

18 October 2017

Dear Shareholder,

On behalf of the Board of Pacific Edge Limited, I am pleased to invite you as an Eligible Shareholder to participate in this Offer of New Shares via a renounceable rights issue followed by a shortfall bookbuild.

Pacific Edge intends to raise approximately \$21.3 million to help fund its continued growth, particularly in the USA market. The Offer is fully underwritten by First NZ Capital Securities Limited.

Our revenue has continued to grow strongly in the USA and New Zealand and we have now signed our first major hospital in Australia. To generate this growth, we have made substantial investments in our USA sales team and laboratory facilities and have initiated large scale user programmes. We have also had four peer reviewed papers published over the last year.

As you will be aware, our overarching strategy is the establishment of Cxbladder as the world's leading molecular diagnostic technology for the detection and management of bladder cancer. Our primary objective is to build our presence in the world's largest healthcare market, the USA.

While we have made steady progress in the USA, with more than 90% of our FY17 revenue generated there, the key for us to succeed in this market is to contract with and then scale up the large transformational customers that have been identified. These are:

- the Veterans Administration (VA) hospital network (approximately 10.2 million lives covered);
- TRICARE, the healthcare program for uniformed service members (approximately 9.4 million lives covered);
- Kaiser Permanente, the largest non-federally funded integrated healthcare provider in the USA (approximately 11.8 million lives covered); and
- the Centers for Medicare and Medicaid Services (CMS), providing coverage for over 55 million people.

While meaningful progress has been made on these opportunities, progress is slower and has taken more time and cash resource than originally anticipated.

With the VA and TRICARE under contract, we are now able to provide services to both the veterans and active military in the USA and are now receiving tests from two VA hospitals. Our sales force is targeting a further 14 large VA centres out of the total VA network of 300.

Gaining a Local Coverage Determination (LCD) will enable Pacific Edge to be reimbursed by the CMS for their patients. While this is a long and iterative process that all companies must go through, we are well advanced in achieving our LCD.

We are well advanced in our negotiations with Kaiser Permanente, including working with Kaiser on the implementation components necessary to start commercial sales when negotiations have been concluded.

Despite good progress being made in the USA, and not forgetting the progress in our home market with the signing of a number of the large healthcare providers (DHBs) and insurers, we need to raise sufficient capital to deliver and fund our growth while we target getting Pacific Edge to a cashflow breakeven position as soon as possible. We anticipate reaching cashflow breakeven in the financial year ending 31 March 2019.

The Offer

Under the Rights Offer, Eligible Shareholders are entitled (but not obliged) to subscribe for 1 New Share for every 6 Existing Shares held as at 5.00pm on 19 October 2017, at a price of \$0.32 per New Share (with entitlements to fractions of a New Share rounded down to the nearest whole number).

The Rights will not be quoted for trading on the NZX Main Board. However, they can be sold (in full or in part) off-market prior to the Closing Date.

Any New Shares not taken up under the Rights Offer, including those attributable to the Rights of Ineligible Shareholders, will be offered under the Shortfall Bookbuild. The Shortfall Bookbuild will be conducted by the Lead Manager and completed by 10 November 2017.

In addition to subscribing for the New Shares to which you are entitled, you can apply for additional shares as part of the Shortfall Bookbuild if you take up all of your Rights. The price for which you will subscribe for additional New Shares will be set via the Shortfall Bookbuild and will be no less than \$0.32 and no greater than the close price on the day before the Shortfall Bookbuild.

If you do nothing with your Rights, you will be unable to subscribe for any New Shares to which those Rights relate.

This Offer Document sets out important information about the Offer and the terms and conditions. Before making your investment decision, I encourage you to read this Offer Document in full. If you are in doubt as to what you should do, you should consult your financial or other professional adviser or an NZX Primary Market Participant.

The Rights Offer is due to close at 5:00pm on 8 November 2017.

The Board thanks you for your continued support of Pacific Edge.

Yours faithfully,

A handwritten signature in black ink, appearing to read 'Chris Gallaher', with a stylized, wavy line extending from the end of the signature.

Chris Gallaher
Chairman