

INVESTOR UPDATE

APRIL 2018



PACIFIC EDGE LTD



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A WORD FROM THE CHAIR

Chris Gallaher

What we are achieving at Pacific Edge is truly leading edge in a global context.

We are looking to change longstanding clinical practices and importantly also, funders and insurers mindsets and we are now starting to see these changes effected in public health boards in NZ, some of the biggest healthcare organisations in the USA and some early progress in Singapore and Australia.

Our goal is to position our Cxbladder suite of tests as the first choice for physicians wanting better detection and disease management for their bladder cancer patients.

We continue to make positive progress - there is growing clinical recognition and validation of our products, revenues are increasing, and management are well progressed in commercial negotiations with targeted large healthcare organisations.

We are very aware however that our commercial progress has not been as fast as we originally anticipated.

Over the last couple of years, the proof of performance and clinical utility hurdles have increased requiring significant investment of time and resources before enterprises will change their clinical practices and adopt a new medical device. In addition, the time required to navigate the complexity of the USA reimbursement process when bringing disruptive products to market has been significant. However, we are making good progress.

The size of the opportunity for Pacific Edge has not diminished and the Board and management continue to be absolutely committed to delivering on this opportunity.

In 2017 we increased our capital resources to continue funding our progress and we thank shareholders supporting this capital raising.

Your Board is committed to delivering a profitable business and we are working with the management team to achieve this. We appreciate your support and patience as we work towards achieving our goals.

Chris Gallaher
Chair



PACIFIC EDGE LTD

EXECUTIVE UPDATE

David Darling, Chief Executive Officer

As we begin the new financial year, we continue our focus on achieving our goals – building our footprint in our key markets, bringing on board the large transformational customers we have identified, growing sales and gaining further adoption of Cxbladder into the physician’s standard of care.

We came off a year of strong revenue growth in FY17 of 62% and we are looking to continue this positive trajectory in our lab throughput and revenue growth. While we are still in the early stages of our commercial journey, our company is growing stronger every month and we are progressing our underlying goals of delivering medical technology that enables better care for patients, better decision making by physicians and better resourcing for the healthcare sector.

We are tracking well on most of our strategic and operational goals for the year, however getting both Kaiser Permanente and the CMS across the line commercially continues to take more time than envisaged. While we have little to no control over the internal processes of these large organisations, we are confident that we are making good progress.

Strategic Milestones

The benefits of our Cxbladder tests for urothelial cancer are now well proven with many peer reviewed publications. Our products are simple to use and non-invasive; they are accurate and allow for improved detection and better management of patients; and they enable healthcare organisations to save significant amounts of money - all of which are key needs of our customers and revenue drivers for the company.

We have rolled out Cxbladder Monitor in the USA, launched Cxbladder Resolve in New Zealand and Australia, started our commercial business in South East Asia and signed healthcare providers of scale to the use of Cxbladder and continue to increase our lab throughput and our revenue.

In the USA, we have gained further acceptance across the National Provider Networks and are continuing to initiate new User Programmes with leading healthcare providers and key opinion leaders.

Sales to the Veterans Administration and TriCare are progressing, albeit slower than we would like, and the USA sales team is working hard to market and encourage use of Cxbladder in high volume sites in targeted areas. As expected, it will take a while to build scale in these organisations but we are now starting to see a steady progression of repeat orders for tests coming through.

Positive Progress with CMS

The Centres for Medicare and Medicaid (CMS) is a massive federally run and funded organisation, which spans the US and is targeted to be a cornerstone customer for us. We have recently announced a great USA milestone, with the receipt of dedicated reimbursement codes for two of our products. This is a direct measure of the recognition of Cxbladder as mainstream diagnostic tests and will help with our revenue generation and payment times.

The next step will be to set the price for our tests and the complete the Local Coverage Determination. With these integrated pieces in place, we will be able to unlock revenue from the many patients who are covered by the CMS. This will also enable contracts with many private insurance companies and other commercial opportunities. Completing the LCD process is a long, iterative and unprescribed process that takes most companies four to five years to attain. We have little control over the time it takes for the LCD process to conclude however, we are well down the track and will continue our dialogue with them.



Working on Final Commercial Sign Off from Kaiser Permanente

We are working hard to complete the final commercial sign-off with Kaiser Permanente. This is one of the largest healthcare providers and insurers in the US, with over 400 urologists. We have been working with them for several years, to fit our products to their needs, including running one of Pacific Edge's largest User Programmes.

Our team is working with a multi-disciplinary group within Kaiser to secure a commercial agreement. Like many large corporates, this can be quite protracted, particularly where it involves a radical change to Kaiser's clinical practices and a significant cash investment into the use of a new technology. However, we are getting closer. And while we've been working through the negotiations, we've also been working with Kaiser's staff on the necessary business logistics and the training of the first batch of urologists to ensure that the long anticipated start-up of commercial tests can occur as expediently as possible following the completion and signing of the agreement.

There is no doubt that Cxbladder is a break-through product – all the clinical validation and published scientific papers point to the outperformance of the Cxbladder products, their clinical utility, and their potential to lower healthcare costs and to provide a better clinical experience for patients. More and more urologists and healthcare providers are recognising these values and are progressively adopting our product into clinical use.

We look forward to providing a further progress update to shareholders in our full year results announcement and report. As always, we thank you for your continued support.

David Darling
Chief Executive Officer

ACCOLADES FOR PACIFIC EDGE

Over the past six months, Pacific Edge has received recognition in a number of high profile business reports.

In October last year, Pacific Edge was named in the TIN Top Ten List of Hot Emerging Companies for the third year in a row. Technology Investment Network produces the annual TIN Report, which tracks the progress of New Zealand's technology companies.

Then in December, Pacific Edge was named the 20th fastest growing company in the Deloitte Fast50 Awards, coming in with 324% growth in revenue over three years. This was followed up with a 171st ranking in the Deloitte Asia Pacific Technology Fast500 in the same month.

Most recently, Pacific Edge was ranked number 5 in the inaugural Financial Times [FT 1000 High Growth Companies Asia-Pacific](#). Pacific Edge is the only health company and one of only three New Zealand companies in the top 10.

These rankings are a reflection of the company's triple-digit revenue growth over the past three years as Pacific Edge has focused on building a suite of highly accurate, non-invasive Cxbladder tests for the detection and management of bladder cancer. Management remain focused on building traction in the global market, particularly the United States, and enabling better care and outcomes for patients and converting all of this positive traction into revenue.

Ranked 6th
TIN Top Ten Hot
Emerging Companies

Ranked 20th
Deloitte Fast50 New
Zealand

Ranked 171st
Deloitte Asia Pacific
Technology Fast500

Ranked 5th
FT 1000 High Growth
Companies Asia Pacific

OUTSTANDING OUTCOME IN 'LOOKBACK' REPORT RESULTING IN THE ADDITION OF CXBLADDER TO THE CDHB HEALTH PATHWAY

Medical products by their very nature have a high threshold of proof of performance before mainstream adoption. Changing embedded clinical behaviour is not an easy process; but when the benefits to both patients and the healthcare system are so clear, it makes sense to advocate for change.

In a world first, the results of a performance lookback on the commercial use of Cxbladder by the Canterbury District Health Board were presented to an international audience of urologists in Australia recently, showing unequivocally that the use of Cxbladder delivers greater accuracy and significant patient and cost advantages than the existing pathway guidelines.

The lookback at 475 fully investigated patients showed that the risk of missing a significant bladder cancer is negligible when Cxbladder Triage is added into the algorithm for the assessment of haematuria. In addition, 32% of patients were able to avoid secondary care, and to have their assessment in the community through their primary care GPs.



This has resulted in Canterbury DHB extending its inclusion of Cxbladder in its HealthPathway to include the use of Cxbladder Triage as the primary tool for the evaluation of haematuria, replacing cytology and up to a third of all of the cystoscopies, a costly and invasive procedure requiring specialist assessment.

The results of this outcome have been published in the British Journal of Urology International and a follow-up clinical paper is being drafted for submission for peer review and publication in the British Journal of Urology.

SECOND STUDY HIGHLIGHTS CLINICAL UTILITY OF CXBLADDER

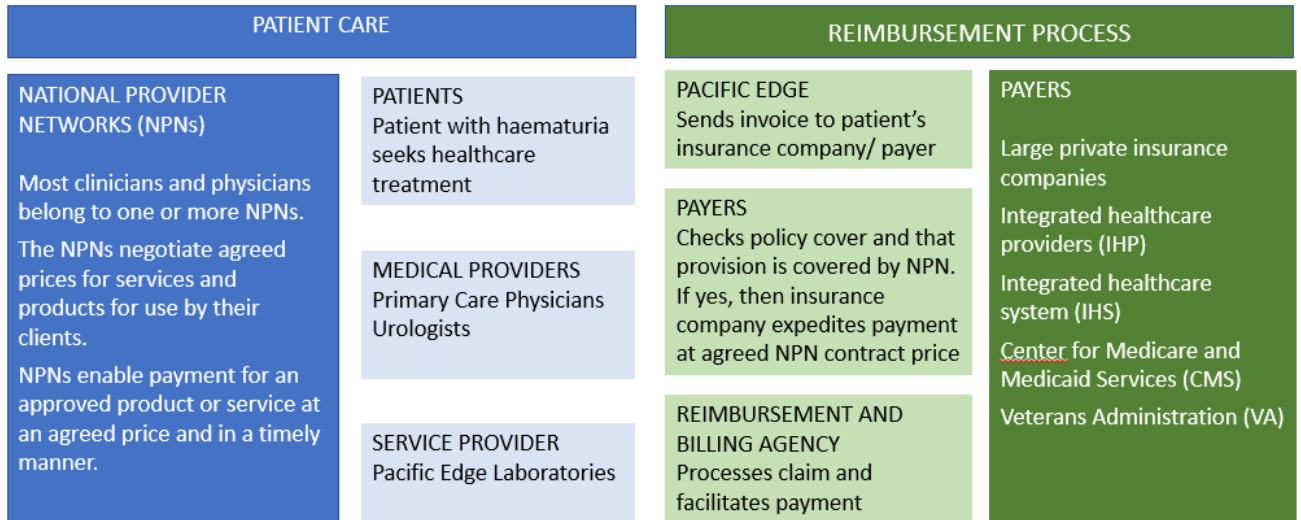
A second international study has recently been published demonstrating the compelling changes to clinical decision making by urologists when provided with Cxbladder results for patients presenting with haematuria (blood in the urine and a key indicator of urothelial/bladder cancer).

The study found the use of Cxbladder Triage and Cxbladder Detect leads to significantly fewer total tests and invasive procedures for patients with low probability of urothelial carcinoma (bladder cancer), leading to reduced costs and less potential for treatment related harm. In contrast, in patients where Cxbladder tests indicated a higher probability of urothelial carcinoma, more tests were recommended leading to the targeted diagnosis of urothelial carcinoma.

This shows that the use of a cascade of Cxbladder tests can significantly improve the identification of urothelial carcinoma, when compared to existing and invasive tests, without compromising patient safety. This is of significant additional importance to all clinicians involved in the diagnosis of bladder cancer and is of particular relevance to payers and funders of healthcare, such as the Centres for Medicare and Medicaid.

Changing clinical behaviour has a high threshold of proof of performance and in this study, overwhelmingly, clinicians made significant changes and reallocations of their diagnostic procedures, particularly expensive and invasive procedures, when provided with the Cxbladder results. Clinical and scientific papers such as these are an important part of Pacific Edge's commercial strategy and essential in validating its products with major healthcare providers and funders in the United States, which is the company's primary focus.

UNDERSTANDING OUR BUSINESS: NATIONAL PROVIDER NETWORKS



The health system in the United States is substantially different to New Zealand, with payment primarily through insurance, either private or public.

National (and regional) provider networks are key components of the US healthcare reimbursement system. They comprise networks of clinicians, hospitals, laboratories and other specialists who contract at a negotiated price with the healthcare provider to offer services to the patients of their clients, who are private insurers, large employers and third party administrators (TPAs).

Companies such as Pacific Edge negotiate agreements with these large commercial healthcare networks to provide their products and services at agreed prices to patients who are insured by clients of the NPN. The approved coverage of Cxbladder provided by the agreements encourages its use by clinicians as an accepted diagnostic test for determining the presence, or not, of bladder cancers.

Since its commercial launch in the US in 2013, Pacific Edge has signed multiple agreements with NPNs including FedMed, America's Choice Provider Network (ACPN), Stratos and MultiPlan. These agreements give millions of Americans access to Cxbladder and help to expedite payment to Pacific Edge on agreed payment terms.

Most recently, the company has entered into an agreement with MediNcrease Health Plans, LLC, a national provider network in the United States, to make Cxbladder available to 5.5 million covered lives through its clients and payers.

"The signing of this agreement reflects the growing acceptance of Cxbladder as an effective, highly accurate and non-invasive test for the detection and better management of urothelial cancer. Having commercial agreements in place with provider networks is an important part of reimbursement of Cxbladder in the US, minimising barriers for urologists who order Cxbladder tests for their patient care."

CEO Pacific Edge Diagnostics US, Jackie Walker

RECAP: FIRST COMMERCIAL AGREEMENT SIGNED IN SINGAPORE

In March this year, Pacific Edge reached a commercial agreement with Raffles Diagnostica Pte Ltd to offer its suite of Cxbladder tests in Singapore.

This is the first commercial agreement to be signed by Pacific Edge in Singapore, where the company has established a base for its investigation into the opportunity for Cxbladder tests within South East Asia. User Programmes are currently being run in the majority of the large private hospitals in the country and the focus remains on transitioning these into commercial customers once these studies have concluded.

Raffles Medical Group is a leading integrated private healthcare provider in Asia, operating medical facilities in 13 cities throughout Singapore, China, Japan, Vietnam and Cambodia and caring for over 2 million patients and more than 6,800 corporate clients each year. RMG is the only private medical provider in Singapore to own and operate a fully integrated healthcare organisation, which includes Raffles Hospital in Singapore.

Whilst this is a relatively small commercial proposition for Pacific Edge, it offers a significant stepping stone into the Raffles Medical Group across South East Asia. The region remains an exciting proposition for Pacific Edge with approximately 9,500 urologists and an estimated 1.8 million potential tests.

RafflesMedical
Your Trusted Partner for Health



STAY IN TOUCH

We welcome contact from our shareholders and have provided a number of ways that you can follow our company and stay in touch.

ENEWS

We encourage our shareholders to sign up to receive email notification of news and announcements from Pacific Edge.

[Sign up here](#) or visit the Investor Centre on our website www.pacifiedgedx.com.

KEY DATES

Balance Date: End FY18 Financial Year:

31 March 2018

2018 Results Announcement:

May 2018

2018 Annual Report:

By end-June 2018

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This Investor Update has been provided to keep our shareholders informed of our progress, and complements our formal communications such as our shareholder reports, results announcements and annual meeting. Further information on our products and on bladder cancer can be found on the websites listed above.