and cash equivalents at end of quarter | 4,694 | 5,237 |

| 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 | 694 | 5,225 |
| 5.2 | Call deposits | 4,000 | 12 |
| 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) | 4,694 | 5,237 |

6.0 Payments to directors of the entity and their associates**Current quarter
\$A'000**

6.1 Aggregate amount of payments to these parties included in item 1.2

124

6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3

6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

7.0 Payments to related entities of the entity and their associates**Current quarter \$A'000**

7.1 Aggregate amount of payments to these parties included in item 1.2

124

7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3

7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2

8.0 Financing facilities available*Add notes as necessary for an understanding of the position*

8.1 Loan facilities

8.2 Credit standby arrangements

8.3 Other (please specify)

8.4

Include below a description of each facility above, including the lender, interest rate 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 details of those facilities as well.

**Total facility amount at
quarter end****Amount drawn at
quarter end****\$A'000****\$A'000****9.0 Estimated cash outflows for next quarter****\$A'000**

9.1 Research and development

471

9.2 Product manufacturing and operating costs

9.3 Advertising and marketing

61

9.4 Leased assets

9.5 Staff costs

132

9.6 Administration and corporate costs

159

9.7 License acquisition

9.8 Total estimated cash outflows

823

| 10.0 | Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above) | Acquisitions | Disposals |
|-------------|--|---------------------|------------------|
| 10.1 | Name of entity | | |
| 10.2 | Place of incorporation or registration | | |
| 10.3 | Consideration for acquisition or disposal | | |
| 10.4 | Total net assets | | |
| 10.5 | Nature of business | | |

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.

Sign here:



Company secretary

Date: 30 January 2018

Print name:

Ian Hobson

Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
- 2 If this quarterly 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 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.