Company Announcement
25 May 2023

AUDITED FINANCIAL RESULTS FOR THE YEAR TO 31 MARCH 2023

PACIFIC EDGE DELIVERS ON GROWTH STRATEGY IN FY 2023

FINANCIAL AND PERFORMANCE HIGHLIGHTS:

- Annual operating revenue increases 71% to $19.6 million; total revenue increases 88% to $26.1 million lifted by a 39% rise in commercial test volumes and favorable currency movements.
- Total laboratory throughput (TLT) of Cxbladder tests increases 37% to 31,565 tests, commercial tests increase 39% to 26,691 tests; US ordering clinicians grow 46% to 1,150 at the end of Q4 23
- Net loss after tax increases to $27.0 million from $19.8 million, reflecting a 58% increase in operating expenses to $53.1 million as the company invested to drive growth.
- Pacific Edge is well funded; cash and cash equivalents and short-term deposits at $77.8 million from $93.5 million at the end of September 2022 and $105.4 million at the end of March 2022

STRATEGIC HIGHLIGHTS:

- Diversified commercial roles, creating specialized sales roles and increasing headcount across commercial teams; updated sales process to meet the needs of different customer types; scaling largely complete for announced strategic initiatives
- Established medical education program; scientific and medical communications to support sales and marketing efforts; reconfigured the clinical evidence generation program within the analytical validity (AV), clinical validity (CV) and clinical utility (CU) framework to focus on retaining coverage and inclusion in guidelines
- New product enhanced with DNA biomarkers, Cxbladder Detect^{+}, developed as a single product for hematuria evaluation
- FY 24 focus on execution – growth catalysts include clarity on Medicare coverage, the 'go-live' of the Kaiser Permanente Electronic Medical Records (EMR) integration and the maturation of the new sales force

DUNEDIN, New Zealand – Cancer diagnostics company Pacific Edge (NZX, ASX: PEB) today announces financial and operational results for the year to 31 March 2023 and reports a year of delivery on its strategic goals.

Through FY 23 Pacific Edge has advanced initiatives to drive the adoption and more frequent use by clinicians of Cxbladder, the company's suite of advanced genomic tests, and generate clinical evidence to support Cxbladder coverage and the inclusion of the tests in global standards of care.

Operating revenue, the income generated from Cxbladder test sales, increased 71% to $19.6 million from $11.4 million in the prior financial year. Revenue growth followed a 39% increase in commercial tests to 26,691 from 19,196 tests in the prior year, with US commercial test numbers growing 46% to 23,072 from 15,752 for FY 22. Favorable exchange rate movements also positively impacted FY 23 operating revenue. Without this favorable movement, operating revenue increased 55% on FY 22.

As reported in Pacific Edge's Q4 shareholder update in April, total test volumes for FY 23 rose to 31,565, a 37% increase on the 23,086 tests processed in FY 22. Total revenue, which includes government grants and other income, increased 88% to $26.1 million from $13.9 million in the prior financial year assisted by higher interest income, up $2.2 million to $2.8 million and foreign exchange gains, up $2.1 million to $2.3 million.

The net loss after tax increased to $27.0 million, from $19.7 million in the prior year. This result followed a 58% increase in net operating expenses to $53.1 million from $33.7 million in the prior year as the company invested in

growth, particularly in the US market. While exchange rate movements have increased reported revenue from the US, expenses in the US were also increased due to these movements. Removing the impact of the exchange rate movements, underlying operating expenses increased 47%.

These increased expenses reflected the expansion of the company's global team including direct sales, marketing and sales support teams and the introduction of new Medical Affairs and Market access capabilities to the business. Investment in people accounted for 52% of operating expense growth. The company has now largely completed scaling for its next phase of growth.

Pacific Edge retains a strong balance sheet with cash, cash equivalents and short-term deposits at 31 March 2023 of $77.8 million, compared to $93.5 million at the end of September 2022 and $105.4 million at the end of March 2022.

Chairman Chris Gallaher said: "Pacific Edge has successfully executed on the strategic priorities we outlined to investors a year ago to drive the adoption of Cxbladder and to work towards the entrenchment of our tests as a global standard of care for bladder cancer.

"Our efforts have been rewarded with a strong increase in commercial test volumes in the US, our most important market; increased Cxbladder adoption by US clinicians and a significant improvement in operating revenues. Following the introduction of new capabilities and the building of the team to the point that we are able to deliver on the next phase of growth, Pacific Edge is well positioned to accelerate this momentum in the current financial year.

"Our successes have been tempered by the ongoing lack of clarity over Cxbladder's continued coverage by Medicare. While unlikely, an unfavorable final version of the LCD has the potential to significantly reduce revenue from patients with Medicare and Medicare Advantage insurance plans. Still, with cash reserves of $77.8 million we are well positioned to execute on the significant opportunities we see, whatever the Medicare outcome," Mr Gallaher said.

Chief Executive Dr Peter Meintjes said the 2023 financial year had been one of enormous change and achievement for the company.

"I am immensely proud of what we have achieved over my first full financial year leading Pacific Edge. The team has embraced change and the new approaches we are taking to drive the commercial success of the company in the US, our most significant market, and around the world.

"We have scaled the global team to execute on the immediate opportunities with new hires in direct sales, marketing, and sales support. We have brought in new capabilities, including the recruitment of a Medical Affairs team, which is tasked with engaging the urological opinion leaders that exert significant influence over the adoption of Cxbladder tests by healthcare providers and payors. The team is also at the heart of our strategy to embed Cxbladder in global standards of care, notably playing a key role in the design and execution of the clinical evidence program that is foundational to that goal.

"We have enhanced our Market Access capability to drive coverage and reimbursement by national healthcare providers and build resilience into our business in the face of complex healthcare regulatory and funding systems in all the markets where we operate. We have also stepped up our business development capabilities in APAC and introduced a variety of roles in digital technologies and innovation to support the company's strategic growth plans.

"We have gained coding and coverage for Cxbladder Triage. We have developed Cxbladder Detect+, a new test enhanced with DNA biomarkers that we are now advancing as a single product for hematuria evaluation. Cxbladder Detect+ delivers performance superior to our existing Triage and Detect tests and is well positioned to change the standard of care.

"Pacific Edge is geared for growth. While the draft LCD from Novitas[1] has created some uncertainty, Cxbladder remains a covered test by Medicare, and we have observed little impact on demand for Cxbladder from customers.

"Supported, however, by the advice and feedback we have received from our legal advisors, industry, academics and clinicians and following numerous representations to Novitas, we remain optimistic that Cxbladder will retain coverage," Dr Meintjes said.

"We are looking forward to the deadline on July 28 when Novitas must either finalize or withdraw the proposed Local Coverage Determination (DL 39365) and the associated Local Coverage Article (DA 59125) that cast Cxbladder's continued Medicare coverage into doubt."

ADOPTION RETENTION AND REVENUE GENERATION

Our US business is making steady progress. US Total Lab Throughput (TLT) for the year was up 44% to 27,217 from 18,864 tests in FY 22. Commercial tests increased 46% to 23,072 from 15,752 in the prior year.

We are already seeing the benefits of expanding the direct sales force and creating differentiated commercial roles to meet the needs of different customer types. We now have dedicated teams for national accounts, regional sales, virtual sales and market access.

The Medical Affairs team has changed the narrative on biomarker utility in bladder cancer detection and patient surveillance, driving increased engagement with key opinion leaders, department heads and the chairs at leading institutions, or owners and partners at private practices.

The team is also driving clinical behavior change. This is most evident at Kaiser Permanente, our largest US customer with an estimated 12.5 million members covered by its health plan. Pacific Edge is a valued innovation partner for Kaiser Permanente, underpinned by our shared desire to reduce unnecessary cystoscopies during hematuria evaluation and surveillance.

Adoption within Kaiser is growing steadily. Two of its clinics were in the top 20 Pacific Edge accounts by volume in the last quarter. A catalyst of further acceleration in growth will be the 'go-live' of Cxbladder's integration with Kaiser's EMR system. We have completed the software development and integration testing on the project and are now focussed on completing the required administrative and review processes.

Our New Zealand business has delivered a steady performance. Our tests are available to more than 75% of New Zealand's population, but there remains an opportunity to drive the utility to primary care, to increase adoption for hematuria evaluation among surveillance users and increase adoption for surveillance among hematuria evaluation users.

[1] Novitas is the Medicare Administrative Contractor with jurisdiction for our US laboratory,

Over the last year we added contracts with *Te Whatu Ora* Health New Zealand Southern District and expanded coverage in Tairawhiti on the East Coast of New Zealand. The most significant catalyst in the New Zealand market is an opportunity to expand access through a national contract with *Te Whatu Ora*.

The rest of the APAC market is in the early stages of development. We recently appointed a President APAC charged with building on the company's presence in Australasia in the broader APAC region. APAC TLT for the year rose 3% to 4,348 from 4,222 tests in FY 22. Commercial tests increased 5% to 3,619 from 3,444 in the prior year.

Our strategic focus across both regions for the year ahead remains the same, although we are embarking on a new range of digitalization and performance excellence initiatives to improve the effectiveness and efficiency of our operations.

EVIDENCE COVERAGE AND GUIDELINES

We reviewed and reconfigured our evidence generation program. Our aim is to ensure it achieves our goals of assisting the clinical adoption of Cxbladder and the inclusion of the tests in global standards of care. Clinical evidence is also at the heart of our goals to foster trusted relationships with key urologic opinion leaders and enhance the scientific credibility of the Cxbladder brand.

Our focus is on generating data to demonstrate the analytical and clinical validity and ultimately the clinical utility[2] of Cxbladder, including the new product Cxbladder Detect+. We have six key studies underway directed towards these goals and have accelerated enrolment and site monitoring to drive the studies more rapidly towards completion.

In the closing months of the financial year, we were pleased to gain Medicare coverage for Cxbladder Triage. This followed the test's inclusion in the Local Coverage Article (LCA 58917) that Pacific Edge currently relies upon for Medicare coverage of all our tests in the US.

As signalled in April, we expect the development to lead to modest increases in rates of payment from Medicare and Medicare Advantage payors for Triage. We also see coding and listing in LCA 58917 as a faster tangible path for Cxbladder Detect+ to gain coverage, should the current approach to reimbursement of our tests in the US continue.

Finally, we are now working to supplement our evidence generation program with investigator-initiated trials and the establishment of a Cxbladder registry, where clinicians can record a wide range of patient data, including follow up and outcomes. The registry, as it grows, becomes a multi-site, real-world evidence clinical trial. While clinical utility trials are the gold standard for guidelines inclusion, and we expect many private payors to cover Cxbladder after inclusion in guidelines, real-world evidence is frequently required by many private payors to drive medical policy and subsequent contracting.

RESEARCH AND INNOVATION

The key success of our innovation team in FY 23 was the publication of evidence supporting the analytical validity of Cxbladder Detect+ in the prestigious Journal of Urology, which demonstrated significant improvements in test performance. A key focus in the coming year will be to investigate the potential for a Monitor+ product for surveillance based on similar DNA SNPs. Our R&D team continue to evaluate product concepts to address unmet

[2] For definitions of analytical and clinical validity and clinical utility please refer to page 45 of the investor presentation released to the NZX and ASX today.

clinical needs in urology diagnostics, for example, our MONSTER study is aimed at identifying additional markers of residual disease in surveillance patients.

OUTLOOK

Pacific Edge is building on the steady growth we have achieved in FY 23. We continue to invest prudently to improve the effectiveness and efficiency of the team we now have in place, Dr Meintjes said. "The lack of clarity over continued Medicare coverage continues to represent a headwind for the company, but we remain confident and optimistic about our outlook. We have world-leading technology, a strong balance sheet and we are building momentum in the US and establishing footholds in new markets.

"We also see the potential for several catalysts to drive our success in the coming year, including a positive Medicare determination, the 'go live' of the Kaiser EMR integration, the growing maturity of our sales force and, locally, a national contract with *Te Whatu Ora*. Longer-term we are looking to the publication of clinical utility evidence from our studies and those conducted independently of Pacific Edge," Dr Meintjes said.

"The entire Pacific Edge team is working hard to bring all of these catalysts to fruition, and we look forward to providing an update to our shareholders at our annual meeting in Auckland at the end of July."

Released for and on behalf of Pacific Edge by Grant Gibson Chief Financial Officer.

For more information:

Investors
Dr Peter Meintjes
Chief Executive
Pacific Edge
P: 022 032 1263

Media
Richard Inder
The Project
P: +64 21 645 643

OVERVIEW www.pacificedge.co.nz www.pacificedgedx.com

Pacific Edge Limited (NZX/ ASX: PEB) is a global cancer diagnostics company leading the way in the development and commercialization of bladder cancer diagnostic and prognostic tests for patients presenting with hematuria or surveillance of recurrent disease. Headquartered in Dunedin, New Zealand, the company provides its suite of Cxbladder tests globally through its wholly owned, and CLIA certified, laboratories in New Zealand and the USA.

About Cxbladder www.cxbladder.com

Cxbladder is a non-invasive genomic urine test optimized for the detection and management of bladder cancer. The Cxbladder evidence portfolio developed over the past 14 years includes more than 20 peer reviewed publications for primary detection, surveillance, adjudication of atypical urine cytology and equivocal cystoscopy. Cxbladder is the focal point of numerous ongoing and planned clinical studies to generate an ever-increasing body of clinical utility evidence supporting adoption and use in the clinic to improve patient health outcomes. Cxbladder is reimbursed by CMS and has been trusted by over 2,000 US urologists in the diagnosis and management of more than 80,000 patients, including the option for in-home sample collection. In New Zealand, Cxbladder is accessible to 70% of the population via public healthcare and all residents have the option of buying the test online.

Pacific Edge
FY 23 FINANCIAL RESULTS
Investor presentation

Dr Peter Meintjes
Chief Executive

25 May 2023

PACIFIC EDGE
CANCER DIAGNOSTICS COMPANY

Pacific Edge's ordinary shares trade on the NZX and the ASX under the ticker code: PEB

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FY 23 HIGHLIGHTS: BUILDING MOMENTUM CXBLADDER ADOPTION

FINANCIAL PERFORMANCE AND TEST VOLUMES

▲ 37%[1]
GLOBAL TESTING VOLUMES (TLT[2]) on FY22

Global TLT of 31,565
US TLT increase 44% on FY 22 to 27,217 tests

▲ 39%
COMMERCIAL TEST VOLUMES on FY22

Commercial Tests of 26,691
US Commercial Tests rise 46% on FY 22 to 23,072 tests

▲ 71%
GROWTH IN OPERATING REVENUE on FY22

Operating revenue $19.6M
Total revenue of $26.1M up 88% on FY 22

($27.0M)
NET LOSS AFTER TAX

Increase from ($19.8M) in FY 22 amid investment for future growth

$77.8M
CASH, CASH EQUIVALENTS[3]

Strong Balance Sheet
$27.6M reduction in cash & cash equivalents[3] on FY 22

PACIFIC EDGE IS DELIVERING ON ITS STRATEGY

- ADOPTION, RETENTION & REVENUE GENERATION
- EVIDENCE, COVERAGE AND GUIDELINES
- RESEARCH AND INNOVATION

1. All comparisons are to the same period in the prior year unless otherwise stated.
2. TLT is the Total Laboratory Throughput including commercial, pre-commercial and clinical studies testing
3. Cash, short-term deposits and term deposits

A YEAR OF STRATEGIC DELIVERY

SCALING FOR EXECUTION SUBSTANTIALLY COMPLETE, READY FOR THE NEXT PHASE OF GROWTH

ADOPTION, RETENTION AND REVENUE GENERATION

- Test volumes in the key US market rise 44% in FY 23 to 27,217
- US ordering clinicians rise 46% to 1,150 from 789 in Q4 22; tests/clinician steady
- Diversified commercial roles (incl. Medical Affairs & Market Access); FTE +27 to 114*
- 2 Kaiser Permanente accounts in PEB top 20; EMR technologically complete

EVIDENCE COVERAGE AND GUIDELINES

- Reconfigured & expanded clinical studies framed by AV, CV & CU**, focused on guidelines
- Increased enrolment & site monitoring resources for STRATA and DRIVE for faster completion
- Coding & coverage established for Cxbladder Triage, laying a path for Cxbladder Detect+

RESEARCH & INNOVATION

- Adding DNA SNPs to RNA products significantly improves performance: Cxbladder Detect+
- Technology transfer and validation of Detect+ to PEDNZ and PEDUSA labs (in progress)
- Investigating potential for a Monitor+ product for surveillance based on similar DNA SNPs

*FTE count at 31 March 2023
**AV = Analytical Validity, CV = Clinical Validity, CU = Clinical Utility

Cxbladder® PACIFIC EDGE CANCER DIAGNOSTICS COMPANY

BLADDER CANCER

A SIGNIFICANT GLOBAL HEALTHCARE CHALLENGE

10th
Most common cancer world-wide[1]

6th
Most common cancer in men[1]

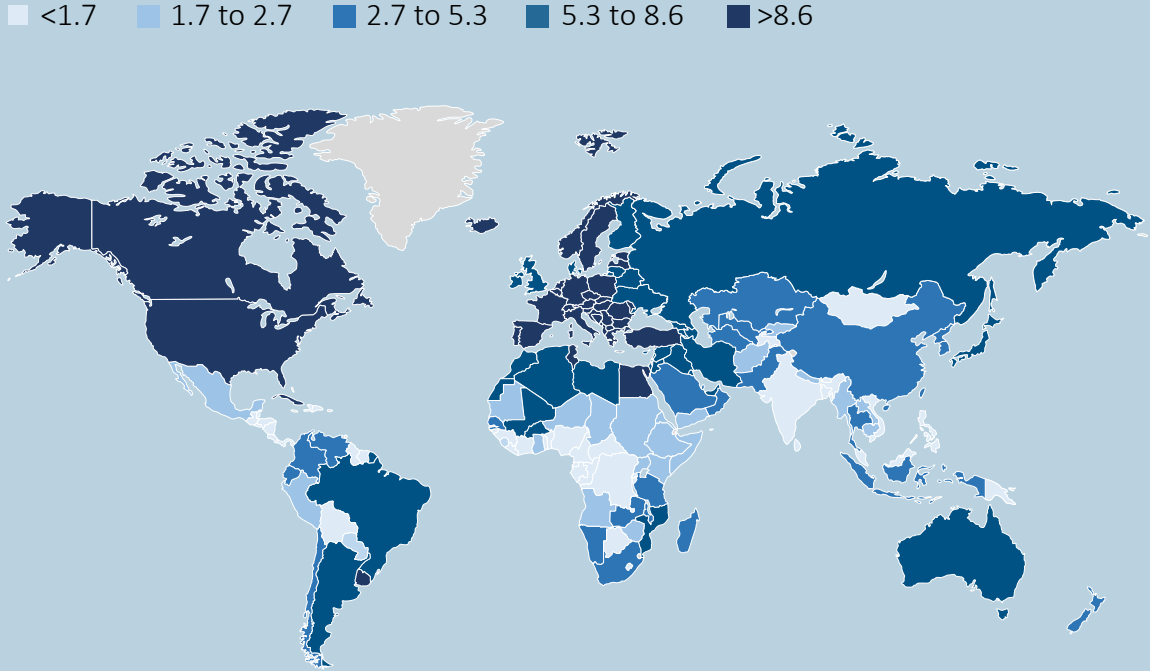
17th
Most common cancer in women[1]

>212K
Annual deaths[2]

~573K
Annual cases and growing[1]

~70%
Recurrence[3]

INCIDENCE PER 100,000 OF THE POPULATION[4]



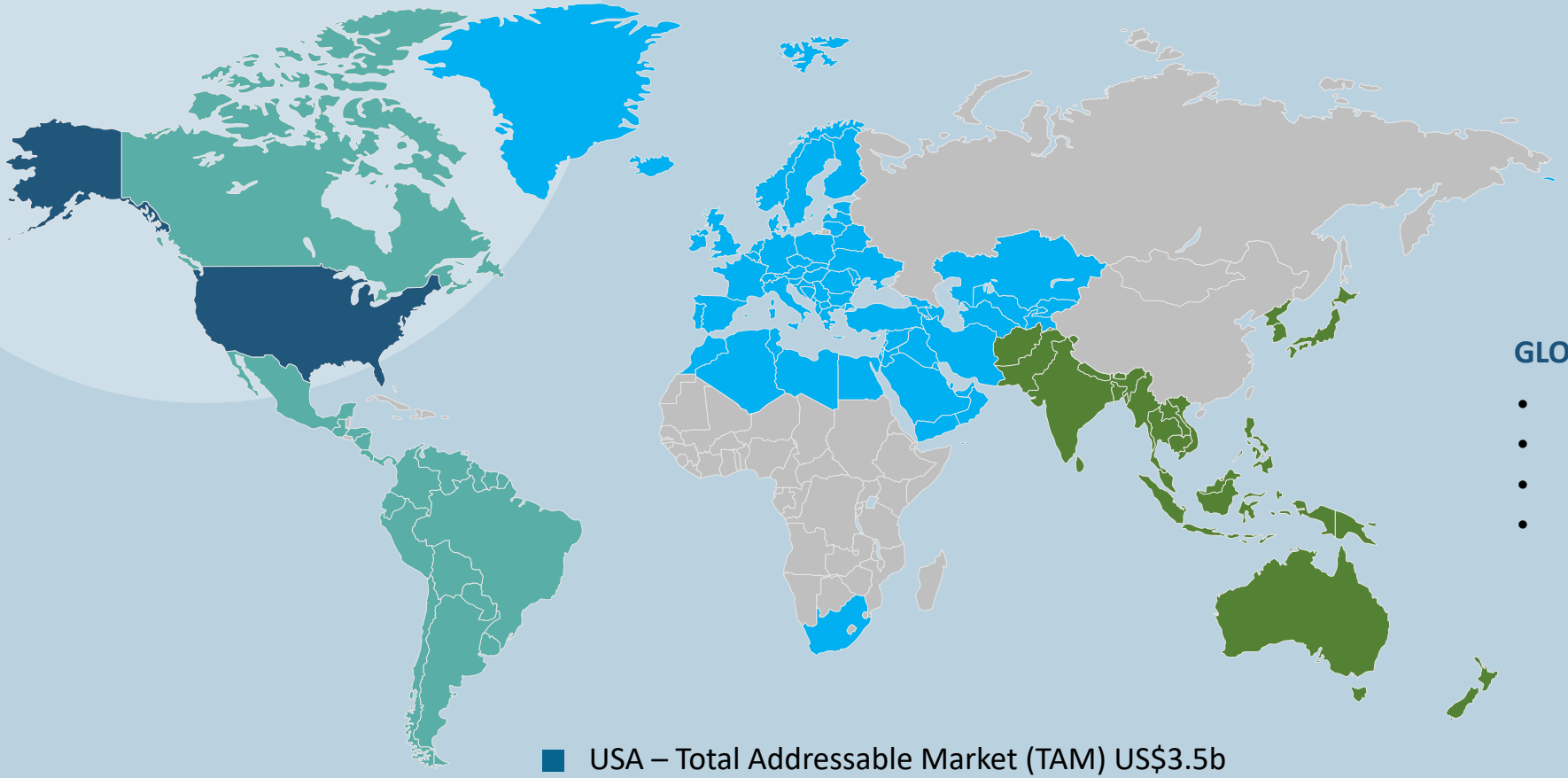
1. World Cancer Research Fund Annual case figure is 2020.
2. American Society of Clinical Oncology Annual death figure is 2020.
3. Average recurrence for low grade cancer
4. International Agency for Research on Cancer

Cx bladder®

PACIFIC EDGE
CANCER DIAGNOSTICS COMPANY

CXBLADDER IS A GLOBAL OPPORTUNITY

US$7.6b
Total Addressable Market[1]



- USA – Total Addressable Market (TAM) US$3.5b
- Americas (non-US) – TAM US$0.5b
- EMEA (w/o most of Africa) – TAM US$1.4b
- APAC (w/o China) – TAM US$2.2b

GLOBAL COMMERCIALIZATION

- US is the focus of our growth efforts
- New Zealand is a mature market
- APAC in business development
- Distribution considered in other markets on a case-by-case basis

1. Pacific Edge estimates

CxBladder® PACIFIC EDGE CANCER DIAGNOSTICS COMPANY

PACIFIC EDGE AT A GLANCE: GROWING GLOBALLY

FROM IP DEVELOPMENT TO PATIENT

- **IP:** 4x patent families in bladder cancer, with >80 patents including RNA biomarkers and their analysis algorithms
- **Cxbladder:** Advanced genomic biomarker tests from a non-invasive urine sample for the early detection and management of bladder cancer
- **Clinical Evidence:** Peer-reviewed clinical validity and utility data that shows Cxbladder outperforms Standard of Care (SoC)
- **Reimbursement:** Cxbladder tests reimbursed by Medicare and Kaiser Health Plan in the USA
- **Patient Empowerment:** Non-invasive efficacious testing offers opportunity for increased patient compliance with surveillance and management regimes

>1,151[1]
Unique ordering clinicians in Q4 23

~300K[1]
Annual laboratory test capacity

114[1]
FTEs up 27 FTE since the end of Mar 22

1. Company data

Cxbladder®

PACIFIC EDGE
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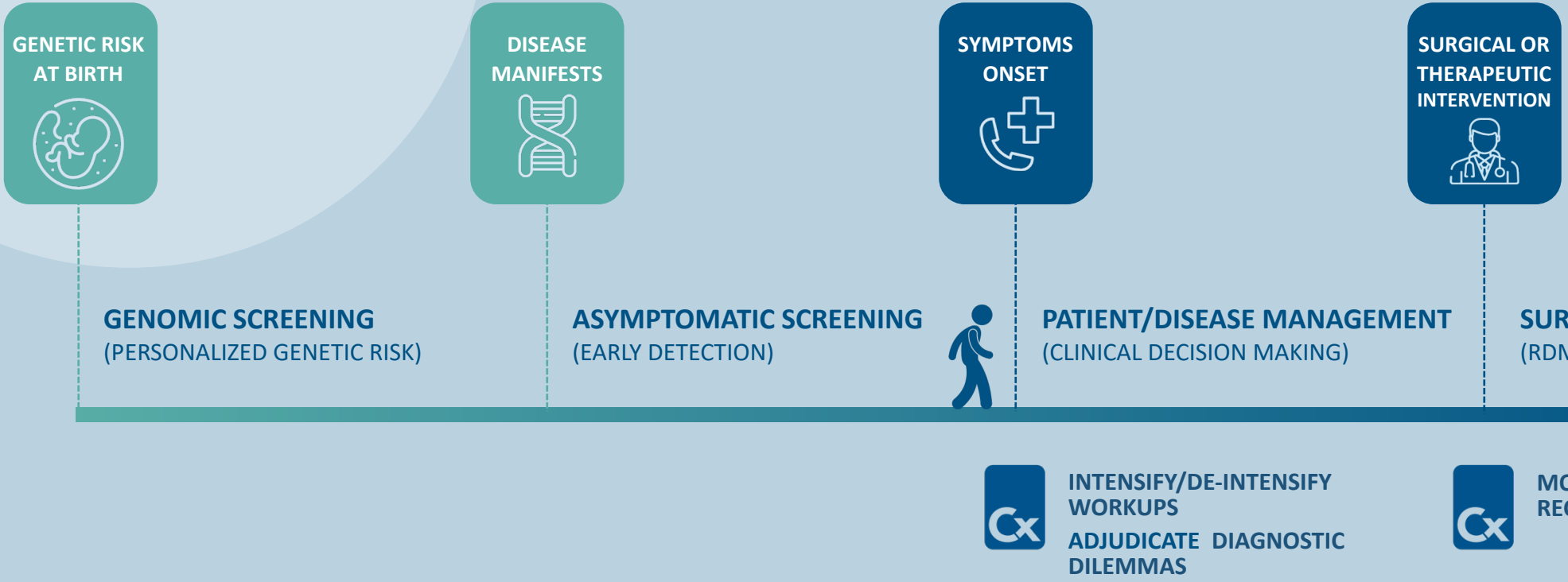
MOLECULAR DIAGNOSTICS VALUE CHAIN: PATIENT JOURNEY



1. RDM: Residual Disease Monitoring
2. TRM: Therapeutic Response Monitoring.

PATIENT CARE PATHWAY: VALUE PROPOSITION

Typical standard of care on the patient care pathway

Primary Care Physician
Patient presents with hematuria and clinician cannot rule out cancer. Patient referred to urologist

Urologist/Specialist
Current guidelines for hematuria evaluation recommend ~95% get cystoscopy[1] ahead of diagnosis & treatment

Urologist/Specialist
Monitor for recurrence with cystoscopy, frequency varies according to patient presentation

VALUE PROPOSITION

Cxbladder TRIAGE | Cxbladder DETECT | Cxbladder MONITOR

Cxbladder™ TRIAGE

For use in the **PRIMARY CARE** and **SPECIALIST** settings to de-intensify hematuria workup or rule out urothelial cancer (UC)

Assists clinicians to **safely de-intensify** hematuria evaluation from low incidence populations
Sensitivity 95% / NPV 99%

Cxbladder™ DETECT

For use by **SPECIALISTS** to detect the presence of urothelial cancer and adjudicate diagnostic dilemmas

Assists clinicians to **adjudicate diagnostic dilemmas** (e.g., equivocal cystoscopy & atypical cytology) in any patient population
Sensitivity 82% / Specificity 85% / NPV 97%

Cxbladder™ MONITOR

For use by **SPECIALISTS** to monitor for recurrence at a frequency proportional to risk

Assists clinicians in **monitoring for UC recurrence**. Intended to reduce the frequency of surveillance cystoscopy and improve patient compliance
Sensitivity 93% / NPV 97%

Sensitivity: the likelihood of the test to be positive in a patient with the disease **Specificity:** the likelihood of the test to be negative when the patient does not have the disease; **NPV:** the likelihood of a negative test being a true negative.

[1] AUA Guidelines and Woldu SL, Ng CK, Loo RK, Slezak JM, Jacobsen SJ, Tan WS, et al. (2021a). "Evaluation of the New American Urological Association Guidelines Risk Classification for Hematuria." J Urol **205**(5): 1387-1393.

BLADDER CANCER IN THE US MARKET

90%
Five-year survival rate for NMIBC if detected early[1]

US$191K
Average lifetime cost per patient[2]

US$9.4B
Annual US spend on bladder cancer[3]

VALUE PROPOSITION

Cxbladder **TRIAGE** | Cxbladder **DETECT** | Cxbladder **MONITOR**

Patient care pathway

Primary Care Physician → **Urologist/Specialist**

The US has >55m men and >63m women aged 50+

- **~7m** present with hematuria[4]
- **~3.4m** referred for clinical workup[4]
- **>1.0m** patients receive a cystoscopy[5]
- **~82k** Annual cases of bladder cancer[6]
- **~725k** patients living with bladder cancer ~1.5 Cxb Monitor/yr[6]

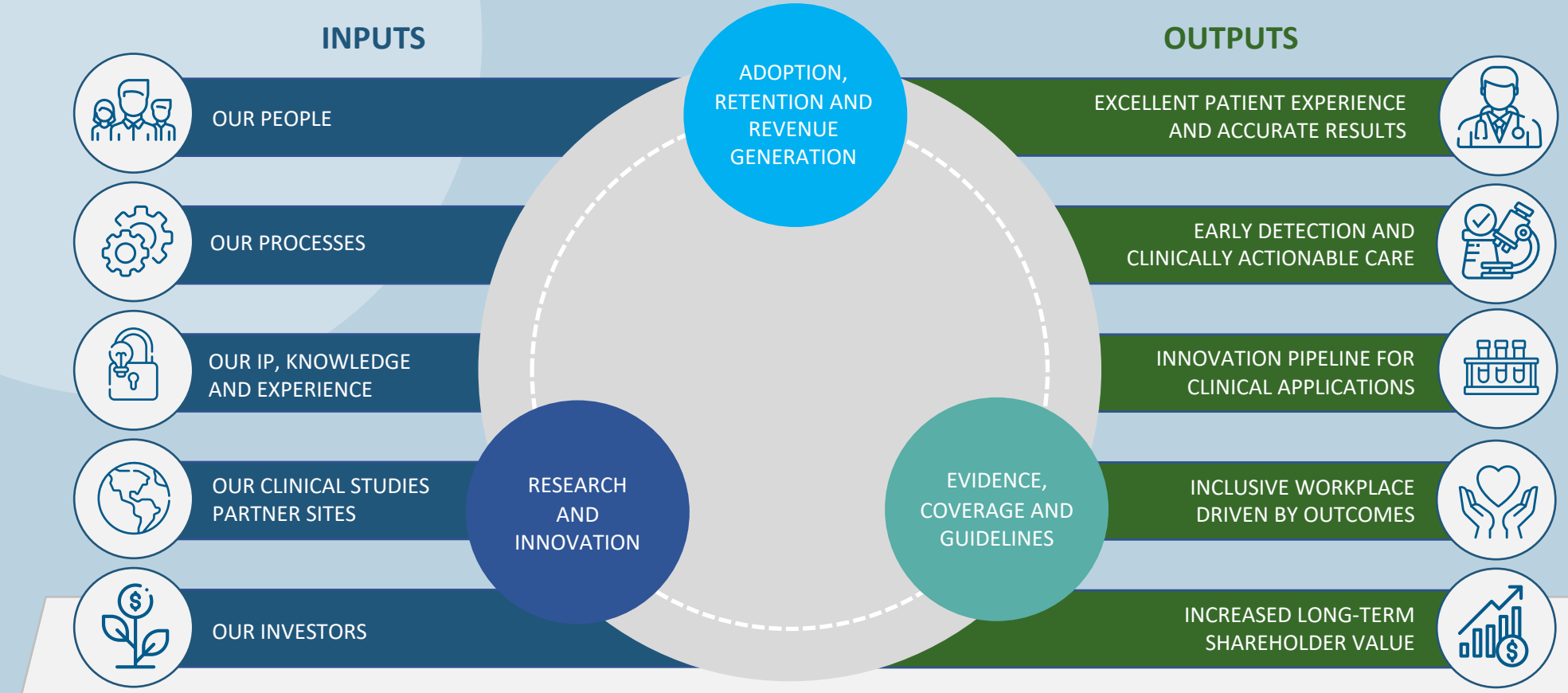
US$3.5B opportunity[7] (hematuria, surveillance)

>4.5M Cxbladder **TEST OPPORTUNITIES**

1. Bladder Cancer Advocacy Network
2. Aly A et al. (2020) The Real-World Lifetime Economic Burden of Urothelial Carcinoma by Stage at Diagnosis. J Clin Pathw. 2020 May; 6(4):51-60
3. National Cancer Institute: Cancer Progress Trends Report
4. Presentation from Dr Sia Daneshmand (Director of Urologic Oncology and Clinical Research, USC) July 2019
5. Kenigsberg, A, et al. The Economics of Cystoscopy: A Microcost Analysis, Urology 157: 29–34, 2021.
6. National Cancer Institute
7. Pacific Edge Estimate, opportunity estimated at US$760/Per test

Cxbladder® | PACIFIC EDGE CANCER DIAGNOSTICS COMPANY

OUR STRATEGY TO DRIVE LONG TERM GROWTH AND VALUE CREATION



Cxbladder

PACIFIC EDGE
CANCER DIAGNOSTICS COMPANY

ADOPTION, RETENTION AND REVENUE GENERATION

ADOPTION, RETENTION AND REVENUE GENERATION

FOCUS AREAS:

1. Pursue structured sales process based on customer type supported by efficient digital architecture; engage KOLs with medical education and communication
2. Drive protocolized adoption of Cxbladder through patient use cases highlighting utility at the earliest point in patient care
3. Amplify our clinical evidence generation program within the urology and oncology communities with marketing, sponsorship and our medical affairs teams
4. Establish medical policy, then contracting for reimbursement by government and private payors; accurately documenting ‘medical necessity’ to improve payment objectives
5. Empower patients through patient awareness and patient advocacy initiatives through established societies and our Cxbladder website
6. **NEW:** Internal digitalization and Performance Excellence (PerfEx) initiatives to improve the effectiveness and efficiency of our operations

ADOPTION, RETENTION AND REVENUE GENERATION

EFFECTIVE INVESTMENTS FOR GROWTH: DIRECT SALES AND MARKETING

	INVESTMENTS FOR GROWTH

	**DIRECT SALES:**
	- New Direct Sales hires - Account Executives, Regional Sales Directors, National Accounts & Virtual Sales (contractors) **+9 FTE*** taking total to 37 FTE.
	ACHIEVEMENTS:
	- Diversified role types and created specializing sales roles and responsibilities
	  - National Accounts, Regional Sales, Virtual Sales, MSLs and Market Access
	  - Standardising our sales process across customer types
	- Established collaboration with Medical Affairs on education events focus on communicating clinical evidence
	- Improved our US geographic coverage in urban areas; leveraging virtual teams and PIHSS for under-served rural areas

	**MARKETING AND SALES SUPPORT:** - New hire in Event Management, Sales Training & Sales Operations **+3 FTE*** taking total to 4 FTE **ACHIEVEMENTS:** - Improved customer targeting and key opinion leader (KOL) identification - Improved new hire training and refresher training to focus on patient use cases - Supported a program of >50 urologic conferences/year (podiums, presentations, and PI Meetings) - Enhanced our advertising, patient outreach, advocacy (UroToday, Urology Time, BCAN, New Zealand Cancer Society) - Improved internal communications and employee engagement

* All staff counts are 31 March 2022 vs 31 March 2023

Cxbladder

PACIFIC EDGE
CANCER DIAGNOSTICS COMPANY

ADOPTION, RETENTION AND REVENUE GENERATION

EFFECTIVE INVESTMENTS FOR GROWTH: MARKET ACCESS AND MEDICAL AFFAIRS

	INVESTMENTS FOR GROWTH
	**MEDICAL AFFAIRS:** - Chief Medical Officer, Medical science Liaisons and full-time US-based clinical trial monitors **+7 FTE** **ACHIEVEMENTS:** - Established a highly credible medical education program; scientific and medical communications to support sales, marketing efforts (alongside efforts to develop evidence, gain coverage and be included in guidelines) - Increased engagement with Key Opinion Leading (KOL) physicians and institutions (National Accounts) - Established a framework for US-led IITs, Registries and Research Partnerships - Aligned clinical development, patient enrolment, clinical trials monitoring and medical affairs education/communication
	**MARKET ACCESS AND REIMBURSEMENT:** - VP Market Access **+1 FTE** (taking total to 2) **ACHIEVEMENTS:** - Continuous improvement for Cxbladder ordering process and documentation for establishing medical intent/necessity - Improved documentation processes for 'medical necessity' – a requirement for Medicare coverage - Distribution agreement with Israel's ProGenetics (supported by PEDUSA) - Industry collaboration and representations to Novitas to drive clarity on continued Medicare coverage (current LCD) - Coding and coverage achieved for Cxbladder Triage, establishing a potential path for Detect+

*All staff counts are 31 March 2022 vs. 31 March 2023, headcount increase to 114 FTE includes ~12 additional FTE in laboratory, support and finance and back office and a new APAC President

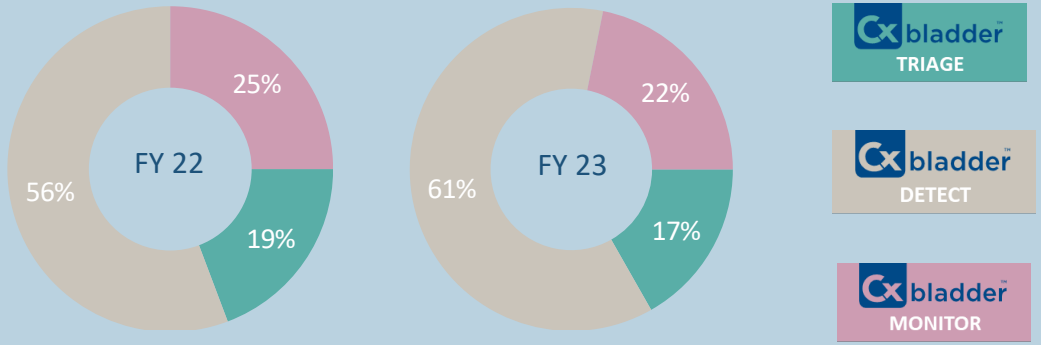
Cxbladder PACIFIC EDGE CANCER DIAGNOSTICS COMPANY

GLOBAL: COMMERCIAL TESTS GROWING STRONGLY AS US ACCELERATES

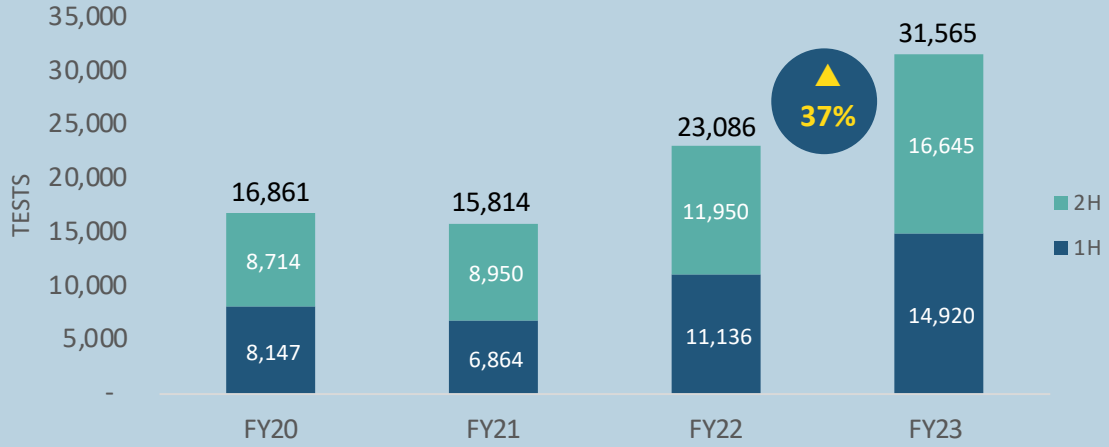
FY 23 Total Lab Throughput (TLT)

- Global TLT increased 37% to 31,565 tests
- Global Commercial test volumes increased 39% to 26,691
- Global TLT is driven by US growth in the US (predominantly Detect)
- Hematuria evaluation (Triage & Detect) is the larger market opportunity, ~3x the size of bladder cancer surveillance (Monitor)

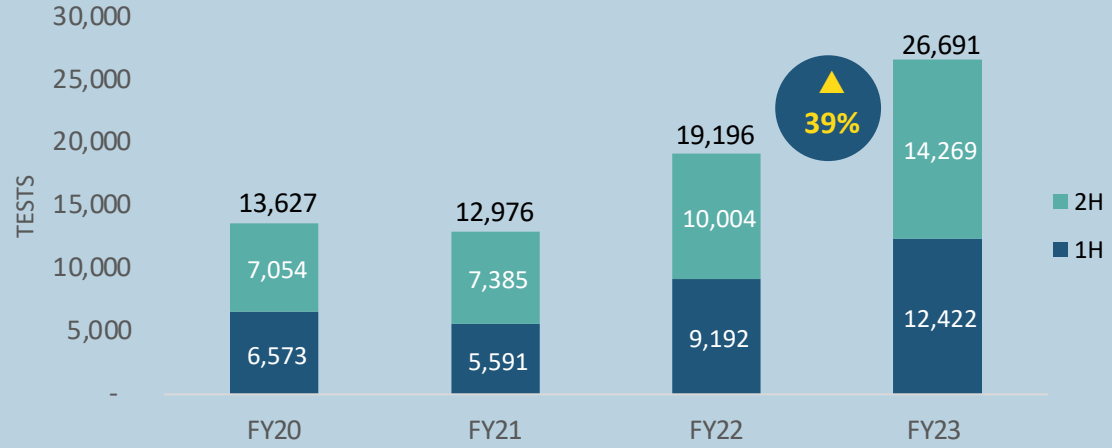
TEST VOLUMES BY TYPE (TLT*)



GLOBAL TEST VOLUMES (TLT*)



GLOBAL COMMERCIAL TEST VOLUMES (TLT*)



*TLT is the Total Laboratory Throughput including commercial, pre-commercial and clinical studies testing

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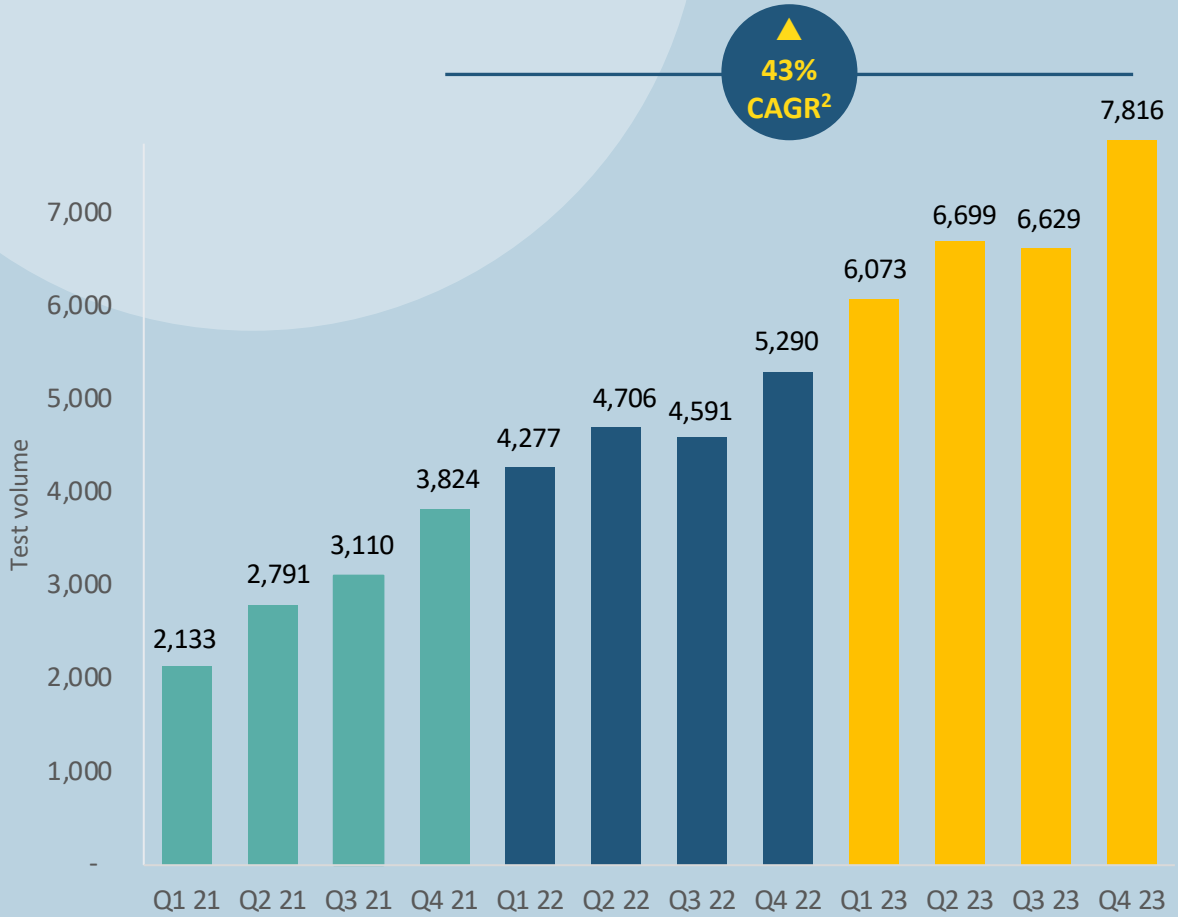
ADOPTION, RETENTION AND REVENUE GENERATION

STRONG GROWTH IN THE US: PACIFIC EDGE'S LARGEST MARKET

US GENERATING ~86% OF TOTAL TEST VOLUME[1]

USA TEST VOLUMES[1]

Commercial tests represent 85% of FY 23 TLT in the USA



[1] Total Laboratory Throughput including commercial, pre-commercial and clinical studies testing
[2] CAGR compares Q4 21 to Q4 23

FY 23 PROGRESS WITH THE LARGEST US PAYORS

Medicare covers >61.5m US citizens over 65

- Cxbladder has a majority Medicare and MA population; average age of 73 for presentation with hematuria
- Medicare and MA represent ~20% of the population, but ~60% of US commercial tests for Cxbladder
- Pacific Edge's Medicare Administrative Contractor Novitas continues to reimburse at US$760/test, but the proposed LCD creates some uncertainty

The Kaiser Health Plan covers >12.5m members

- 2 Kaiser sites in PEB's Top 20 Accounts. 14 Kaiser sites across Southern California ordering in FY23
- EMR software development and integration testing complete; KP and PE working towards "go live"

The Veterans Administration serves >9m veterans each year

- DRIVE clinical study, has enrolled 80% of target patients
- DRIVE is a key engagement with VA urologists to determine clinical validity in a cohort of VA patients

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DIGITALIZATION & 'PERFEX' INITATIVES TO SIMPLIFY CLINICIAN ORDERING

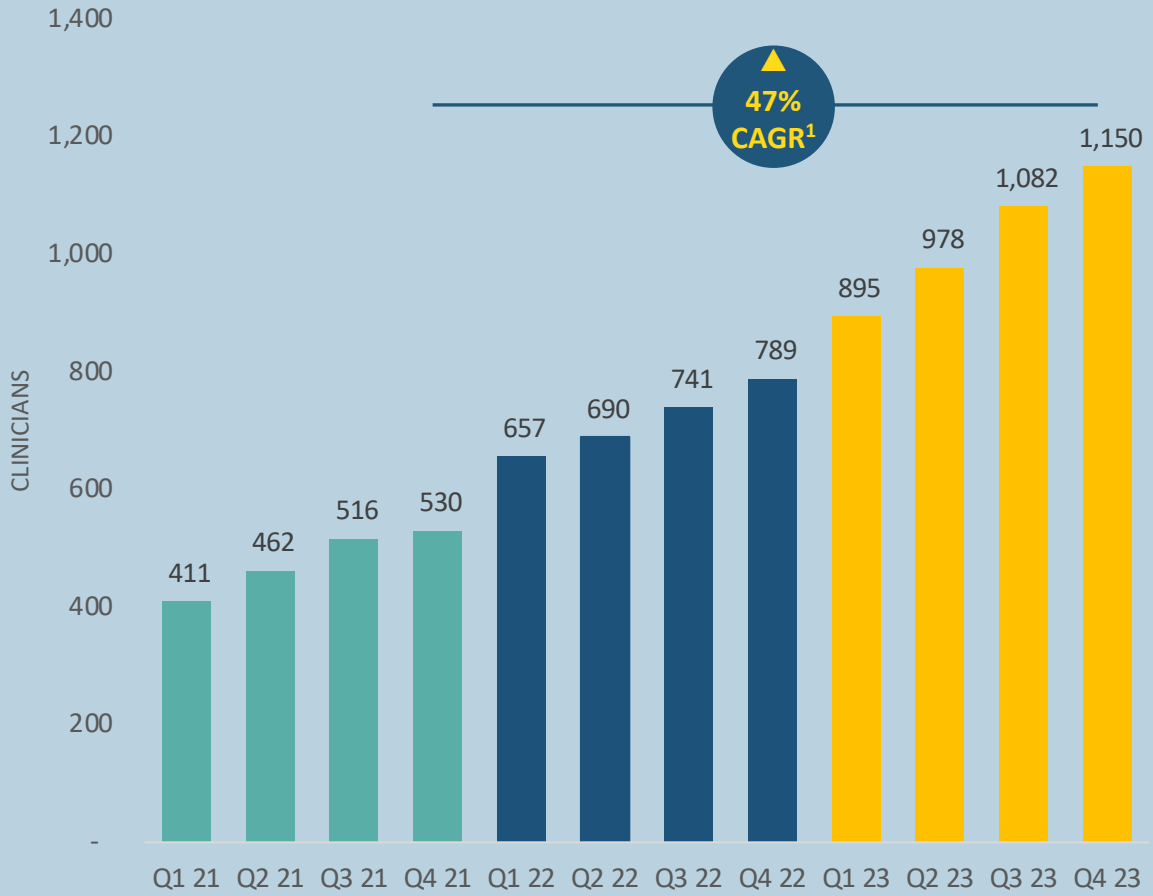
'STICKINESS' AND CUSTOMER EXPERIENCE INITIATIVES

1. Commercially-led product management for end-to-end customer experience, supported by digital workflows
2. EMR integrations and Customer Portal

FIT FOR GROWTH/DIGITALIZATION

1. Investment to upgrade older hardware and IT systems
2. EMR integrations and Customer Portal (as above)
3. Performance Excellence: Lab Operations and Customer Service

UNIQUE US CLINICIANS ORDERING CXBLADDER

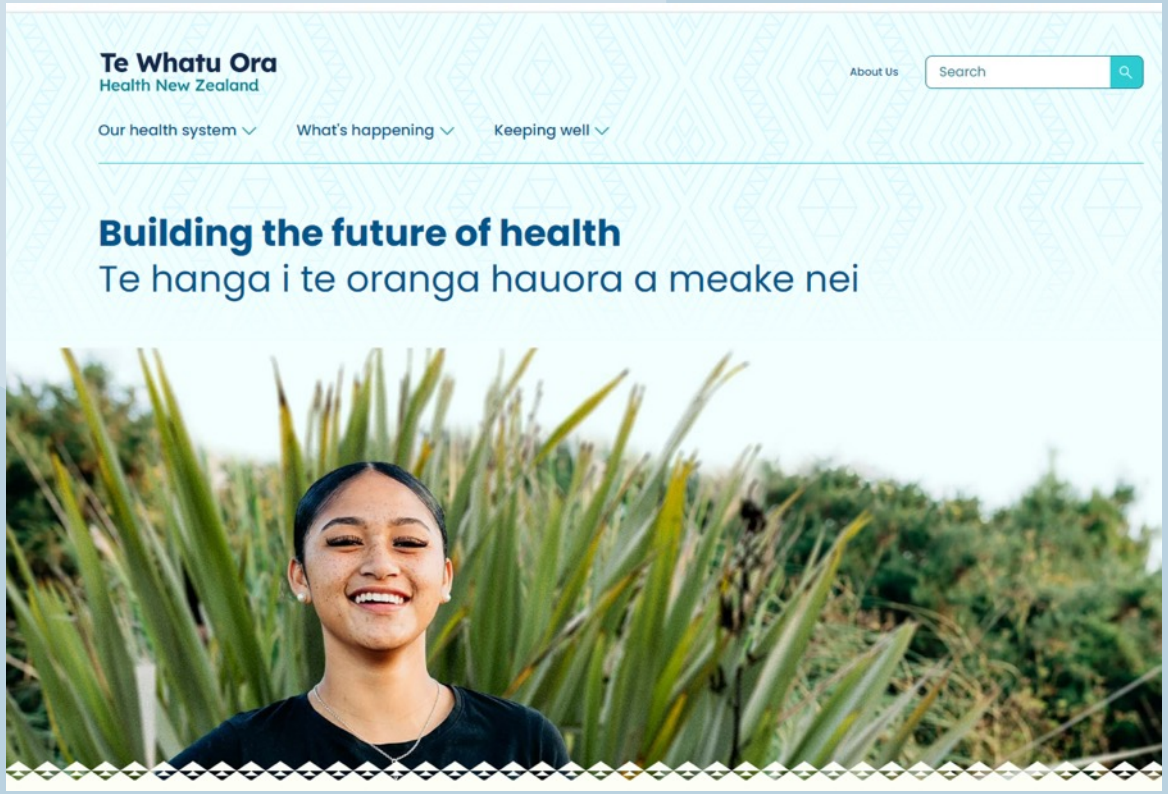


[1] CAGR compares Q4 21 to Q4 23

ADOPTION, RETENTION AND REVENUE GENERATION

APAC: NEW ZEALAND AT THE FOREFRONT WITH ADOPTION BY PRIMARY CARE

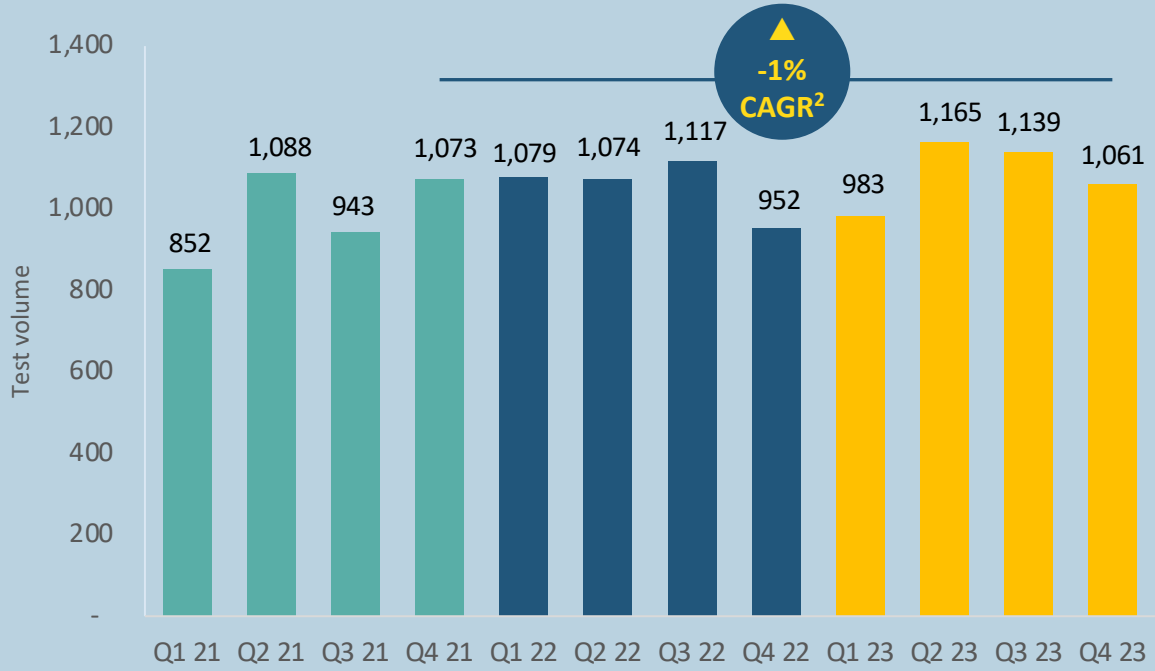
APAC GENERATING ~14% OF TEST VOLUME[1]



Pacific Edge has Cxbladder coverage in 15 of the 20 new Te Whatu Ora, Health New Zealand, regions, representing >75% of the country's population

APAC TEST VOLUMES[1]

Commercial tests represent 83% of TLT in FY 23 for APAC



- Volumes in APAC driven by slower growth in New Zealand
- Australia and Southeast Asia still in business development
- New APAC President recruited in March 2023

[1] Total Laboratory Throughput including commercial, pre-commercial and clinical studies testing
[2] CAGR compares Q4 21 to Q4 23

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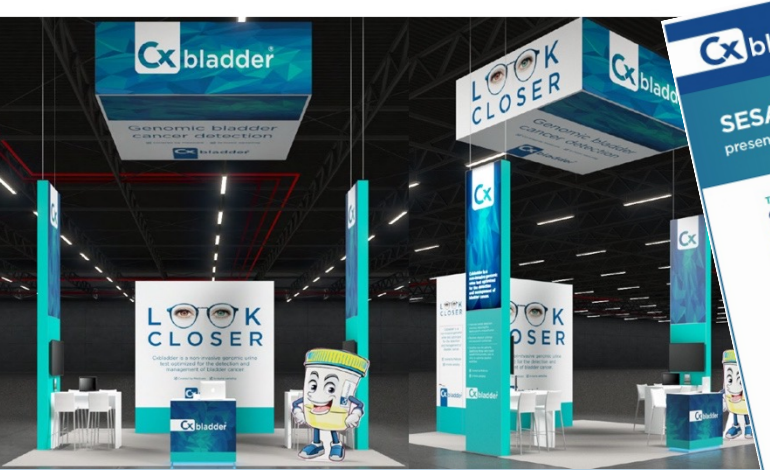
ADOPTION, RETENTION AND REVENUE GENERATION

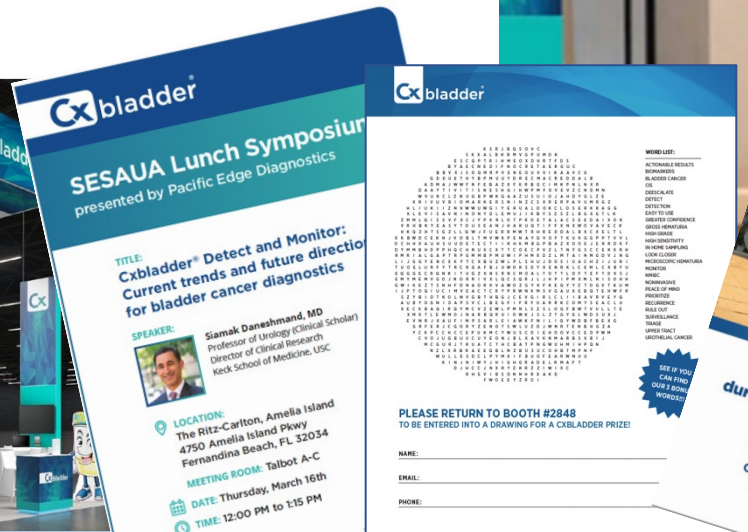
LOOK CLOSER

Genomic bladder cancer detection

Cxbladder

Pacific Edge Diagnostics, Booth# 2848





EVIDENCE, COVERAGE AND GUIDELINES: CHANGE CLINICAL PRACTICE

FOCUS AREAS:

Generate high-quality clinical validation and utility evidence through clinical studies

Use Clinical Utility evidence to:

Drive the adoption of Cxbladder by clinicians, insurers and hospitals ahead of guideline inclusion

- Pursue inclusion of Cxbladder in globally-relevant standards and guidelines of clinical care across the breadth of patient pathways
- Foster trusted relationships with key opinion leaders, relevant Urologic centers of excellence, professional societies and patient advocacy networks to drive a broader awareness and demand for Cxbladder
- Develop the scientific and clinical credibility of the Cxbladder brand

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EVIDENCE COVERAGE AND GUIDELINES

ADDITION OF DNA BIOMARKERS ENHANCES CXBLADDER PERFORMANCE

US and Singapore studies extend Pacific Edge's first mover advantage in bladder cancer diagnosis

- New study published in the AUA *Journal of Urology*[1]:
  - Found the addition of DNA biomarkers significantly enhances the performance of Cxbladder tests for hematuria evaluation.
  - Demonstrated analytical validity of the enhanced tests in a genetically diverse population (804 patients: 344 from the US, 460 Singapore)
- Cxb Detect⁺ is targeted for commercialization as a single product for hematuria evaluation in the US and requires:
  - New clinical validity and utility evidence:
    - DRIVE, microDRIVE, AUSSIE, STRATA and other planned studies
  - Its own coding, coverage and pricing decisions
- No impact is anticipated on existing Triage, Detect and Monitor revenues, because full commercial launch of Cxb Detect⁺ commences only after reimbursement is established
- Investigating the potential for Cxb Monitor⁺ for surveillance of NMIBC

Results of enhanced tests compared to existing tests[1]

Performance[2]	Sensitivity	Specificity	NPV	PPV	ROR
Cxbladder tests enhanced with DNA biomarkers					
Cxb Triage⁺	95%	78%	99.5%	26%	73%
Cxb Detect⁺	97%	90%	99.7%	44%	83%
Existing Cxbladder tests					
Cxb Triage	89%	63%	99%	16%	59%
Cxb Detect	74%	82%	97%	25%	78%

A **Cxb Detect⁺ negative** patient has a low probability of UC because Cxb Detect⁺ combines the characteristics of high Sensitivity (97%), NPV (99.7%) and Specificity (90%) with a Rule out rate (ROR) of 83%.

A **Cxb Detect⁺ positive** patient conversely has a higher probability of urothelial cancer for the same reasons. A positive test represents a justification for a full workup for the patient according to guidelines and assist the adjudication of diagnostic dilemmas such as equivocal cystoscopy or urine cytology.

1. Lotan et al 'Urinary Analysis of FGFR3 and TERT Gene Mutations Enhances Performance of Cxbladder Tests and Improves Patient Risk Stratification'
2.. For definitions, please refer to page 45 of this presentation

Cxbladder

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CLINICAL EVIDENCE GENERATION TOWARDS GUIDELINE INCLUSION (1/2)

STUDY	AIM	LOCATIONS	ENROLLED SITES*	STATUS**
STRATA	**S**afe **T**esting of **R**isk for **A**symptoma**TI**c Microhematuri**A** Demonstrate the clinical utility (CU) of Cxbladder using a prospective, two-arm randomized design to risk-stratify patients and rule out from cystoscopy • Establish CU for Cxbladder Triage in MH populations to identify patients at low risk of bladder cancer that can safely avoid cystoscopy • Retrospective analysis with Cxbladder Detect+ to show equivalent or greater CU in MH populations with the improved performance characteristics • CU evidence supports AUA/NCCN guidelines inclusion using Cxbladder Triage and/or Cxbladder Detect+ to risk stratify MH populations	USA Canada	11 / 13	- Enrolment total is 492, including 113 'low risk' subjects that are the focus of the study - Target enrolment: ~600 patients, including 120 low risk subjects randomized to test arm - Last patient in: Q3 2023 - Follow up: until Q3 2024
DRIVE	**D**etection and **RI**sk Stratification in **VE**terans Presenting with Hematuria Prospective recruitment of patients to a single-arm observational study to demonstrate the CV of Cxbladder tests in risk stratifying Veterans presenting with hematuria • CV evidence for Triage in MH & GH patients supplementing NZ Studies • Demonstrate CV of Cxbladder Detect+ within a Veterans cohort • Retrospective analysis with Cxbladder Detect+ to demonstrate CV evidence supporting AUA/NCCN Guidelines inclusion in MH & GH patients • Contribute data to pooled-analysis to establish CV for Detect+ in MH patients	VA Sites (USA)	10 / 11	- Enrolment total is 562 - Target enrolment: ~600 patients - Last patient in: Q3 2023 - Follow up: until Q2 2025
AUSSIE	**A**ustralian **U**rologic risk **S**tratification of patient**S** w**I**th h**E**maturia Prospective recruitment of patients to a single-arm observational study to demonstrate CV in an Australian healthcare setting for patients presenting with hematuria • Demonstrate CV of Cxbladder Detect+ with an Australian cohort • Demonstrate accurate risk stratification of hematuria patients to intensify or de-intensify evaluation • Contribute data to pooled-analysis to establish CV for Detect+ in MH patients	Australia	1 / 1	- Enrolment due to start May 2023

*Estimated number of enrolled sites
**All dates are best-case estimates and subject to change

CLINICAL EVIDENCE GENERATION TOWARDS GUIDELINE INCLUSION (2/2)

STUDY	AIM	LOCATIONS	ENROLLED SITES*	STATUS**
Microhematuria Pooled-analysis	Pooled-analysis of Cxbladder Detect+ performance from multiple studies involving prospectively recruited patients from single-arm observational studies including eligible microhematuria patients • CV of Cxbladder Detect+ with microhematuria (MH) patients • Combines data from DRIVE, AUSSIE and a future MH-focused clinical trial • CV evidence supports AUA/NCCN guidelines inclusion using Cxbladder Detect+ to risk stratify MH populations	USA, Aus	N/A	- DRIVE underway, AUSSIE and microDRIVE projected to start in 2023
microDRIVE	**D**etection and **RI**sk Stratification in **VE**terans Presenting with **Micro**hematuria • Demonstrate the clinical validity of Cxbladder Detect^{+} in detecting urothelial cancer in patients presenting with microhematuria. • MicroDRIVE will compare the performance of Detect^{+} against the current gold-standard for the detection of urothelial cancer, diagnostic cystoscopy and pathology.	USA	0/1	- Projected to start recruitment Sep/Oct 2023 - Target is 1000 patients and 50 tumour confirmed - Last patient in: March/April 2024
LOBSTER	**LO**ngitudinal **B**ladder Cancer **S**tudy for **T**umor R**E**cur**R**ence Prospective recruitment of patients to a single-arm observational study to evaluate the clinical validity of CxbM • To safely risk stratify patients under surveillance for recurrence of UC • To demonstrate that it is safe to alternate CxbM with cystoscopy for intermediate and high-risk patients under surveillance for recurrence of UC • Targeting AUA/NCCN guidelines inclusion for biomarkers as an alternative to cystoscopy in a surveillance setting	USA (including some VA sites) Australia	3 / 10	- Three sites are open - Two due to open in April - Another 6 are at pre-activation. - Enrolment is now 63 patients with 98 samples collected to date - Each site will enroll 100 patients within 12 months and follow up for another 12 months

*Estimated number of enrolled sites
**All dates are best-case estimates and subject to change

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EVIDENCE COVERAGE AND GUIDELINES

MEDICAL AFFAIRS: SPEAKING THE LANGUAGE OF CLINICAL OPINION LEADERS

American Urological Association

NCCN National Comprehensive Cancer Network®

European Association of Urology

CLINICAL DOSSIER DEVELOPMENT

- Contains all published Cxbladder data; externally reviewed
- Used to engage with guideline committees, private payors, government payers, value-based clinician groups ex-US distributors, etc.
- Annual NCCN submission of new evidence in August 2023

PODIUMS, PRESENTATIONS, POSTERS AND PUBLICATIONS

- Increase “share of voice” by presenting data on Cxbladder utility in multiple forums (AUA, SUO, ASCO GU), clinicians, academic institutions
- Publications – support for data generated and published by our users and KOLs
- Speaker Bureau – trained, external KOLs and senior MSL team members

BUILDING KOL RELATIONSHIPS

- Academics, clinical leads in private practice, guidelines committees and other influential clinicians

VIDEO VIEWS
4102

PUBLISHED
12/2/22

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EVIDENCE COVERAGE AND GUIDELINES

MEDICAL AFFAIRS: INVESTIGATOR INITIATED TRIALS AND REGISTRIES

SUPPLEMENTING OUR EVIDENCE GENERATION PROGRAM

INVESTIGATOR INITIATED TRIALs (IITs)

- Proposed by investigators and supported by Pacific Edge to provide clinical utility evidence at modest scale for medical communications
- Promote familiarity and confidence with Cxbladder, the interpreting the test result and how Cxbladder can be used to manage patients
- Supports local data development for market access

PACIFIC EDGE'S CXBLADDER REGISTRY

- Multi-site, real-world evidence clinical trial, capturing wide-ranging patient data, including follow up and outcomes data
- Assists independent investigators with study design and provides a data repository to support coverage and guideline decisions

Left to right:
***Royal Prince Alfred Hospital (Sydney)**, UT Southwestern (Dallas), Canberra Hospital (ACT)*

INVESTIGATOR INITIATED TRIALS UNDERWAY AND AIMS	SITES	PUBLICATIONS
Hematuria Evaluation: Local clinical validity evidence for internal hospital guidelines and budget development	6	2x Conference Abstracts
Surveillance: Local clinical validity evidence for internal hospital guidelines and budget development	7	2x Conference Abstracts
CU of Cxbladder to identify subclinical tumors in white light negative patients, confirmed by blue light	1	Pending
Risk-based hematuria evaluation of microhematuria patients by Cxbladder	1	Pending
Prioritization of surveillance patients by Cxbladder monitor for surveillance cystoscopy vs skipping one visit	2	1x Conference Abstract

EVIDENCE COVERAGE AND GUIDELINES

MARKET ACCESS: EXPANDING COVERAGE

WORKING WITH PUBLIC AND PRIVATE HEALTHCARE PAYORS GLOBALLY

MEDICARE STRATEGY

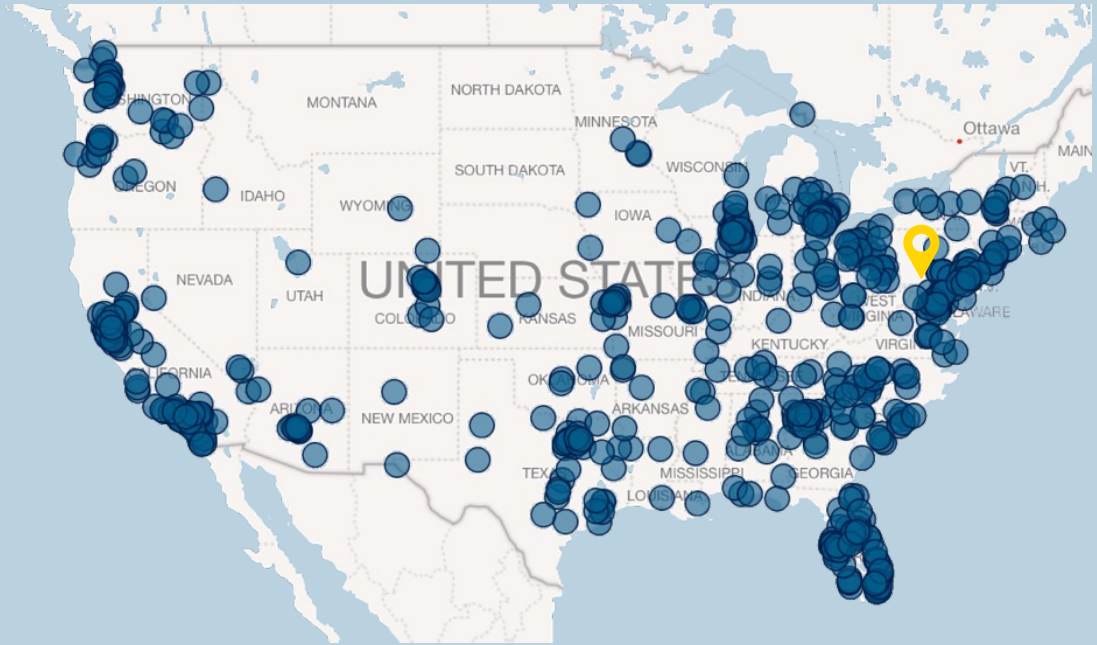
- Triage joins Monitor & Detect on LCA58917 with coverage at US$760/test*
- Reconsideration request with Novitas for all Cxbladder tests
- Working towards PLA-coding, coverage and pricing for Detect+
- Active program of appeals and prior-authorization workflows to increase payment rates from Medicare Advantage Plans

PRIVATE PAYOR STRATEGY

- Localized, demand-based approach focused on establishing medical policy, then contracting with individual private payors
- Health Economics – documenting the economic benefits to healthcare payors of adopting Cxbladder as a standard of care

EX-US DISTRIBUTORS SUPPORTED BY PEDUSA

- ProGenetics (Israel) distribution agreement signed
- Other geographies under consideration on a case-by-case basis



Distribution of Current U.S. Customers

Pacific Edge Diagnostics USA, *Hershey, Pennsylvania*

*The coverage position of Cxbladder may change. Proposed LCD (DL39365 – Genetic Testing for Oncology) issued in July 2022, must be finalized or withdrawn within 12 months of proposal

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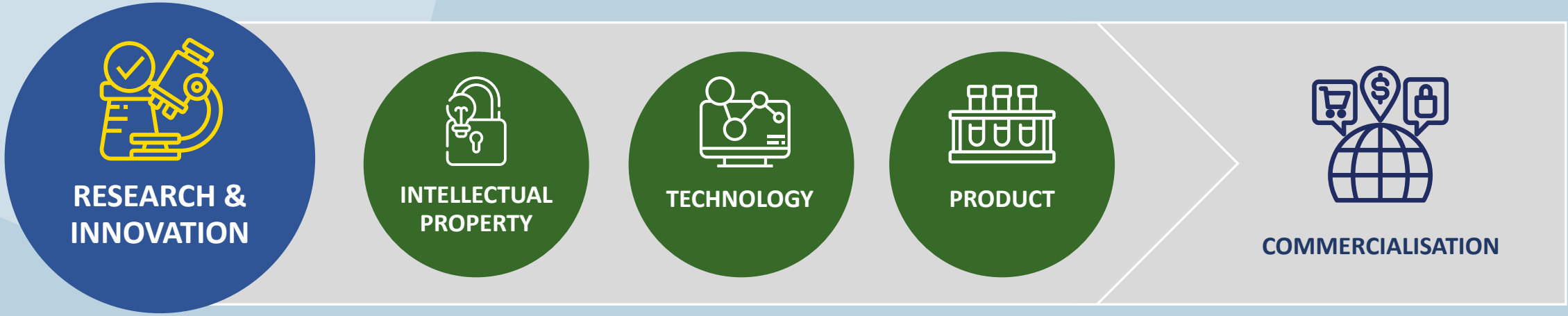
RESEARCH AND INNOVATION:

UNDERSTANDING THE ENTIRE COMMERCIALISATION PATHWAY



FOCUS AREAS:

1. Evaluate ‘product concepts’ to address unmet clinical needs through market research and scientific/clinical advisory boards
2. Evaluate cutting-edge technologies to meet the market requirements of desired product concepts
3. Continue to build a patent portfolio for novel clinical applications of cutting-edge molecular technologies
4. Turn patented technology into clinically-validated molecular diagnostic tools that address an unmet clinical need

RESEARCH & INNOVATION

RESEARCH AND INNOVATION

DRIVING IP TO TECHNOLOGY

- Technology transfer of Detect+ from R&D to PEDNZ and PEDUSA clinical labs
- Evaluate 'product concepts' to address unmet clinical needs
- Simplify & productize Cxbladder workflows for performance excellence
- Adding DNA SNP markers to Cxbladder Monitor to evaluate the possibility of enhanced performance characteristics
- **MONSTER:** identifying additional markers of disease in surveillance patients
  - Rationale: Gene expression markers perform poorly within 6 months of surgical intervention (TURBT) and after administration of therapeutics
  - Opportunities within 6 months of intervention:
    - **Minimum Residual Disease** (MRD)
    - **Therapeutic Response Monitoring** (TRM)

Christchurch Hospital

MONSTER	**MON**itoring **S**tudy of post-**T**reatment **E**ffectiveness for **R**esidual Disease Single-arm, observational study to validate the performance characteristics of Cxbladder against white light cystoscopy during surveillance of UC • Christchurch-based sample collection to measure residual disease • To understand the potential of Cxbladder in identifying therapeutic response for surgical and non-surgical treatments of bladder cancer.	- Protocol under development, consulting with medical experts and pharma partners to guide the best study design

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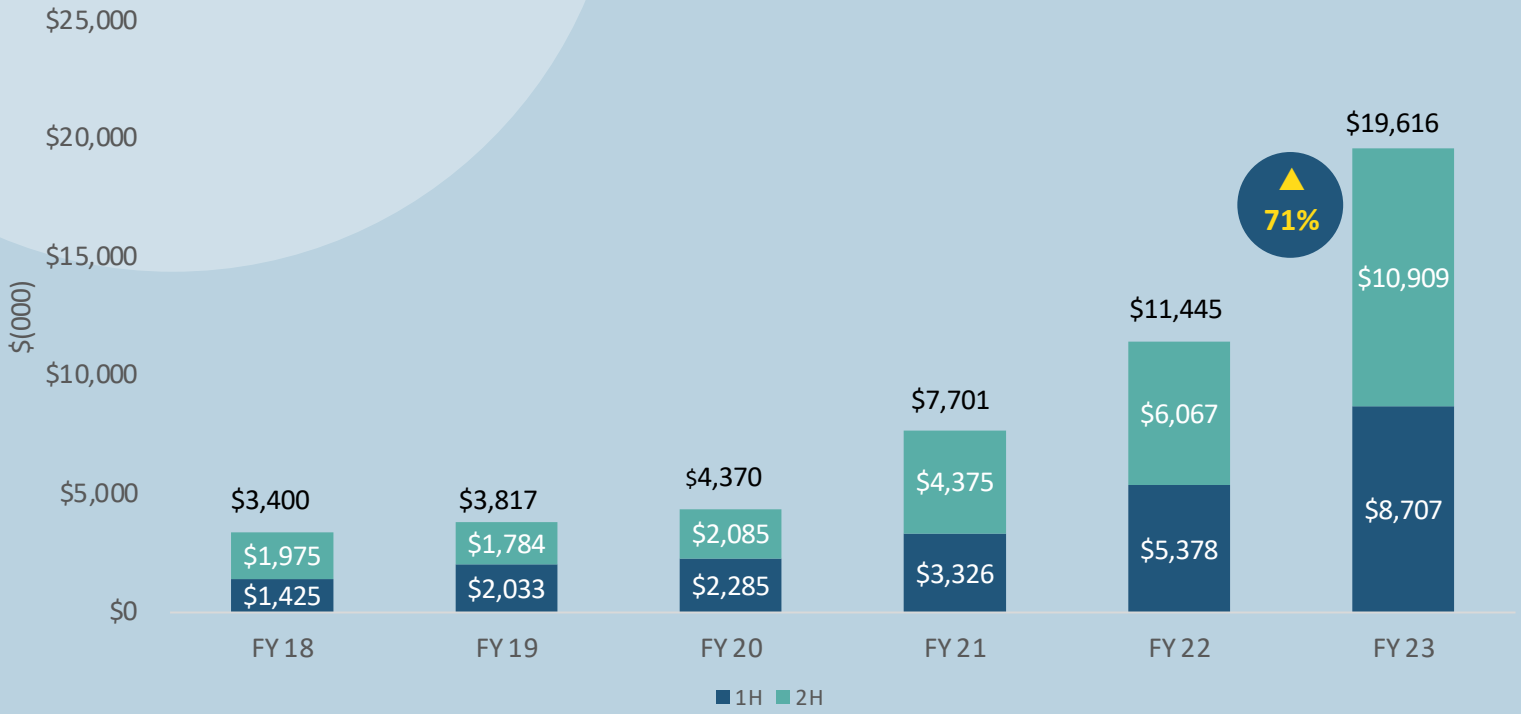
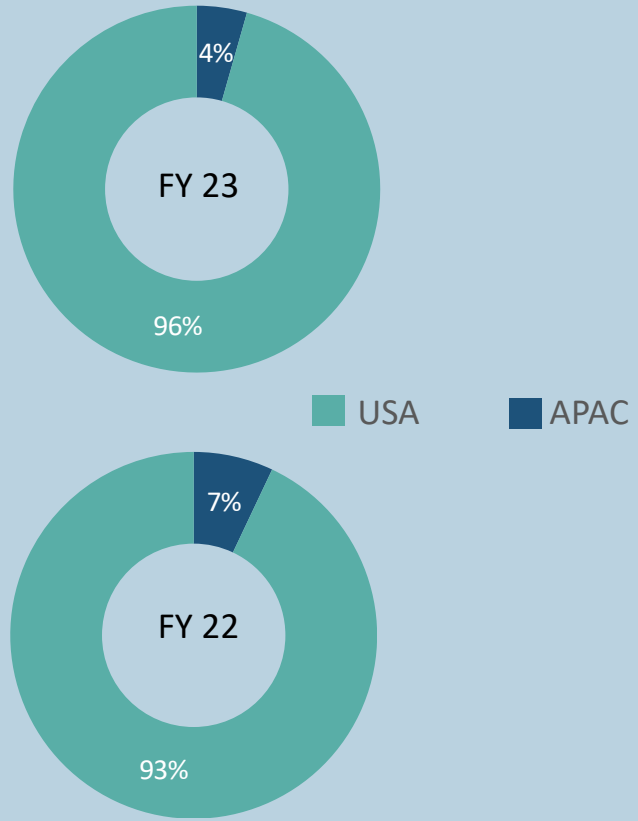
FINANCIAL RESULTS OVERVIEW

US TEST COMMERCIAL TEST VOLUME GROWTH DRIVING FY 23 REVENUES

Pacific Edge Operating Revenue



Regional Revenue Split



A STRONG BALANCE SHEET SUPPORTING GROWTH INVESTMENT

FINANCIAL PERIOD (March Year)	FY 23	FY 22	FY 21	FY 23 vs FY 22
	$000	$000	$000	△ %
Operating revenue	$19,616	$11,445	$7,701	71%
Total revenue	$26,124	$13,878	$10,439	88%
Operating expenses	$53,089	$33,666	$24,662	58%
Total comprehensive loss	**-$27,064**	**-$19,674**	**-$14,177**	**38%**
Cash receipts from customers	$18,468	$10,942	$6,747	69%
Net operating cash outflow	-$25,575	-$17,552	-$13,570	46%
Net cash, cash equivalents and short term deposits	**$77,791**	**$105,412**	**$23,129**	**-26%**

- Operating revenue growth of 71% driven by growth in US testing volumes
- Operating expenses increased 58% due primarily to investment for growth in sales and marketing and research (~73%) and volume increase of Cxbladder (~15%)
- Cash and cash equivalents of $77.8m down $15.7m on $93.5m in 1H 23[1] and $27.6m on FY 22
- Removing the impact of changes in foreign exchange between FY 22 and FY 23:
  - Operating revenue grew 55%
  - Operating expenses increased 47%
  - Total comprehensive loss increased 31%

[1] 30 September 2022

OPERATING EXPENSES RISE WITH INVESTMENT AND VOLUME GROWTH

FINANCIAL PERIOD (March Year)	FY 23	FY 22	FY 21	FY 23 vs FY 22
	$000	$000	$000	△ %
Laboratory operations	$9,349	$6,498	$5,466	44%
Research	$8,484	$5,135	$4,584	65%
Sales and marketing	$25,123	$14,277	$9,202	76%
General and administration	$10,133	$7,756	$5,410	31%
Total operating expenses	$53,089	$33,666	$24,662	58%

- Investment in people accounted for ~52% of the expense growth, e.g. headcount, salary increases and recruitment costs
- Sales and Marketing investment accounted for ~56% of the expense growth, including the majority of Medical Affairs expense
- Laboratory operations expenses increased ~ 44% following higher throughput and freight costs
- Research costs have increased ~ 65% as increased clinical evidence generation focuses on guideline inclusion

ENVIRONMENTAL SOCIAL AND GOVERNANCE STRATEGY

ESG: PACIFIC EDGE IS FOUNDED ON IMPROVING SOCIAL OUTCOMES

Pacific Edge is delivering actionable information that can contribute to a clinically meaningful improvements in cancer treatment, improving lives, improving healthcare equity across populations and healthcare outcomes for patients

GOVERNANCE

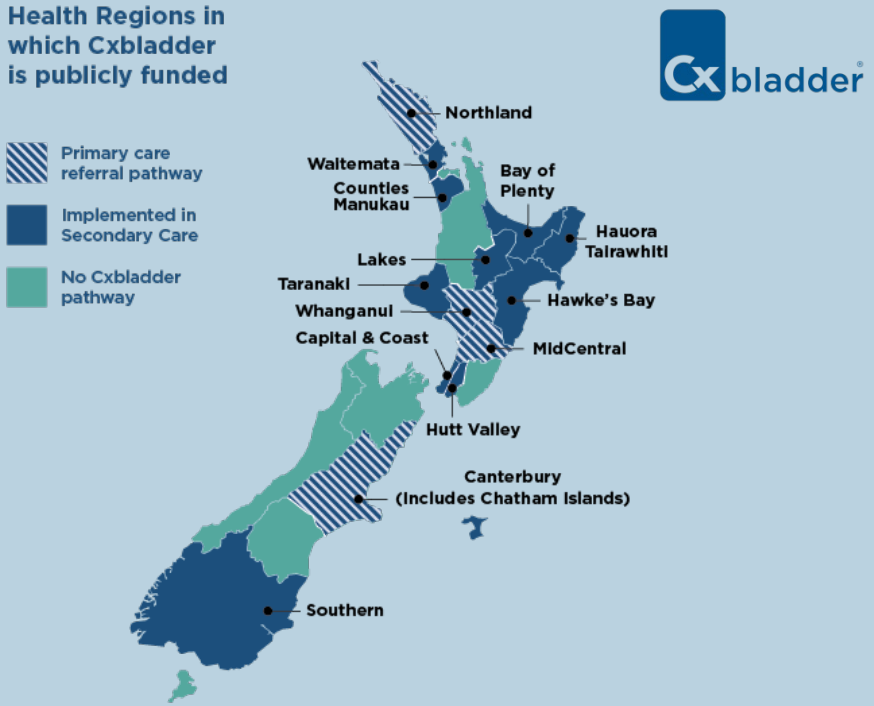
- Integrating oversight of Environmental, Social and Governance (ESG) matters, including carbon reporting, into the Audit and Risk Committee Charter

AOTEAROA NEW ZEALAND CLIMATE STANDARDS

- Measured carbon emissions (Scope 1, 2, 3) in FY 23 and positioned to provide base year data in FY 24
- Working closely with Toitū Envirocare to accurately audit and measure our greenhouse gas emissions, as we work towards achieving certification in respect of FY 24
- Developing strategies and policies and evolving our risk management framework to meet our reporting requirements.

ATTRACTING AND RETAINING TALENT AT PACIFIC EDGE

- We actively promote diversity, inclusion, engagement and fair remuneration



PROMOTING HEALTH CARE EQUITY

Following the introduction of Cxbladder into primary care in Te Whatu Ora Canterbury, referrals to urologists were safely reduced, urological waiting lists fell by 25%[1]

1. Davidson, Peter; Presentation to Urofair, 2022, time to first specialist assessment.

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OUTLOOK: FOCUSED ON FY24 EXECUTION

- Building on steady growth in FY23, investing prudently to improve effectiveness metrics (e.g. throughput/headcount, throughput/clinician)

- **HEADWINDS:**
  - No response by Novitas to comments submitted by Pacific Edge or other companies on proposed LCD

- **CATALYSTS:**
  - Novitas publishes a final LCD retaining coverage under LCA58917
  - Kaiser EMR integration “go live” in Southern California
  - Sales force maturity & territory stability improve effectiveness
  - *Te Whatu Ora* national contract
  - New clinician-generated CU evidence as studies completed

- We have world-leading technology, a strong balance sheet and we are building momentum in the US and establishing footholds in new markets

QUESTIONS

APPENDIX

Mission
To help improve people's lives and patient outcomes by providing leading solutions for the early detection and management of cancer.

Vision
A world where the early diagnosis and better treatment of cancer is within reach of everyone.

"Nobody should die of cancer"

PACIFIC EDGE: RESEARCH, INNOVATION, COMMERCIALIZATION

2001 Pacific Edge established

2003 Listed on the NZX

2007 Commercial pivot to focus on urothelial cancer diagnostics

2008 Holyoake et al: Urine-based RNA detection of urothelial cancer. Clin Cancer Res

2010 Pacific Edge Diagnostics New Zealand (PEDNZ) established

2012 O'Sullivan et al: Cxbladder Detect performance validation. Journal of Urology

Dec 2012 Launch of Pacific Edge Diagnostics USA and Cxb Detect

Mar 2013 PEDUSA receives CLIA accreditation

May 2013 First commercial sale (Cxb Detect) for PEDNZ

Mar 2013 First commercial sale (Cxb Detect) for PEDUSA

Dec 2014 Launch of Cxbladder Triage

Mar 2015 Kavalieris et al: Cxb Triage performance validation. BMC Urology

Dec 2015 Launch of Cxbladder Monitor

Nov 2016 Clinical trials commence in Singapore

Feb 2018 Cxb Triage adopted into Canterbury Community Health Pathways with primary care referral

Aug 2019 Konety et al: Clinical Utility of Cxb Detect in adjudicating atypical cytology and equivocal cystoscopy. European Urology

Apr 2020 Patient in-home sampling initiated in the US

Jun 2020 Kaiser Permanente, approves commercial use of Cxbladder

Jul 2020 CMS confirms reimbursement of Cxbladder at $760/test

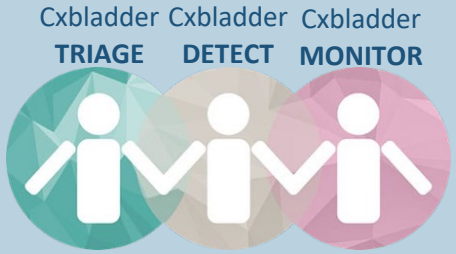
Aug 2021 Cxbladder reaches 70% public healthcare coverage in NZ

Oct 2021 PEB raises $103.5m (~US$72.5m)

Dec 2021 First commercial sale of Cxbladder in Australia

Dec 2022 Lotan et al: Enhanced Cxbladder Tests Deliver Improved Performance. Journal of Urology

2001 2007 2008 2011 2012 2013 2014 2015 2016 2018 2019 2020 2021 2022



Cxbladder®

GLOBAL GUIDELINES PIVOTAL TO THE WIDESPREAD ADOPTION OF CXBLADDER

Recognition in national guidelines deepens and accelerates commercial use of Cxbladder tests and entrenches coverage by nationally relevant healthcare institutions.

American Urological Association

- Most influential and largest urological association in the world
- U.S. based - 23,000 members worldwide.
- Standards of care relevant to Cxbladder:
  - Hematuria and micro-hematuria management
  - Non-muscle invasive bladder cancer (NMIBC). (Standard makes an allowance for the use of biomarkers in surveillance)
- Guidelines reviewed as new evidence emerges
- Pacific Edge can influence this process by publishing new clinical evidence

www.auanet.org

European Association of Urology

- Leading urologic authority in Europe
- Netherlands-based, 18,000 members
- Standards relevant to Cxbladder
  - Non-muscle invasive bladder cancer (NMIBC)
  - Guidelines loosely followed in New Zealand, Australia and Singapore, but localised at a national and regional level
- Guidelines recently reviewed with favourable biomarker language and are updated regularly

www.uroweb.org

NCCN National Comprehensive Cancer Network®

- US-based not-for-profit alliance of 32 leading US cancer centres
- Bladder cancer standard suggests biomarkers may be considered during surveillance of high-risk non-muscle-invasive bladder cancer
- Guidelines reviewed annually. PEB will resubmit in every year where there is new peer-reviewed evidence for Cxbladder

www.nccn.org

SUMMARY OF CLINICAL EVIDENCE

		Study	Pop. Type	Sensitivity (Sn)	NPV	Specificity (Sp)	Comment
Detect+	**AV**	Lotan et al., 2022	MH + GH*	97%	99.7%	90%	Pooled data from US and Singapore cohorts (*n*=804)
	CV	DRIVE (unpublished) (**1**)	MH + GH*				*Study in progress*
		AUSSIE (unpublished) (**4**)	MH + GH*				*Study to start this year*
		microDRIVE (unpublished) (**5**)	MH*				*Study to start this year*
Triage	**AV**	Kavalieris et al., 2015	MH + GH*	95.10%	98.50%	45%	**Sn, Sp, NPV** values when test-negative rate is 40%
	CV	Davidson et al., 2019	MH + GH*	95.5% (**1**)	98.6% (**1**)	34.3%	GH only: **Sn** (95.1%), **NPV** (98%), **Sp** (32.8%); MH only: **Sn** (100%), **NPV** (100%), **Sp** (42.6%)
		Konety et al., 2019	(**2**)	100%			Cxbladder (**3**) correctly adjudicated all UC confirmed patients (*n*=26) with atypical urine cytology results (*n*=153, **4**)
		Lotan et al., 2022	MH + GH*	89%	99%	63%	Pooled data from US and Singapore cohorts (*n*=804)
	CU	Davidson et al., 2020	MH + GH*	89.4% (**5**)	98.9% (**5**)	59% (**5**)	39% of patients testing negative for Cxb Triage & imaging did not get cystoscopy & were managed at primary care (**6**)
		STRATA (unpublished) (**7**)	MH + GH*				*Study in progress*
Detect	**AV**	O'Sullivan et al., 2012	GH*	81.8%	97%	85.1%	Cxb Detect detected 97% of HG tumors & 100% of Stage 1 or greater tumors.
	CV	Lotan et al., 2022	MH + GH*	74%	97%	82%	Pooled data from US and Singapore cohorts (*n*=804)
		DRIVE (unpublished) (1)	MH + GH*				*Study in progress*
Monitor	**AV**	Kavalieris et al., 2017	(**1**)	88% (**2**)	97% (**2**)	N/A	(**3**)
	CV	Konety et al., 2019	(**4**)	100%			Cxbladder (**5**) correctly adjudicated all UC confirmed patients (*n*=26) with atypical urine cytology results (*n*=153, **6**)
	CU	Koya et al., 2020	(**7**)				Integration of Cxb Monitor into the surveillance schedule reduced annual cystoscopies (39%) (8,9)

* Referred

MH: Microhematuria, GH: Gross Hematuria. For definitions of Sensitivity, NPV and Specificity please see the glossary on page 33 of this presentation

FOOTNOTES FOR CLINICAL EVIDENCE SUMMARY

	Footnotes	
Detect+	1	Observational study to validate performance characteristics and clinical utility of Cxbladder tests (Cxb Triage, Cxb Detect, Cxb Detect^{+}).
	2	Observational study to validate performance characteristics of Cxb Detect^{+} in patients with UC of the upper tract.
	3	Patients with suspected upper tract UC (UTUC) or surveillance patients with a history of UTUC.
	4	Observational study to validate performance characteristics and clinical utility of Cxbladder tests (Cxb Triage, Cxb Detect, Cxb Detect^{+}).
	5	Observational study to validate performance characteristics of Cxb Detect^{+} in microhematuria (MH) patients.

Triage	**1**	Cxb Triage performance; Cxb Triage & imaging combined performance had a **Sn** of 97.7% & **NPV** of 99.8%.
	2	Patients included hematuria evaluation (*n*=436) or surveillance previously diagnosed with UC (*n*=416) with both Cxbladder & urine cytology results.
	3	Cxbladder includes Cxbladder Triage & Cxbladder Monitor.
	4	This included *n*=70 for patients with hematuria & *n*=83 for patients with previously diagnosed UC and overall test negative rate of 30.7%.
	5	Cxb Triage performance; Cxb Triage & imaging combined performance had a **Sn** of 98.1%, **NPV** of 99.9% & **Sp** of 98.4%.
	6	Cxb Triage negative rate was 53%; Follow-up period of 21-months showed no missed cancers, demonstrating safety.
	7	The intent of STRATA is to show that it is safe to risk stratify low risk microhematuria patients and not undertake cystoscopy.

Detect	**1**	Observational study to validate performance characteristics and clinical utility of Cxbladder tests (Cxb Triage, Cxb Detect, Cxb Detect^{+}).

Monitor	**1**	Surveillance patients previously diagnosed with primary or recurrent UC.
	2	Cxb Monitor performance characteristics on surveillance patients diagnosed with primary UC; Cxb Monitor had a **Sn** of 93% and **NPV** of 94% on patients with recurrent UC.
	3	Using Kavalieris et al., (2017) data set, Lotan et al., (2017) compared relative performance of Cxb Monitor against NMP22 ELISA, NMP22 BladderChek and urine cytology.
	4	Patients included hematuria evaluation (*n*=436) or previously diagnosed UC (*n*=416) with both Cxbladder & urine cytology results.
	5	Cxbladder includes Cxbladder Triage & Cxbladder Monitor.
	6	This included *n*=70 for patients with hematuria & *n*=83 for patients with previously diagnosed UC; test negative rate of 30.7%.
	7	All patients were being evaluated for recurrence of UC (*n*=309 providing 443 samples).
	8	Cxb Monitor identified all seven confirmed recurrence events idnetified on the first cystoscopy.
	9	Patients returning negative Cxb Monitor results (n=235) had no pathology-confirmed recurrence at 1st cystoscopy

REFERENCES SUMMARY OF CLINICAL EVIDENCE

	References
Detect+	Lotan et al., (2022). Urinary Analysis of FGFR3 and TERT Gene Mutations Enhances Performance of Cxbladder Tests and Improves Patient Risk Stratification. The Journal of Urology, 10-1097.

Triage	Davidson et al., (2019). Inclusion of a molecular marker of bladder cancer in a clinical pathway for investigation of haematuria may reduce the need for cystoscopy. NZ Med J, 132(1497), 55-64.
	Davidson et al., (2020). Assessment of a clinical pathway for investigation of haematuria that reduces the need for cystoscopy. The New Zealand Medical Journal (Online), 133(1527), 71-82.
	Kavalieris et al., (2015). A segregation index combining phenotypic (clinical characteristics) and genotypic (gene expression) biomarkers from a urine sample to triage out patients presenting with hematuria who have a low probability of urothelial carcinoma. BMC urology, 15(1), 1-12.
	Konety et al., (2019). Evaluation of cxbladder and adjudication of atypical cytology and equivocal cystoscopy. European urology, 76(2), 238-243.
	Lotan et al., (2022). Urinary Analysis of FGFR3 and TERT Gene Mutations Enhances Performance of Cxbladder Tests and Improves Patient Risk Stratification. The Journal of Urology, 10-1097.

Detect	Lotan et al., (2022). Urinary Analysis of FGFR3 and TERT Gene Mutations Enhances Performance of Cxbladder Tests and Improves Patient Risk Stratification. The Journal of Urology, 10-1097.
	O'Sullivan et al., (2012). A multigene urine test for the detection and stratification of bladder cancer in patients presenting with hematuria. The Journal of urology, 188(3), 741-747.

Monitor	Kavalieris et al., (2017). Performance characteristics of a multigene urine biomarker test for monitoring for recurrent urothelial carcinoma in a multicenter study. *The Journal of Urology*, *197*(6), 1419-1426.
	Konety et al., (2019). Evaluation of cxbladder and adjudication of atypical cytology and equivocal cystoscopy. European urology, 76(2), 238-243.
	Koya et al., (2020). An evaluation of the real world use and clinical utility of the Cxbladder Monitor assay in the follow-up of patients previously treated for bladder cancer. *BMC urology*, *20*(1), 1-9.
	Lotan et al., (2017). Clinical comparison of noninvasive urine tests for ruling out recurrent urothelial carcinoma. *Urologic Oncology: Seminars and Original Investigations*, 35 (8), 531-539.

PACIFIC EDGE BOARD AND MANAGEMENT

CHRIS GALLAHER
Chairman
Chris has held senior positions in both CEO and CFO roles with large international companies and was a partner in Arthur Young, Chartered Accountants. Prior to retiring from full time corporate life, he was CFO of Fulton Hogan, a large New Zealand civil contractor.

DR PETER MEINTJES
Chief Executive Officer
Peter is a molecular diagnostics and genomics leader focused on nascent market development of disruptive innovations to drive commercial success. Prior to joining Pacific Edge, he was based in Boston in a succession of diagnostic leadership roles. Most recently he was the Chief Commercial Officer at Eurofins Transplant Genomics and before that CEO at Omixon.

INDEPENDENT DIRECTORS

SARAH PARK
ANATOLE MASFEN
BRYAN WILLIAMS
ANNA STOVE
MARK GREEN
TONY BARCLAY

SENIOR LEADERSHIP TEAM

GRANT GIBSON
Chief Financial Officer
GLEN COSTIN
President Asia Pacific
ANDY MCINTOSH
Chief Digital Officer
DAVID LEVISON
President Pacific Edge USA
DARELL MORGAN
Chief Operating Officer
DR TAMER ABOUSHWAREB
Chief Medical Officer
DR JUSTIN HARVEY
Chief Technology Officer

GLOSSARY

- ***Sensitivity*** - the frequency with which a test correctly identifies patients with a disease.
- ***Specificity*** - the frequency with which a test correctly identifies patients without a disease.
- ***Negative Predictive Value (NPV)*** - the percentage of negative tests being true negatives (by standard of care).
- ***Positive Predictive Value (PPV)*** - the percentage of positive tests being true positives (by standard of care).
- ***Rule-out Rate (ROR)*** - the percentage of tests that return a negative result.
- ***Evidence definitions:***
  - ***Analytical validity***: Develop a test that is repeatable in the lab for a given indication and population.
  - ***Clinical validity:*** Make sure the test works in the same way on an independent eligible population for the given indication.
  - ***Clinical utility:*** Put the test in the hands of a physician to establish that it can usefully change patient management within the context of care for the defined population and indication.

23 CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED
31 MARCH 2023

PACIFIC EDGE LTD
CANCER DIAGNOSTICS COMPANY

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2023

	Notes	2023 ($000)	2022 ($000)
REVENUE			
Operating Revenue	5	19,616	11,445
Total Operating Revenue		**19,616**	**11,445**
Other Income	5	1,417	1,691
Interest Income	9	2,761	549
Foreign Exchange Gain		2,330	193
Total Revenue and Other Income		**26,124**	**13,878**
OPERATING EXPENSES			
Laboratory Operations		9,349	6,498
Research	6	8,484	5,135
Sales and Marketing		25,123	14,277
General and Administration	7	10,133	7,756
Total Operating Expenses		**53,089**	**33,666**
NET LOSS BEFORE TAX		**(26,965)**	**(19,788)**
Income Tax Expense	16	-	-
LOSS FOR THE YEAR AFTER TAX		**(26,965)**	**(19,788)**
Items that may be reclassified to profit or loss:			
Translation of Foreign Operations		(99)	114
TOTAL COMPREHENSIVE LOSS attributable to equity holders of the Company		**(27,064)**	**(19,674)**
Earnings per share for loss attributable to the equity holders of the Company during the year			
Basic and Diluted Earnings per share	3	(0.033)	(0.026)

Note: These Financial Statements are to be read in conjunction with the Notes to the Financial Statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2023

	Notes	Share Capital ($000)	Accumulated Losses ($000)	Share Based Payments Reserve ($000)	Foreign Currency Translation Reserve ($000)	Total Equity ($000)
Balance as at 31 March 2021		**190,305**	**(170,061)**	**4,038**	**827**	**25,109**
Loss after tax		-	(19,788)	-	-	(19,788)
Other Comprehensive Income		-	-	-	114	114
TOTAL COMPREHENSIVE LOSS attributable to equity holders of the Company		-	**(19,788)**	-	**114**	**(19,674)**
Transactions with owners in their capacity as owners:						
Issue of Share Capital	18	99,622	-	-	-	99,622
Share Based Payments- Employee Remuneration	8	172	-	-	-	172
Share Based Payment- Employee Share Options	8	4,040	-	(893)	-	3,147
Balance as at 31 March 2022		**294,139**	**(189,849)**	**3,145**	**941**	**108,376**
Balance as at 31 March 2022		**294,139**	**(189,849)**	**3,145**	**941**	**108,376**
Loss after tax		-	(26,965)	-	-	(26,965)
Other Comprehensive Income		-	-	-	(99)	(99)
TOTAL COMPREHENSIVE LOSS attributable to equity holders of the Company		-	**(26,965)**	-	**(99)**	**(27,064)**
Transactions with owners in their capacity as owners:						
Issue of Share Capital	18	(4)	-	-	-	(4)
Share Based Payments- Employee Remuneration	8	182	-	-	-	182
Share Based Payment- Employee Share Options	8	-	-	1,273	-	1,273
Balance as at 31 March 2023		**294,317**	**(216,814)**	**4,418**	**842**	**82,763**

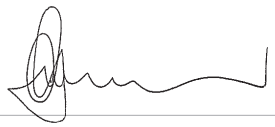
Note: These Financial Statements are to be read in conjunction with the Notes to the Financial Statements

CONSOLIDATED BALANCE SHEET

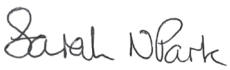
As at 31 March 2023

	Notes	2023 ($000)	2022 ($000)
CURRENT ASSETS			
Cash and Cash Equivalents	9	33,229	35,412
Short Term Deposits	9	44,562	70,000
Receivables	10	5,493	4,012
Inventory	11	1,287	1,007
Other Assets	12	1,400	1,183
Total Current Assets		**85,971**	**111,614**
NON-CURRENT ASSETS			
Property, Plant and Equipment	13	2,768	1,404
Right of Use Assets	23	1,143	1,830
Intangible Assets	14	1,031	434
Total Non-Current Assets		**4,942**	**3,668**
TOTAL ASSETS		**90,913**	**115,282**
CURRENT LIABILITIES			
Payables and Accruals	17	6,928	4,983
Lease Liabilities	23	811	1,072
Total Current Liabilities		**7,739**	**6,055**
NON-CURRENT LIABILITIES			
Lease Liabilities	23	411	851
Total Non-Current Liabilities		**411**	**851**
TOTAL LIABILITIES		**8,150**	**6,906**
NET ASSETS		**82,763**	**108,376**
Represented by:			
EQUITY			
Share Capital	18	294,317	294,139
Accumulated Losses		(216,814)	(189,849)
Share Based Payments Reserve		4,418	3,145
Foreign Translation Reserve		842	941
TOTAL EQUITY		**82,763**	**108,376**
FURTHER INFORMATION			
Net Tangible Assets per share ($)		0.101	0.133

For and on behalf of the Board of Directors dated the 24th day of May 2023:



Director



Director

Note: These Financial Statements are to be read in conjunction with the Notes to the Financial Statements

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2023

	Notes	2023 ($000)	2022 ($000)
CASH FLOWS TO OPERATING ACTIVITIES			
Cash was provided from:			
Receipts from Customers		18,468	10,942
Receipts from Grant Providers		1,066	1,413
Interest Received		2,716	365
		22,250	12,720
Cash was disbursed to:			
Payments to Suppliers and Employees		47,869	30,198
Net GST (inflow) cash outflow		(44)	74
		47,825	30,272
Net Cash Flows To Operating Activities	20	**(25,575)**	**(17,552)**
CASH FLOWS FROM (TO) INVESTING ACTIVITIES:			
Cash was provided from:			
Proceeds from Short Term Deposits		143,490	51,837
		143,490	51,837
Cash was disbursed to:			
Purchase of Short Term Deposits		118,107	102,837
Capital Expenditure on Plant and Equipment		1,870	713
Capital Expenditure on Intangible Assets		1,039	413
		121,016	103,963
Net Cash Flows From (To) Investing Activities		**22,474**	**(52,126)**
CASH FLOWS (TO) FROM FINANCING ACTIVITIES:			
Cash was received from:			
Ordinary Shares Issued	18	(4)	103,488
Exercising of Share Options		-	2,306
		(4)	105,794
Cash was disbursed to:			
Repayment of Leases- Principal	23	1,195	1,147
Repayment of Leases- Interest	23	83	126
Issue Expenses	18	-	3,865
		1,278	5,138
Net Cash Flows (To) From Financing Activities		**(1,282)**	**100,656**
Net (Decrease) increase in Cash Held		**(4,383)**	**30,978**
Add Opening Cash Brought Forward		35,412	4,129
Effect of exchange rate changes on net cash		2,200	305
Ending Cash Carried Forward	9	**33,229**	**35,412**

Note: These Financial Statements are to be read in conjunction with the Notes to the Financial Statements

Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

1. ACCOUNTING POLICIES

SUMMARY OF ACCOUNTING POLICIES

Reporting Entity

The consolidated financial statements (hereafter referred to as the 'financial statements') presented for the year ended 31 March 2023 are for Pacific Edge Limited (the 'Company') and its subsidiaries (collectively referred to as the 'Group'). The Group's purpose is to research, develop and commercialise new diagnostic and prognostic tools for the early detection and management of cancers.

Pacific Edge Limited is registered in New Zealand under the Companies Act 1993 and is a Financial Markets Conduct (FMC) reporting entity under Part 7 of the Financial Markets Conduct Act 2013. The financial statements of the Group have been prepared in accordance with the requirements of the Financial Markets Conduct Act 2013 and the NZX Listing Rules. The financial statements presented are those of the Group, consisting of the Parent entity, Pacific Edge Limited and its subsidiaries. The Company is dual listed, with its primary listing of ordinary shares quoted in New Zealand on the NZX Main Board, and a secondary listing in Australia as a Foreign Exempt Entity on the ASX.

These financial statements have been approved for issue by the Board of Directors on the 24th May 2023.

Basis of Preparation

These financial statements of the Group have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand (NZ GAAP). The Group is a for-profit entity for the purposes of complying with NZ GAAP. The financial statements comply with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS), other New Zealand accounting standards and authoritative notices that are applicable to entities that apply NZ IFRS. The financial statements also comply with International Financial Reporting Standards.

The financial statements are presented in New Zealand Dollars, which is the Company's functional currency and Group's presentation currency, and all values are rounded to the nearest thousand dollars ($000). The accounting principles recognised as appropriate for the measurement and reporting of earnings, cash flows and financial position on a historical cost basis have been used.

The Consolidated Statement of Comprehensive Income and Consolidated Statement of Cash Flows have been prepared so that all components are stated net of GST. All items in the Consolidated Balance Sheet are stated net of GST, with the exception of receivables and payables.

Management of Capital

The capital structure of the Group consists of equity raised by the issue of ordinary shares in the Company. The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders, provide benefit for other stakeholders and to maintain an optimal capital structure to support the development of its business. The Company meets these objectives through closely managing revenue and expenditure, and where required issues new shares.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

Basis of Consolidation

The following entities and the basis of their inclusion for consolidation in these Financial Statements are as follows:

Name of Subsidiary	Place of Incorporation (or registration) & Operation	Principal Activity	Ownership Interests & Voting Rights	
			31 March 2023 %	31 March 2022 %
Pacific Edge Diagnostics New Zealand Limited	New Zealand	Commercial Sales and Diagnostic Laboratory Operation	100	100
Pacific Edge (Australia) Pty Limited	Australia	Commercial Sales and Biotechnology Research & Development	100	100
Pacific Edge Diagnostics USA Limited	USA	Commercial Sales and Diagnostic Laboratory Operation	100	100
Pacific Edge Diagnostics Singapore Pte Limited	Singapore	Commercial Sales and Biotechnology Research & Development	100	100
Pacific Edge Analytical Services Limited	New Zealand	Dormant Company	100	100

The financial statements incorporate the assets, liabilities and results of all subsidiaries of Pacific Edge Limited as at 31 March 2023 and for the year then ended. All subsidiaries have the same balance date as the Company of 31 March.

Pacific Edge Limited consolidates all entities over which Pacific Edge Limited has control. Control is achieved when the Group:

- has power to direct the activities of the entity;
- is exposed, or has rights, to variable returns from involvement with the entity; and
- has the ability to use its power to affect its returns.

Subsidiaries which form part of the Group are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred and the equity interest issued by the Group.

The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Critical Accounting Estimates and Assumptions

In preparing these financial statements, the Group made estimates and assumptions concerning the future. These estimates and assumptions may differ from the subsequent actual results. Estimates and assumptions are continually evaluated and are based on historical experience and other factors including expectations or future events that are believed to be reasonable under the circumstances.

There has been a change in a Critical Accounting Estimate for commercial test revenue recognised in the US, which has resulted in Operating Revenue increasing by $418,000 for the reporting period ended 31 March 2023. This is detailed in Note 5.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

The Group has performed an initial assessment of potential climate related risks and considered the location of laboratories and other key operations in each region that it operates in and concluded that there is no material impact on the current financial statements.

All other significant accounting policies have been applied on a basis consistent with those used in the audited financial statements of Pacific Edge Limited for the year ended 31 March 2022.

2. NEW STANDARDS

New and Amended Standards Adopted by the Group

There are no new standards or interpretations material to the Group to be applied during the year.

New Standards and Interpretations Not Yet Adopted by the Group

Certain new accounting standards and interpretations have been published that are not mandatory for 31 March 2023 reporting periods and have not been early adopted by the Group. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

3. EARNINGS PER SHARE

(a) Basic

Basic earnings per share is calculated by dividing the profit (or loss) attributable to equity holders of the Company by the weighted average number of ordinary shares on issue during the year excluding ordinary shares purchased by the Company (Note 18).

	GROUP	
	2023 ($000)	**2022 ($000)**
Loss attributable to equity holders of the Company	(26,965)	(19,788)
Weighted average number of ordinary shares on issue	810,226	767,924
Earnings per share	(0.033)	(0.026)

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of shares outstanding to assume conversion of all dilutive potential ordinary shares. The Group's dilutive potential ordinary shares are in the form of share options. As the Group made a loss during the current year and losses cannot be diluted, basic and diluted earnings per share are the same.

4. LABORATORY THROUGHPUT AND COMMERCIAL TESTS – NON-GAAP REPORTING

Laboratory Throughput is a key metric for the Group: Laboratory Throughput provides evidence of the usage of Cxbladder products globally and the rates of adoption between different customer segments. The inclusion of this non-GAAP reporting is considered helpful to readers of these consolidated financial statements, as it allows readers to compare the current period to prior periods and assess usage trends on a consistent basis. Total laboratory throughput includes commercial tests, which are invoiced to customers (including tests for patients covered by the US government's medical program through the Centers for Medicare and Medicaid Services (CMS)), and tests which are not considered to be commercial as these tests relate to Research Tests or other non-chargeable activities.

Commercial Test numbers are also a key metric for the Group: Commercial Tests are those tests for which the Company is actively seeking reimbursement and cash receipts, and tests performed at no charge in order to gain new customers. The inclusion of this non-GAAP reporting is considered helpful to readers of these consolidated financial statements as it allows readers to compare the current period to prior periods and assess trends on a consistent basis.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

Laboratory Throughput and Commercial Tests per financial year are shown below.

	FY23	FY22
Total Laboratory Throughput (tests)	31,565	23,086
Change in Total Laboratory Throughput (%)	37%	46%
Change in Throughput from previous year (tests)	8,479	7,272
Total Commercial Tests (tests)	26,691	19,196
Change in Commercial Tests from previous year (%)	39%	48%
Change in Commercial Tests from previous year (tests)	7,495	6,220
Commercial Tests as a percentage of Total Laboratory Throughput (%)	85%	83%

5. REVENUE

Background information on US customers and the payment process

A physician orders a Cxbladder test when a patient presents to their clinic with symptoms that indicate the possibility of bladder cancer. The most common and significant symptom is haematuria or blood in their urine. A urine sample is collected from the patient and sent in the Cxbladder Urine Sampling System to the Group's laboratory in the US or in New Zealand. The Group receives and processes the urine sample and returns the results of the test back to the ordering physician. The individual patient is the Group's customer, however typically in the US market, the patient's insurer may pay the Group for some or all of the cost of the test.

When a physician orders a Cxbladder test, the Group has an obligation to perform the test and report the results to the ordering physician irrespective of the patient's insurance contract. A patient may have private insurance cover, be covered by the US government's medical program through CMS, self cover or have no insurance cover.

Once the Cxbladder test has been completed, all information required for insurance purposes is sent to the Group's billing and reimbursement agent to begin the process to collect reimbursement from any applicable insurance company/ies for the Cxbladder test performed.

For patients with private insurance cover, the relevant patient and test order information will be sent to their insurance provider. When the Group does not have an individual agreement with that insurance provider to pay for Cxbladder tests ("out of network"), the insurance provider will assess that individual patient's test for medical necessity and the level of insurance cover (if any) available to cover the cost of the test. This process of assessment can take many months to work through before the Group receives payments (if any) from the insurance company. The Group does have agreements with some insurance providers but these currently cover a small proportion of the Group's customers.

For patients covered by CMS, invoices are sent to CMS. Prior to 3 July 2020, Pacific Edge was not included in the Local Coverage Determination (LCD) and as a result, did not normally receive any amounts for tests performed for patients covered by CMS. On 3 July 2020, Pacific Edge received notice of inclusion in the LCD, resulting in the Company receiving reimbursement for Cxbladder Monitor and Detect tests performed after 1 July 2020 for patients covered by the CMS across the US that are deemed medically necessary.

For uninsured patients, the Group has no certainty of when or if the patient will pay.

Rest of World Customers

Revenue from Rest of World customers is primarily from Te Whatu Ora Health New Zealand. In all Rest Of World locations, there is a clearly defined contract with the customer meeting the requirements of NZ IFRS 15. Pacific Edge Diagnostics New Zealand Limited has individual contracts with regions across New Zealand and revenue is recognised as described on the following pages.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

Critical Accounting Estimate

The application of NZ IFRS 15: Revenue from contracts with customers (NZ IFRS 15) requires the application of significant judgement in determining whether the Group meets the five key criteria identified in NZ IFRS 15, which must be met before revenue may be recognised as performance obligations are satisfied. For the Group this would result in some revenue recognised in advance of the receipt of cash.

The significant judgements adopted by the Group relate to :

- determining if a contract with the customer exists;
- identifying the rights of each party;
- identifying the payment terms;
- ensuring the contract has commercial substance; and
- determining whether it is probable that the Group will collect the consideration to which it is entitled.

While there has been significant judgement applied to all five criteria, there are two criteria that have higher levels of uncertainty, requiring increased levels of judgement. The significant judgements applied to determine the Transaction Price and determining the probability of collecting consideration are detailed in the Accounting Policy relating to Revenue from Cxbladder Tests.

ACCOUNTING POLICY

Revenue from Cxbladder tests – USA

The Group performs Cxbladder tests when requested by a patient's physician. At the point the test results are returned to the physician, the Group has satisfied its performance obligation and has the right to issue an invoice. The Group has determined a contract exists, and payment terms are identified, the contract has commercial substance and the rights of each party have been identified.

On 3 July 2020, Pacific Edge received notice of inclusion in the LCD, resulting in the Company receiving reimbursement for Cxbladder Monitor and Detect tests performed after 1 July 2020 for patients covered by the CMS across the US that are deemed medically necessary. Reimbursement for these tests is at the already determined national CMS price for Cxbladder of US$760 per test, less a 2% sequestration fee.

Since Cxbladder's inclusion in the LCD, based on historical data, the Group has been able to reliably estimate both the probability and size of payment received from the CMS. The inclusion within the LCD combined with the growing support for the use of Cxbladder within the US has also allowed the Group to reliably estimate both the probability and size of payment received from customers covered by Medicare Advantage policies provided by private insurers and for the year ended 31 March 2023 for customers covered by Kaiser Permanente. The change relating to Kaiser Permanente in the year ended 31 March 2023 has resulted in an increase to operating revenue and receivables of $418,000.

Tests performed for patients covered by other private policies, or tests performed for those with no insurance cover continue to be recognised as revenue when cash is received due to not being able to reliably estimate both probability and size of payment received.

The Group have concluded that the contracts with the CMS and customers covered by Medicare Advantage and Kaiser Permanente include variable consideration because the amounts paid by Medicare or the commercial health insurance carriers that provide Medicare Advantage and Kaiser Permanente may be paid at less than our standard rates or not paid at all, with such differences considered implicit price concessions. Variable consideration attributable to these price concessions is measured at the expected value, and are determined by historical average collection rates by test type and payor category taking into consideration the range of possible outcomes, and the predictive value of our past experiences. Such variable consideration is included in the transaction price only to the extent it is probable that a significant reversal in the amount of cumulative revenue recognised will not occur.

As a result of the Significant Judgements applied, the Group have determined the criteria under NZ IFRS 15 which allows revenue to be recognised in advance of the receipt of cash have been met, and the Group has recognised revenue for tests which were performed from 1 October 2022 to 31 March 2023 (6 months prior to balance date) for which payment has not been received by 31 March 2023 for CMS, Medicare Advantage and Kaiser Permanente. Kaiser Permanente revenue was recognised on receipt of cash in the prior year.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

Rest of World revenue recognition from tests performed

There has been no change in accounting policy or estimates for Operating Revenue for the Rest of World.

The Group performs Cxbladder tests when requested by a patient's physician in New Zealand, Australia and Singapore. At the point the test results are returned to the physician, the Group has satisfied its performance obligations have been met. At the end of the month an invoice is issued to the customer based on the number of tests performed. Revenue is recognised when the invoice is issued.

OTHER INCOME

Grant Income

Government Grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attached to them and that the grants will be received. Government Grants are recognised in Other Income in the consolidated statement of comprehensive income, on a systematic basis over the periods in which the Group recognises the related costs as expenses for which the grants are intended to compensate.

The Company receives grants from Callaghan Innovation for postgraduate internships and summer students.

All conditions of the grants have been complied with.

Research Rebates and Tax Incentives

- New Zealand R&D Tax Incentive (RDTI)

The New Zealand RDTI is a 15% tax credit on the money invested in eligible research and development (R&D) that has occurred in New Zealand. As the New Zealand companies are in a tax loss position, the Group is eligible for the Tax Incentive to be refunded.

The RDTI is recognised at its fair value where there is a reasonable assurance that the credit will be received and the Group will comply with all attached conditions.

All conditions of the New Zealand RDTI have been complied with. Payment will be received after submission of each annual research and development tax claim.

- Australia Cxbladder Research Rebate

A Cxbladder research programme is administered by Pacific Edge (Australia) Pty Limited and tax rebates are received as a result of this programme.

The Cxbladder research rebate is recognised at its fair value where there is a reasonable assurance that the rebate will be received and the Group will comply with all attached conditions.

All conditions of the research rebate have been complied with. Payment will be received after submission of each annual research and development tax claim.

REVENUE AND OTHER INCOME

	2023 ($000)	2022 ($000)
Cxbladder Sales		
– US- Accrual Accounting	16,362	9,687
– US- Cash Accounting	2,388	953
– Total US Sales	18,750	10,640
– Rest Of World	866	805
Total Operating Revenue	**19,616**	**11,445**
Other Income		
Grant Revenue	44	321
Research Rebates and Tax Incentives	1,373	1,370
Total Other Income	**1,417**	**1,691**

Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

6. RESEARCH AND DEVELOPMENT COSTS

ACCOUNTING POLICY

Research is the original and planned investigation undertaken with the prospect of gaining new scientific knowledge and understanding. This includes: direct and overhead expenses for diagnostic and prognostic biomarker discovery and research; pre-clinical trials; and costs associated with clinical trial activities. All research costs are expensed when incurred.

Development is the application of research findings to a plan or design for the production of new or substantially improved processes or products prior to the commencement of commercial production.

When a project reaches the stage where it is probable that future expenditure can be recovered through the process or products produced, expenditure that is directly attributed or reasonably allocated to that project is recognised as a development asset within intangible assets. If the expenditure also benefits processes or products for which it cannot be recovered, it will be expensed. The asset will be amortised from the date of commencement of commercial production of the product to which it relates on a straight-line basis over the period of expected benefit. Development assets are reviewed annually for any impairment in their carrying value.

		GROUP	
	Notes	2023 ($000)	2022 ($000)
Research Expenses		8,484	5,135
Includes:			
Employee Benefits	8	4,930	2,664

7. GENERAL AND ADMINISTRATION EXPENSES

		GROUP	
	Notes	2023 ($000)	2022 ($000)
Amortisation	14	213	78
Auditors Remuneration: PricewaterhouseCoopers New Zealand			
- Group year end financial statements		184	172
- Half year review of financial statements		30	28
- Singapore Statutory financial statements		12	12
Auditors Remuneration: PricewaterhouseCoopers Singapore			
- Statutory financial statements		15	12
Depreciation	13	263	132
Depreciation on Right of Use Assets	23	187	176
Directors Fees	22	495	413
Employee Benefits	8	4,990	3,216
Insurance		501	418
Interest on Lease Liabilities	23	13	23
NZX, ASX and Registry Fees		305	901
Other Operating Expenses		2,925	2,175
		10,133	**7,756**

Note: Amounts displayed for Amortisation, Depreciation, Employee Benefits are only the General and Administration Expenses component of the total expenses. Refer to relevant notes for full expense disclosure.

Other Operating Expenses

The major categories of expenditure which make up General and Administration Expenses, but are not disclosed separately above are Information Technology costs, Compliance and Regulatory costs, Investor Relations costs, Consultants and Contractors.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

8. EMPLOYEE BENEFITS

	Notes	GROUP 2023 ($000)	GROUP 2022 ($000)
Represented by:			
Employee Benefits:			
Employee Benefits in Lab Operations		2,480	2,145
Employee Benefits in Research	6	4,930	2,664
Employee Benefits in Sales and Marketing		15,155	9,848
Employee Benefits in General and Administration	7	4,990	3,216
Total Employee Benefits		**27,555**	**17,873**

Employee Share Scheme

The Company has an Employee Share Scheme where ordinary shares in the Company may be issued to selected employees to recognise performance or a significant contribution to the Company. These shares may be issued in lieu of a cash bonus or in addition to the employee's remuneration. The ordinary shares are issued directly to the employee and the Company accounts for the cost of the shares. The shares are allocated to the employee on the date that the Board approves the issue of the share capital. All employees who hold ordinary shares in the Company must comply with the Company's Share Trading Policy.

The issuance of ordinary shares to employees is treated as equity settled share-based payments. Equity-settled share-based payments to employees are measured at the fair value of the equity instruments at the grant date based on the market price at the time of issuance. The fair value of shares granted is recognised as an employee expense in the Consolidated Statement of Comprehensive Income when the shares are issued. During the 2023 financial year, 278,000 (2022: 123,000) ordinary shares were issued to employees as part of the Employee Share Scheme. The associated non-cash cost of these shares was $182,000 (2022: $172,000). Refer to Note 18 for further details on the shares issued during the financial year.

Attract and Retain Options

The Board believes that the issue of share options provides an appropriate incentive for participating employees to grow the total shareholder return of the Company.

Attract and retain options are issued to selected employees as a long-term component of remuneration in accordance with the Group's remuneration policy. Incentive Options entitle the holder, on payment of the exercise price, to one ordinary share of the Company.

The exercise price of the granted options is determined using the fair value of the Company's share price at the time of the options being granted.

Incentive Options issued prior to 31 March 2022 generally vest over three years and contain the requirement to remain as an employee of the Company in order for the options to vest. Tranches of options are exercisable over four to ten years from the relevant vesting date. No options can be exercised later than the tenth anniversary of the final vesting date.

Options issued after 1 April 2022 generally vest equally in three trances over a four year period, with 1/3 on the second, third and fourth anniversary of the issue. The Options are exercisable up to four years after vesting date. Option holders are required to remain as an employee of the Company in order for options to vest. No options can be exercised later than the fourth anniversary of the final vesting date. The exercise price increases annually for each vested tranche at the equity cost of capital.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

ACCOUNTING POLICY

All options are accounted for as equity settled share based payments as the Group has no legal or constructive obligation to repurchase or settle in cash. The fair value of all options granted is recognised as an expense in the Consolidated Statement of Comprehensive Income over their vesting period, with a corresponding increase in the employee share option reserve.

The fair value is determined at the grant date of the options and expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity. At the end of each reporting period, the Group revisits its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in the Consolidated Statement of Comprehensive Income such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share based payments reserve. The options expense for the year ended 31 March 2023 was $1,273,000 (2022: $839,000).

During the financial year ended 31 March 2023, there were no share options exercised (2022: 5,527,000). There was no resulting increase in share capital (2022: $4,040,000). Refer to note 18 for further details on the share options that were exercised in the year ended 31 March 2022.

Movements in the number of options outstanding and their related weighted average exercise prices are as follows:

	GROUP			
	2023		2022	
	Weighted average exercise price $	Options #	Weighted average exercise price $	Options #
Outstanding at 1 April	0.60	13,861,319	0.42	15,952,289
Granted	0.60	4,293,215	1.23	3,682,500
Forfeited	1.04	(389,496)	0.32	(246,076)
Exercised*	-	-	0.42	(5,527,394)
Expired	-	-	-	-
Outstanding at 31 March	**0.59**	**17,765,038**	**0.60**	**13,861,319**
Exercisable at 31 March	0.40	10,792,501	0.27	9,908,171

** There were no options exercised for the financial year ended 31 March 2023. The weighted average share price at the date of options exercised during the year ended 31 March 2022 was NZ$1.35.*

The Group used the Black-Scholes valuation model to determine the fair value of the equity instruments granted. The Black-Scholes valuation model has been determined as the most appropriate method as it estimates the theoretical value of options taking into account the impact of time and other risk factors. The significant inputs into the Black-Scholes valuation model were the market share price at grant date, the exercise price shown below, the expected annualised volatility of 50-70%, a dividend yield of 0%, an expected option life of between one and ten years and an annual risk-free interest rate of between 0.65% and 4.94%.

The volatility measured is the standard deviation of continuously compounded share returns and is based on a statistical analysis of daily share prices in the past one to ten years.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

Share options outstanding at the end of the reporting periods have the following expiry dates, vesting dates, exercise prices and movements for the year ended 31 March 2023:

Issued	Expiry	Low Exercise Price ($)	High Exercise Price ($)	Weighted Average Exercise Price ($)	Opening Options as at 1 April 2022	Issued	Forfeited	Exercised	Expired	Closing Options 31 March 2023	Exercisable as at 31 March 2023
Apr 2014-Mar 2015	Sept 2024-Jan 2028	0.69	0.72	0.71	528,441	-	-	-	-	528,441	528,441
Apr 2015-Mar 2016	Sept 2025-Mar 2029	0.50	0.60	0.51	332,399	-	-	-	-	332,399	332,399
Apr 2016-Mar 2017	Nov 2026-Jan 2030	0.48	0.60	0.57	327,607	-	-	-	-	327,607	327,607
Apr 2017-Mar 2018	May 2028-Feb 2031	0.28	0.51	0.50	2,770,899	-	-	-	-	2,770,899	2,770,899
Apr 2018-Mar 2019	Jun 2029-Nov 2031	0.23	0.28	0.24	69,098	-	-	-	-	69,098	69,098
Apr 2019-Mar 2020	Aug 2030-Aug 2032	0.23	0.23	0.23	4,037,267	-	-	-	-	4,037,267	4,037,264
Apr 2020-Mar 2021	Jun 2031-Jun 2033	0.22	0.80	0.31	2,163,112	-	(21,004)	-	-	2,142,108	1,478,052
Apr 2021-Mar 2022	Aug 2032-Aug 2034	1.23	1.23	1.23	632,496	-	(278,881)	-	-	353,615	165,278
Apr 2021-Mar 2022	Feb 2027-Feb 2031	1.15	1.25	1.23	3,000,000	-	-	-	-	3,000,000	600,000
Apr 2022-Mar 2023	Dec 2026-Dec 2030	0.48	0.70	0.60	-	4,293,215	(89,611)	-	-	4,203,604	483,463
TOTALS				**0.59**	**13,861,319**	**4,293,215**	**(389,496)**	**-**	**-**	**17,765,038**	**10,792,501**

Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

9. CASH, CASH EQUIVALENTS AND SHORT TERM DEPOSITS

ACCOUNTING POLICY

Cash and cash equivalents includes cash in hand and deposits held on call with banks, and bank overdrafts. Term deposits are also presented as cash equivalents if they have a maturity of three months or less from acquisition date.

Short Term Deposits and Cash Equivalents include investments with ANZ, BNZ, Kiwibank and Westpac (2022: ANZ, BNZ, Kiwibank and Westpac), with periods ranging up to 365 days. Funds held on term deposit with ANZ, BNZ Westpac and Kiwibank can be accessed with one month's notice at the request of the authorised bank signatories of Pacific Edge Limited, but may incur fees and/or charges for early access.

	GROUP	
	2023 ($000)	**2022 ($000)**
Cash and Cash Equivalents	33,229	35,412
Short Term Deposits	44,562	70,000
Total Cash, Cash Equivalents and Short Term Deposits	**77,791**	**105,412**
NZD	55,954	84,517
USD	20,399	18,601
AUD	1,429	2,284
EUR	2	1
SGD	7	9
Total Cash, Cash Equivalents and Short Term Deposits	**77,791**	**105,412**

INTEREST INCOME

ACCOUNTING POLICY

Interest income is recognised using the effective interest method.

Interest on the bank balances ranges from 0% to 5.99% (2022: 0% to 1.89%) per annum.

10. RECEIVABLES

ACCOUNTING POLICY

Receivables are initially measured at fair value and subsequently measured at amortised cost using the effective interest rate method, less any provision for impairment. An allowance for impairment is made up of expected credit losses based on the assessment of the trade receivables debt at the individual level for impairment, plus an additional allowance on the remaining balance for potential credit losses not yet identified.

	GROUP	
	2023 ($000)	**2022 ($000)**
Trade Receivables	2,780	1,633
Sundry Debtors	2,257	1,925
Accrued Interest	383	337
GST Refund Due	73	117
Total Receivables	**5,493**	**4,012**

Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

There is no provision for impairment relating to the revenue from Cxbladder sales in New Zealand. All outstanding sales are current and there are no expected credit losses on the amounts outstanding at balance date.

US Trade Receivables includes a provision for future refunds of $271,000 (2022: $143,000).

Sundry Debtors include accruals for grants and rebates that have not yet been paid. These are expected to be paid once the relevant claims have been submitted. The Company has met all conditions of the claims and there is no indication that there is impairment of these balances.

Included in trade receivables are the below amounts which were past due but not impaired. These relate to a number of customers for whom there is no history of default.

	GROUP	
	2023 ($000)	**2022 ($000)**
3 to 6 Months	436	109
Total Overdue Trade Receivables	**436**	**109**

The foreign currency split of Receivables is:

	GROUP	
	2023 ($000)	**2022 ($000)**
NZD	2,375	1,579
USD	2,685	1,550
AUD	433	883
Total Receivables	**5,493**	**4,012**

11. INVENTORY

ACCOUNTING POLICY

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average formula.

	GROUP	
	2023 ($000)	**2022 ($000)**
Laboratory Supplies	1,287	1,007
Total Inventory	**1,287**	**1,007**

The major items of Inventory are laboratory reagents, chemicals and Cxbladder urine sampling systems.

Laboratory supplies used during the year of $2,540,000 (2022: $1,569,000) are included within the Consolidated Statement of Comprehensive Income in Laboratory Operations and Research.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

12. OTHER ASSETS

	GROUP	
	2023 ($000)	2022 ($000)
Prepayments	1,156	1,014
Security Deposits	244	169
Total Other Assets	**1,400**	**1,183**

Prepayments are largely made up of insurance, industry conferences, subscriptions and travel not used. Security deposits are paid to secure properties for lease in the US and Singapore and to secure credit cards in the US.

13. PROPERTY, PLANT AND EQUIPMENT

ACCOUNTING POLICY

Property, Plant and Equipment are those assets held by the Group for the purpose of carrying on its business activities on an ongoing basis. All Property, Plant and Equipment is stated at cost less subsequent accumulated depreciation and any accumulated impairment losses. The cost of purchased assets includes the original purchase consideration given to acquire the assets, and the value of other directly attributable costs that have been incurred in bringing the assets to the location and condition necessary for their intended service. This includes the laboratory equipment for the establishment of the laboratories.

Gains and losses on disposals are determined by comparing the net proceeds with the carrying amount and are recognised within the Consolidated Statement of Comprehensive Income when they occur.

Depreciation

Depreciation of plant and equipment is based on writing off the assets over their useful lives, using the straight line (SL) and diminishing value (DV) basis.

Main rates used are:

Plant and Laboratory Equipment	5% to 40%	DV
Computer Equipment	5% to 67%	DV
Leasehold Improvements	6% to 10%	SL
Furniture and Fittings	5% to 25%	DV

The assets' useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

	Plant & Laboratory Equipment ($000)	Computer Equipment ($000)	Leasehold Improvements ($000)	Furniture & Fittings ($000)	Total ($000)
Cost					
Balance at 1 April 2021	2,193	512	337	299	3,341
Additions	511	232	213	33	989
Disposals	(788)	(362)	(159)	(7)	(1,316)
Translation Difference	1	2	1	1	5
Balance at 31 March 2022	**1,917**	**384**	**392**	**326**	**3,019**
Balance at 1 April 2022	1,917	384	392	326	3,019
Additions	1,535	259	12	67	1,873
Disposals	(48)	(64)	(23)	(123)	(258)
Translation Difference	37	18	15	1	71
Balance at 31 March 2023	**3,441**	**597**	**396**	**271**	**4,705**
Accumulated Depreciation					
Balance at 1 April 2021	1,824	439	155	235	2,653
Depreciation Expense	150	89	14	10	263
Disposals	(787)	(355)	(71)	(91)	(1,304)
Translation Difference	2	1	-	-	3
Balance at 31 March 2022	**1,189**	**174**	**98**	**154**	**1,615**
Balance at 1 April 2022	1,189	174	98	154	1,615
Depreciation Expense	332	136	33	26	527
Disposals	(177)	(69)	57	(58)	(247)
Translation Difference	23	8	9	2	42
Balance at 31 March 2023	**1,367**	**249**	**197**	**124**	**1,937**
Carrying Amounts					
At 1 April 2021	369	73	182	64	688
At 31 March 2022	728	210	294	172	1,404
At 31 March 2023	**2,074**	**348**	**199**	**147**	**2,768**

Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

14. INTANGIBLE ASSETS

ACCOUNTING POLICY

Intellectual Property

The costs of acquired Intellectual Property are recognised at cost. All Intellectual Property has a finite life. The carrying value of Intellectual Property is reviewed for impairment, where indicators of impairment exist. Amortisation is charged on a diminishing value basis over the estimated useful life of the intangible assets (1-20 years). The estimated useful life and amortisation method is reviewed at the end of each reporting period.

The following costs associated with Intellectual Property are expensed as incurred during the research phases of a project and are only capitalised when incurred as part of the development phase of a process or product within development assets: Internal Intellectual Property costs including the costs of patents and patent application.

Software Development Costs

Costs associated with the development of software are held at cost. Amortisation is charged on a diminishing value basis over the estimated useful life of the intangible assets (2-10 years). The estimated useful life and amortisation method is reviewed at the end of each reporting period.

Cxbladder Development Costs

Costs associated with the development of Cxbladder products have been removed as an Intangible Asset during the financial year with the $13,000 remaining value expensed in the Consolidated Statement of Comprehensive Income for the year ended 31 March 2023.

	Software Development Costs ($000)	Patents ($000)	Cxbladder Development Costs ($000)	Total ($000)
Cost				
Balance at 1 April 2021	921	415	33	1,369
Additions	278	135	-	413
Foreign Translation Difference	-	-	-	-
Balance at 31 March 2022	**1,199**	**550**	**33**	**1,782**
Balance at 1 April 2022	1,199	550	33	1,782
Additions	977	73	-	1,050
Disposals	(12)		(33)	(45)
Foreign Translation Difference	4	-	-	4
Balance at 31 March 2023	**2,168**	**623**	**-**	**2,791**
Accumulated Amortisation				
Balance at 1 April 2021	846	328	18	1,192
Amortisation Expense	87	67	2	156
Foreign Translation Difference	-	-	-	-
Balance at 31 March 2022	**933**	**395**	**20**	**1,348**
Balance at 1 April 2022	933	395	20	1,348
Amortisation Expense	359	68	-	427
Disposals	-	-	(20)	(20)
Foreign Translation Difference	5	-	-	5
Balance at 31 March 2023	**1,297**	**463**	**-**	**1,760**
Carrying Amounts				
At 31 March 2021	75	87	15	177
At 31 March 2022	266	155	13	434
At 31 March 2023	**871**	**160**	**-**	**1,031**

Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

15. SEGMENT INFORMATION

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Chief Executive Officer who makes strategic decisions.

There are two operating segments at balance date:

1. Commercial: The sales, marketing, laboratory and support operations to run the commercial businesses worldwide.
2. Research: The research and development of diagnostic and prognostic products for human cancer.

The reportable operating segment Commercial derives its revenue primarily from sales of Cxbladder tests and the reportable operating segment Research derives its revenue primarily from grant income. The Chief Executive Officer assesses the performance of the operating segments based on their net loss for the period.

Segment income, expenses and profitability are presented on a gross basis excluding inter-segment eliminations to best represent the performance of each segment operating as independent business units. The segment information provided to the Chief Executive Officer for the reportable segment described above, for the year ended 31 March 2023, is shown below.

2023	Commercial ($000)	Research ($000)	Less: Eliminations ($000)	Total External Income ($000)
Income				
Operating Revenue – External	19,616	-	-	19,616
Other Income	467	2,245	(1,295)	1,417
Interest Income	18	2,743	-	2,761
Foreign Exchange Gain	5	2,325	-	2,330
Total Income	**20,106**	**7,313**	**(1,295)**	**26,124**
Expenses				
Expenses	35,891	16,360	(1,295)	50,956
Depreciation & Amortisation	1,311	822	-	2,133
Total Operating Expenses	**37,202**	**17,182**	**(1,295)**	**53,089**
Loss Before Tax	**(17,096)**	**(9,869)**	-	**(26,965)**
Income Tax Expense	-	-	-	-
Loss After Tax	**(17,096)**	**(9,869)**	-	**(26,965)**
Net Cash Flow to Operating Activities	**(15,908)**	**(9,667)**	-	**(25,575)**

Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

2022	Commercial ($000)	Research ($000)	Less: Eliminations ($000)	Total External Income ($000)
Income				
Operating Revenue – External	11,445	-	-	11,445
Other Income	437	2,187	(933)	1,691
Interest Income	2	547	-	549
Foreign Exchange Gain	-	193	-	193
Total Income	**11,884**	**2,927**	**(933)**	**13,878**
Expenses				
Expenses	20,378	12,737	(933)	32,182
Depreciation and Amortisation	977	507	-	1,484
Total Operating Expenses	**21,355**	**13,244**	**(933)**	**33,666**
Loss Before Tax	**(9,471)**	**(10,317)**	-	**(19,788)**
Income Tax Expense	-	-	-	-
Loss After Tax	**(9,471)**	**(10,317)**	-	**(19,788)**
Net Cash Flow to Operating Activities	**(8,620)**	**(8,932)**	-	**(17,552)**

Eliminations

These are the intercompany transactions between the subsidiaries and the Parent. These are eliminated on consolidation of Group results. The Research segment of the business utilise consumables and other components that are purchased by the Commercial segments of the business, with the costs of these components allocated to Research segment, and the Commercial segment recognising revenue from the sale.

Segment Assets and Liabilities Information

2023	Commercial ($000)	Research ($000)	Total ($000)
Total Assets	9,375	81,538	90,913
Total Liabilities	5,853	2,297	8,150

2022	Commercial ($000)	Research ($000)	Total ($000)
Total Assets	6,031	109,251	115,282
Total Liabilities	4,571	2,335	6,906

Additions to Non Current Assets for the period include:

	Commercial ($000)	Research ($000)	Total ($000)
Property, Plant and Equipment	1,785	88	1,873
Right of Use Assets	337	-	337
Intangible Assets	966	73	1,039
Total Additions to Non Current Assets	**3,088**	**161**	**3,249**

The amounts provided to the Chief Executive Officer with respect to total assets and total liabilities are measured in a manner consistent with that of the financial statements. These assets and liabilities are allocated based on the operation of the segment and the physical location of the asset.

There are no unallocated assets or liabilities.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

Geographic Split of Revenue and Non-Current Assets

The Group generates most of the operating revenue from Commercial tests from the US and New Zealand, and also receives Grant revenue from Australia and New Zealand. Rest of World consists of Revenue from Australia and Singapore.

	2023 ($000)	2022 ($000)
Operating and Grant Revenue		
US	18,750	10,640
New Zealand	1,611	1,729
Rest of World	672	767
Total Operating and Grant Revenue	**21,033**	**13,136**

	2023 ($000)	2022 ($000)
Non-Current Assets		
US	1,907	1,611
New Zealand	3,035	2,057
Rest of World	-	-
Total Non-Current Assets	**4,942**	**3,668**

16. INCOME TAX

ACCOUNTING POLICY

The tax expense for the period comprises current and deferred tax. Tax is recognised in the Consolidated Statement of Comprehensive Income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements in accordance with NZ IAS 12. Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

The Company and Group has incurred an operating loss for the 2023 financial year and no income tax is payable.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

	GROUP	
	2023 ($000)	**2022 ($000)**
Income tax recognised in the Statement of Comprehensive income		
Current tax expense	-	-
Deferred Tax in respect of the Current Year	(3,748)	(4,258)
Adjustments to deferred tax in respect to Prior Years	137	94
Deferred Tax Assets not recognised	3,611	4,164
Income tax expense	-	-
The prima facie income tax on Pre-Tax Accounting Profit from operations reconciles to:		
Accounting loss before income tax	(26,965)	(19,788)
At the statutory Income Tax rate of 28%	(7,550)	(5,541)
Non-deductible Expenses	5,007	626
Difference in US, Singapore and Australian Income Tax Rates	1,211	657
Prior Period Adjustment	138	94
Tax Losses Utilised	(2,417)	-
Deferred Tax Assets not recognised	3,611	4,164
Income tax expense reported in the Statement of Comprehensive income	-	-

Tax Losses

The group has losses to carry forward of approximately $130,444,000 (2022: $112,330,000) with a potential tax benefit of $28,913,000 (2022: $25,694,000). The tax losses are split between the following jurisdictions:

	Tax Losses ($000)	**Tax Effect ($000)**	**Rate**
New Zealand	20,800	5,800	28%
Australia	1,500	500	30%
Singapore	2,000	300	17%
United States	106,000	22,300	21%

Tax losses are available to be carried forward and offset against future taxable income subject to the various conditions required by income tax legislation being complied with.

Deferred Research and Development Tax Expenditure:

The Group also has deferred research and development tax expenditure of $51,462,000 (2022: $45,846,000) to carry forward and claim for income tax purposes in New Zealand in the future. This has a tax effect of $14,409,000 (2022: $12,889,000). The deferred research and development tax expenditure can either be carried forward and offset against future income arising from the research and development, or subject to meeting the shareholder continuity requirements can be offset against future other taxable income.

Deferred Tax Assets:

The Group does not recognise a deferred tax asset in the Consolidated Balance Sheet.

Imputation Credit Account

The Group has imputation credits of Nil (2022: Nil).

Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

17. PAYABLES AND ACCRUALS

ACCOUNTING POLICY

Trade and Other Payables Due Within One Year

Trade payables are recognised at the value of the invoice received from a supplier. The carrying value of trade payables is considered to approximate fair value as amounts are unsecured and are usually paid by the 30th of the month following recognition.

	GROUP	
	2023 ($000)	2022 ($000)
Trade Creditors	2,178	1,906
Accrued Expenses	1,087	659
Employee Entitlements (refer below)	3,663	2,418
Total Payables and Accruals	**6,928**	**4,983**

Payables and accruals are non-interest bearing and are normally settled on 30 day terms, therefore their carrying value approximates their fair value.

The foreign currency split for Payables and Accruals is:

	GROUP	
	2023 ($000)	2022 ($000)
NZD	2,067	2,161
AUD	299	131
USD	4,521	2,656
SGD	41	35
	6,928	**4,983**

Employee Entitlements

Employee entitlements are measured at values based on accrued entitlements at current rates of pay. These include salaries and wages accrued up to balance date and annual leave earned to, but not yet taken at balance date.

	GROUP	
	2023 ($000)	2022 ($000)
Income Tax	291	214
Holiday Pay	565	360
Accrued Wages	2,807	1,844
Total Employee Entitlements	**3,663**	**2,418**

Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

18. SHARE CAPITAL

ACCOUNTING POLICY

Ordinary shares are described as equity.

Issue expenses, including commission paid, relating to the issue of ordinary share capital, have been written off against the issued share price received and recorded in the Consolidated Statement of Changes in Equity.

Equity-settled share-based payments to employees and others providing services are measured at the fair value of the equity instruments at the grant date. Details regarding the determination of the fair value of equity-settled share based transactions are set out in Note 8.

	GROUP	
	2023 ($000)	**2022 ($000)**
Ordinary Shares Authorised	294,317	294,139
Total Share Capital	**294,317**	**294,139**

All fully paid shares in the Group are Authorised and have equal voting rights and equal rights to dividends. All Ordinary Shares are fully paid and have no par value.

Share Capital Group

	2023 Shares (000)	**2023 ($000)**	**2022 Shares (000)**	**2022 ($000)**
Opening Balance	810,087	294,139	727,779	190,305
Issue of Ordinary Shares				
- Placement[1]	-	-	76,657	103,487
- Exercise of Share Options[2]	-	-	5,528	4,040
- Employee Remuneration[3]	278	182	123	172
Less: Issue Expenses	-	(4)	-	(3,865)
Movement	278	178	82,308	103,834
Closing Balance	**810,365**	**294,317**	**810,087**	**294,139**

1) During the period no shares were issued under placements (2022: 76,657,358 at $1.35 per share)

2) During the period no share options were exercised (2022: 5,527,391 at an average price of $0.42)

3) During the period 277,985 shares were issued as part of employees remuneration in lieu of cash payments at an average price of $0.65 per share. (2022: 123,086 at $1.40)

Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

19. FOREIGN CURRENCY

ACCOUNTING POLICIES

Foreign Currency Transactions

The individual financial statements of the Group are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the Group financial statements, the results and financial position of the Group entity are expressed in New Zealand dollars ('NZ$'), which is the functional currency of the Parent and the presentation currency for the Group financial statements.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the end of the reporting period. Non monetary items denominated in foreign currencies are translated at the rates prevailing on the date the transaction occurs.

Exchange differences are recognised in the Consolidated Statement of Comprehensive Income in the period in which they arise.

Foreign Operations

For the purpose of presenting the Group financial statements, the assets and liabilities of the Group's foreign operations are expressed in New Zealand dollars using exchange rates prevailing at the end of the reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated as a separate component of equity in the Group's foreign currency translation reserve. Such exchange differences are reclassified from equity to profit or loss (as a reclassification adjustment) in the period in which the foreign operation is disposed of.

Foreign Currency Translation Reserve

Exchange differences relating to the translation from the functional currencies of the Group's foreign subsidiaries into New Zealand dollars are brought to account by entries made directly to the Foreign Currency Translation Reserve.

20. RECONCILIATION OF CASH FLOWS TO OPERATING ACTIVITIES WITH OPERATING NET LOSS

	GROUP	
	2023 ($000)	**2022 $000**
Net Loss for the Period	(26,965)	(19,788)
Add Non Cash Items:		
Depreciation	527	263
Loss on disposal of Property, Plant and Equipment	24	11
Amortisation	427	156
Employee Share Options	1,273	839
Employee Bonuses paid in shares in lieu of cash	182	172
Depreciation on Right of Use Assets	1,179	1,064
Interest on finance leases shown in lease repayments	83	126
Total Non Cash Items	**3,695**	**2,631**
Add Movements in Other Working Capital items:		
(Increase) in Receivables and Other Assets	(1,641)	(1,772)
Decrease in Inventory	(280)	(217)
Increase in Payables and Accruals	1,946	1,786
Effect of exchange rates on net cash	(2,330)	(192)
Total Movement in Other Working Capital	**(2,305)**	**(395)**
Net Cash Flows to Operating Activities	**(25,575)**	**(17,552)**

Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

21. FINANCIAL INSTRUMENTS

ACCOUNTING POLICY

Foreign Currency Transactions

Financial instruments include cash and cash equivalents, short term deposits, receivables, security deposits, finance lease liabilities and trade creditors. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

Managing Financial Risk

The Group's activities expose it to the financial risks of changes in interest rate risk, credit risk, liquidity risk and foreign currency risk. Management is of the opinion that the Company and the Group's exposure to market risk during the period and at balance date is defined as:

Risk Factor	Description
(i) Currency Risk	Financial assets and financial liabilities are denominated in NZD, USD, AUD, SGD and EUR currencies
(ii) Interest Rate Risk	Exposure to changes in Bank interest rates resulting in cash flow interest rate risk
(iii) Credit Risk	Risk of financial loss if counterparty fails to meet contractual obligations
(iv) Liquidity Risk	Risk the Group may not be able to meet its commitments as they fall due
(v) Other Price Risk	Not applicable as no securities are bought, sold or traded

(i) Foreign Currency Risk

The Group faces the risk of movements in foreign currency exchange rates in relation to the New Zealand dollar. The Group has significant operations in United States Dollars and less significant operations in Australian dollars, Euros and Singapore dollars. As a result of this, the financial performance and financial position are impacted by movements in exchange rates.

The Group manages foreign currency risk by purchasing overseas goods only when necessary and in line with the approved treasury policy. It will also purchase foreign currency to fund overseas operations based on cash flow forecasts in line with the approved treasury policy. There are no formal foreign currency hedges entered into.

A 10% increase or decrease in the foreign currency against the NZD will reduce/increase the loss reported by approximately $337,000 (2022: $167,000) and increase/reduce equity by the same amount.

(ii) Interest Rate Risk

The Group's interest rate risk arises from its cash and equivalents, and short term deposits. Cash and equivalents comprise cash on hand and deposits at call with banks. Short term deposits comprise of term deposits placed with New Zealand banks on fixed rates for different periods of time.

Management regularly review its banking arrangements to ensure it achieves the best returns on its funds while maintaining access to necessary liquidity levels to service the Group's day-to-day activities. The mixture of bank deposits at floating interest rates and short term deposits at different rates over various periods of time mitigate the risk of interest rates being received at less than market rates. The Group does not enter into interest rate hedges.

A 1% increase or decrease in bank deposit interest rates will reduce/increase the loss reported by approximately $764,000 and increase/reduce equity by the same amount (2022: $1,041,000).

(iii) Credit Risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

The Group incurs credit risk from:

a) cash and short term deposits;

b) receivables in the normal course of its business; and

c) other assets.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

The Group has no significant concentration of credit risk other than bank deposits, with the exposure as at 31 March 2023 expressed as a percentage of total assets: 24.0% at ANZ, 22.1% at BNZ, 20.3% at Westpac, 18% at Kiwibank and 1.2% at Wells Fargo. The Group's cash and short term deposits are placed with high credit quality financial institutions including major banks who have at least a A+ credit rating and concentrations are managed within the approved treasury policy.

Regular monitoring of receivables is undertaken to ensure that the credit exposure remains within the Group's normal terms of trade. These receivables balances mainly relate to New Zealand customers, and the New Zealand and Australian Government. Refer to note 10 for further details on expected credit losses for receivables.

The Group continues to invoice for every billable test completed in the US, and the billing and reimbursement process continues to maximise the cash that is received by the Group. The Group has included an accrual for tests performed from 1 October 2022 to 31 March 2023 for which payment has not been received by 31 March 2023.

Regular monitoring of other assets is undertaken to ensure that the credit exposure is limited.

The carrying values of financial assets represent the maximum exposure to credit risk as represented below:

		GROUP	
	Notes	2023 ($000)	2022 ($000)
Cash and Cash Equivalents	9	33,229	35,412
Short Term Deposits	9	44,562	70,000
Trade and Other Receivables (excludes GST)	10	5,420	3,895
Other Assets (excludes prepayments)	12	244	169
		83,455	**109,476**

(iv) Liquidity Risk

Liquidity risk is the risk that the Group may encounter difficulty in raising funds at short notice to meet its commitments as they fall due. Management maintains sufficient cash balances and uses cash flow forecasts to determine future cash flow requirements. Liquidity risk is managed within the approved treasury policy. The Group does not have any external loans but does have four finance leases.

Payables and Accruals totaling $6,928,000 are due within 3 months of balance date (2022: $4,983,000).

Fair Values

In the opinion of the Directors, the carrying amount of financial assets and financial liabilities approximate their fair values at balance date.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

22. RELATED PARTIES

A shareholder, the University of Otago, provided services, including rental space, car parking and use of University Equipment, to the Group to the value of $407,000 (2022: $361,000). The Group has commitments totaling $344,000 (2022: $269,000) with the University of Otago in the next financial year.

Key Management Compensation

Key management personnel comprise of Directors and the Chief Executive Officer of Pacific Edge Limited, and the Chief Executive Officer and Executive Chairman of Pacific Edge Diagnostics USA Limited.

Refer to Note 8 for details of the Incentive Plan that includes key management remuneration.

	GROUP	
	2023 ($000)	2022 ($000)
Salaries and Other Short Term Employee Benefits	2,483	2,207
Consulting Fees	-	105
Share Options Benefits	907	445
Total Employee Entitlements	**3,390**	**2,757**

Directors' Fees

The current total Directors' fee pool for non-executive Directors of Pacific Edge Limited, approved by the shareholders at the Annual Shareholders Meeting on the 29th July 2021 was $465,000 per annum and was based on six Directors. With the addition of Tony Barclay on 21 March 2022, the number of Directors increased to seven. In accordance with NZX Listing Rule 2.11.3 which permits an issuer to increase the aggregate amount payable to the Directors to take into account an additional Director without shareholder approval, the pool for non-executive Directors of Pacific Edge increased to $529,000. The total amount of fees paid to Directors for the year ended 31 March 2023 was $495,000.

The table below sets out the total fees approved for non-executive Directors of Pacific Edge Limited for the year ended 31 March 2023 based on the positions held:

Position	Quantity 2023	Fee per Director 2023 ($)	Total Directors Fees Paid 2023 ($)	Quantity 2022	Fee per Director 2022 ($)	Total Directors Fees Paid 2022 ($)
Chair	1	115,000	115,000	1	115,000	115,000
Deputy Chair	1	70,000	70,000	1	70,000	70,000
Non-executive Directors	5	60,000	300,000	4	60,000	240,000
Chair Audit & Risk Committee	1	10,000	10,000	1	10,000	10,000
Special Governance Allocation	-	-	-	1	30,000	30,000
Total Fee Pool			**495,000**			**465,000**

Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

23. FINANCE AND OPERATING LEASE COMMITMENTS

ACCOUNTING POLICY

The group leases various properties and equipment. Rental contracts vary depending on the type of asset being leased. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices.

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the Consolidated Statement of Comprehensive Income over the lease period to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

(i) Measurement basis

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that are based on an index or a rate;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the group, the lessee's incremental borrowing rate is used. The incremental borrowing rate is the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third-party financing was received;
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by Pacific Edge Limited, which does not have recent third-party financing; and
- makes adjustments specific to the lease, e.g. term, country, currency and security.

The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are allocated between principal and finance cost. The finance cost is charged to the Consolidated Statement of Comprehensive Income over the lease period to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date;
- any initial direct costs; and
- restoration costs.

Right-of-Use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the Right-of-Use asset is depreciated over the underlying asset's useful life.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets include IT equipment and small items of office furniture.

Right of Use Assets

	GROUP	
	2023 ($000)	**2022 ($000)**
Cost		
Opening Balance	**3,605**	**3,914**
Additions	337	179
Removals (Leases Completed)	-	(366)
Foreign Currency Translation	249	(122)
Closing Balance	**4,191**	**3,605**
Accumulated Depreciation		
Opening Balance	**1,775**	**937**
Depreciation	1,179	1,064
Reversal of Accumulated Depreciation (Leases Completed)	-	(153)
Foreign Currency Translation	94	(73)
Closing Balance	**3,048**	**1,775**
Net Right of Use Assets Balance	**1,143**	**1,830**
Right of Use Assets Net Book Value		
Buildings	1,128	1,792
Computer Equipment	15	38
Plant and Equipment	-	-
	1,143	**1,830**
Depreciation		
Buildings	1,152	1,018
Computer Equipment	27	24
Plant and Equipment	-	22
	1,179	**1,064**
Expenses relating to Short Term and Low Value Leases	115	74
Total Cash Outflow relating to Leases	**1,278**	**1,273**

Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

	GROUP	
Lease Liability	**2023 ($000)**	**2022 ($000)**
Opening Balance	**1,923**	**2,878**
Additions	337	148
Lease Terminated- Liability Reversed	-	-
Lease Repayments	(1,286)	(1,230)
Interest Charged	83	126
Foreign Currency Translation	165	1
Closing Balance	**1,222**	**1,923**
Split by:		
Current Liability	811	1,072
Non-Current Liability	411	851
	1,222	**1,923**
The maturity of the Lease Liabilities is as follows:		
Less than one year	811	1,072
One to two years	116	671
Two to three years	122	51
More than three years	173	129
	1,222	**1,923**

24. OTHER COMMITMENTS AND CONTINGENT LIABILITIES

a) Contingent Liabilities

There were no known contingent liabilities at 31 March 2023 (March 2022: Nil). The Group has not granted any securities in respect of liabilities payable by any other party whatsoever.

b) Capital Commitments

There are no capital commitments at 31 March 2023 (March 2022: Nil).

25. PROPOSED LOCAL COVERAGE DETERMINATION (LCD) AND LOCAL COVERAGE ARTICLE (LCA) CHANGES - POTENTIAL IMPACT ON REVENUE

On 29 July 2022 Pacific Edge Limited became aware of proposed changes by Novitas, the Medicare Administrative Contractor (MAC) with jurisdiction for Pacific Edge's US laboratory to the Local Coverage Determination (LCD) and Local Coverage Article (LCA) that governs the reimbursement of Cxbladder in the US by the US Centers for Medicare & Medicaid Services (CMS).

If the proposed LCD (DL39365) and LCA (DA59125) were approved unchanged, Cxbladder would not qualify for coverage from Novitas for tests reimbursed by the CMS. These tests represent a significant portion of current Cxbladder testing revenue. Multiple companies that have existing coverage, or are seeking coverage, are similarly impacted by this proposal.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

Having consulted with US-based advisers and industry experts, Pacific Edge believes the proposed changes are unlikely to survive the ongoing review process in their current form. The consensus view of those consulted by Pacific Edge was that the proposed changes to the LCD/LCA are contrary to US legal requirements and precedent. The proposed changes also fundamentally change the process for determining coverage for specific tests and could deprive US clinicians and Medicare patients access to diagnostic tools with proven, peer-reviewed clinical utility.

Novitas closed the period for public comments on the proposals on 6 September 2022. Novitas has not provided a specific date for a decision, however Pacific Edge understands Novitas must either publish or withdraw the draft LCD/LCA within a year of the date of proposal, being 28 July 2023. When publishing, Novitas is required to address all comments from Pacific Edge and other companies, and at their discretion may elect to alter the text of the draft LCD/LCA in response to those comments when publishing. Pacific Edge understands CMS is required to give at least 45 days' notice of the effective determination date.

Pacific Edge received payment in line with the existing LCD/LCA for the financial year ended 31 March 2023, and to the date of approval of these Consolidated Financial Statements. However, the Company is unable to determine the future impact, if any, at the date of approval of these Consolidated Financial Statements.

26. SUBSEQUENT EVENTS

There are no subsequent events.

Independent auditor's report

To the shareholders of Pacific Edge Limited

Our opinion

In our opinion, the accompanying consolidated financial statements of Pacific Edge Limited (the Company), including its subsidiaries (the Group), present fairly, in all material respects, the financial position of the Group as at 31 March 2023, its financial performance and its cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS) and International Financial Reporting Standards (IFRS).

What we have audited

The Group's consolidated financial statements comprise:

- the consolidated balance sheet as at 31 March 2023;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) (ISAs (NZ)) and International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with Professional and Ethical Standard 1 *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)* (PES 1) issued by the New Zealand Auditing and Assurance Standards Board and the *International Code of Ethics for Professional Accountants (including International Independence Standards)* issued by the International Ethics Standards Board for Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Our firm carries out other services for the Group in the areas of half year review procedures and with providing other assurance services. The provision of these other services have not impaired our independence as auditor of the Group.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Description of the key audit matter	How our audit addressed the key audit matter
Determining the timing of revenue recognition for US revenue As disclosed in Note 5 of the consolidated financial statements, the timing of revenue recognition for US based revenue varies by revenue stream between completion of the Cxbladder test and receipt of cash. The Company has three material United States (US) revenue streams: 1. Coverage via Centers for Medicare and Medicaid Services (CMS) and Medicare Advantage; 2. Tests performed for Kaiser Permanente; and 3. Other private insurance. In July 2020, the Company received Local Coverage Determination ("LCD") and Local Coverage Article (LCA) for CMS. This determination created a set price for the Company's tests of US$760 per test from July 2020, and established a clear transaction price for the tests. This transaction price, along with a history of payment, satisfies the NZ IFRS requirement for revenue recognition. On 29 July 2022, the company became aware of the proposed changes to the LCD/LCA by Novitas. This has the potential to significantly change the reimbursement of Cxbladder tests in the US as the tests represent a significant portion of current Cxbladder testing revenue. The LCD/LCA is still in place and the Company continues to receive reimbursement in line with the existing LCD/LCA. The uncertainty in respect of future operations is disclosed in Note 25. In the year ended 31 March 2023, the basis of revenue recognition for Kaiser Permanente changed to an accrual basis, in line with Medicare and Medicare Advantage, from the cash basis in the prior year. This is a change in accounting estimate and has been disclosed in Note 5. Accordingly, in the US derived revenue for tests performed for CMS, Medicare Advantage and Kaiser Permanente has been recognised in advance of cash being received. Revenue for these customers is recognised when the tests are performed. All other US derived revenue is accounted for on a cash receipt basis as disclosed in Note 5. We determined this to be a key audit matter due to the significance of the judgments applied by Directors for revenue recognition and the potential impact of changes in the proposed LCD/LCA.	Our audit procedures included the following: We obtained an understanding of management's processes and controls for the CMS, Medicare Advantage, Kaiser Permanente and Private Insurance US revenue streams, including the relevant controls at the external billing reimbursements service organisation. We obtained the SOC1 System and Organisation Controls Report for the external billing reimbursement service organisation, and evaluated the evidence provided over the design and operating effectiveness of the relevant controls. We evaluated management's determination of the timing of revenue recognition by: • Assessing the data supporting revenue recognition for CMS and Medicare Advantage to confirm that the transaction price can be determined and collectability is probable; • Obtaining management's latest assessment, correspondence and other information in relation to the status of the proposed LCD/LCA; • Assessing the data supporting the change in accounting estimate for revenue recognition for Kaiser Permanente; • Assessing the data supporting revenue recognition for other private insurance to confirm that the transaction price and collectability is only probable when cash is received; • Performing subsequent receipt testing to validate the probability of collection of the year end receivables and performing look back procedures over the prior year receivable to test collection rates; and • Evaluated whether revenue has been recognised appropriately in accordance with NZ IFRS 15. We have no matters to report from the procedures performed above.

Our audit approach

Overview

Overall group materiality: approximately $718,000, which represents 2.5% of (loss)/earnings before interest, tax, depreciation and amortisation (EBITDA).

We chose (loss)/earnings before interest, tax, depreciation and amortisation (EBITDA) as the benchmark because, in our view, it is the benchmark against which the performance of the Group is most commonly measured by users, and is a generally accepted benchmark.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

As reported above, we have one key audit matter, being:

- Determining the timing of revenue recognition for US revenue.

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall Group materiality for the consolidated financial statements as a whole as set out above. These, together with qualitative considerations, helped us to determine the scope of our audit, the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate, on the consolidated financial statements as a whole.

How we tailored our group audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

We selected transactions and balances to audit based on their materiality to the Group rather than determining the scope of procedures to perform by auditing only specific subsidiaries or business units.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the Annual report, but does not include the consolidated financial statements and our auditor's report thereon. The Annual report is expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of audit opinion or assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the other information not yet received, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the Directors and use our professional judgement to determine the appropriate action to take.

Responsibilities of the Directors for the consolidated financial statements

The Directors are responsible, on behalf of the Company, for the preparation and fair presentation of the consolidated financial statements in accordance with NZ IFRS and IFRS, and for such internal control as the Directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements, as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (NZ) and ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of our responsibilities for the audit of the consolidated financial statements is located at the External Reporting Board's website at:

https://www.xrb.govt.nz/assurance-standards/auditors-responsibilities/audit-report-1/

This description forms part of our auditor's report.

Who we report to

This report is made solely to the Company's shareholders, as a body. Our audit work has been undertaken so that we might state those matters which we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's shareholders, as a body, for our audit work, for this report or for the opinions we have formed.

The engagement partner on the audit resulting in this independent auditor's report is Maxwell John Dixon.

For and on behalf of:

Chartered Accountants
24 May 2023

Christchurch

COMPANY DIRECTORY

As at 31 March 2023

Issued Capital
810,365,218 Ordinary Shares

Registered Office
Level 10, Otago House
Cnr Moray Place and Princes Street
Dunedin

Directors
C. Gallaher – Chairman
B. Williams – Deputy Chairman
A. Masfen
S. Park
A. Stove
M. Green
A. Barclay

Chief Executive Officer
Peter Meintjes

Chief Financial Officer
Grant Gibson

Nature of Business
Research, develop and commercialise new diagnostic and prognostic tools for the early detection and management of cancers.

Auditors
PricewaterhouseCoopers
Christchurch

Bankers
Bank of New Zealand
Dunedin

ANZ
Dunedin

Kiwibank
Dunedin

Westpac
Dunedin

Wells Fargo
San Francisco

Solicitors
Anderson Lloyd
Level 10, Otago House
Cnr Moray Place and Princes Street
Dunedin

Securities Registrar
Link Market Services Limited
138 Tancred Street
Ashburton

Company Number
1119032

Date of Incorporation
27 February 2001

PACIFIC EDGE COMMUNICATIONS

Websites
www.pacificedgedx.com
www.cxbladder.com

Facebook
www.facebook.com/PacificEdgeLtd
www.facebook.com/Cxbladder

Twitter
@PacificEdgeLtd
@Cxbladder

LinkedIn
www.linkedin.com/company/pacific-edge-ltd

PACIFIC EDGE LTD

CANCER DIAGNOSTICS COMPANY

87 St David Street, PO Box 56, Dunedin, New Zealand

P +64 3 479 5800 F +64 3 479 5801

www.pacificedge.co.nz

NZX
NEW ZEALAND'S EXCHANGE
TE PAEHOKO O AOTEAROA

Template
Results announcement
(for Equity Security issuer/Equity and Debt Security issuer)

Updated as at 17 October 2019

Results for announcement to the market		
Name of issuer	Pacific Edge Limited	
Reporting Period	12 months to 31 March 2023	
Previous Reporting Period	12 months to 31 March 2022	
Currency	NZD (New Zealand Dollar)	
	Amount (000s)	**Percentage change**
Revenue from continuing operations	$19,616	71% Increase
Total Revenue	$26,124	88% Increase
Net profit/(loss) from continuing operations	($26,965)	36% Decrease
Total net profit/(loss)	($26,965)	36% Decrease
Interim/Final Dividend		
Amount per Quoted Equity Security	The Company does not propose to pay dividends to shareholders	
Imputed amount per Quoted Equity Security	Not Applicable	
Record Date	Not Applicable	
Dividend Payment Date	Not Applicable	
	Current period	**Prior comparable period**
Net tangible assets per Quoted Equity Security	$0.101	$0.133
A brief explanation of any of the figures above necessary to enable the figures to be understood	The Results Announcement should be read in conjunction with the audited consolidated financial statements for the year ended 31 March 2023, the results presentation and commentary, all of which have been released with this Results Announcement.	
Authority for this announcement		
Name of person authorised to make this announcement	Peter Meintjes	
Contact person for this announcement	Peter Meintjes	
Contact phone number	+64 (3) 479 5800	
Contact email address	peter.meintjes@pelnz.com	
Date of release through MAP	25/05/2023	

Audited financial statements accompany this announcement.