

24 April 2018

PainChek Limited (**ASX: PCK**)
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Quarterly Update January to March 2018

1. Commercialization Update:

- Residential Aged Care Market:

We signed one new Residential Aged Care (RAC) operator during the quarter in addition to the two existing RAC clients. These are annual contracts paying a standard list price of \$10 per month per resident. This is in addition to the Dementia Support Australia (DSA) agreement.

There have been more than 600 cumulative clinical PainChek assessments on people living with dementia within these existing clients since market launch in Q4 2107. These clients are writing up case study reports demonstrating the excellent clinical utility of PainChek™.

We have a growing pipeline of potential RAC clients including national operators now trialling PainChek™ or moving directly into contract negotiations.

To support the commercialisation drive, we have built an initial core sales and support team and we have developed standard operating procedures for on-boarding and training new clients.

We are starting to track monthly satisfaction levels and effective use of the PainChek™ App with the existing customers through the Net Promoter Score. This is a management tool that can be used to gauge the loyalty of a firm's customer relationships.

We have learnt a lot as a company thorough these ongoing market interactions and have adapted our communications to clients to reflect the key drivers for PainChek take up.

These key drivers include:

1. **Clinical Utility:** The ability to perform an accurate pain assessment in a rapid and simple manner.
2. **Cost benefit:** The ability to perform the testing at the Point of Care and the potential for automated documentation to the backend care management system, eliminating double handling and reducing labour time and effort.

3. **Revenue Assurance:** Accurate and effective documentation of pain supports the accreditation requirements within aged care and assists with accurate classification of residents for Aged Care Funding (ACFI) requirements.

- **Dementia Support Australia progress measures:**

Having successfully completed the first phase roll out for Dementia Support Australia (DSA) in WA and SA, and with the introduction of the Android version App, we are now completing the training and roll out of the PainChek App across the remaining Australian Eastern states and in the process will be training more than 150 DSA clinical consultants. This should be completed during Q2 2018.

The PainChek App has been integrated into the DSA back-end system to automate the documentation process and eliminate any double handling of pain assessments.

2. FDA Adults App version:

On 12th April we received feedback from the FDA regarding our request for clarity of FDA classification as a medical device. They confirmed that review of our application is nearing completion and is moving through supervisory review and we should receive correspondence soon. We still expect to be classified as a class 1 medical device and, should that be the case, we would expect to receive FDA clearance before the end of calendar 2018.

3. Dementia Training Australia (DTA):

DTA competed a PainChek™ training video for incorporation into their dementia carer training programmes across Australia. The video is available on the PainChek website.

Mustafa Atee of PainChek delivered the DTA guest lecture “solving the silence of pain in dementia” to more than 150 Aged Care professionals in Perth in March.

4. Australian Good Design award:

PainChek™ was selected as an Australian Good Design winner for the Digital Design Medical and Scientific Category. This is an annual event and the award ceremony will be held at the Sydney Opera House on 17 May 2018. PainChek™ will now feature in a number of publications and presentations including the 60th Anniversary Good Design Awards Yearbook and on-screen imagery at the Good Design Showcase.

5. Conferences:

During March and April PainChek attended the Australian Pain Society conference where we received significant interest from the hospital and healthcare professional market. We have

been invited to present PainChek to the German Pain Society in Q4 2018. This fits well within our international market expansion timelines.

We attended the Aged Care IT conference in Sydney on 17-18th April where we gave a joint 40-minute presentation with Dementia Support Australia on the PainChek technology and the DSA clinical results to date. This has led to further interest for PainChek within the Australian Aged Care and Home Care Operators market.

We will be attending Australian conferences during June/July period including the HammondCare conference in June where we have an abstract for presentation. Philip Daffas has also been invited to be a key note speaker on PainChek™ at the 2nd Annual Palliative, Aged & Dementia Care Forum, 3 – 5 July 2018 in Melbourne.

6. Peer Reviewed Clinical Publications:

We have two new clinical peer reviewed publications that are in the final stages of editorial review. *The Journal in Pain Research* publication will summarise the clinical utility of the PainChek App and the *Frontiers in Ageing and Neuroscience* publication is a technical note on the overview of the PainChek App development and clinical research results to date. These are projected to be published during Q2 2018 at which time we will have four peer reviewed publications further supporting our commercialisation and regulatory strategies in Australia and overseas.

PainChek™ has been referenced in the long awaited new guidelines 'Pain in Residential Aged Care Facilities: Management Strategies', 2nd Edition by the Australian Pain Society. These guidelines were published in April 2018.

7. Health Metrics Agreement:

We signed an agreement with Healthmetrics in March 2018 to integrate PainChek into the Health Metrics eCase Care Management System (CMS) that is used within Aged Care and Home Care operators. This provides the full automation and documentation needs of the Aged Care market sector. Health Metrics are a market leader in the CMS sector in Australia and have significant overseas market presence. PainChek and eCase integration is projected to be completed during Q2 2018.

8. Internal Capability build:

In January David Allsopp commenced as our Head of Business Development ANZ. David has 10 years' experience in the Australian aged care sector. In early April Dawn Kerr joined the company as Senior Clinical Specialist. Dawn is a Registered Nurse and led the acute pain clinical service at Prince of Wales hospital for more than 5 years.

We are recruiting a technical support person to support the commercial efforts and for post-sale on-boarding and training of new customers. This team is driving the growth of new potential customers and supporting them through the trials and training processes.

We have also engaged with local consultants in the areas of market research and digital marketing to extend our capability in these areas as we move into the broader healthcare professional and consumer market sectors.

9. Children's App development:

Initial children's App development is for the 0-1 years age group. A prototype model is now in place along with the initial training of the facial recognition model. Initial local clinical trial sites are now identified in Sydney and being engaged for clinical study work.

Summary:

The company has made major strides in the commercialization area in Australia during the past three months and is being seen by all customer groups as an evolutionary development of the current pain assessment tools. The PainChek™ value proposition continues to extend among across the range of healthcare market sectors we are working in.

We are receiving overseas interest including UK, Germany and US and which will support our international market strategy.

In parallel, the development of the next phase Apps remains on track with the adult's consumer version scheduled for Q2 2018 and children's App by the end of Q4 2018.

Kind regards



Philip Daffas
CEO & Managing Director
PainChek Ltd

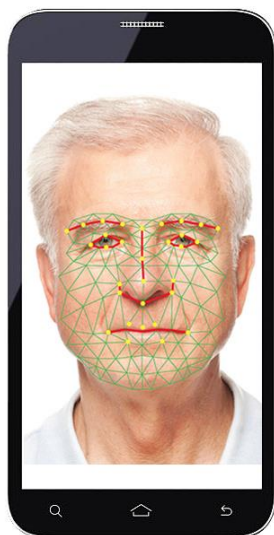
For further information contact:

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Tel: +61 8 9388 8290

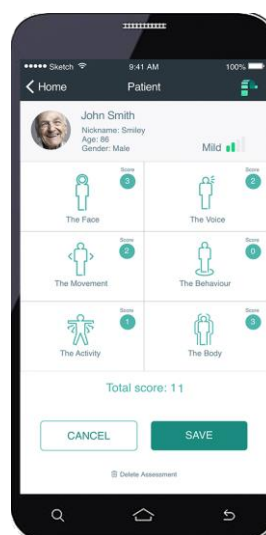
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Managing Director
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The PainChek™ Technology:

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")

31/03/2018

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
1.0 Cash flows from operating activities		
1.1 Receipts from customers	0	15
1.2 Payments for		
(a) research and development	-295	-1,005
(b) product manufacturing and operating costs		
(c) advertising and marketing	-29	-172
(d) leased assets		
(e) staff costs	-134	-231
(f) administration and corporate costs	-233	-585
1.3 Dividends received (see note 3)		
1.4 Interest received	0	15
1.5 Interest and other costs of finance paid		
1.6 Income taxes paid		
1.7 Government grants and tax incentives	26	26
1.8 Other (provide details if material)		
1.9 Net cash from / (used in) operating activities	-664	-1,937
2.0 Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	-4	-6
(b) businesses (see item 10)		
(c) investments		
(d) intellectual property	0	-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	-4	-398

3.0	Cash flows from financing activities		
3.1	Proceeds from issues of shares	0	3,750
3.2	Proceeds from issue of convertible notes		
3.3	Proceeds from exercise of share options	10	240
3.4	Transaction costs related to issues of shares, convertible notes or options	0	-248
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	10	3,742

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	4,694	2,630
4.2	Net cash from / (used in) operating activities (item 1.9 above)	-664	-1,937
4.3	Net cash from / (used in) investing activities (item 2.6 above)	-4	-398
4.4	Net cash from / (used in) financing activities (item 3.10 above)	10	3,742
4.5	Effect of movement in exchange rates on cash held		
4.6	Cash and cash equivalents at end of quarter	4,036	4,036

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	36	694
5.2	Call deposits	4,000	4,000
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)	4,036	4,694

6.0 Payments to directors of the entity and their associatesCurrent quarter
\$A'000

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

96

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

0

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

520

9.2 Product manufacturing and operating costs

9.3 Advertising and marketing

109

9.4 Leased assets

9.5 Staff costs

200

9.6 Administration and corporate costs

240

9.7 License acquisition

9.8 Total estimated cash outflows

1,069

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:



Date: 24 April 2018

Company secretary

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.