

PACIFIC EDGE UNAUDITED FINANCIAL RESULTS FOR THE SIX MONTHS TO 30 SEPTEMBER 2020

Transformational half year for Pacific Edge with commercial agreements and accelerating revenue growth

Summary of performance for the period (% changes compared to prior comparative period (pcp)):

- Total revenue increased 50% to \$4.1m
- Operating revenue from test sales increased 46% to \$3.3m
- U.S. operating revenue increased 46% to \$2.9m
- Three consecutive record revenue months achieved in the U.S. following LCD inclusion in July 2020, despite the ongoing negative impact from COVID-19 on test volumes
- Rest of World (ROW¹) operating revenue increased 40% to \$0.4m, driven by strong growth in the NZ market following the lifting of Covid-19 restrictions
- Total Laboratory Throughput (TLT) reduced 16% to 6,864 tests
- ROW commercial test volumes increased 18% to 1,631 tests
- Total operating expenses reduced 8% to \$11.2m
- Total Comprehensive Loss improved 25% to \$7.1m
- Net cash, cash equivalents and short term deposits increased to \$29.3m as at 30 September 2020, following a \$22m placement to ANZ New Zealand Investments
- Commenced scale up of commercial operations in U.S. to leverage key commercial milestones of LCD inclusion and agreement with Kaiser Permanente

Cancer diagnostics company, Pacific Edge Limited (NZX: PEB) is pleased to report accelerating revenue growth in key growth markets, as it starts to benefit from the major commercial milestones achieved during the first half of the financial year.

“The Pacific Edge team made significant progress on our strategic growth objectives in the first half,” said David Darling, Chief Executive Officer of Pacific Edge. “We delivered strong revenue growth, which included three consecutive months of record revenue in the U.S. following Cxbladder’s LCD inclusion in July 2020, despite the ongoing negative impact from COVID-19 on our Cxbladder test volumes.

“Our balance sheet has been strengthened allowing us to scale up the business faster to meet the expected increase in demand for Cxbladder. This has included ongoing investment in our U.S. sales and executive teams, which are focused on converting other large scale institutional customers in the U.S. and gaining additional reimbursement coverage for Cxbladder with the top private payers (insurers).

“We remain focused on executing on the global growth opportunities available for Cxbladder and are well positioned to deliver further long-term growth and value creation for our shareholders.”

¹ Rest of World markets are primarily New Zealand as well as early stage in Australia and South East Asia.

MAJOR COMMERCIAL EVENTS IN 1H21

Inclusion in CMS's LCD: Cxbladder Detect and Cxbladder Monitor were included in the Local Coverage Determination (LCD) from 1 July 2020. This has enabled reimbursement for patients covered by the Centres for Medicare and Medicaid Services (CMS) at the agreed national CMS price of US\$760 per test, and has been a major driver in the increasing revenue and cash receipts reported in the half year.

Kaiser Permanente: In June, agreement was reached with Kaiser Permanente (Kaiser) to commercially use all Cxbladder products nationally, commencing with Cxbladder Monitor. Kaiser is one of the largest non-profit healthcare providers in the U.S. with over 12.4 million members (approximately 4% of the U.S. population). During the period, the Pacific Edge team completed the required testing of services and supply chain logistics to ensure a gold standard user-experience for both Kaiser urologists and patients. Cxbladder test orders commenced in November and are expected to positively impact commercial test volumes from 2H21 onwards. More than 800,000 people are regularly monitored for the recurrence of bladder cancer in the US and Kaiser Permanente manages approximately 2% of these patients, who will present to the clinic for evaluation annually up to 4 times a year for up to 5 years. This provides a large pool of patients and a significant commercial opportunity for Cxbladder Monitor.

COVID-19 Impact, Response and Recovery: Pacific Edge continued to operate as an essential business during the COVID-19 restrictions in both New Zealand and the U.S. The impact from the stay-at-home restrictions was particularly felt in the first two months of the half as these restrictions limited access by patients to medical centres and urological testing. As a result, Cxbladder commercial test volumes fell 43% on the pcp in April and May but recovered strongly from June to September with September test volumes an 11% improvement on pcp. A rapid increase was seen in the use of telemedicine as a response to the pandemic, and the benefit of Cxbladder's unique Patient-In-Home Sampling System (PIHSS) became clear. Interest in, and use of the Cxbladder patient in-home sampling has grown steadily, and is expected to grow further and be a major part of Pacific Edge's test delivery as telemedicine becomes more common practise.

1H21 FINANCIAL RESULT SUMMARY

Operating revenue from Cxbladder test sales increased 46% on pcp to \$3.3m. This strong revenue growth was driven by the inclusion of Cxbladder Detect and Cxbladder Monitor in an LCD from 1 July 2020, which has enabled reimbursement for patients covered by the CMS at the agreed national price of US\$760 per test. This reimbursement coverage has also allowed Pacific Edge to start recognising revenue on an accrual basis for all CMS-related patients in the U.S.².

U.S. operating revenue increased 46% on pcp to \$2.9m and accounted for 87% of total operating revenue in the first half. The first half of the year included a three month contribution for tests completed for CMS patients from July to September, being two months of cash payments for tests completed in July and August and an accrual of \$0.8m.

² The successful reimbursement coverage for the two products (Cxbladder Detect and Cxbladder Monitor) that have CPT codes and LCD inclusion, has allowed Pacific Edge to start recognising revenue (under the NZ IFRS 15 accounting standard) for all tests that are performed on CMS related patients (Medicare and Medicare Advantage) in the U.S. Tests for these patients performed after 1 July 2020 are now recognised on an accrual basis based on the expected future cash that will be received for the tests performed (previously cash basis). The Group continues to recognise revenue on a cash basis for other U.S. customers who are not yet in contract and will continue to review this regularly.

The CMS reimbursement was the primary driver behind the U.S. business delivering three consecutive months of record revenue from July to September, and a year on year 117% increase in average U.S. operating revenue for the three months. This strong revenue growth has continued into the second half with a further record sales month recorded in October 2020.

Rest of World (ROW) operating revenue increased 40% on pcp to \$0.4m, driven by strong growth in the New Zealand market following the lifting of COVID-19 restrictions. The continued adoption and increasing test use by New Zealand public healthcare providers (DHBs) is driving this growth and momentum is expected to continue in the second half, with a focus on growing the number of Cxbladder tests used by existing customers and converting the remaining public healthcare providers into commercial customers.

Total Laboratory Throughput (TLT) reduced 16% on pcp to 6,864 tests, as COVID-19 restrictions affected access to medical centres and testing for patients, particularly in April and May. A strong recovery in TLT was seen from June to September, with record year on year growth in both June and September.

Commercial test volumes reduced 15% on pcp to 5,591 tests and accounted for 81% of total tests processed. A strong recovery in ROW partially offset the decline in USA.

CMS related tests (Medicare and Medicare Advantage) accounted for 67% of total U.S. commercial test volume in the first half. Cxbladder Detect and Cxbladder Monitor (the two Cxbladder tests included in the LCD) accounted for 94% of total U.S. commercial test volumes. Negotiations continue with the CMS for the reimbursement of the 22,634 tests completed for CMS patients as at 30 June 2020, but for which no revenue has yet been recognised or cash payments received³.

ROW commercial test volumes increased 18% on pcp to 1,631 tests, which was a strong outcome given the impact of COVID-19 on the operating environment during the first half period. A strong recovery was seen from June to September, with September test volumes for the Group up 11% on pcp.

Cash receipts increased 9% on pcp to \$2.6m, which reflects a two month contribution from the CMS offset by the significantly reduced test demand in April and May. Strong subsequent cash receipts from 1 October 2020 onwards have supported the accrual of revenue for the period ending 30 September 2020.

The positive impact of cash reimbursement from the CMS saw the average monthly cash burn in the half year reduce by 6% on pcp, with average monthly cash burn in the second quarter of FY21 reduced 23% on pcp.

LCD inclusion for Cxbladder Detect and Cxbladder Monitor has significantly improved operating cashflow, with CMS tests now paid in approximately 30 days and other U.S. private payers time to payment improving to average one to three months for their payments.

The \$22m placement to ANZ New Zealand Investments in July significantly strengthened the Company's balance sheet and net cash, cash equivalents and short term deposits increased to \$29.3m as at 30 September 2020.

³ There is no certainty of any reimbursement for any of these tests performed prior to 30 June 2020, and no ability to reliably estimate the level of consideration that would be received if agreement can be reached with Novitas Solutions over these previously performed tests.

OUTLOOK

Pacific Edge has a strong growth outlook for the second half of FY21 and beyond as the Company leverages the very successful validation that accrues from the CMS LCD coverage and a commercial relationship with Kaiser Permanente. The global COVID-19 pandemic has had a profound impact on the delivery of healthcare and this is expected to continue to impact through 2H21 and beyond. Despite this, Pacific Edge expects continued growth albeit at a rate that is slower than could otherwise be expected in a COVID-19 free operating environment.

Combined, the inclusion in the CMS's LCD and the successful conclusion of the Kaiser Permanente agreement are driving step changes in the growth of the U.S. business. Accordingly, commercial operations have been scaled up, with a strengthened US commercial leadership team and the recruitment of additional sales executives and customer support personnel expected to drive further growth. The focus remains on growing the commercial adoption of Cxbladder by large healthcare organisations (such as Kaiser Permanente), further increasing reimbursement coverage from private payers (insurance companies) and gaining more favourable guidelines inclusion language.

Cxbladder's accelerating U.S. reimbursement, including a full six month contribution from the CMS and the commencement of orders from Kaiser Permanente, is expected to have a positive impact on US commercial test volumes, operating revenue and operating cashflows in the second half of FY21 and beyond. Strong growth momentum has continued into the second half of FY21 with U.S. cash receipts for October increasing 68% on pcp.

New Zealand continues to be an important growth market for the company. The continued adoption and increasing test use by New Zealand public healthcare providers is driving growth and momentum is expected to continue in the second half. The management team in New Zealand is also being expanded, with an appointment to the new role of Chief Technical Officer and the proposed new appointments to the roles of Chief Operating Officer and Chief Information Officer expected to be made in the second half of the year.

Southeast Asia and Australia are both at an earlier stage in their commercial development, with the goal being to transition the public healthcare providers in these markets from their User Programme clinical trials to commercial customers.

Pacific Edge's strengthened balance sheet and improving operating cashflow position has allowed an acceleration of global growth initiatives, including the scaling up of the U.S. commercial operations to leverage the key commercial milestones achieved during the first half.

Chair of Pacific Edge, Chris Gallaher, said: "It has been a step change in progress and revenue growth in this first half year for Pacific Edge with the achievement of major commercial milestones delivering strong revenue growth, while successfully weathering the challenges of COVID-19. We are now starting to see the benefits of the significant effort and resource that has gone into commercialising our bladder cancer technology and we believe this is just the start of a strong growth trajectory for our company."

CEO of Pacific Edge, David Darling, commented: "The U.S. offers a potential annual market opportunity for our company of more than USD\$1.2 billion. We now have the major reimbursement and clinical milestones in place to enable us to scale up and position Cxbladder as the first choice diagnostic test for urologists evaluating patients for

bladder cancer. We are well positioned with experienced, motivated people capable of maximising the substantial growth opportunities in front of us.”

ENDS

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

Pacific Edge Limited (NZX: PEB) is a New Zealand publicly listed, cancer diagnostic company specialising in the discovery and commercialisation of diagnostic and prognostic tests for better detection and management of cancer. Its Cxbladder suite of non-invasive, simple to use and accurate diagnostic tests provide actionable results, and better detection and management of urothelial cancer. The company is developing and commercialising its range of Cxbladder bladder cancer tests globally through its wholly owned central laboratories in New Zealand and the USA. The company’s products have been tested and validated in international multi-centre clinical studies.

ABOUT Cxbladder Triage www.cxbladder.com

Cxbladder Triage combines the power of the genomic biomarkers with additional phenotypic and clinical risk factors to accurately identify patients with haematuria who have a low probability of bladder cancer and may not require a more extensive urological evaluation. Cxbladder Triage is a tool for use by clinicians and physicians in primary evaluation of patients

with haematuria and is intended to reduce the need for an expensive and invasive work-up in patients who have a low probability of having urothelial carcinoma.

ABOUT Cxbladder Detect www.cxbladder.com

Cxbladder Detect enables the non-invasive detection of bladder and other urinary tract cancers from a small volume of a patients’ urine. Cxbladder Detect provides clinicians with a quick, cost effective and accurate measure of the presence of the cancer as an effective adjunct to cystoscopy.

ABOUT Cxbladder Monitor www.cxbladder.com

Cxbladder Monitor allows urologists to monitor bladder cancer patients for recurrence of the disease. Bladder cancer has a recurrence rate of 50-80% and requires life-long surveillance. Cxbladder Monitor accurately identifies patients with a prior history of urothelial cancer (UC) whose Cxbladder Monitor score shows that they have a low probability of recurrent urothelial carcinoma. Cxbladder Monitor is designed to be used as the preferred adjunct test to cystoscopy in the management of patients for ongoing evaluation of recurrent bladder cancer.

ABOUT Cxbladder Resolve www.cxbladder.com

Cxbladder Resolve identifies those patients who are likely to have aggressive or more advanced bladder cancer. Cxbladder Resolve, when used as part of the primary evaluation of haematuria and/or in conjunction with other Cxbladder tests (Triage, Detect), is designed to assist clinicians by accurately identifying patients with a high

probability of having high grade or late stage bladder cancer, for whom alternative or expedited treatment options may be warranted, or who can be prioritised for further investigation in high throughput settings.

Refer to www.cxbladder.com for more information.