

## 30 June 2022 Quarterly Update and Appendix 4C

### **PainChek continues broad adoption in Australian aged care as new international market opportunities accelerate**

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 June 2022.

#### Highlights

- Global recognised customer revenue grows to \$333,000 for the quarter, a 10% increase over previous quarter and cash receipts from customers exceed \$585,000 which is an 89% increase over previous quarter. Current annual recurring revenue (ARR) now \$1.6M, a 23% increase on previous quarter.
- Continued expansion within the aged care market with 70,000 licences now implemented worldwide (6% growth on previous quarter) and 32,000 licences now on standard PCK commercial terms (21% increase on previous quarter).
- UK acceleration – contracted licenses to 7,500 (69% growth over previous quarter and 160% growth in 6 months) including Welsh government funding, strong pipeline to support further growth.
- ORCHA Health has added PainChek to its highly rated list of trusted health and care applications in the UK.
- Global cumulative pain assessments on PCK database now over 1,300,000, a 31% growth on previous quarter.
- Global integration partnerships now providing access to 475,000 aged care beds across UK, ANZ and Canada as co-marketing and re-seller agreements continue to grow.
- US clinical study for Adult PCK App now refined and ready to commence post FDA meetings – FDA clearance still scheduled for Q4 CY2023.
- Infant App Emergency Room study at Melbourne Children’s Hospital now recommenced.
- WA government funding received for development and commercialisation of a children’s disability App.
- Sales pipeline growth includes new opportunities in hospitals, home care and palliative care markets.
- International opportunities extending into EU, Canada, Japan, and US.
- Successful capital raise will be completed in July 2022 increasing current cash reserves to in excess of \$8.0m.

#### Commentary

Philip Daffas PainChek CEO said: “The results of the past quarter reconfirm the Company’s positive progress on all fronts. The PainChek Adult App is commercially validated in Australia, the UK and New Zealand, including now being used in 1 in every 3 Australian aged care beds. While there is still significant aged care market growth in these countries, the Company is now focusing on international expansion and new market sectors, such as hospitals and home care, over the next 12 months. The market opportunities available now with the PainChek Infant will provide a parallel product and revenue stream to complement the Adult App market expansion strategy.”

## Activity Summary

- Residential aged care (RAC) market penetration continues with over 70,000 licences now implemented in across Australia, New Zealand, United Kingdom, and Ireland with a further 59,000 contracted beds to be implemented globally.
- A total of 32,000 licences under standard PainChek commercial terms increasing actual ARR to \$1.6M – a 23% increase over prior quarter.
- There are 66,000 implemented aged care beds in Australia which have a potential ARR value of \$3.2M. Of these, 28,000 are now under standard PCK commercial terms reflecting actual \$1.4M ARR.
- On the assumption that all existing contracted beds have a 67% conversion rate to commercial terms, this implies an ARR of approximately \$4.3m by Q4 FY23. This excludes new sales in the period.
- In Australia two Primary Health Networks (PHN's) have signed agreements with PainChek. South West Sydney PHN will fund the use of PainChek across 1400 aged care beds in its region, and Murrumbidgee PHN will fund the use of PainChek across 1200 aged care beds in its region. Both agreements are on standard PainChek commercial terms.
- In addition a 1000 + bed provider has executed a 3-year agreement to use PainChek across its 10 aged care homes in NSW, VIC and QLD.
- PainChek's ongoing research and commercial engagements with hospitals and home care partners continue to progress as the foundation for broader launch in these new market sectors.
- RAC Implementation and User Training has continued to be delivered remotely during COVID pandemic. The PainChek clinical team has trained over 8,500 users to assist customers in their transition to digital platforms, with larger customers adopting a "train the trainer" approach, accelerating roll out.
- PainChek utility continues to grow, with more than 1.3 million PainChek clinical assessments conducted in aged care as of 30 June 2022, an increase of 181% over the previous year and 31% over the prior quarter, reflecting strong clinical utility and continued implementation progress.

## UK market update

- In the UK PainChek now has over 7,500 contracted beds, up from 3,500 the previous quarter, with close to 4,000 of these implemented. The pipeline is growing in the aged care sector and new opportunities with hospital and home care sectors similar to the Australian market development.
- PainChek UK now has integration agreements with six care management partners and one medication management partner who can provide a pipeline opportunity of up to 200,000 residential aged care beds.
- These UK integration partnerships include Care Vision CMS and Nourish Care, who provide care management software to more than 60,000 residential aged care beds that could potentially use the PainChek® assessment solution. PainChek subsequently received an order for an initial rollout of 1,000 beds from one of these partners during the last quarter.
- Through the Nourish partnership PainChek has also secured its second disability contract with Encompass. Encompass Care is a specialist charity dedicated to providing person centered care and support to adults with a learning disability or enduring mental illness across Dorset. PainChek has been rolled out across all 16 sites which includes its first mental health site in Elsadene.
- PainChek has been supported by Life Sciences Hub Wales in receiving funding from the Gwent Regional Partnership Board via its Technology Enabled Care Programme. Funding will support a 12-month pilot for up to 1,000 residents in care environments such as residential, nursing, hospital and palliative care homes, across Gwent as the first step in rolling-out PainChek across Wales (see ASX release 26<sup>th</sup> July 2022).

- In addition to Scottish Government Funding, PainChek has seen further expansion across Scotland with Thistle Healthcare and Elder Homes adopting PainChek across 500 residents collectively.
- The global leader in providing access to trusted, compliant digital health products, ORCHA Health, has added PainChek to its highly-rated list of trusted health and care applications. The high rating received from ORCHA provides further evidence that PainChek is a robust, accessible, and compliant digital health tool that can help transform the care of people living with dementia by accurately identifying their pain. It also opens the door to accreditation through the NHS Digital Technology Assessment Criteria (DTAC), providing PainChek customers with further assurance that it follows best practice guidelines.

#### New Zealand

- Summerset Holdings Ltd, New Zealand's 3<sup>rd</sup> largest aged care provider, has commenced roll out of the PainChek<sup>®</sup> pain assessment solution across 24 of its care centers and 1,150 beds. This first rollout of PainChek<sup>®</sup> in New Zealand further validates the international expansion of the PainChek business and demonstrates the potential of the offering worldwide. We have a growing pipeline of sales opportunities and are attending the NZ Aged Care conference in August with meetings scheduled with new clients prior to and post the meeting.

#### USA/FDA

- USA FDA regulatory clearance is in progress for the Adult and Infant Apps. The Company had virtual meetings with the FDA in July 2022 that provided clear guidance for the PainChek Adult clinical study that will commence in Q4 CY22. We remain on schedule to submit the clinical trial results by Q2 CY23 for a deNovo clearance during Q4 CY23. The Company completed the application for the PainChek Infant App to be registered in the US as a Clinical Decision Support device during the past quarter and is now in contact with some potential early adopters and partners in the US healthcare professional sector. The Company will proceed to include the US in its launch programme in second half of CY22.
- A grant from the FDA is supporting Duke University organisations to work toward identifying high-quality clinical assessment outcomes and endpoints to effectively measure acute pain in infants and children<sup>1</sup>. This guideline would be used in future clinical trial designs and enable new pain medications to be developed and approved for infants. This is a significant for PainChek as it further validates the growing need for better pain assessment methods for infants and future requirements for regulatory grade pain assessment data to be included in US market based pharmaceutical clinical trials. We are in contact with Duke University as they conduct their research.
- PainChek attended the BIO 2022 MedTech conference in San Diego during June 2022 as part of a NSW Health funded delegation and met with a number of potential US partners and industry leaders to support the Company's planned market entry into the US and Canadian markets. In parallel PainChek is building additional contacts with commercial partners to ensure rapid market entry once clearance is received.

#### Children's and Infant App

- PainChek remains in contact with the Department of Health following both the FDA and TGA confirm regulatory clearances for the COVID-19 vaccination for infants as young as 6 months of age. Market access for the Infant App in the US in 2022 would be a significant development for the Company and would align

the Infant technology roll out across US, Europe and ANZ as this major infant vaccination program also rolls out.

- The Royal Children’s Hospital in Melbourne has commenced recruitment of 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.
- The Company has also commenced additional infant research studies in Europe to expand clinical indications to include the 1-3 year age range thus expanding the market opportunity.
- The Company continues to build and explore ‘go to market’ partnerships for the Infant App with large pharma, diagnostics and clinical research organisations.

#### PainChek® for Children with Disabilities

- Led by Associate Prof Jenny Downs, Principal Research Fellow, Head Disability Research Program and Co-Head Child Disability Team, Telethon Kids Institute, a team of Western Australia researchers 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 disability aged 5 to 12 years. The project was one of 17 awarded in the McGowan Government’s inaugural Innovation Seed Fund 2022 with more than \$8 million distributed under the program, focused on novel ideas that have the potential to improve the health and wellbeing of Western Australians. 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 the majority of which has been allocated to PainChek for the App development. The project has commenced with ethics approval for the qualitative phase of the project received, and the application for the quantitative phase (which includes the app development) submitted.
- PainChek will hold the exclusive rights to utilise the arising IP to commercialise the new tool, and have global, non-revocable, exclusive and perpetual rights for future pain assessment tool development or refinement.

#### **Corporate**

During the period PainChek announced a capital raising consisting of:

- 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 is due on 4 August 2022.

	<b>30 June 2022</b>	<b>1 July 2022 and 4 August 2022</b>	<b>Total</b>
	\$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

- Q3 FY22 customer revenue (unaudited) \$333,000 up 10% on Q3.
- Year to date revenue from customers (unaudited) \$979,000 – up 356% on the prior year (12 months to June).
- R&D Incentive (Other Revenue) YTD \$1,093,000, the revenue was recognised in December 2021 and receipt of cash was in May 2022.
- Government Grant (Other Revenue) YTD is \$750,000 (unaudited). The remaining \$102,000 will be recognised in H1 FY23 on delivery of the final costs associated with the grant terms.

## Cashflow

- Successful capital raise will be completed in July 2022 increasing current cash reserves to in excess of \$8.0m.
- PainChek’s consolidated cash balance on 30 June 2022 was \$6,141,000, before the receipt of the remaining \$2,830,000, before costs, in the capital raise, described above.
- Proceeds from issue of equity are \$1,763,000 less costs of \$200,000, making a net \$1,565,000 received.
- Research and development payments were \$261,000 (Q3: \$324,000)
- Advertising and Marketing payments increased to \$179,000 (Q3: \$160,000)
- Staff Costs payments increased to \$1,061,000 (Q3: \$962,000)
- Administration and Corporate costs decreased to \$389,000 (Q3: \$568,000). In Q2 the company paid a one-off payment of \$1,321,059 for a payroll tax assessment relating to 2017, there are no further payments due under that assessment. The company will not proceed with an objection due to the high cost of pursuing an action at court.
- In accordance with ASX Listing Rule 4.7C.3, the amount of \$118,000 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 \$117,500: \$55,000 to non-executive and \$62,500 to executive directors.

<sup>1</sup> <https://dcricri.org/coa-aptic/>

This announcement has been approved for release by the Board.

For more information:

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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 date PainChek has been contracted for approximately 126,000 beds across 1,500 facilities globally and has now reached a cumulative 1,300,000 pain assessment performed. It has 60% market share in Australia while continuing to accelerate its presence in international markets.

To find out more, visit [www.painchek.com](http://www.painchek.com)

## Appendix 4C

### Quarterly cash flow report for entities subject to Listing Rule 4.7B

Name of entity

PAINCHEK LTD

ABN

21146035127

Quarter ended ("current quarter")

30/06/2022

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
<b>1.0 Cash flows from operating activities</b>		
1.1 Receipts from customers	585	1,178
1.2 Payments for		
(a) research and development	(261)	(1,238)
(b) product manufacturing and operating costs		
(c) advertising and marketing	(179)	(665)
(d) leased assets		
(e) staff costs	(1,061)	(4,090)
(f) administration and corporate costs (see also Note 1)	(389)	(3,275)
1.3 Dividends received (see note 3)		
1.4 Interest received	0	5
1.5 Interest and other costs of finance paid		
1.6 Income taxes paid		
1.7 Government grants and tax incentives	1,093	1,172
1.8 Other (GST)	46	(47)
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(166)</b>	<b>(6,960)</b>

<b>2.0 Cash flows from investing activities</b>		
2.1 Payments to acquire:		
(a) entities		
(b) businesses		
(c) property, plant and equipment	(3)	(48)
(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		
(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)		
<b>2.6</b>	<b>Net cash from / (used in) investing activities</b>	<b>(3)</b>	<b>(48)</b>

<b>3.0 Cash flows from financing activities</b>			
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	1,565	
3.2	Proceeds from issue of convertible debt securities		
3.3	Proceeds from exercise of options	0	180
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)		
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	<b>1,565</b>	<b>180</b>

<b>4.0 Net increase / (decrease) in cash and cash equivalents for the period</b>			
4.1	Cash and cash equivalents at beginning of period	4,737	11,420
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(166)	(6,960)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(3)	(48)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	1,565	180
4.5	Effect of movement in exchange rates on cash held	9	(16)
<b>4.6</b>	<b>Cash and cash equivalents at end of period</b>	<b>6,141</b>	<b>4,576</b>

<b>5.0 Reconciliation of cash and cash equivalents</b>		<b>Current quarter</b>	<b>Previous quarter</b>
at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts		<b>\$A'000</b>	<b>\$A'000</b>
5.1	Bank balances	6,141	2,755
5.2	Call deposits	0	3,711
5.3	Bank overdrafts		
5.4	Other (provide details)		
<b>5.5</b>	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>6,141</b>	<b>6,466</b>

<b>6.0</b>	<b>Payments to related entities of the entity and their associates</b>	<b>Current quarter</b>	
		<b>\$A'000</b>	
6.1	Aggregate amount of payments to related parties and their associates included in item 1		118
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**  
*Note: the term "facility" includes all forms of financing arrangements available to the entity. Add notes as necessary for an understanding of the position*

- 7.1 Loan facilities
- 7.2 Credit standby arrangements
- 7.3 Other (please specify)
- 7.4 **Total financing facilities**

Total facility amount at quarter end	Amount drawn at quarter end
\$A'000	\$A'000

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

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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.

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<b>8.0</b>	<b>Estimated cash available for future operating activities</b>	<b>\$A'000</b>
8.1	Net cash from / (used in) operating activities (item 1.9)	(166)
8.2	Cash and cash equivalents at quarter end (item 4.6)	6,141
8.3	Unused finance facilities available at quarter end (item 7.5)	0
8.4	Total available funding (Item 8.2 + Item 8.3)	6,141
8.5	<b>Estimated quarters of funding available (Item 8.4 divided by Item 8.1)</b>	<b>37</b>
	<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>	
8.6	If Item 8.5 is less than 2 quarters, please provide answers to the following questions:	
	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?	
	Answer: Yes	
	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?	
	Answer: The company is in the process of a capital raise by way of Placement and fully underwritten Entitlement Offer. The placement was completed on 1 July 2022 raising \$3.0m before costs and the underwritten Entitlement Offer will be completed on 4 August 2022 raising a further \$1.59m. Included above are cash receipts of \$1,565,000 after costs and there are further funds to be received of \$2,830,000, before costs, by 4 August 2022.	
	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?	
	Answer: Yes. The company has sufficient funds to meet the operating activities during FY23.	
	<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>	

**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: 29/07/2022  
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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.  
  
Included in administration and corporate costs in Q2 is a \$1,321,059 payment for a payroll tax assessment relating to 2017, there are no further payments due under that assessment.
- 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.