



**PACIFIC EDGE** LTD  
CANCER DIAGNOSTICS COMPANY

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**ANNUAL REPORT**  
FOR THE YEAR ENDED  
31 MARCH 2022



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PROVIDING  
ACTIONABLE  
CLINICAL  
INFORMATION  
AT THE EARLIEST  
POINT IN THE  
PATIENT CARE  
PATHWAY

This report provides a summary review of Pacific Edge's operational and financial performance for the year to 31 March 2022. It should be read in conjunction with the company's financial statements on pages 41 to 73 of this report.

Throughout this report we have focused on what we believe matters most to our stakeholders and our business. Our aim is to provide easily understood, transparent and engaging disclosures for our shareholders that describe our business, what we do and why we do it.

The information in this report has been compiled in accordance with relevant law, rules and corporate governance recommendations for investor reporting. Financial information has been prepared in accordance with appropriate accounting standards and has been audited by PwC.

An electronic version of this report is available on the investor section of our website [www.pacifiedgedx.com](http://www.pacifiedgedx.com)

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Pacific Edge Limited 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, with shares listed on the NZX and the ASX under the ticker code PEB, the company provides its suite of Cxbladder tests globally through its wholly owned, and CLIA certified, laboratories in New Zealand and the USA.

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ANNUAL FINANCIAL AND OPERATING HIGHLIGHTS

# STRONG GROWTH AS MOMENTUM BUILDS IN THE US

Pacific Edge has reported strong growth in test volumes and revenues in the year to 31 March 2022 as its investment to drive the adoption of its advanced genomic biomarker tests by physicians and healthcare organizations around the world continues to yield results.

**\$11.4M<sup>1</sup>**

ANNUAL OPERATING REVENUE  
▲ 49%

**\$13.9M**

TOTAL REVENUE  
▲ 33%

**23,086**

TOTAL VOLUME OF CXBLADDER TESTS THROUGH PACIFIC EDGE LABORATORIES  
▲ 46%

**19,196**

COMMERCIAL CXBLADDER TESTS THROUGH PACIFIC EDGE LABORATORIES  
▲ 48%

**\$19.8M**

NET LOSSES AFTER TAX  
▲ 39% AS PACIFIC EDGE INVESTS FOR GROWTH

**\$33.7M**

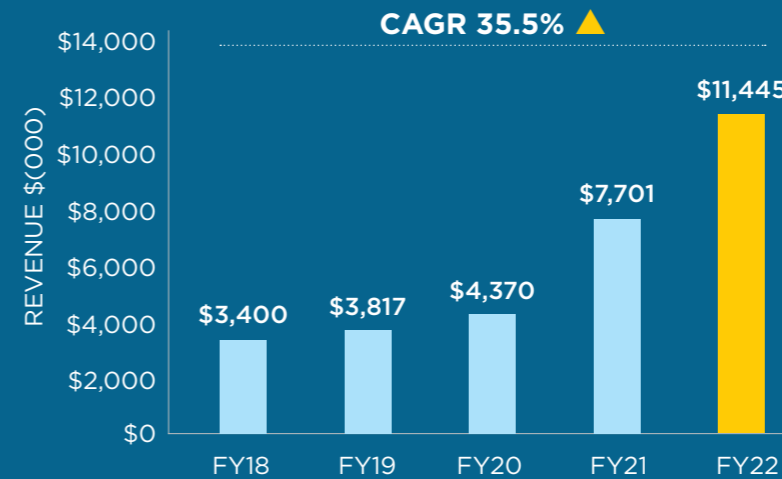
OPERATING EXPENSES  
▲ 37%

**\$105.4M**

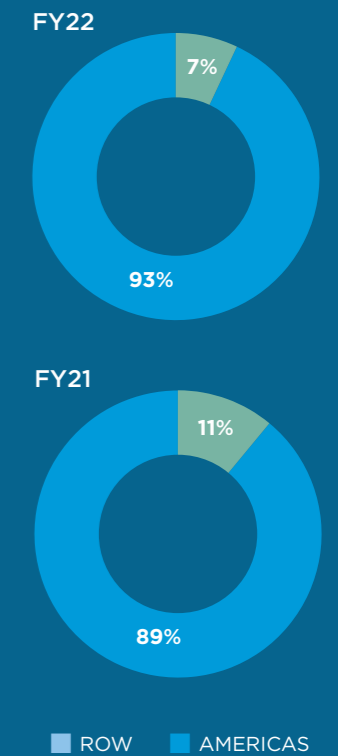
CASH EQUIVALENTS AND SHORT-TERM DEPOSITS FOLLOWING SUCCESSFUL CAPITAL RAISING IN 2021

<sup>1</sup> All figures in this report are in New Zealand dollars unless otherwise stated. The figures above are for the 12 Months ended 31 March 2022, with the exception of cash equivalents and short-term deposits which record the total as at 31 March 2022. Meanwhile, comparisons are to the same period in the prior financial year.

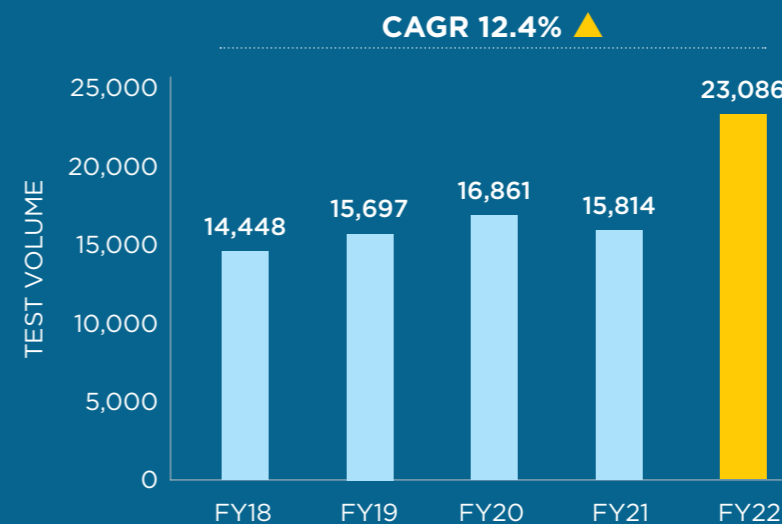
PACIFIC EDGE OPERATING REVENUE



PACIFIC EDGE REGIONAL REVENUE SPLIT



CXBLADDER TOTAL TEST VOLUMES



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Chris Gallaher, Chair

## CHAIRMAN'S REPORT

# INITIATIVES FOR GROWTH GAINING TRACTION

Dear Shareholders,

We look back on the most recent financial year with considerable satisfaction.

Pacific Edge ended the year posting strong growth in test volumes and operating revenues. We have recruited a new Chief Executive - Dr Peter Meintjes - who has brought to the company new vision and energy and is rapidly building on the strong legacy left by his predecessor David Darling.

Our successful \$103.5 million equity issue we completed in October last year, has provided us with the capital and balance sheet flexibility to realize the significant opportunities we see for our suite of advanced genomic biomarker tests globally. And finally, we have recruited new Directors to deliver the necessary oversight and guidance as we move into the next phase of growth.

These achievements are even more satisfying when considered against the backdrop of COVID-19 and the challenges the pandemic posed for the company in the commercialization of its technologies.

### Test volumes and financial performance

Total Cxbladder tests through our laboratories in the US and Dunedin for the year to 31 March 2022 rose 46% to 23,086 tests. We also saw a 48% growth in commercial tests to 19,196 and a 49% increase in operating revenue to \$11.4 million. Together these results amount to significant positive momentum in the business and a tangible demonstration of the company's growth potential.

Still, it is fair to say that we believe these results represent growth below that we would expect in more normal operating conditions.

Pandemic related restrictions over the last two years have significantly limited the face-to-face engagement with the clinicians, payers and healthcare providers that is foundational to driving adoption of our tests, and this was particularly the case in the second half of the year.

As restrictions have eased in the closing months of the financial year, we have been pleased to see a strong rebound in test volumes and an associated increase in month-on-month operating revenue.

Our net loss for the year, which increased to \$19.8 million from \$14.2 million over the same period a year ago reflects the increase in operating expenses as we invest for the opportunities we see.

Further detail on our financial results is covered in the financial commentary on page 40 of this report.

### Chief Executive appointment

We are delighted to have attracted a Chief Executive of Peter's caliber and experience back to New Zealand to lead the company. In addition to his deep understanding of the diagnostics market, he has brought to the business a track record for commercializing novel and complex molecular diagnostics with the potential to improve the standard of care through the behavior change of health care professionals.

Along with the Executive team and the Board he has established a clear set of priorities to drive growth in test volumes, revenue, and long-term shareholder value. We believe our refined focus on innovation, clinical evidence, people, and brand will deliver on these goals.

Peter has quickly established himself within the business, is bringing the team along with him and with the full support of the Board is investing for growth in line with this new approach. We thank him and the rest of the Pacific Edge team for their efforts.

Before leaving the matter of executive leadership it is important to acknowledge the immense contribution of Peter's predecessor Dave Darling to Pacific Edge.

Over the more than 18 years until his retirement in January, Dave's persistence and determination, took Pacific Edge from a research concept to a fully-fledged commercial entity. While his achievements over this period are many, it was in 2020 that his vision and belief in the technology, was vindicated.

First, Pacific Edge secured a commercial agreement for Cxbladder with Kaiser Health Plan - the payor arm of Kaiser Permanente, the largest integrated healthcare provider in the US, serving more than 12.6 million members.

Second, less than a month later, Pacific Edge secured coverage of Cxbladder by the US national health insurance system, Medicare and Medicaid, for the 61.5 million US citizens over 65 and people on low incomes it insures.

These two agreements represent significant footholds in the world's largest healthcare market.

Dave capped off his career as CEO of Pacific Edge late last year with his leadership of the company's largest ever capital raising, lifting cash reserves at the end of March 2022 to \$105.4 million to fund the realisation of our vision and potential.

On behalf of shareholders the Board thanks him for his efforts and we wish him well for the future.

“WE BELIEVE OUR  
REFINED FOCUS  
ON INNOVATION,  
CLINICAL EVIDENCE,  
PEOPLE, AND  
BRAND WILL DRIVE  
GROWTH IN TEST  
VOLUMES AND  
REVENUE”

### Governance

As Pacific Edge's horizons have expanded, we have recruited Directors with the expertise necessary for success on the global stage. The appointment in March of Tony Barclay, the former Fisher & Paykel Healthcare Chief Financial Officer and a respected business leader, rounded out the Board by deepening our experience and expertise in international capital and healthcare markets.

The transition of leadership from Dave to Peter, the capital raising and most recently the refinement and refocusing of our investment program have placed significant additional demands on your Directors. I am grateful for the commitment, perspectives and support they provided through what has been an intense period.


**Outlook**

Pacific Edge remains optimistic and confident about the year ahead and beyond. Directors have noted the sharp shift in global share market sentiment since the start of the year and the impact that this has had on company valuations, particularly among growth companies such as Pacific Edge.

However, we remain focussed on the things that we can control and that is building long-term sustainable value through the execution of our strategy and prudent management of the capital shareholders have entrusted us with.

We are confident that our ongoing investment in innovation, evidence, people, and brand will deliver growth in test volumes and revenue. As we achieve these goals shareholders are right to expect this success to be recognized in the value of their investment.

We thank you for your ongoing support for the business and we look forward to updating you on our progress at our annual meeting in Dunedin in late July.



**Chris Gallaher**  
Chair



**DAVID DARLING  
TRIBUTE**

**Pacific Edge thanks David Darling for his more than 18 years of leadership of the company and the value he has created in the business.**

Dave was appointed Chief Executive Officer in 2003 and joined the board in 2014. He led the company from a start up to the point that it is now rapidly expanding in the US underpinned by commercial agreements with the largest healthcare providers in that country. He retired in January 2022 handing leadership of the company and this strong legacy to his successor, shareholders, and cancer patients around the world.



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**CHIEF EXECUTIVE'S REPORT**

# BUILDING MOMENTUM IN GLOBAL MARKETS

Dear Shareholders,

Since joining the company in January, my excitement about the prospects for Pacific Edge and the potential for its advanced genomic biomarker technologies has only grown.

Despite the pandemic, the strong year-on-year growth in Cxbladder test volumes demonstrates the value of Cxbladder to safely intensify or de-intensify clinical workup for patients presenting with hematuria (blood in urine), resolve diagnostic dilemmas during hematuria evaluation, and monitor for the recurrence of urothelial cancer in post-treatment patients.

More importantly, the Board, the Executive and the broader Pacific Edge team are now aligned on what we need to do to accelerate growth in the business. I will return to this shortly, but firstly I want to quickly review the operating performance of the company.

**COVID restrictions**

The last six months of the 2022 financial year were challenging. COVID restrictions in the healthcare sector have been more severe and longer lasting than those imposed on the community at large. Despite numerous virtual activities to counter the pandemic restrictions, they limited the necessary engagement with the clinicians ordering the tests and the organizations paying for them. Importantly, it has also restricted or even prevented patients from engaging with their clinicians creating significant disruption to the traditional care paradigm.

The effect on the business is clearly visible in the graph opposite.

The US business is making steady progress, despite COVID. Total Lab Throughput (TLT) for the

US in FY22 was up 59% to 18,864, while commercial tests increased 62% to 15,752. The growth reflects nationwide adoption of our tests as well as steady progress with strategic accounts such as Kaiser Permanente, the largest integrated healthcare provider in the US. Based on the throughput in the most-recent 3-months two Kaiser sites are now in the Top 20 Accounts by volume for Pacific Edge.

With Kaiser we continue to roll Cxbladder out across their sites, principally in Southern California, and educate more clinicians at each site in the use of the test. We are pleased with the support we are seeing from Kaiser clinicians. We were also pleased in June to hear the organization had agreed to integrate our tests with its electronic medical records (EMR) system, a move that over the longer term will lower barriers to adoption of Cxbladder and increase acceptance of our tests as the standard of care within Kaiser Permanente.

Meanwhile we are working with the US Veterans Affairs (VA) to move from the evaluation of our tests to widespread use across the more than nine million veterans it covers. It is still early days with the VA with the generation of evidence that proves Cxbladder with veterans as an important step towards that goal.

Growth in New Zealand has been more muted reflecting the maturity of the local market and again

the restrictions imposed by COVID. Our focus in this market is driving the adoption of Cxbladder towards the primary care setting, building on the precedent established by the Canterbury District Health Board.

With the virus becoming endemic in the US and New Zealand, and recent sales and marketing recruits beginning to hit their stride, we are seeing volumes begin to accelerate.

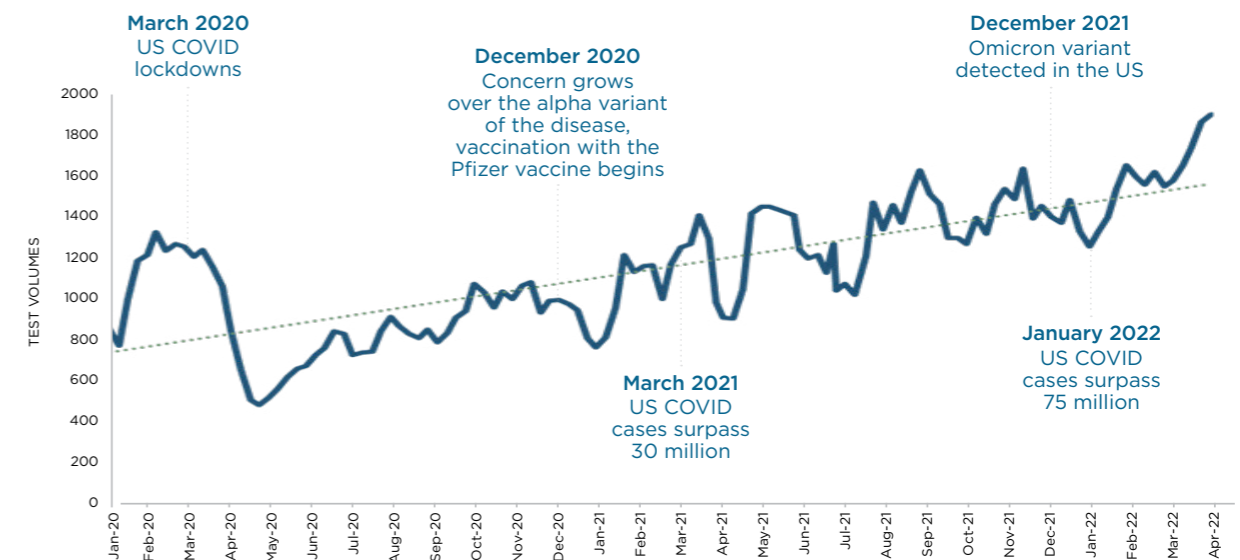
Average weekly test throughput in the US from the start of April to the announcement of our full year results in late May was up 25% on the average of the last year. These objective indicators, and the subjective positive feedback from those regularly using Cxbladder, demonstrate that clinicians are gaining increasing confidence in the use of Cxbladder earlier in the patient care pathway.

They also show that Pacific Edge has an excellent opportunity to capitalize on the existing traction in a very large target market. The challenge before us is one of focus and execution to convert this enthusiasm and momentum to greater recurring use of Cxbladder.

**Growth initiatives**

Our internal focus is on long-term shareholder value - from this we have developed initiatives in three key areas.

**US FOUR WEEKLY TEST VOLUMES**



Dr Peter Meintjes, Chief Executive Officer

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Firstly, we must continue to invest in technology and product innovation to maintain our leadership position in urothelial cancer diagnostics. This means improving the performance characteristics of existing products and expanding the context of use for Cxbladder to other segments of the patient care pathway.

Secondly, we must augment our repository of clinical evidence through real world, real time clinical studies to establish Cxbladder as a standard of care with clinicians, healthcare providers and funders ahead of inclusion of the tests in globally relevant guidelines.

And finally, having secured the support of these urological key opinion leaders, we must continue to build awareness of the Cxbladder brand, taking our story to the wider clinician and patient communities.

The key details of the initiatives that we are taking across these three areas are detailed on pages 22 to 31 of this report, but in summary they are:

- a renewed focus of our research and innovation program on new product concepts and cutting-edge technologies to address an unmet clinical need;
- the acceleration of the clinical evidence generation program to drive the inclusion of Cxbladder in guidelines, including those of the American Urological Association, the European Association of Urology and the US-based National Comprehensive Cancer Network;
- the establishment of a new Medical Affairs team to increase our capacity to engage key opinion leaders on clinical studies; facilitate patient enrolment in studies; communicate our clinical evidence and build momentum towards guideline inclusion and the adoption of Cxbladder across the healthcare value chain;
- the launch of a Strategic Accounts team to work alongside our sales and marketing teams to assist with the adoption of Cxbladder by larger organizations such as Kaiser and the VA and work with the Clinical Science team to drive the generation of clinical utility evidence;

- increased investment in sales and marketing, including the expansion of our direct sales force to up to 40, the launch of a Virtual Sales team to focus on rural clinicians and patients, and support the prospecting and onboarding for new accounts;
- investments in ancillary services to ensure seamless engagement between Pacific Edge healthcare providers, funders, clinicians, and patients;
- investment in brand and patient advocacy to educate patients on their options and empower them to request non-invasive alternatives to cystoscopy; and
- ongoing development of our plans in Australia and in Asian markets.

The program will be staged and linked to the achievement of growth milestones. While we expect many of these investments to quickly begin contributing to Pacific Edge's business, we expect the aggregate of these changes to drive long-term value creation and make a greater contribution to revenue in the 2024 financial year and beyond.

**“WE MUST AUGMENT OUR REPOSITORY OF CLINICAL EVIDENCE THROUGH REAL WORLD, REAL TIME CLINICAL STUDIES TO ESTABLISH CXBLADDER AS A STANDARD OF CARE”**

**People and outlook**

Before closing I wish to acknowledge the team at Pacific Edge around the world. I have been impressed and grateful for the way our people have welcomed me into the business and their willingness to consider new perspectives and approaches, especially amid the additional pressures brought on by the pandemic.

I would also like to acknowledge Jackie Walker, Chief Executive Pacific Edge Diagnostics USA, who after 10 years of leadership has decided to retire at the end of August. She has made an enormous contribution to the company including playing a pivotal role in the marquee achievement of CMS coverage.

Through her tenure, Jackie has demonstrated commitment to the company and our broader mission of working towards improving lives and patient outcomes. This is also a quality that is evident across the team. We are all united in the view that nobody should die of bladder cancer.

Finally, I also want to thank Chris and the rest of the Board for the support they have given me as I have transitioned into the business. Leading Pacific Edge is both an honor and a tremendous opportunity.

Looking to the future, we expect our investments to set the foundation for strong throughput and revenue growth over the upcoming years. We also acknowledge it will lift operating costs in the business. Based on the activities in research, development, clinical studies, and market execution, I am excited about the prospects for Pacific Edge.

The company is focused on long-term shareholder value and is well positioned to deliver that over the coming years. I look forward to further updating shareholders and meeting you at our Annual Shareholders Meeting in late July.

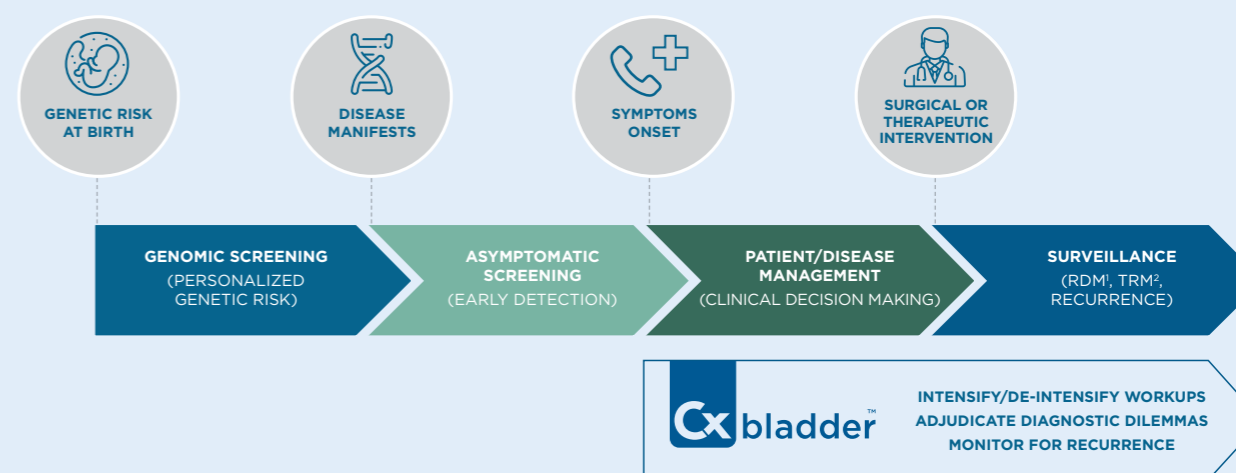
**Dr Peter Meintjes**  
Chief Executive Officer

**CXBLADDER IN THE MOLECULAR DIAGNOSTICS VALUE CHAIN**

Molecular diagnostic technologies, such as Cxbladder, have been advancing the treatment and management of disease over decades, but they are still in their infancy and offer fertile ground for innovation.

We conceptualize the value of molecular diagnostics in four major areas of the patient journey as set out in the graphic below. At present most molecular diagnostics, sit in the latter two categories – patient/disease management and surveillance. Cxbladder is no exception. It is validated for use for any patient presenting with hematuria symptoms to help clinicians to safely de-intensify hematuria evaluation from low incidence populations, resolve diagnostic dilemmas (for example equivocal cystoscopy & atypical cytology). It can also help clinicians monitor for recurrence of disease in a surveillance setting.

As we continue to develop peer-reviewed clinical utility evidence we expect to further embed Cxbladder and other technologies in the latter two value segments, but we also see the opportunity to adapt our technology or develop new intellectual property and technology in asymptomatic screening as well.



<sup>1</sup> RDM - Residual Disease Monitoring  
<sup>2</sup> TRM - Therapeutic Response Monitoring

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ADDRESSING  
UNMET NEEDS  
IN THE DIAGNOSIS  
AND TREATMENT  
OF BLADDER  
CANCER

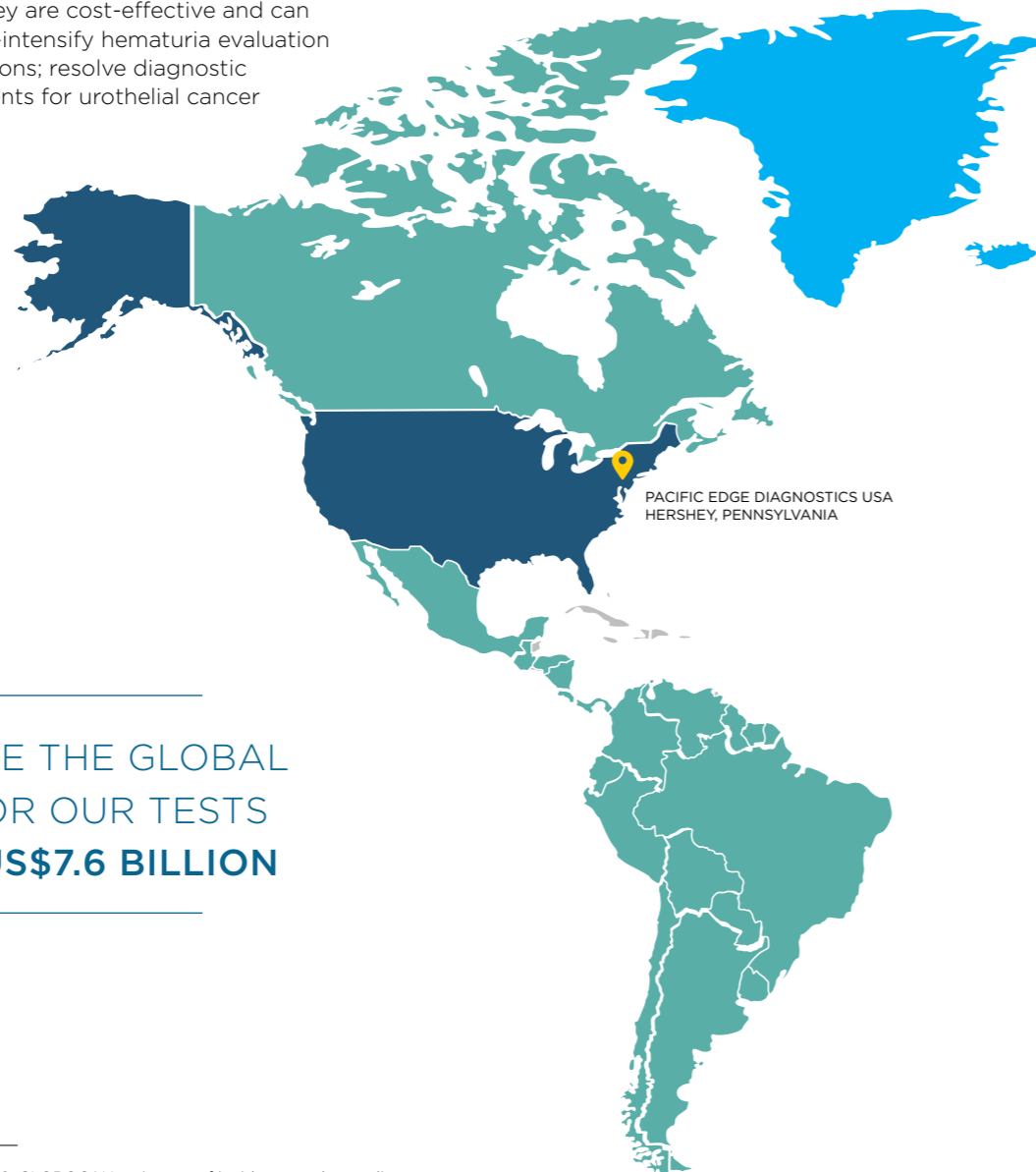


PACIFIC EDGE SNAPSHOT

# RESPONDING TO A MAJOR GLOBAL HEALTHCARE CHALLENGE

Pacific Edge is delivering solutions to help with the diagnosis and management of urothelial cancer around the world. The disease is a major global healthcare challenge, with more than half a million people diagnosed with the disease and 200,000 dying from it each year.<sup>2</sup>

Pacific Edge's Cxbladder tests offer a solution to clinicians and healthcare funders and providers around the world to help ease the burden. They are cost-effective and can assist clinicians to safely de-intensify hematuria evaluation from low incidence populations; resolve diagnostic dilemmas and monitor patients for urothelial cancer recurrence.



WE ESTIMATE THE GLOBAL MARKET FOR OUR TESTS IS WORTH **US\$7.6 BILLION**

<sup>2</sup> Bray et al. Global cancer statistics 2018: GLOBOCAN estimates of incidence and mortality worldwide for 36 cancers in 185 countries. *Ca Cancer J Clin.* 2018;68:394-424

**UNITED STATES**

Annual cases: **80,617<sup>3</sup>**  
TAM<sup>6</sup>: **US\$3.5B<sup>4</sup>**

**Pacific Edge activity:**

- Cxbladder commercial test volumes: **15,752<sup>5</sup>**
- Laboratory, regional sales, marketing and operational support
- Clinical study partnerships

**AMERICAS**

Annual cases: **43,220<sup>3</sup>**  
TAM (ex USA): **US\$0.5B<sup>4</sup>**

**Pacific Edge activity:**

- Clinical study partnerships in Canada

**ASIA PACIFIC**

Annual cases: **98,689<sup>3</sup>**  
TAM (ex China): **US\$2.2B<sup>4</sup>**

**Pacific Edge activity:**

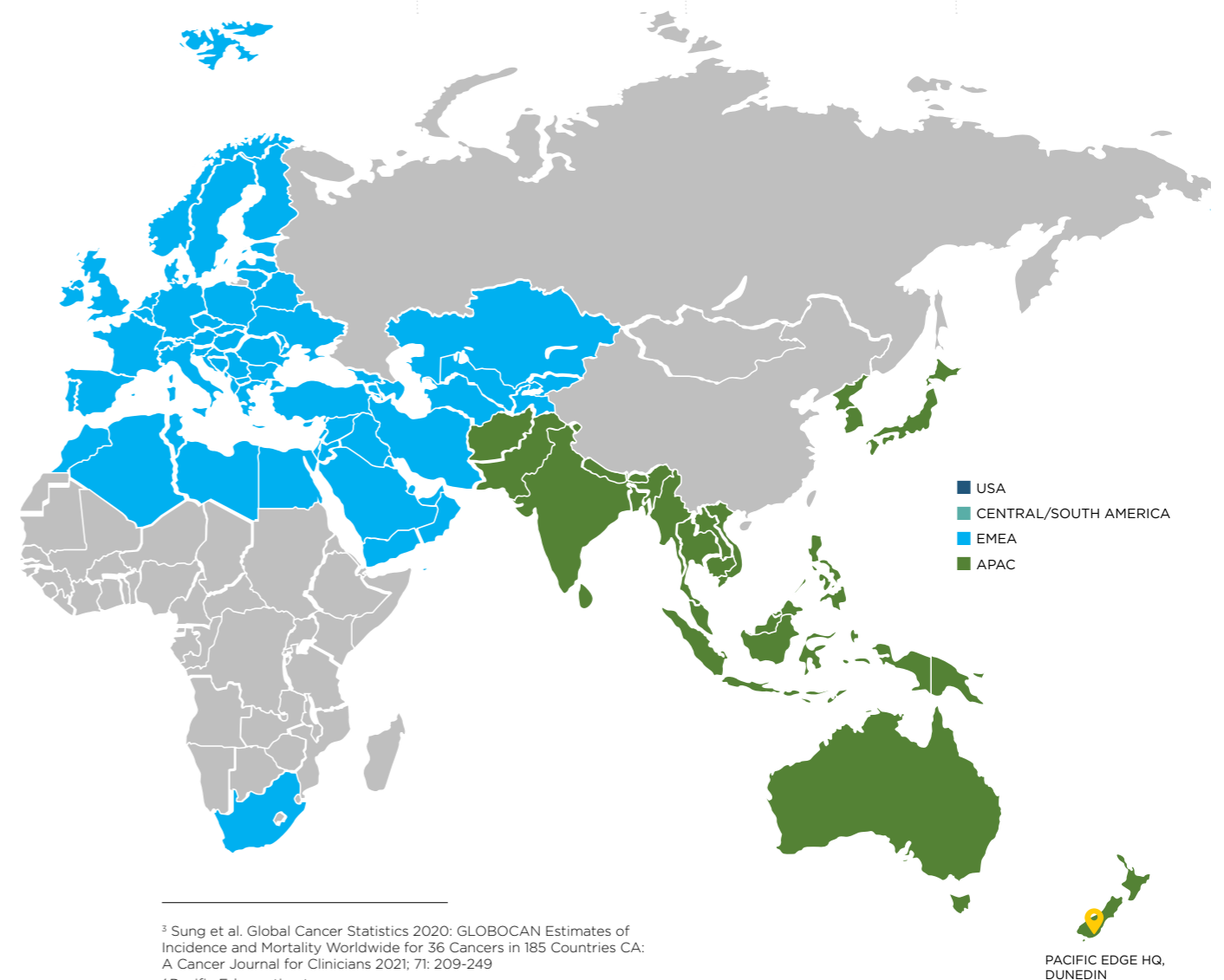
- Cxbladder commercial test volumes: **3,444<sup>5</sup>**
- Laboratory and global sales, marketing and operational support
- Clinical study partnerships in New Zealand, Australia, and Singapore

**EMEA**

Annual cases: **233,925<sup>3</sup>**  
TAM (ex most of Africa): **US\$1.4B<sup>4</sup>**

**Pacific Edge activity:**

- Not currently active



<sup>3</sup> Sung et al. Global Cancer Statistics 2020: GLOBOCAN Estimates of Incidence and Mortality Worldwide for 36 Cancers in 185 Countries *CA: A Cancer Journal for Clinicians* 2021; 71: 209-249

<sup>4</sup> Pacific Edge estimates

<sup>5</sup> Year to 31 March 2022

<sup>6</sup> Total addressable market

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VALUE CREATION

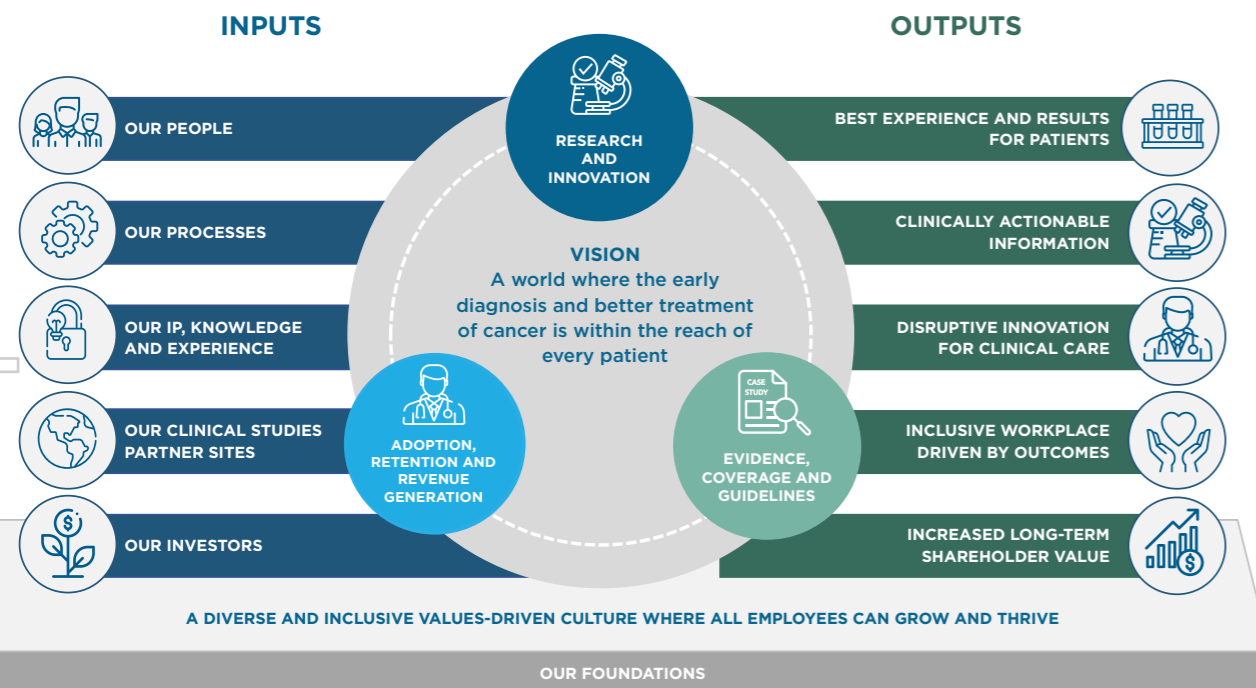
# INVESTING FOR THE EARLY DETECTION OF CANCER AND CLINICALLY ACTIONABLE RESULTS

Pacific Edge has refined and refocused its approach to creating value.

We deploy our people, our intellectual property, knowledge, experience, our global research partnerships, and our capital in accordance with three key investment themes: Research and Innovation; Evidence, Coverage and Guidelines; Adoption, Retention and Revenue Generation.

Our focus on these three areas - combined with our determination to foster a diverse and inclusive values driven culture where employees can grow

and thrive - delivers the outcomes our stakeholders seek: an excellent patient experience and accurate test results; early detection of cancer and clinically actionable results; ongoing innovation and a pipeline of new clinical applications; an inclusive workplace that is focussed on outcomes in line with our mission and values and long-term increases in shareholder value.



## OUR INVESTMENT THEMES



**FOCUS AREAS:**

- Evaluate 'product concepts' to address unmet clinical needs through market research
- Evaluate cutting-edge technologies to meet the market requirements of desired product concepts
- Continue to build a patent portfolio for novel clinical applications of cutting-edge molecular technologies
- Turn patented technology into clinically validated molecular diagnostic tools that address an unmet clinical need



**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 uro-oncology centres 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



**FOCUS AREAS:**

- Diversify the sales process to target Strategic Accounts differently, including education and Key Opinion Leader (KOL) engagement activities by our Medical Affairs team
- Drive protocolized adoption of Cxbladder at the earliest point in the patient care pathway
- Increase event marketing, sponsorship and marketing communications to amplify our clinical evidence generation within the urology and oncology communities
- Establish "in-network" or contracted relationships for the reimbursement of Cxbladder with government healthcare funders and private payors
- Empower patients through patient awareness and patient advocacy initiatives through established organizations and our Cxbladder website

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RESEARCH AND INNOVATION

# BUILDING ON OUR STRENGTHS

We see opportunities for our molecular biomarker technologies in prognostics and companion diagnostics.

Pacific Edge is determined to ensure its research and innovation program incorporates a pathway to commercialization of its technology, and revenue generation at its heart, even when that means a research program and clinical evidence generation program lasting many years.

We have unique capabilities in several key areas, the most significant of which – and the technology at the heart of Cxbladder – is our ability to stabilize RNA and DNA in solution so that we can isolate gene expression signatures.

This technology is protected by four patent families spanning more than 80 individual patents including RNA biomarkers and their analysis algorithms.

As we have good coverage of the patient care pathway from a diagnostics perspective, we are intending to explore product concepts in the prognostics and companion diagnostics space. Our focus will be on opportunities in our core market of urology and those that leverage our core competency in identifying molecular biomarker signals from urine for adjacent cancers and other disease.

A key achievement in the past year was the publication of the results of a study<sup>7</sup> demonstrating the potential for Cxbladder Resolve (CxbR) to

identify and then differentiate urothelial tumours of varying severity into “high-impact tumors” (HIT) and “low impact tumors” (LIT). The study, published in the prestigious American Urological Association’s Journal of Urology, also demonstrated the potential of this test in combination with other Cxbladder tests to intensify or de-intensify hematuria evaluation.

Despite the scientific merit of CxbR, our market research with key opinion leaders and clinicians who routinely use Cxbladder products over the past year have indicated that the technology is not yet ready for commercialization in the US as we do not believe it will change clinical practice. Clinicians have told us that they will take the same action if cancer is detected no matter the severity of the tumor.

Consequently, we are building on the product concept that CxbR can become and there are some exciting possibilities, although we are unable to talk to this in more detail at present.

In the coming year we expect to publish results from our Singapore and US primary observational studies which are examining how Cxbladder tests may facilitate early detection, intensifying or de-intensify hematuria evaluation and the assistance they may provide in adjudicating equivocal cystoscopy.

THE COMMERCIALIZATION PATHWAY



COMMERCIALIZATION

<sup>7</sup> Raman et al., The Diagnostic Performance of Cxbladder Resolve, Alone and in Combination with Other Cxbladder Tests, in the Identification and Priority Evaluation of Patients at Risk for Urothelial Carcinoma. J Urol. 2021 Dec;206(6):1380-1389.



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EVIDENCE COVERAGE AND GUIDELINES

# STRENGTHENING THE CASE FOR CXBLADDER IN THE PATIENT PATHWAY

The depth and quality of the peer-reviewed evidence demonstrating the value of our technologies in facilitating the detection and management of urothelial cancer is at the heart of our investment proposition.

Such evidence answers the most fundamental questions of why Cxbladder has a place in the standard of care (SOC) for urothelial cancer and when and how often it should be used. Moreover, widespread awareness of this evidence within the global urology and oncology communities is crucial to driving widespread adoption of our tests.

Pacific Edge has historically done a great job of developing Clinical Validity evidence (data showing that a test does what it is designed to do). But Pacific Edge still has plenty of work to do to develop Clinical Utility evidence for our products (evidence that it can yield information that will change clinical practice).

Our focus is on utility evidence to demonstrate superior outcomes against globally relevant standards of care, such as those promulgated by the American Urological Association (AUA), the National Comprehensive Cancer Network (NCCN) and the European Association of Urology (EAU).

We use this evidence to attract interest from opinion-leading clinicians and payers, drive early adoption of Cxbladder and build momentum for guideline inclusion. We also ensure awareness of this evidence with the guideline committees as they revise standards of care to ensure they align with the best published evidence.

However, guideline inclusion is not the end of evidence generation. Once Cxbladder is recognised within guidelines we will use further new evidence to strengthen the language in guidelines supporting the use of Cxbladder to expand patient types eligible for testing.

### TALKING THE LANGUAGE OF CLINICIANS

A new Medical Affairs team – one that talks the language of urologists, oncologists and guidelines committees – is a foundational advancement of our strategy to achieving the inclusion of Cxbladder in guidelines and being adopted by clinicians and health care providers and payers.

The team, led by the newly appointed Vice President of Medical Affairs Dr Tamer Aboushwareb, will provide Pacific Edge with medical and scientific leadership. The Medical Affairs Team will play a leading role in the design and execution of clinical studies. It will also serve as the interface with guideline committees and the clinical teams in large strategic accounts such as Kaiser Permanente and The US Veterans Administration.



Dr Aboushwareb, a trained urologist who comes to Pacific Edge with a depth of experience in clinical, medical research, and commercial roles in urological medicine in Egypt and the US, will also play a key role in building awareness of Cxbladder among urological and oncology communities. He will lead the communications efforts of our clinical evidence through the formation and activation of our speakers' bureau and advisory boards.

## 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.



**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](http://www.auanet.org)



**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](http://www.uroweb.org)

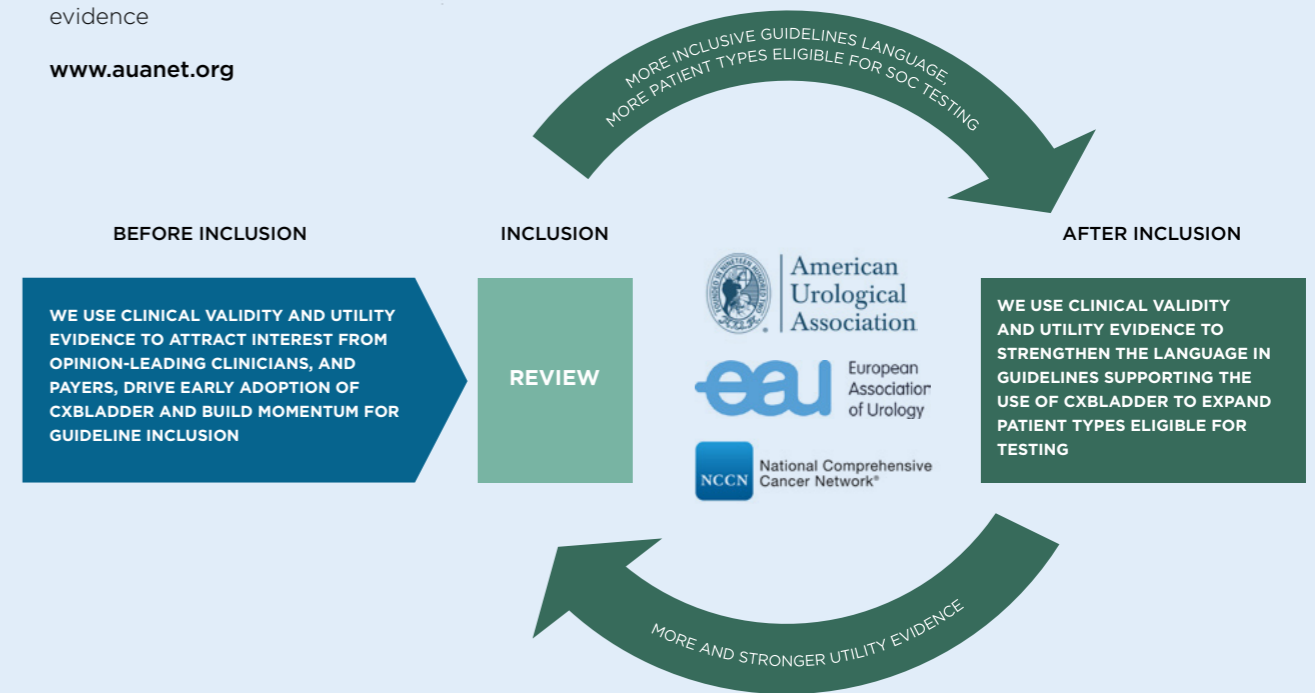


**US-based not-for-profit alliance of 32 leading US cancer centres**

Bladder cancer standard suggests biomarkers may be considered during surveillance of high-risk non-muscle-invasive bladder cancer

Guidelines reviewed annually

[www.nccn.org](http://www.nccn.org)



EVIDENCE COVERAGE AND GUIDELINES

PACIFIC EDGE'S CLINICAL STUDY PROGRAM

The bedrock of Pacific Edge's shareholder value.

Clinical utility evidence typically involves comparator arms and randomized designs to demonstrate superior outcomes against current standards of care. It focuses on delivering 'endpoints' that guidelines committees agree are appropriate to demonstrate utility. Such studies typically have higher costs and run longer than validity studies, but Pacific Edge is well-placed with some of those already underway.

STUDY	AIM	LOCATIONS	ENROLLED SITES*	STATUS**
<b>US Primary Study</b>	Prospective, single-arm, observational study to develop clinical evidence for Cxbladder tests in facilitating early detection, intensifying or de-intensify hematuria evaluation and assistance in adjudicating equivocal cystoscopy	USA	12 / 12	Enrolment complete Analysis complete Publication pending
<b>Singapore Study</b>	Prospective, single-arm, observational study to develop clinical evidence for Cxbladder tests in facilitating early detection, intensifying or de-intensify hematuria evaluation and assistance in adjudicating equivocal cystoscopy	Singapore	4 / 4	Enrolment complete Analysis complete Publication pending
<b>STRATA</b> (formerly RCT)	<b>Safe Testing of Risk for Asymptomatic Microhematuria</b> Demonstrate the clinical utility of Cxbladder using a prospective, two-arm randomized design to safely risk-stratify patients and rule out from further hematuria evaluation <ul style="list-style-type: none"> <li>Safely risk stratifying patients in order to rule out from cystoscopy</li> <li>Demonstrate the clinical utility of Cxbladder against the AUA guidelines</li> </ul>	USA Canada	10 / 11	Recruitment re-started after COVID-related delays Full data collected 2023 Q4
<b>DRIVE</b> (formerly VA Study)	<b>Detection and Risk Stratification in Veterans Presenting with Hematuria</b> Prospective, single-arm, observational study to demonstrate the performance and utility of Cxbladder tests in risk stratifying Veterans presenting with hematuria <ul style="list-style-type: none"> <li>Demonstrate performance with Veterans and contribute to commercial adoption of Cxbladder for use with Veterans</li> <li>Pivotal for the adoption of Cxbladder by Veterans Affairs but relevant to the AUA</li> <li>Recruitment re-started after COVID-related delays</li> <li>Targeting inclusion of all veterans presenting for evaluation of hematuria</li> </ul>	VA Sites (USA)	7 / 11	Study expanded to get more data on low-risk patients Full data collected mid 2025

CLINICAL STUDIES ARE THE BEDROCK OF PACIFIC EDGE'S SHAREHOLDER VALUE

STUDY	AIM	LOCATIONS	ENROLLED SITES*	STATUS**
<b>DEDUCT</b>	<b>Detection of Disease in the Upper Tract</b> Prospective, single-arm, observational study to validate performance of Cxbladder for the detection of urothelial carcinoma (UC) in the upper tract (UTUC) <ul style="list-style-type: none"> <li>Evaluate Cxbladder to safely avoid ureteroscopy</li> <li>Safely risk stratify patients suspected to have UTUC and avoid unnecessary ureteroscopy and radiation exposure through imaging</li> <li>Targeting inclusion of Cxbladder utility for UTUC in AUA guidelines</li> </ul>	USA	0 / 4	Pilot data analysed in early 2024 – decision point to expand the study
<b>LOBSTER</b>	<b>Longitudinal Bladder Cancer Study for Tumor Recurrence</b> Prospective, single-arm, observational study to evaluate the performance characteristics and clinical utility of Cxbladder Monitor in a new surveillance protocol vs standard of care over four visits <ul style="list-style-type: none"> <li>Safely risk stratify patients under surveillance for recurrence of UC</li> <li>Safely alternate CxbM with cystoscopy for intermediate and high-risk patients under surveillance for recurrence of UC</li> <li>Targeting AUA guidelines inclusion for biomarkers as an alternative to cystoscopy in a surveillance setting</li> </ul>	USA (including some VA sites) Australia	2 / 10	First patient expected in 2022 Q2
<b>MONSTER</b>	<b>Monitoring Study of Post-treatment Effectiveness for Residual Disease</b> Single-arm, observational study to validate the performance characteristics of Cxbladder against white light cystoscopy during surveillance of UC <ul style="list-style-type: none"> <li>Christchurch District Health Board study to measure tumor burden</li> <li>To safely risk stratify patients for residual disease prior to the 6-week re-resection for high grade patients or the 3-month flexible cystoscopy check for all patients</li> </ul>	NZ	0 / 1	In planning, once pilot analysed then consider expansion to USA

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

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**ADOPTION RETENTION AND REVENUE GENERATION**

# ENGAGING CLINICIANS, HEALTHCARE PROVIDERS, PAYERS AND PATIENTS

Pacific Edge is stepping up its investment into sales and marketing to accelerate the adoption of our tests among clinicians, drive reimbursement by healthcare providers and funders and build support and awareness of Cxbladder and its benefits among patients.

The investments we are making, which are subject to the achievement of business milestones, are finely targeted at all three stakeholder groups.

We are growing our sales teams and adding new managers to support them. These are the Pacific Edge people who reach out to the more than 13,000 clinicians and 1,900 large urology practice sites in person. They are focused on building awareness of our products and helping to onboard new clinicians and urological practices. We are planning to increase this team to 40 in the current year, including four regional sales managers.

We are also building a new team of virtual salespeople, who will support the on-the-ground teams to assist with the on-boarding of new clinicians and urology practices and ensure streamlined ordering and results delivery of Cxbladder tests. A particular focus of these teams will be the clinicians and patients in rural areas, which are difficult to visit in person and where the burden of practice management falls on more senior members of a healthcare team.

Finally, we are diversifying our sales approach to include a dedicated focus on Strategic Accounts. In conjunction with the medical affairs, sales and virtual sales teams, our strategic account team will be charged with onboarding the country's largest healthcare providers and funders and ensuring our engagement with them is smooth and seamless.

**OUR TEAM TO DRIVE US CXBLADDER ADOPTION\***

SALES AND MARKETING	
Account Executives	36
Regional Sales Directors	4
Virtual Sales	5
Marketing & Sales Support Managers	2
Strategic Account Sales	2
MEDICAL AFFAIRS	
Vice President Medical Affairs	1
Medical Science Liaison Officers	5

\*Figures represent the maximum amount, and all hires are subject to the achievement of business milestones

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## TRACTION WITH STRATEGIC US ACCOUNTS

In the US we have activated three of the country's largest healthcare payers – Kaiser Permanente, Centers for Medicare and Medicaid Services and the Veterans Health Administration. From this strong base we are progressively embedding Cxbladder into the US healthcare ecosystem.



At Kaiser Permanente, the largest non-profit healthcare provider in the US, we have seen steady growth in the volume of tests ordered by clinicians in the organisation, as we proceed with our clinic-by-clinic, clinician-by-clinician rollout of Cxbladder. In June we were delighted to receive notification that Kaiser had given the greenlight to incorporate Cxbladder tests within its Electronic Medical Records (EMR) system, a project that has the potential to accelerate test adoption within Kaiser's network. Kaiser operates 39 hospitals, 734 offices and covers more than 12.6 million members, of which 85% are in California. The organization is reported to manage around 2% of the urology patients in the US. Until the completion of the EMR integration, we will continue to grow adoption on a structured rollout with our initial focus on Southern California where Cxbladder was evaluated.



CMS is the largest funder of our tests, funding patients covered by Medicare. Added to private payers covering patients for Medicare Advantage, they together account for 65% of total US commercial test volume. Our focus is on selling Cxbladder Detect and Cxbladder Monitor to urologists, who order Cxbladder tests based on medical necessity. CMS covers more than 61.5 million US citizens over 65 and people on low incomes. With the average age of patients presenting with hematuria at more than 70 years, the payor landscape skews towards Medicare with almost two thirds of our patient population covered by this scheme.



It is still early days with the Veterans Health Administration (VHA) within the Department of Veterans Affairs (VA). It is the second largest integrated healthcare system in the US serving more than 9 million veterans each year. Our tests are on the VA fee schedule at US\$860 a test. The DRIVE observational study (see page 26) is an important engagement with VA urologists. The study seeks to demonstrate the performance and utility of Cxbladder tests in risk stratifying veterans presenting with hematuria.



ADOPTION RETENTION AND REVENUE GENERATION

# AN ADVOCATE FOR BLADDER CANCER PATIENTS

To increase awareness and demand for Cxbladder among patients, Pacific Edge is investing in partnerships with key patient advocacy groups such as the Bladder Cancer Advocacy Network (BCAN) in the US and New Zealand's Cancer Society.

Pacific Edge intends these efforts to educate patients on their options, empowering them to request non-invasive alternatives to cystoscopy. To complement partnership activity, we continue to develop our website Cxbladder.com as a portal for patient information on bladder cancer.

**PATIENT CARE ORGANIZATIONS WE PARTNER WITH**



Founded in 2005, BCAN is the only US national advocacy organization devoted to advancing bladder cancer research and supporting those impacted by the disease. In support of this, BCAN works collaboratively with medical and research professionals who are dedicated to the prevention, diagnosis and treatment of bladder cancer. It also empowers the patient community by allowing them to share experiences with others and participate in building awareness of the need for a cure. [www.bcan.org](http://www.bcan.org)

**Pacific Edge collaboration:**

- Sponsorship of Walk to End Bladder Cancer events around the US
- Thought leadership and networking events
- Co-development of leading patient resources



Founded in 1929, the Cancer Society is New Zealand's leading organization dedicated to reducing cancer incidence, and care. It works closely with communities and decision makers to provide leadership around cancer control. [www.cancer.org.nz](http://www.cancer.org.nz)

**Pacific Edge collaboration:**

- Co-development of patient resources
- In May (Bladder Cancer Awareness Month) we partnered to produce an educational video series, promoting awareness of bladder cancer symptoms and risk factors among high-risk groups.

**WALKING FOR LIFE**

In May this year, Pacific Edge was a major sponsor of BCAN's Walk to End Bladder Cancer, an event that took place online as a virtual event and in 16 major cities across the US. The walk involved thousands, including those with bladder cancer and the families, clinicians and healthcare providers supporting them.

These nationwide events have raised more than \$5 million to fund BCAN's vital work focused on increasing awareness of bladder cancer, building a supportive community of individuals impacted by the disease, educational and support programs, and advancing bladder cancer research. The Walk to End Bladder Cancer also raises the profile of BCAN itself and, by association, Cxbladder.

To complement our sponsorship of the Walk to End Bladder Cancer, we are working with BCAN on several other initiatives, including an updated guide for newly diagnosed patients. BCAN's Bladder Cancer Basics guide is one of the organisation's leading educational resources with 100,000's in circulation.



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PEOPLE AND CULTURE

# BUILDING A DIVERSE AND INCLUSIVE PERFORMANCE CULTURE

Pacific Edge is continuing to evolve it's culture. We recognize that an environment that fosters diversity and inclusion, while providing the support to grow and thrive, is fundamental to attracting and retaining the talent we need to achieve our goals.

**OPENING COMMUNICATION CHANNELS**

A key development over the last six months has been a move to improve communication across the business. The aim is to broaden awareness of the company so people can better support what their colleagues are doing in pursuit of our shared mission and vision.

This has seen the introduction of regular 'Town Hall' meetings that bring together the Pacific Edge team members from around the world - in person and virtually. The meetings give the team an opportunity to hear the latest news from the Chief Executive and provide a forum for our people to put questions and comments to Pete directly.

Senior managers across the business are also now taking turns to present developments in their area to the wider team in regular 'Manager Presentations'. These events give everyone across the organization an opportunity to gain a deeper insight into other parts of the business, hearing from, and interacting with, those outside their immediate circle. These meetings are all recorded, so even those who could not participate live can log in later and view the sessions on-demand.

To complement the Manager Presentations, we are rolling out a quarterly employee newsletter and a recurring engagement survey. The survey will provide our staff with an opportunity to express their views and give the company an opportunity to benchmark and measure employee sentiment.

**BUILDING CULTURE THROUGH PARTICIPATION**

A strong demonstration of Pacific Edge's culture is the extent to which the team are prepared to step outside their day-to-day and lend their energy and support to causes that foster the outcomes we seek at the company. In the last year the team have come together to support a range of causes including: National Donut Day, to raise money for the Salvation

Army; Pink Shirt Day, which works to create schools, workplaces, communities and whānau where everyone feels safe, valued and respected.

In May the Pacific Edge team joined with the New Zealand Cancer Society and the Bladder Cancer Advocacy Network in the US to participate in Bladder Cancer Awareness Month, a time for those affected by bladder cancer to stand together in an effort to increase awareness of the disease, while fundraising for research and care.

To kick off Bladder Cancer Awareness Month and demonstrate solidarity in early May, staff around the world dressed in orange to mark the occasion. Photos were then collated, and spot prizes awarded for effort and the most creative costumes. The month concluded with a fun 'Orange Carpet' event in New Zealand where prizes were presented to Orange Day award winners, and the team were shown a series of videos produced in partnership with the Cancer Society New Zealand to promote early cancer detection, as part of global partnership activity.

Externally Pacific Edge undertook a range of activities to support Bladder Cancer Awareness Month. They included national sponsorship of BCAN's annual Walk to End Cancer in the US (see page 30).

**EVOLVING OUR GOVERNANCE FRAMEWORK**

The Board meanwhile continues to evolve its governance framework in line with best practice and changes in legislation.

Pacific Edge has begun the preparation to report against the new Financial Sector (Climate-related Disclosures and Other Matters) Act in the 2024 financial year.

Measures of our diversity at the Board and the leadership team our progress against our diversity goals is covered in the governance section on pages 78 - 87 of this report.



A STRONG DEMONSTRATION OF PACIFIC EDGE'S CULTURE IS THE EXTENT TO WHICH THE TEAM ARE PREPARED TO STEP OUTSIDE THEIR DAY-TO-DAY AND LEND THEIR ENERGY AND SUPPORT TO CAUSES THAT FOSTER THE OUTCOMES WE SEEK AT THE COMPANY

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FINANCIAL COMMENTARY

# ACCELERATING REVENUE GROWTH

Operating revenue grew to \$11.4 million for the 12 months to 31 March 2022, which was up by \$3.7 million (49%) when compared to the prior financial year. The strong growth was led by the increased test numbers (commercial throughput for the group grew 48% year on year).

The US continues to provide a majority of the operating revenue for the group (93%), contributing \$10.6 million for the year ended 31 March 2022. The US market was up 54% on the prior year, driven by the increased test throughput, which was up 59% on the prior 12 months to 18,864 tests.

The growth in operating income in all geographies continued to be constrained by the impact of COVID in the markets we operate in, limiting the ability for our Account Executives and sales teams to access clinicians and organizations that can utilize Cxbladder.

Reimbursement for the tests performed continues to be strong in the US, with tests performed for patients covered by Medicare and Medicare Advantage accounting for over 65% of all tests performed in that market.

The Rest of World operating revenue fell by 1% on the prior year, to \$0.8 million. Rest of World income consists mostly of revenue from New Zealand health providers, and the drop reflected the maturity of the market and the impact of COVID with restrictions imposed on access to hospitals and clinics.

Total revenue grew to \$13.9 million, up \$3.4 million (33%) on the previous year. While operating revenue was up by \$3.7 million, other sources of revenue were down by \$0.3 million. The most significant reason for the decrease in other revenue was the reduction in COVID support. In the year ended 31 March 2021, \$1.1 million had been received in support, while no COVID relief was received in the current financial year.

### INCREASED INVESTMENT IMPACTING OPERATING EXPENSES

Operating expenses increased to \$33.7 million for the current year, up \$9.0 million (37%) on the prior year total of \$24.7 million. The increase in expenses has largely been led by the investment in sales

and marketing, which accounted for 56% of the increased spend.

Sales and Marketing expenditure is the largest component of operating expenses (42% of total costs) and grew to \$14.3 million, up 5.1 million (55%) on the previous 12 months. The growth has two components. The most significant of these is the investment in increased sales headcount in the US market. The second driver is the increased account executive and marketing activity in the current year as travel and meetings have been able to partially resume, which drives the increased cost base (and test throughput numbers) when compared to a low FY21 base.

General and Administration costs also increased to \$7.8 million up \$2.3 million (43%) on the prior year. Included in this increase is \$0.8 million related to the secondary listing of the Group on the Australian Stock Exchange (ASX), which was conducted in tandem with the capital raise that was completed October 2021.

Research and Development costs have increased by 12% to \$5.1 million when compared to the prior 12 months. This \$0.6 million increase is largely due to clinical studies recommending recruitment after delays caused by COVID. Costs related to operating the two laboratories increased by \$1.0 million to \$6.5 million (19%) driven by increased throughput.

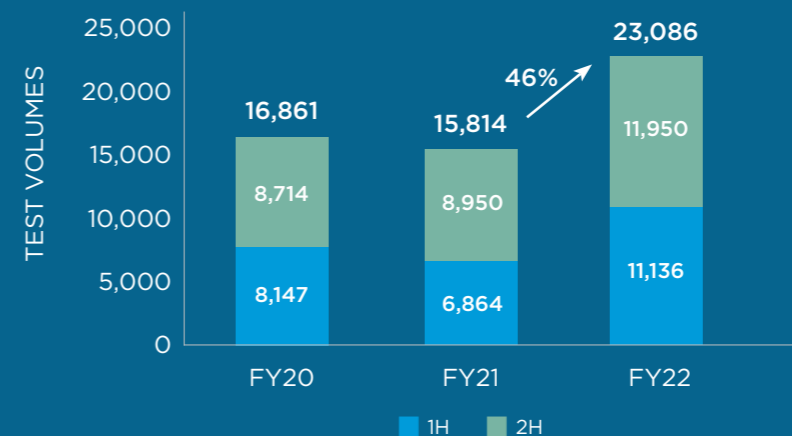
### EXPANSION OF NET LOSS

While total revenue increased by \$3.4 million, the increased investment which saw a \$9.0 million increase in operating expenses for the year led to an expansion in the net loss for the year by \$5.6 million to \$19.8 million.

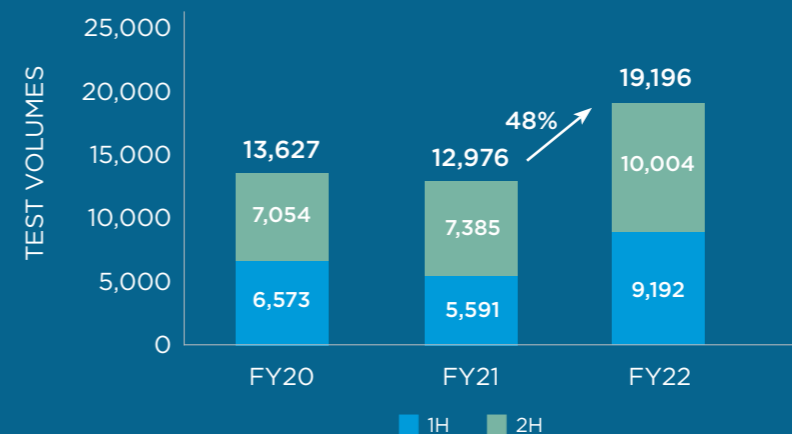
### STRONG BALANCE SHEET

The Group completed a \$103.5 million capital raise in October 2021, which provides a strong foundation as the company invests in initiatives targeting accelerated growth. The cash, cash equivalent and short-term deposit balance as at 31 March 2022 is \$105.4 million, significantly up on the \$23.1 million held at the end of the 2021 financial year.

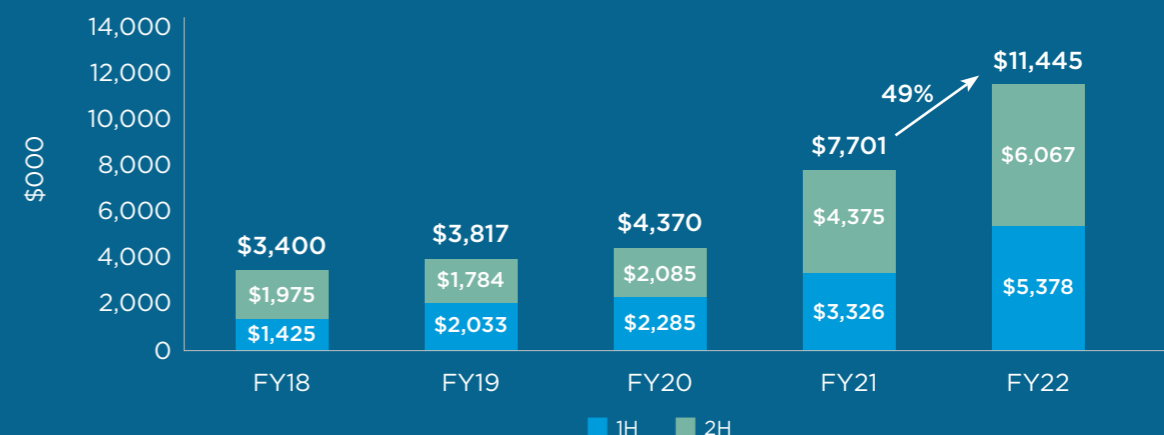
GLOBAL TESTING VOLUMES (TLT\*)



GLOBAL COMMERCIAL TESTING VOLUMES



OPERATING REVENUE



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

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## BOARD AND MANAGEMENT

## PACIFIC EDGE BOARD



**Chris Gallaher, Chairman and Independent Director (Appointed 2016)**

Chris joined the Board in 2016 and was appointed as Chairman in August 2016. A New Zealand citizen resident in Melbourne, Chris has held senior positions in both CEO and CFO roles with a number of 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 NZ resources based civil contractor. Chris holds a BCom from Otago University, is a Chartered Accountant, a member of the Australian Institute of Company Directors and is Chairman of Vinlink (Marlborough) Ltd and Mariposa Holdings Ltd.



**Anatole Masfen, Independent Director (Appointed 2008)**

Anatole is the co-founder of Artemis Capital, a private equity investment firm based in Auckland. He graduated from the University of Auckland with an MCom (Hons) in Finance and Economics. Following that he spent eight years with Air New Zealand (and later the merged entity with Ansett Australia) holding senior positions in Pricing, Revenue Management and Systems implementation. He holds directorships in numerous private companies and has significant knowledge of financial capital markets. As a long standing director of PEB and investor in numerous medical and tech companies, Anatole has an detailed knowledge of the medical sector and future trends. In particular human sciences and disruptive technologies.



**Sarah Park, Independent Director and Chair of Audit and Risk Committee (Appointed 2018)**

Sarah brings 20+ years international corporate finance and capital markets experience to Pacific Edge after a professional career with PwC in NZ and HSBC Investment Bank in London. During her executive career, Sarah held a variety of roles including being involved in M&A and capital market transactions, managing family office investment arms and as an Equity Research Analyst. She had a lead role in seeking private capital from Asia, the Middle East and Europe for early -stage US biopharmaceutical companies. Sarah is the co-founder of Even Capital, a VC fund focused on of investing in female entrepreneurs. Sarah is a Director of National Provident Fund, Hawke's Bay Airport and Orbis Diagnostics. Sarah has a MA(Hons) in Economics from the University of Edinburgh.



**Bryan Williams, Independent Director (Appointed 2013)**

Bryan is an internationally recognised cancer researcher and research administrator, with significant business experience. He has held a number of governance roles, including with a NASDAQ listed biotech company. Presently, he serves on the board of two privately held Australian biotechnology companies. Bryan was Director and CEO of the Hudson Institute of Medical Research. He is currently Emeritus Director and Distinguished Scientist at the Hudson Institute in Melbourne and serves as Scientific Director, Strategic Alliances and Technology Development, Lerner Research Institute, Cleveland Clinic USA. He has a BSc (Hons) and PhD in Microbiology from the University of Otago.



**Anna Stove, Independent Director (Appointed 2021)**

Anna has a successful track record in leading and driving transformational change within the pharmaceutical sector. She has significant Global business experience having held a variety of senior executive roles within NZ, Asia Pacific and Europe. Anna most recently retired from being the NZ General Manager of GlaxoSmithKline & she is now committed to growing businesses through best practice governance. Anna is also Deputy Chair of TAB NZ & Director of Rua Bioscience.



**Mark Green, Independent Director (Appointed 2021)**

Mark is an experienced corporate finance professional, with approximately 25 years of experience in the Australasian capital, corporate and financial markets. He was an Executive Director for Investment Banking at Goldman Sachs where he worked for nearly 20 years and has been involved in many large prominent New Zealand transactions including the IPOs of Meridian, Mighty River Power and Vector. Mark is a Director of a number of entities including being Chair of Astrolab VC Investment Committee and a Director of Mariposa Holdings (a large charitable organisation).



**Tony Barclay, Independent Director (Appointed 2022)**

Tony brings over 30 years experience in business and 22 years healthcare experience. Tony was CFO at medical device company Fisher & Paykel Healthcare from the time of separation from Fisher & Paykel Appliances in 2001 until retiring from full-time employment in 2018. Prior to Fisher & Paykel Healthcare Tony worked for PriceWaterhouse and Arnott's Biscuits in finance roles. Tony holds a number of directorships in private companies, all in MedTech. Tony holds a BCom from the University of Otago and is a Chartered Accountant and a member of the New Zealand Institute of Directors and INFINZ.

## BOARD AND MANAGEMENT

## PACIFIC EDGE MANAGEMENT

**Dr Peter Meintjes, CEO**

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, USA for a number of molecular diagnostic leadership roles. Most recently the Chief Commercial Officer at Eurofins Transplant Genomics (TGI), a transplant diagnostics company focused on revolutionizing post-transplant care for kidney transplant recipients with non-invasive biomarkers he was responsible for scaling the commercial team behind TruGraf (now OmniGraf), the only CMS-reimbursed test for subclinical organ rejection. Prior to TGI, Peter was CEO at Omixon Inc, a molecular diagnostics company focused on the pre-transplant market, world leader in HLA typing by NGS, and recipient of the Innovation Grand Prize among all companies in Hungary in 2018. Prior to his US career, Peter worked at Auckland-based Biomatters, the creators of Geneious – software specializing in translating genetic and genomic data into biological insights for researchers and medical insights for clinicians. Biomatters was acquired by GraphPad in 2019.

**Prof. Parry Guilford, Chief Scientific Officer, Pacific Edge**

Parry has led the science, research and development at Pacific Edge from its early days. As one of the founding scientists and a member of the Scientific Advisory Board of the Company, Parry is the architect of many of the Company's product prototypes. Parry's focus is to bring his world class skills and experience on the step change in biotechnology for the Company's next generation of products.

**Grant Gibson, Chief Financial Officer, Pacific Edge**

Grant is an experienced financial executive and chartered accountant, who brings significant financial experience to the role. Prior to joining Pacific Edge in late 2019, Grant was Chief Financial and Operating Officer for Dunedin-based company, TracMap, where he was responsible for leading the financial management and operations across the company. Prior to that, Grant worked in executive finance roles at Westpac, including as Head of

Finance for Westpac New Zealand. During his time with Westpac, he headed the finance team for New Zealand's largest financial transaction, the local incorporation of Westpac New Zealand.

**Brent Pownall, Vice President Commercial, Pacific Edge**

Brent brings significant strategic marketing, business development and commercialisation experience, including sales and marketing of biologics and biomedical products in New Zealand, Australia, Asia and the United States. Brent joined Pacific Edge in 2013 to lead the commercial and business development activities of Pacific Edge and its commercial arm, Pacific Edge Diagnostics New Zealand, successfully establishing Cxbladder in the standard of care for New Zealand's public healthcare system and serving developing markets in Australia, Singapore and Southeast Asia.

**Dr Tony Lough, Vice President Clinical Science, Pacific Edge**

Tony joined Pacific Edge in 2016 and brings research management experience to the senior management team. His most recent role was chief executive of a government-university funded project to provide a national genomics infrastructure to the research sector. Prior to that he was a team leader at the Auckland-based biotechnology company, Genesis Research and Development Corporation, leading projects in the commercialisation of macromolecular signaling.

**Andy McIntosh, Chief Digital Officer**

Andy is an experienced executive leader with strengths across digital transformation, strategy development and delivery, product management and people leadership. His focus is on creating a more sustainable future for business through digital technology, and in developing technology capability and services. Andy has worked in a number of senior roles including General Manager Technology and Fleet at Citycare Group in Christchurch, Global Commercial Manager for Tait Communications in New Zealand, UK and Houston, and for Vodafone New Zealand.

**Dr Justin Harvey, Chief Technology Officer**

Justin has been with Pacific Edge since 2004 and came on board with a background in medical laboratory testing, diagnostics and cancer genetics. Justin has been involved in the development and commercialisation of the Cxbladder suite of products and is now leading Pacific Edge's scientific Research and Development program to develop novel products to help improve people's lives and patient outcomes by providing leading solutions for the early detection and management of cancer.

**David Levison, President (effective September 1, 2022), Pacific Edge Diagnostics USA**

David has spent more than 25 years in the healthcare industry, working across a range of sectors from pharmaceuticals to services and diagnostics. He has been the founder and CEO of a number of high growth medical and medical technology businesses in the US as well as working in private equity.

David stepped down from the Pacific Edge Board in November 2020, after four years as a director, to take up the role of Executive Chairman of PED USA and will lead the organization operationally and strategically as President from 1 September 2022.

**Jackie Walker, Chief Executive Officer (retiring August 31, 2022), Pacific Edge Diagnostics USA**

Jackie brings to the company over 25 years of extensive leadership experience in commercialising medical technologies in the US and a strong general management background. Prior to joining Pacific Edge Diagnostics USA, Jackie held senior executive positions at OSspray Ltd, Ondine Biomedical, Dentsply Sirona, a NASDAQ-100 company, and Ohmeda Medical. Jackie has led the establishment and growth of the USA subsidiary since 2012. She will retire on August 31, 2022 and continue as a part-time consultant

**Jack Atchason, Senior Vice President of Sales, Pacific Edge Diagnostics USA**

Jack brings over 30 years of successful experience in sales, sales leadership, and commercial operations, with large and small pharmaceutical, biotech, and medical device organisations in the US. A proven leader in start-up organisations, product launches and succeeding in complex selling environments, Jack held roles of increasing responsibility for Abbott Laboratories, Amgen, Cytogen, Idenix, Millenium, and Targanta. Jack has led the growth of US sales and customer acquisition since 2013.

**Dr Tamer Aboushwareb, Vice President of Medical Affairs, Pacific Edge Diagnostics USA**

Tamer joined Pacific Edge in June and brings to the company a depth of experience in clinical, medical research, and commercial roles in urological medicine in Egypt and the USA. Prior to joining the company, he was Senior Director of Oncology Clinical Development at colorectal, breast and prostate cancer detection company Exact Sciences and prior to that he was Global Therapy Area Head, Urology, Medical Affairs at the global pharmaceutical company Allergan. He is a graduate of the Ain Shams University Medical School in Cairo. He also holds Masters and Doctoral degrees in urology and has held residency, post-doctoral and research roles in Egypt and the US.

**Gerhard Schulz, Vice President of Marketing, Pacific Edge Diagnostics USA**

Gerhard joined Pacific Edge in 2016 after spending 20 years in the US pharmaceutical industry. With extensive experience in Marketing, Sales, Sales Leadership, and Sales Training, Gerhard took the lead for the US Marketing function, but soon after assumed the lead for the US Training function as well. Leveraging his wealth of experience with both established brands and launch products, Gerhard works collaboratively with Sales, Medical, Clinical and Regulatory, as well as with the NZ Marketing and Commercial teams in driving increased commercial utilization of Cxbladder.

# CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

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## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2022

	Notes	2022 (\$'000)	2021 (\$'000)
<b>REVENUE</b>			
Operating Revenue	5	11,445	7,701
<b>Total Operating Revenue</b>		<b>11,445</b>	<b>7,701</b>
Other Income	5	1,691	2,386
Interest Income	9	549	351
Foreign Exchange Gain		193	1
<b>Total Revenue and Other Income</b>		<b>13,878</b>	<b>10,439</b>
<b>OPERATING EXPENSES</b>			
Laboratory Operations		6,498	5,466
Research	6	5,135	4,584
Sales and Marketing		14,277	9,202
General and Administration	7	7,756	5,410
<b>Total Operating Expenses</b>		<b>33,666</b>	<b>24,662</b>
<b>NET LOSS BEFORE TAX</b>		<b>(19,788)</b>	<b>(14,223)</b>
Income Tax Expense	16	-	-
<b>LOSS FOR THE YEAR AFTER TAX</b>		<b>(19,788)</b>	<b>(14,223)</b>
Items that may be reclassified to profit or loss:			
Translation of Foreign Operations		114	46
<b>TOTAL COMPREHENSIVE LOSS attributable to equity holders of the Company</b>		<b>(19,674)</b>	<b>(14,177)</b>
<b>Earnings per share for loss attributable to the equity holders of the Company during the year</b>			
Basic and Diluted Earnings per share	3	(0.026)	(0.020)

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 2022

	Notes	Share Capital (\$000)	Accumulated Losses (\$000)	Share Based Payments Reserve (\$000)	Foreign Currency Translation Reserve (\$000)	Total Equity (\$000)
<b>Balance as at 31 March 2020</b>		<b>165,423</b>	<b>(156,242)</b>	<b>4,542</b>	<b>781</b>	<b>14,504</b>
Loss after tax		-	(14,223)	-	-	(14,223)
Other Comprehensive Income		-	-	-	46	46
<b>TOTAL COMPREHENSIVE LOSS attributable to equity holders of the Company</b>		<b>-</b>	<b>(14,223)</b>	<b>-</b>	<b>46</b>	<b>(14,177)</b>
<i>Transactions with owners in their capacity as owners:</i>						
Issue of Share Capital	18	21,962	-	-	-	21,962
Share Based Payments - Employee Remuneration	8	284	-	-	-	284
Share Based Payment - Employee Share Options	8	2,636	404	(504)	-	2,536
<b>Balance as at 31 March 2021</b>		<b>190,305</b>	<b>(170,061)</b>	<b>4,038</b>	<b>827</b>	<b>25,109</b>
<b>Balance as at 31 March 2021</b>		<b>190,305</b>	<b>(170,061)</b>	<b>4,038</b>	<b>827</b>	<b>25,109</b>
Loss after tax		-	(19,788)	-	-	(19,788)
Other Comprehensive Income		-	-	-	114	114
<b>TOTAL COMPREHENSIVE LOSS attributable to equity holders of the Company</b>		<b>-</b>	<b>(19,788)</b>	<b>-</b>	<b>114</b>	<b>(19,674)</b>
<i>Transactions with owners in their capacity as owners:</i>						
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
<b>Balance as at 31 March 2022</b>		<b>294,139</b>	<b>(189,849)</b>	<b>3,145</b>	<b>941</b>	<b>108,376</b>

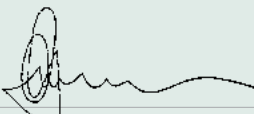
Note: These Financial Statements are to be read in conjunction with the Notes to the Financial Statements

## CONSOLIDATED BALANCE SHEET

As at 31 March 2022

	Notes	2022 (\$000)	2021 (\$000)
<b>CURRENT ASSETS</b>			
Cash and Cash Equivalents	9	35,412	4,129
Short Term Deposits	9	70,000	19,000
Receivables	10	4,012	2,866
Inventory	11	1,007	790
Other Assets	12	1,183	557
<b>Total Current Assets</b>		<b>111,614</b>	<b>27,342</b>
<b>NON-CURRENT ASSETS</b>			
Property, Plant and Equipment	13	1,404	688
Right of Use Assets	23	1,830	2,977
Intangible Assets	14	434	177
<b>Total Non-Current Assets</b>		<b>3,668</b>	<b>3,842</b>
<b>TOTAL ASSETS</b>		<b>115,282</b>	<b>31,184</b>
<b>CURRENT LIABILITIES</b>			
Payables and Accruals	17	4,983	3,197
Lease Liabilities	23	1,072	1,098
<b>Total Current Liabilities</b>		<b>6,055</b>	<b>4,295</b>
<b>NON-CURRENT LIABILITIES</b>			
Lease Liabilities	23	851	1,780
<b>Total Current Liabilities</b>		<b>851</b>	<b>1,780</b>
<b>TOTAL LIABILITIES</b>		<b>6,906</b>	<b>6,075</b>
<b>NET ASSETS</b>		<b>108,376</b>	<b>25,109</b>
Represented by:			
<b>EQUITY</b>			
Share Capital	18	294,139	190,305
Accumulated Losses		(189,849)	(170,061)
Share Based Payments Reserve		3,145	4,038
Foreign Translation Reserve		941	827
<b>TOTAL EQUITY</b>		<b>108,376</b>	<b>25,109</b>
<b>FURTHER INFORMATION</b>			
Net Tangible Assets per share (\$)		0.133	0.034

For and on behalf of the Board of Directors dated the 25th day of May 2022:

  
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 2022

	Notes	2022 (\$'000)	2021 (\$'000)
<b>CASH FLOWS TO OPERATING ACTIVITIES</b>			
Cash was provided from:			
Receipts from Customers		10,942	6,747
Receipts from Grant Providers		1,413	1,059
Interest Received		365	271
		12,720	8,077
Cash was disbursed to:			
Payments to Suppliers and Employees		30,198	21,643
Net GST cash outflow		74	4
		30,272	21,647
<b>Net Cash Flows To Operating Activities</b>	<b>20</b>	<b>(17,552)</b>	<b>(13,570)</b>
<b>CASH FLOWS TO INVESTING ACTIVITIES:</b>			
Cash was provided from:			
Proceeds from Short Term Deposits		51,837	23,081
		51,837	23,081
Cash was disbursed to:			
Purchase of Short Term Deposits		102,837	29,052
Capital Expenditure on Plant and Equipment		713	270
Capital Expenditure on Intangible Assets		413	108
		103,963	29,430
<b>Net Cash Flows To Investing Activities</b>		<b>(52,126)</b>	<b>(6,349)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>			
Cash was received from:			
Ordinary Shares Issued	18	103,488	22,000
Exercising of Share Options		2,306	1,500
		105,794	23,500
Cash was disbursed to:			
Repayment of Leases - Principal	23	1,147	1,143
Repayment of Leases - Interest	23	126	107
Issue Expenses	18	3,865	38
		5,138	1,288
<b>Net Cash Flows From Financing Activities</b>		<b>100,656</b>	<b>22,212</b>
<b>Net increase in Cash Held</b>		<b>30,978</b>	<b>2,293</b>
Add Opening Cash Brought Forward		4,129	1,755
Effect of exchange rate changes on net cash		305	81
<b>Ending Cash Carried Forward</b>	<b>9</b>	<b>35,412</b>	<b>4,129</b>

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 2022

### 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 2022 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 25th May 2022.

##### 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. As part of meeting these objectives, the Company completed a Share Placement in September 2021 (issuing 59,259,259 shares at \$1.35) and a further Retail Offer in October 2021 (issuing 17,398,099 shares at \$1.35 per share). Refer to Note 18 for further details on the capital raising activity during FY22.

**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 2022 %	31 March 2021 %
Pacific Edge Diagnostics New Zealand Limited	New Zealand	Commercial Sales and Diagnostic Laboratory Operation	100	100
Pacific Edge (Australia) Pty Limited	Australia	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 2022 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.

All 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 2021.

**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 2022 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	
	2022 (\$000)	2021 (\$000)
Loss attributable to equity holders of the Company	(19,788)	(14,223)
Weighted average number of ordinary shares on issue	767,924	714,031
Earnings per share	(0.026)	(0.020)

**(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 accounts, 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 nonchargeable 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 accounts as it allows readers to compare the current period to prior periods and assess trends on a consistent basis.

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

	FY22	FY21
Total Laboratory Throughput (tests)	23,086	15,814
Change in Total Laboratory Throughput (%)	46%	(6%)
Change in Throughput from previous year (tests)	7,272	(1,047)
Total Commercial Tests (tests)	19,196	12,976
Commercial Tests as a percentage of Total Laboratory Throughput (%)	83%	82%
Change in Commercial Tests from previous year (%)	48%	(5%)

## 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 the District Health Boards (DHBs) in 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 DHBs across New Zealand and revenue is recognised as described on the following pages.

### 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

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 the 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.

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 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.

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 include variable consideration because the amounts paid by Medicare or the commercial health insurance carriers that provide Medicare Advantage 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, 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.

A provision of \$143,000 has been included to allow for tests that have been paid to the group and recognised as revenue for the period to 31 March 2022, which are subsequently required to be refunded back to the payer after the 31 March 2022 as a result of internal reviews undertaken by that payer. The estimation of the appropriate allowance has been made by reviewing historical data of the Group.

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 April 2021 to 31 March 2022 for which payment has not been received by 31 March 2022 for CMS and Medicare Advantage.

### 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 test is returned.

**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.

New Zealand Trade and Enterprise awarded the Company an International Growth Fund grant, to support the growth of the Group's commercial and marketing operations in the US. The grant commenced on 17 August 2020 and runs until 16 August 2023. New Zealand Trade and Enterprise reimburses the Company for 50 percent of eligible expenditure, up to a maximum of NZ\$600,000, which was reached during the year ended 31 March 2022.

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 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.

**Covid-19 Support**

During the previous year ended 31 March 2021, the Group received Covid-19 support in the countries in which it operates. No support was received during the year ended 31 March 2022.

**REVENUE AND OTHER INCOME**

	2022 (\$000)	2021 (\$000)
<b>Cxbladder Sales</b>		
- US - Accrual Accounting	9,687	5,549
- US - Cash Accounting	953	1,339
- Total US Sales	10,640	6,888
- Rest Of World	805	813
<b>Total Operating Revenue</b>	<b>11,445</b>	<b>7,701</b>
<b>Other Income</b>		
Grant Revenue	321	322
Research Rebates and Tax Incentives	1,370	952
Covid-19 Support		1,112
<b>Total Other Income</b>	<b>1,691</b>	<b>2,386</b>

**PREVIOUSLY UNRECOGNISED REVENUE**

Approximately 40% of Cxbladder tests performed by the Group in the US up to 30 June 2020 relate to patients covered by the Centers for Medicare and Medicaid Services (CMS). The Group invoiced CMS for tests performed for all patients with CMS coverage, however no revenue from these 22,634 tests has been recognised in the past.

In previous Financial Statements the Group reported that while no revenue has been received or recognised on these 22,634 tests, the Group still noted the potential of future receipt as negotiations continued. Negotiations have concluded and no further avenue is available for the Group to obtain reimbursement.

**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.

	Notes	GROUP	
		2022 (\$000)	2021 (\$000)
Research Expenses		5,135	4,584
Includes:			
Employee Benefits	8	2,664	2,423

## 7. GENERAL AND ADMINISTRATION EXPENSES

	Notes	GROUP	
		2022 (\$000)	2021 (\$000)
Amortisation	14	78	55
Auditors Remuneration: PricewaterhouseCoopers New Zealand*			
- Group year end financial statements		172	155
- Half year review of financial statements		28	29
- Singapore Statutory financial statements		12	11
Auditors Remuneration: PricewaterhouseCoopers Singapore			
- Statutory financial statements		12	12
Depreciation	13	132	94
Depreciation on Right of Use Assets	23	176	225
Directors Fees		413	278
Employee Benefits	8	3,216	2,507
Insurance		418	273
Interest on Lease Liabilities	23	23	39
NZX, ASX and Registry Fees		901	121
Other Operating Expenses		2,175	1,611
		<b>7,756</b>	<b>5,410</b>

\* In addition to the Auditors Remuneration in the General and Administration Expenses, \$NZ42,000 was paid to PwC Australia for the review of the proforma financials related to the ASX Listing and Capital Raise and has been included in Issue Expenses within Share Capital.

Note: Amounts displayed for Amortisation, Depreciation and 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.

## 8. EMPLOYEE BENEFITS

	Notes	GROUP	
		2022 (\$000)	2021 (\$000)
<b>Represented by:</b>			
<b>Employee Benefits:</b>			
Employee Benefits in Lab Operations		2,145	1,879
Employee Benefits in Research	6	2,664	2,423
Employee Benefits in Sales and Marketing		9,848	6,616
Employee Benefits in General and Administration	7	3,216	2,507
<b>Total Employee Benefits</b>		<b>17,873</b>	<b>13,425</b>

### 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 2022 financial year, 123,000 (2021: 645,000) ordinary shares were issued to employees as part of the Employee Share Scheme. The associated non-cash cost of these shares was \$172,000 (2021: \$284,000). Refer to Note 18 for further details on the shares issued during the financial year.

### Employee Share Option Scheme

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. Share options are issued to selected employees to recognise performance or contribution to the Company or as a long-term component of remuneration in accordance with the Group's remuneration policy.

The Company has two categories of Share Options which are outlined below:

#### Performance Options

Performance Options are issued to selected employees to recognise performance or a significant contribution to the Company. Performance 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. Performance Options vest immediately and there is no service requirement linked to the options or any other vesting conditions. The term in which options may be exercised, and ultimately lapse if not exercised, is up to ten years.

#### Incentive Options

Incentive 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 vest over three years and there is a 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.

#### 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 any awards 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.

During the year, there were 5,527,000 (2021: 3,636,000) share options exercised resulting in an increase in share capital of \$4,040,000 (2021: \$2,636,000). Refer to note 18 for further details on the share options that were exercised.

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

	GROUP			
	2022		2021	
	Weighted average exercise price \$	Options #	Weighted average exercise price \$	Options #
Outstanding at 1 April	0.42	15,952,289	0.42	18,137,598
Granted	1.23	3,682,500	0.30	2,493,836
Forfeited	0.32	(246,076)	0.23	(277,490)
Exercised*	0.42	(5,527,394)	0.41	(3,635,838)
Expired	-	-	0.80	(765,817)
<b>Outstanding at 31 March</b>	<b>0.60</b>	<b>13,861,319</b>	<b>0.39</b>	<b>15,952,289</b>
Exercisable at 31 March	0.27	9,908,171	0.31	12,765,384

\* The weighted average share price at the date of options exercised during the year ended 31 March 2022 was NZ\$1.35 (2021: NZ\$0.92).

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 derivatives 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 4.71%.

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.

Share options outstanding at the end of the reporting periods have the following expiry dates, vesting dates and exercise prices:

Expiry Month	Vesting Date	Exercise Price \$	31 March 2022 Options #	31 March 2021 Options #
September 2021	September 2017	0.80	-	750,000
September 2024	September 2014	0.69	95,000	180,000 *
April 2025	April 2015	0.69	6,666	6,666
July 2025	July 2015	0.69	12,498	12,498
August 2025	August 2015	0.72	4,166	4,166
September 2025	September 2015	0.72	14,998	14,998
September 2025	September 2015	0.69	15,000	15,000
September 2025	September 2015	0.50	85,000	190,000 *
November 2025	November 2015	0.72	83,333	83,333
January 2026	January 2016	0.72	17,498	17,498
April 2026	April 2016	0.69	6,667	6,667
July 2026	July 2016	0.69	12,501	12,501
July 2026	July 2016	0.50	8,332	8,332
August 2026	August 2016	0.72	2,866	2,866
August 2026	August 2016	0.50	8,332	8,332
September 2026	September 2016	0.72	15,001	15,001
September 2026	September 2016	0.69	15,000	15,000

Expiry Month	Vesting Date	Exercise Price \$	31 March 2022 Options #	31 March 2021 Options #
September 2026	September 2016	0.50	85,333	85,333
November 2026	November 2016	0.72	83,333	83,333
November 2026	November 2016	0.60	8,332	8,332
November 2026	November 2016	0.48	10,000	30,000 *
December 2026	December 2016	0.60	10,832	10,832
January 2027	January 2017	0.72	10,834	10,834
February 2027	February 2023	1.15	600,000	-
March 2027	March 2017	0.60	4,166	4,166
April 2027	April 2017	0.69	6,667	6,667
April 2027	April 2017	0.60	75,000	75,000
July 2027	July 2017	0.69	10,012	343,346
July 2027	July 2017	0.50	4,190	4,190
August 2027	August 2017	0.50	8,334	8,334
August 2027	August 2017	0.48	4,166	4,166
September 2027	September 2017	0.72	10,594	10,594
September 2027	September 2017	0.69	15,000	15,000
September 2027	September 2017	0.50	79,168	79,168
September 2027	September 2017	0.48	6,666	6,666
November 2027	November 2017	0.72	83,334	83,334
November 2027	November 2017	0.60	8,334	8,334
December 2027	December 2017	0.60	3,790	3,790
December 2027	December 2017	0.51	4,166	4,166
January 2028	January 2018	0.72	7,473	7,473
January 2028	January 2018	0.51	12,498	12,498
February 2028	February 2024	1.25	600,000	-
March 2028	March 2018	0.60	4,167	4,167
April 2028	April 2018	0.60	75,000	75,000
May 2028	May 2018	0.51	836,664	1,319,994
May 2028	May 2018	0.28	6,666	6,666
July 2028	July 2018	0.50	2,671	2,671
August 2028	August 2018	0.50	4,315	4,315
August 2028	August 2018	0.48	3,916	3,916
September 2028	September 2018	0.50	219	219
September 2028	September 2018	0.48	4,128	4,128
October 2028	October 2018	0.48	-	30,000
October 2028	October 2018	0.28	8,332	8,332
November 2028	November 2018	0.60	6,816	6,816
December 2028	December 2018	0.51	4,167	4,167
January 2029	January 2019	0.51	6,416	6,416
February 2029	February 2019	0.28	6,666	6,666

Expiry Month	Vesting Date	Exercise Price \$	31 March 2022 Options #	31 March 2021 Options #
February 2029	February 2025	1.25	600,000	-
March 2029	March 2019	0.60	68	68
April 2029	April 2019	0.60	75,000	75,000
May 2029	May 2019	0.51	964,247	1,414,249
May 2029	May 2019	0.28	6,667	6,667
June 2029	June 2019	0.28	4,166	4,166
July 2029	July 2019	0.28	4,166	4,166
August 2029	August 2019	0.23	4,166	4,166
October 2029	October 2019	0.48	40,000	40,000
October 2029	October 2019	0.28	8,334	8,334
October 2029	October 2019	0.23	4,166	4,166
November 2029	November 2019	0.23	8,332	8,332
December 2029	December 2019	0.51	2,717	2,717
January 2030	January 2020	0.51	3,767	3,767
February 2030	February 2020	0.28	6,667	6,667
February 2030	February 2026	1.25	600,000	-
May 2030	May 2020	0.51	906,322	1,322,990
May 2030	May 2020	0.28	5,334	5,334
June 2030	June 2020	0.28	2,432	2,432
July 2030	July 2020	0.28	4,167	4,167
August 2030	August 2020	0.23	437,494	1,260,826
October 2030	October 2020	0.28	8,334	8,334
October 2030	October 2020	0.23	4,167	4,167
November 2030	November 2020	0.23	8,334	8,334
February 2031	February 2021	0.28	6,667	6,667
February 2031	February 2027	1.25	600,000	-
June 2031	June 2021	0.22	388,888	719,612
July 2031	July 2021	0.28	4,167	4,167
August 2031	August 2021	0.23	990,746	2,754,172
October 2031	October 2021	0.23	4,167	4,167
November 2031	November 2021	0.23	8,334	8,334
December 2031	December 2021	0.8	335,000	335,000
June 2032	June 2022	0.22	719,612	719,612
August 2032	August 2022	1.23	210,825	-
August 2032	August 2022	0.23	2,617,360	2,750,011
June 2033	June 2023	0.22	719,612	719,612
August 2033	August 2023	1.23	210,837	-
August 2034	August 2024	1.23	210,838	-
			13,861,319	15,952,290

\* Included within these tranches are 190,000 options (2021: 400,000 options) that vested immediately.

## 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 (2021: ANZ, BNZ and Heartland), 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.

	GROUP	
	2022 (\$000)	2021 (\$000)
Cash and Cash Equivalents	35,412	4,129
Short Term Deposits	70,000	19,000
<b>Total Cash, Cash Equivalents and Short Term Deposits</b>	<b>105,412</b>	<b>23,129</b>
NZD	84,517	22,513
USD	18,601	578
AUD	2,284	25
EUR	1	1
SGD	9	12
<b>Total Cash, Cash Equivalents and Short Term Deposits</b>	<b>105,412</b>	<b>23,129</b>

### INTEREST INCOME

#### ACCOUNTING POLICY

Interest income is recognised using the effective interest method.

Interest on the bank balances ranges from 0% to 1.89% (2021: 0% to 1.70%) 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	
	2022 (\$000)	2021 (\$000)
Trade Receivables	1,633	1,016
Sundry Debtors	1,925	1,655
Accrued Interest	337	152
GST Refund Due / (Payable)	117	43
<b>Total Receivables</b>	<b>4,012</b>	<b>2,866</b>

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 \$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	
	2022 (\$000)	2021 (\$000)
3 to 6 Months	109	27
<b>Total Overdue Trade Receivables</b>	<b>109</b>	<b>27</b>

The foreign currency split of Receivables is:

	GROUP	
	2022 (\$000)	2021 (\$000)
NZD	1,579	1,310
USD	1,550	935
AUD	883	621
<b>Total Receivables</b>	<b>4,012</b>	<b>2,866</b>

## 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	
	2022 (\$000)	2021 (\$000)
Laboratory Supplies	1,007	790
<b>Total Inventory</b>	<b>1,007</b>	<b>790</b>

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

Laboratory supplies used during the year of \$1,569,000 (2021: \$1,261,000) are included within the Consolidated Statement of Comprehensive Income in Laboratory Operations and Research.

## 12. OTHER ASSETS

	GROUP	
	2022 (\$000)	2021 (\$000)
Prepayments	1,014	398
Security Deposits	169	159
<b>Total Other Assets</b>	<b>1,183</b>	<b>557</b>

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

	Plant & Laboratory Equipment (\$000)	Computer Equipment (\$000)	Leasehold Improvements (\$000)	Furniture & Fittings (\$000)	Total (\$000)
<b>Cost</b>					
Balance at 1 April 2020	2,385	764	331	348	3,828
Additions	195	46	29	-	270
Disposals	(244)	(246)	(1)	(22)	(513)
Translation Difference	(143)	(52)	(22)	(27)	(244)
<b>Balance at 31 March 2021</b>	<b>2,193</b>	<b>512</b>	<b>337</b>	<b>299</b>	<b>3,341</b>
<b>Accumulated Depreciation</b>					
Balance at 1 April 2020	2,073	677	149	277	3,176
Depreciation Expense	118	49	18	4	189
Disposals	(237)	(241)	(1)	(20)	(499)
Translation Difference	(130)	(46)	(11)	(26)	(213)
<b>Balance at 31 March 2021</b>	<b>1,824</b>	<b>439</b>	<b>155</b>	<b>235</b>	<b>2,653</b>
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
<b>Balance at 31 March 2022</b>	<b>1,189</b>	<b>174</b>	<b>98</b>	<b>154</b>	<b>1,615</b>
<b>Carrying Amounts</b>					
At 1 April 2020	312	87	182	71	652
At 31 March 2021	369	73	182	64	688
<b>At 31 March 2022</b>	<b>728</b>	<b>210</b>	<b>294</b>	<b>172</b>	<b>1,404</b>

#### 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 are held at cost. Amortisation is charged on a diminishing value basis over the estimated useful life of the intangible assets (20 years). The estimated useful life and amortisation method is reviewed at the end of each reporting period.

	Software Development Costs (\$000)	Patents (\$000)	Cxbladder Development Costs (\$000)	Total (\$000)
<b>Cost</b>				
Balance at 1 April 2020	887	347	33	1,267
Additions	40	68	-	108
Foreign Translation Difference	(6)	-	-	(6)
<b>Balance at 31 March 2021</b>	<b>921</b>	<b>415</b>	<b>33</b>	<b>1,369</b>
Balance at 1 April 2021	921	415	33	1,369
Additions	278	135	-	413
Foreign Translation Difference	-	-	-	-
<b>Balance at 31 March 2022</b>	<b>1,199</b>	<b>550</b>	<b>33</b>	<b>1,782</b>
<b>Accumulated Amortisation</b>				
Balance at 1 April 2020	799	273	16	1,088
Amortisation Expense	53	55	2	110
Foreign Translation Difference	(6)	-	-	(6)
<b>Balance at 31 March 2021</b>	<b>846</b>	<b>328</b>	<b>18</b>	<b>1,192</b>
Balance at 1 April 2021	846	328	18	1,192
Amortisation Expense	87	67	2	156
Foreign Translation Difference	-	-	-	-
<b>Balance at 31 March 2022</b>	<b>933</b>	<b>395</b>	<b>20</b>	<b>1,348</b>
<b>Carrying Amounts</b>				
At 31 March 2020	88	74	17	179
At 31 March 2021	75	87	15	177
<b>At 31 March 2022</b>	<b>266</b>	<b>155</b>	<b>13</b>	<b>434</b>

#### 15. SEGMENT INFORMATION

##### ACCOUNTING POLICY

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 result 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 2022, is shown below.

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

	Commercial (\$000)	Research (\$000)	Less: Eliminations (\$000)	Total (\$000)
<b>2021</b>				
<b>Income</b>				
Operating Revenue - External	7,701	-	-	7,701
- Internal	-	-	-	-
Other Income	1,224	2,130	(968)	2,386
Interest Income	1	350	-	351
Foreign Exchange Gain	3	(2)	-	1
<b>Total Income</b>	<b>8,929</b>	<b>2,478</b>	<b>(968)</b>	<b>10,439</b>
<b>Expenses</b>				
Expenses	14,529	9,730	(968)	23,291
Depreciation and Amortisation	934	437	-	1,371
<b>Total Operating Expenses</b>	<b>15,463</b>	<b>10,167</b>	<b>(968)</b>	<b>24,662</b>
<b>Loss Before Tax</b>	<b>(6,534)</b>	<b>(7,689)</b>	-	<b>(14,223)</b>
Income Tax Expense	-	-	-	-
<b>Loss After Tax</b>	<b>(6,534)</b>	<b>(7,689)</b>	-	<b>(14,223)</b>
<b>Net Cash Flow to Operating Activities</b>	<b>(6,438)</b>	<b>(7,132)</b>	-	<b>(13,570)</b>

#### 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 the Research segment, and the Commercial segment recognising the revenue from the sale.

#### Segment Assets and Liabilities Information

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

	Commercial (\$000)	Research (\$000)	Total (\$000)
<b>2021</b>			
Total Assets	5,477	25,707	31,184
Total Liabilities	4,529	1,546	6,075

#### Additions to Non Current Assets for the period include:

	Commercial (\$000)	Research (\$000)	Total (\$000)
Property, Plant and Equipment	823	166	989
Right of Use Assets	148	-	148
Intangible Assets	279	134	413
<b>Total Additions to Non Current Assets</b>	<b>1,250</b>	<b>300</b>	<b>1,550</b>

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.

#### 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.

	2022 (\$000)	2021 (\$000)
<b>Operating and Grant Revenue</b>		
US	10,640	7,677
New Zealand	1,729	2,133
Rest of World	767	277
<b>Total Operating and Grant Revenue</b>	<b>13,136</b>	<b>10,087</b>

	2022 (\$000)	2021 (\$000)
<b>Non-Current Assets</b>		
US	1,611	2,201
New Zealand	2,057	1,618
Rest of World	-	23
<b>Total Non-Current Assets</b>	<b>3,668</b>	<b>3,842</b>

## 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 2022 financial year and no income tax is payable.

	GROUP	
	2022 (\$000)	2021 (\$000)
<b>Income Tax recognised in the profit or loss:</b>		
Current tax expense	-	-
Deferred Tax in respect of the current year	(4,258)	(6,291)
Adjustments to deferred tax in respect to prior years	94	512
Deferred tax assets not recognised	4,164	5,779
<b>Income tax expense</b>	-	-
<b>The prima facie income tax on pre-tax accounting profit from operations reconciles to:</b>		
Accounting loss before income tax	(19,788)	(14,223)
At the statutory income tax rate of 28%	(5,541)	(3,982)
Non-deductible expenditure	626	(2,760)
Difference in US, Singapore and Australian income tax rates	657	451
Prior period adjustment	94	512
Deferred tax assets not recognised	4,164	5,779
<b>Income tax expense reported in Consolidated Statement of Comprehensive Income</b>	-	-

### Tax Losses

The group has losses to carry forward of approximately \$112,330,000 (2021: \$94,400,000) with a potential tax benefit of \$25,694,000 (2021: \$21,500,000). The tax losses are split between the following jurisdictions:

	Tax Losses (\$000)	Tax Effect (\$000)	Rate
New Zealand	29,200	8,200	28%
Australia	1,200	400	30%
Singapore	1,500	200	17%
United States	80,300	16,900	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 \$45,846,000 (2021: \$42,200,000) to carry forward and claim for income tax purposes in New Zealand in the future. This has a tax effect of \$12,889,000 (2021: \$11,900,000). 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 (2021: Nil).

## 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	
	2022 (\$000)	2021 (\$000)
Trade Creditors	1,906	818
Accrued Expenses	659	411
Employee Entitlements (refer below)	2,418	1,968
<b>Total Payables and Accruals</b>	<b>4,983</b>	<b>3,197</b>

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	
	2022 (\$000)	2021 (\$000)
NZD	2,161	1,025
AUD	131	126
USD	2,656	2,013
SGD	35	33
	<b>4,983</b>	<b>3,197</b>

**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	
	2022 (\$000)	2021 (\$000)
Income Tax	214	361
Holiday Pay	360	261
Accrued Wages	1,844	1,346
<b>Total Employee Entitlements</b>	<b>2,418</b>	<b>1,968</b>

**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	
	2022 (\$000)	2021 (\$000)
Ordinary Shares Authorised	294,139	190,305
<b>Total Share Capital</b>	<b>294,139</b>	<b>190,305</b>

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**

	2022 Shares (000)	2022 (\$000)	2021 Shares (000)	2021 (\$000)
Opening Balance	727,779	190,305	689,652	165,423
Issue of Ordinary Shares - Placement <sup>1</sup>	76,657	103,487	33,846	22,000
Issue of Ordinary Shares - Exercise of share options <sup>2</sup>	5,528	4,040	3,636	2,636
Issue of Ordinary Shares - Employee Remuneration <sup>3</sup>	123	172	645	284
Less: Issue Expenses	-	(3,865)	-	(38)
Movement	82,308	103,834	38,127	24,882
<b>Closing Balance</b>	<b>810,087</b>	<b>294,139</b>	<b>727,779</b>	<b>190,305</b>

1) During the period 76,657,358 shares were issued under placements at \$1.35 per share. (2021: 33,846,154 at \$0.65)

2) During the period 5,527,391 share options were exercised at an average price of \$0.42 per share (2021: 3,635,835 at an average price of \$0.41)

3) During the period 123,086 shares were issued as part of employees remuneration in lieu of cash payments at an average price of \$1.40 per share. (2021: 645,182 at \$0.44)

**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 NET LOSS**

	GROUP	
	2022 (\$000)	2021 \$000
Net Loss for the Period	(19,788)	(14,223)
<b>Add Non Cash Items:</b>		
Depreciation	263	189
Loss on disposal of Property, Plant and Equipment	11	13
Amortisation	156	110
Employee Share Options	839	1,035
Employee Bonuses paid in shares in lieu of cash	172	284
Depreciation on Right of Use Assets	1,064	1,073
Interest on finance leases shown in lease repayments	126	103
<b>Total Non Cash Items</b>	<b>2,631</b>	<b>2,807</b>
<b>Add Movements in Other Working Capital items:</b>		
Increase in Receivables and Other Assets	(1,772)	(2,088)
Increase (Decrease) in Inventory	(217)	6
Increase (Decrease) in Payables and Accruals	1,786	(71)
Effect of exchange rates on net cash	(192)	(1)
<b>Total Movement in Other Working Capital</b>	<b>(395)</b>	<b>(2,154)</b>
<b>Net Cash Flows to Operating Activities</b>	<b>(17,552)</b>	<b>(13,570)</b>

## 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 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 cashflow interest rate risk
(iii) Credit Risk	Risk of financial loss in 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. It will also purchase foreign currency to fund overseas operations based on cash flow forecasts where it can maximise value. There are no formal foreign currency hedges entered into.

A 10% increase or decrease in foreign currency against the NZD will reduce/increase the loss reported by approximately \$167,000 (2021: \$130,000) 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 \$1,041,000 and increase/reduce equity by the same amount (2021: \$219,000).

#### (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:

- Cash and short term deposits;
- Receivables in the normal course of its business; and
- Other assets.

The Group has no significant concentration of credit risk other than bank deposits with 26.1% at Westpac, 25.4% at BNZ, 22.3% at ANZ, 17.4% at Kiwibank and 0.4% 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

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, US customers, and the 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 April 2021 to 31 March 2022 for which payment has not been received by 31 March 2022.

Regular monitoring of other assets is undertaken to ensure that the credit exposure is limited. This is firstly done by determining the credit risk before making security deposits on leased properties and ensuring suppliers are not paid in advance where there is uncertainty in relation to their credit worthiness.

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

	Notes	GROUP	
		2022 (\$000)	2021 (\$000)
Cash and Cash Equivalents	9	35,412	4,129
Short Term Deposits	9	70,000	19,000
Trade and Other Receivables (excludes GST)	10	3,895	2,824
Other Assets (excludes prepayments)	12	169	159
		<b>109,476</b>	<b>26,112</b>

#### (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. The Group does not have any external loans but does have four finance leases.

Payables and Accruals totaling \$4,983,000 are due within 3 months of balance date (2021: \$3,197,000).

#### Fair Values

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

## 22. RELATED PARTIES

A shareholder, the University of Otago, provided services, including rental space and car parking, to the Group to the value of \$361,000 (2021: \$340,000). The Group has commitments totaling \$269,000 (2021: \$267,000) with the University of Otago in the next financial year.

#### Key Management Compensation

Key management personnel comprise of Directors and the Chief Executive Officer (current and retired) 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	
	2022 (\$000)	2021 (\$000)
Salaries and Other Short Term Employee Benefits	2,207	1,861
Consulting Fees	105	-
Share Options Benefits	445	313
<b>Total Employee Entitlements</b>	<b>2,757</b>	<b>2,174</b>

**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 is \$465,000 per annum. During the year ended 31 March 2022, Tony Barclay was appointed to the board (21st March 2022) and David Darling ceased on the board (17th January 2022). The total amount of fees paid to Directors for the year ended 31 March 2022 was \$413,000.

The table below sets out the total fees approved for non-executive Directors of Pacific Edge Limited for the year ended 31 March 2022 based on the positions held:

Position	Quantity 2022	Total Fees Approved 2022	Quantity 2021	Total Fees Approved 2021
Chair	1	\$115,000	1	\$80,000
Deputy Chair	1	\$70,000	1	\$50,000
Non-executive Directors	4	\$240,000	2	\$88,000
Chair Audit & Risk Committee	1	\$10,000	1	\$5,000
Special Governance Allocation		\$30,000		-
US-based non-executive Director		-	1	\$79,000
<b>Total Fee Pool</b>		<b>\$465,000</b>		<b>\$302,000</b>

**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. The 2021 comparative for lease repayments in the Consolidated Statement of Cashflows has been split between principal and interest to be comparable with the current year reporting.

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.

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	
	2022 (\$000)	2021 (\$000)
<b>Cost</b>		
<b>Opening Balance</b>	<b>3,914</b>	<b>2,518</b>
Additions	179	2,588
Removals (Leases Completed)	(366)	(1,227)
Foreign Currency Translation	(122)	35
<b>Closing Balance</b>	<b>3,605</b>	<b>3,914</b>
<b>Accumulated Depreciation</b>		
<b>Opening Balance</b>	<b>937</b>	<b>937</b>
Depreciation	1,064	1,083
Reversal of Accumulated Depreciation (Leases Completed)	(153)	(1,204)
Foreign Currency Translation	(73)	121
<b>Closing Balance</b>	<b>1,775</b>	<b>937</b>
<b>Net Right of Use Assets Balance</b>	<b>1,830</b>	<b>2,977</b>
<b>Right of Use Assets Net Book Value</b>		
Buildings	1,792	2,624
Computer Equipment	38	62
Plant and Equipment	-	291
	<b>1,830</b>	<b>2,977</b>
<b>Depreciation</b>		
Buildings	1,018	966
Computer Equipment	24	18
Plant and Equipment	22	99
	<b>1,064</b>	<b>1,083</b>
Expenses relating to Short Term and Low Value Leases	74	24
<b>Total Cash Outflow relating to Leases</b>	<b>1,273</b>	<b>1,250</b>

Lease Liability	GROUP	
	2022 (\$000)	2021 (\$000)
<b>Opening Balance</b>	<b>2,878</b>	<b>1,554</b>
Additions	148	2,587
Lease Terminated - Liability Reversed	-	(26)
Lease Repayments	(1,230)	(1,262)
Interest Charged	126	107
Foreign Currency Translation	1	(82)
<b>Closing Balance</b>	<b>1,923</b>	<b>2,878</b>
<b>Split by:</b>		
Current Liability	1,072	1,098
Non-Current Liability	851	1,780
	<b>1,923</b>	<b>2,878</b>
<b>The maturity of the Lease Liabilities is as follows:</b>		
Less than one year	1,072	1,103
One to two years	671	999
Two to three years	51	595
More than three years	129	181
	<b>1,923</b>	<b>2,878</b>

## 24. OTHER COMMITMENTS AND CONTINGENT LIABILITIES

## a) Contingent Liabilities

There were no known contingent liabilities at 31 March 2022 (March 2021: 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 2022 (March 2021: Nil).

## 25. COVID-19

Covid-19 continues to have had an impact on the throughput, revenue and expenses of the Group for the year ended 31 March 2022.

In the markets the Group operates in, measures have been employed by Governments in an attempt to limit the spread of the virus. This has restricted the ability for people to visit clinics and have tests performed.

While throughput quantities for the group for the year ended 31 March 2022 are up 46% on the prior year, the restricted access to clinics has offset some of the increase expected from the increased Sales and Marketing expenditure (up 55% on the prior year).

The benefits of the increased investment in Sales and Marketing are expected to be realised by the Group in the next 12 months as Covid-19 restrictions are relaxed and/or removed.

The Group has Cash, Cash Equivalents and Short Term Deposits of \$105,412,000, which provides confidence in the ability of the Group to manage any on-going impacts caused by Covid-19.

## 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 2022, 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 2022;
- 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 has 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
<p><b>Determining the timing of revenue recognition for US revenue</b></p> <p>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.</p> <p>The Company has two material United States (US) revenue streams:</p> <ol style="list-style-type: none"> <li>1. Coverage via Centers for Medicare and Medicaid Services (CMS), and</li> <li>2. Private Insurance.</li> </ol> <p>In July 2020, the Company received Local Coverage Determination ("LCD") for CMS. This determination created a set price for the Company's tests of US\$760 per test from July 2020. This established a clear transaction price for the tests. This transaction price, along with a history of payment, satisfies the NZ IFRS requirements for revenue recognition.</p> <p>Accordingly, in the current year US derived revenue for tests performed for CMS and Medicare Advantage has been recognised in advance of cash being received. Revenue for these customers is recognised when the tests are performed.</p> <p>All other US derived revenue is accounted for on a cash receipts basis as disclosed in Note 5.</p>	<p>Our audit procedures included the following:</p> <p>We obtained an understanding of management's processes and controls for the CMS and Private Insurance US revenue streams, including the relevant controls at the external billing reimbursement 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.</p> <p>We evaluated management's determination of whether a contract with customers existed by:</p> <ul style="list-style-type: none"> <li>• Assessing the data supporting revenue recognition for CMS and Medicare Advantage to confirm that the transaction price can be determined and collectability is probable;</li> <li>• Assessing the data supporting revenue recognition for private insurance to confirm that the transaction price and collectability is only probable when cash is received;</li> <li>• Performing subsequent receipt testing to validate the probability of collection of the year end receivable and performing look back procedures over the prior year receivable to test collection rates; and</li> <li>• Evaluating the application of NZ IFRS 15 against technical guidance and the accounting standards.</li> </ul> <p>We have no matters to report from the procedures performed above.</p>

### Our audit approach

#### Overview



Overall group materiality: \$467,000, which represents 2.5% of (loss)/earnings before interest, tax, depreciation and amortisation (EBITDA).

We chose 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.

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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  
25 May 2022

Dunedin



## NOMINATION AND APPOINTMENT OF DIRECTORS

The procedure for the nomination and appointment of Directors to the Board is set out in the Charter. While the nomination process for new Director appointments is the responsibility of the Board as a whole, the Nomination Committee is responsible for identifying, reviewing and recommending candidates to the full Board. The Board may engage consultants to assist in the identification, recruitment and appointment of suitable candidates. The Company undertakes proper checks before appointing a Director and putting forward a candidate for election as a Director. Key information is provided to shareholders when a Director stands for election or re-election.

Directors will retire and may stand for re-election by shareholders at least every three years, in accordance with the NZX Listing Rules. A Director appointed since the previous annual meeting holds office only until the next annual meeting but is eligible for re-election at that meeting.

The Board asks for Director nominations each year prior to the Annual Shareholders Meeting, in accordance with the constitution of the Company and the NZX Listing Rules.

## INDUCTION AND PROFESSIONAL DEVELOPMENT

Newly elected Directors undergo a formal induction programme to ensure they have working knowledge of our business. This includes one-on-one meetings with management and a tour of the laboratory and R&D facilities. They are expected to familiarise themselves with their obligations under the constitution, Board Charter and the NZX and ASX Listing Rules. Training is also provided to new and existing Directors where required to enable Directors to understand their obligations.

The Company encourages all Directors to undertake appropriate training and education so that they may best perform their duties. This includes attending presentations on changes in governance, legal and regulatory frameworks; attending technical and professional development courses; and attending presentations from industry experts and key advisers. Additional industry related training is provided by Pacific Edge on a regular basis.

## BOARD PERFORMANCE

The performance of the Board is reviewed periodically to assess the performance of each Director, each Committee and the Board as a whole. The most recent evaluation of Board performance was undertaken in March 2019, with a review planned during the FY23 year. The Chair of the Board also regularly engages with individual Directors to evaluate and discuss performance and professional development.

## DIVERSITY

Pacific Edge is committed to bringing diversity to life in its employment practices and across all aspects of the business.

The Board and Company believe in providing equality of opportunity in employment, irrespective of age, ethnic or national origin, gender, sexual orientation, family circumstances, disability, religious or ethical belief, or economic background.

The Diversity Policy outlines Pacific Edge's approach towards diversity. While no measurable targets have been set for diversity, the Remuneration Committee provides oversight of employment practices and HR processes and practices and the Board is comfortable that these are in line with the intent of the Diversity Policy.

The Officers of the Company (as defined by the NZX Listing Rules) are the CEO and specific direct reports of the CEO having key functional responsibility. As at 31 March 2022, females represented 25% of Directors and Officers of the Company (FY21: 33%).

As at 31 March	FY22 Male	FY22 Female	FY21 Male	FY21 Female
Directors excluding the CEO	5	2	3	2
Officers including the CEO	7	2	5	2

- Officer (NZX): Under the Listing Rules "officer" means a person who is concerned or takes part in the management of an issuer and either reports directly to the board of the issuer or reports directly to a person who reports directly to the board of the issuer.

## PRINCIPLE 3: BOARD COMMITTEES

"The Board should use Committees where this will enhance its effectiveness in key areas, while still retaining Board responsibility."

The Board has delegated a number of its responsibilities to Committees to assist in the execution of the Board's responsibilities. These Committees review and analyse policies and strategies which are within their terms of reference.

Committee members are appointed from members of the Board with membership reviewed on an annual basis. Committees examine proposals and, where appropriate, make recommendations to the full Board. Committees do not take action or make decisions on behalf of the Board unless specifically mandated by prior Board authority to do so.

Management may only attend committee meetings at the invitation of the Committee.

The current Committees of the Board are the Audit & Risk Committee, Remuneration Committee, Nomination Committee and Capital and M&A Committee.

The Committees have terms of reference (Charters), which are reviewed and approved by the Board. All charters are scheduled to be reviewed at least every two years. These are available on the Company's website.

### Committee Membership as at 31 March 2022

Audit & Risk Committee	Remuneration Committee	Nomination Committee	Capital and M&A Committee
Sarah Park (Chair)	Anna Stove (Chair)	Chris Gallaher (Chair)	Mark Green (Chair)
Mark Green	Bryan Williams	Bryan Williams	Anatole Masfen
Chris Gallaher	Anatole Masfen	Anna Stove	Chris Gallaher
Tony Barclay	Tony Barclay		Sarah Park

Anatole Masfen stepped down from the Audit & Risk Committee and Tony Barclay was added to the Audit & Risk Committee on the 24th March 2022.

David Darling stepped down from the Capital and M&A Committee on the 17th January 2022.

Chris Gallaher stepped down from the Remuneration Committee, with Tony Barclay and Anatole Masfen added to the Remuneration Committee on the 24th March 2022.

## DIRECTOR MEETING ATTENDANCE

The Board meets as often as it deems appropriate including sessions to consider the strategic direction of Pacific Edge and forward-looking business plans. Video and/or phone conferences are also used as required.

The table below sets out Director attendance at Board and Committee meetings during FY22.

	Board	Audit & Risk Committee	Nomination Committee	Remuneration Committee	Capital and M&A Committee
Tony Barclay <sup>3</sup>	1/1	1/1	-	-	-
Dave Darling <sup>1</sup>	14/14	5/5	-	-	-
Chris Gallaher	17/17	6/6	1/1	4/4	9/9
Mark Green <sup>2</sup>	15/15	5/5	-	-	9/9
Anatole Masfen	16/17	6/6	-	-	8/9
Sarah Park	17/17	5/6	1/1	-	7/9
Anna Stove	14/17	-	1/1	4/4	-
Bryan Williams	17/17	-	1/1	4/4	-

<sup>1</sup> David Darling retired from the Board on 17 January 2022.

<sup>2</sup> Mark Green was appointed to the Board on 10 May 2021.

<sup>3</sup> Tony Barclay was appointed to the Board on 21 March 2022.

### AUDIT & RISK COMMITTEE

Pacific Edge's Audit & Risk Committee is comprised solely of Directors of the Company, with all members being independent Directors. As at 31 March 2022, there were four members of the Audit & Risk Committee with all having an accounting or financial background. The Chair of the Audit & Risk Committee is not the Chair of the Board.

As per the Board Charter, the responsibilities of the Audit & Risk Committee include providing oversight in five distinct areas (Governance, Financial Reporting, Audit Functions, Treasury Functions and Risk Management Functions) and include as a minimum:

- Ensuring that management has established a risk management framework which includes policies and procedures to effectively identify, treat, monitor and report key business risks;
- Ensuring that the processes are in place and monitoring of those processes so that the Board is properly and regularly informed and updated on corporate financial matters;
- Recommending annually to the Board the appointment of the independent auditor;
- Monitoring and reviewing the independent and internal auditing practices;
- Having direct communication with and unrestricted access to the independent auditors and any internal auditors or accountants;
- Reviewing the financial reports and advising all Directors whether they comply with the appropriate laws and regulations;
- Ensuring that the external auditor or lead audit partner is changed at least every five years.
- Periodic review of the Company's Treasury Policy including review of any breaches of the Policy;
- Overseeing compliance of the Company's Treasury activities including periodic review of performance against the Policy; and
- Ensuring Treasury issues raised by auditors (both internal and external) are resolved and/or a plan to resolve is agreed immediately.

Directors who are not members of the Committee are able to attend Audit & Risk Committee meetings as they wish. Employees may only attend those meetings at the invitation of the Audit & Risk Committee.

### NOMINATION COMMITTEE

The Board has established a Nomination Committee to recommend Director appointments to the Board. The Nomination committee operates under a written Charter. All members of the Nomination Committee are independent Directors.

### REMUNERATION COMMITTEE

The Board has a Remuneration Committee to recommend the remuneration for Directors to the shareholders and to oversee the remuneration of the Officers/senior managers of the Company. The Remuneration Committee operates under a written Charter. All members of the Remuneration Committee are independent Directors. The CEO does not participate in any discussions concerning the CEO's remuneration.

The Remuneration Committee is responsible for ensuring that the Company has a sound Remuneration Policy to attract and retain high performing individuals. The Remuneration Policy is available on the Company's website.

The Committee makes recommendations to the Board on remuneration packages for the CEO. Any recommendations to shareholders regarding Director remuneration are provided for approval in a transparent manner.

### CAPITAL AND M&A COMMITTEE

The Board has a Capital and M&A Committee to provide direction and oversight; and make recommendations to the Board and to act on matters pertaining to the Company's capital position. The Capital and M&A Committee operates under a written Charter.

### OTHER COMMITTEES

The Board establishes other Committees as required. In the case of a takeover offer, Pacific Edge will activate the Takeover Committee to oversee disclosure and response, and engage expert legal and financial advisors to provide advice on procedure. The Board has established appropriate processes and protocols that set out the procedures to be followed if there was to be a takeover offer made for the Company.

### PRINCIPLE 4: REPORTING & DISCLOSURE

"The Board should demand integrity in financial and non-financial reporting, and in the timeliness and balance of corporate disclosures."

#### CONTINUOUS DISCLOSURE

The Board focuses on providing accurate, adequate and timely information both to its shareholders and to the market generally. This enables all investors to make informed decisions about the Company. All significant announcements made to NZX and ASX, and reports issued, are posted on the Company's website.

The Company has procedures in place to ensure that it complies with its continuous disclosure requirements under the NZX and ASX Listing Rules. The Continuous Disclosure Policy governs the release to the market of all material information that may affect the value of the Company.

#### COMPANY POLICIES

Copies of the key governance documents, including the Continuous Disclosure Policy, Ethical Behaviour Policy, Share Trading Policy, Board and Committee Charters, Speak Up Policy and Diversity Policy are available on the Company's website.

<https://www.pacificedgedx.com/investors/governance>

#### FINANCIAL REPORTING

Pacific Edge's management team is responsible for implementing and maintaining appropriate accounting and financial reporting principles, policies, and internal controls. These are designed to ensure compliance with accounting standards and applicable laws and regulations.

The Audit & Risk Committee oversees the quality and integrity of external financial reporting, including the accuracy, completeness, balance and timeliness of financial statements. It reviews Pacific Edge's full and half year financial statements and makes recommendations to the Board concerning accounting policies, areas of judgement, compliance with accounting standards, stock exchange and legal requirements, and the results of the external audit.

All matters required to be addressed, and for which the Committee has responsibility, were addressed during the reporting period.

The CEO and CFO have confirmed in writing to the Board that Pacific Edge's external financial reports present a true and fair view in all material aspects. Pacific Edge's full and half year financial statements are available on the Company's website.

The Chief Financial Officer holds the role of Company Secretary. In all accounting and secretarial matters, the Board ensures that the Secretary's reports are objective and that the Secretary has unfettered access to the chair and the Audit & Risk Committee, without reference to the CEO.

#### NON-FINANCIAL REPORTING

Non-financial information is provided on a regular basis to shareholders to allow them to measure the progress of the company. Pacific Edge's Board and management are focused on identifying areas which are of primary importance to creating a sustainable business, achieving strategic goals and meeting the expectations of key stakeholders.

Pacific Edge discusses its strategic objectives and its progress against these in the Chair and CEO's commentary in shareholder reports. Key non-financial metrics used by Pacific Edge to demonstrate its progress are Laboratory Test Throughput and Commercial Tests.

## PRINCIPLE 5: REMUNERATION

“The remuneration of Directors and Executives should be transparent, fair and reasonable.”

The Company has a Remuneration Policy which outlines the processes and framework for remuneration of the Chairperson, the Directors, the CEO and management. The Remuneration Committee is responsible for recommending to the Board the remuneration for the Chair, Directors and the CEO, and consulting and approval, on the recommendation of the CEO for the appointment and employment terms of all Executive (other than the CEO).

Shareholders fix the total remuneration available for directors. Approval is sought for any increase in the pool available to pay Directors’ fees, and any recommendations to shareholders regarding Director remuneration are provided for approval in a transparent manner.

External advice is sought on a regular basis to ensure remuneration is benchmarked to the market for senior management positions, Directors and Board positions. The last review of Director remuneration was undertaken in June 2021.

Further details on remuneration are included in the Remuneration Section of this Annual Report, including the remuneration arrangements in place for the CEO, on pages 89 to 90.

While there is no formal requirement, the majority of Pacific Edge’s Directors own shares in the Company either directly or through related entities. There is a provision for the Company to make a retirement payment to a Director if approved by shareholders; however, no retirement payments were made in FY22.

## PRINCIPLE 6: RISK MANAGEMENT

“Directors should have a sound understanding of the material risks faced by the issuer and how to manage them. The Board should regularly verify that the issuer has appropriate processes that identify and manage potential and material risks.”

The Board is responsible for ensuring that appropriate policies and procedures are in place to identify and manage the key risks of the Company, which is managed through the Audit & Risk Committee. The Audit & Risk Committee operates in line with its Charter, which sets out its responsibilities for identifying, monitoring, treating and reporting on key business risks.

The executive team and senior management are required to regularly identify the major risks affecting the business, record them in the risk register and develop structures, practices and processes to manage and monitor these risks.

A comprehensive review of the risk register was completed in 2020 and is again scheduled in July 2022, and incorporates risk mitigation strategies, processes and policies. Management continue to monitor individual risks, as do the Board, with the risk register discussed at scheduled Board meetings, with a focus on any changes and emerging risks and opportunities.

Pacific Edge maintains insurance policies that it considers adequate to meet its insurable risks.

The Board is satisfied that Pacific Edge has in place a risk management framework to effectively identify, manage and monitor Pacific Edge’s principal risks, to the extent practicable.

Pacific Edge’s material risks and how these are being managed are outlined and discussed in the Risk Analysis on pages 93 to 95.

## HEALTH AND SAFETY

The Company takes responsibility, so far as is reasonably practicable, at all its sites to protect the health, safety and welfare of all staff and people on Company sites, and acts in compliance with all of its legal and ethical obligations.

Pacific Edge aims to proactively identify and manage all identified hazards across the company. The Company’s health and safety performance is monitored and reviewed regularly by management, the Board and is audited externally. The Company’s goal is to maintain a safe and effective operating environment and takes its duty of care to staff, contractors and visitors very seriously.

There were no serious harm incidents reported during FY22. There were 70 days lost because of a repetitive strain injury. Measures have been implemented across all sites to ensure the risk of this happening in the future is minimised. There were no serious hazards identified across the Group.

**PRINCIPLE 7: AUDITORS**

“The Board should ensure the quality and independence of the external audit process.”

**EXTERNAL AUDITORS**

The Board's relationship with its external auditors is governed by the Audit & Risk Committee Charter. The Charter sets out the Audit & Risk Committee's responsibilities in relation to corporate accounting and reporting practices of the Company, along with the quality and integrity of financial reports. It is the responsibility of the Audit & Risk Committee to maintain free and open communication between the Directors and external auditors and to approve any non-audit engagements performed by the audit firm.

For FY22, PricewaterhouseCoopers (PwC) was the external auditor for Pacific Edge Limited. PwC was re-appointed under the Companies Act 1993 at the 2021 Annual Shareholders Meeting. The last audit partner rotation was in FY21 with rotation due no later than FY26.

All audit work at Pacific Edge is separated from non-audit services, to ensure that appropriate independence is maintained. The Audit & Risk Committee review and approve the nature and scope of other professional services (if any) provided to the Company by the external auditor and consider the relationship to the auditor's independence. In addition to the audit work PwC provided in FY22, \$NZ42,000 was paid to PwC Australia for the review of the proforma financials related to the ASX Listing and Capital Raise. The amount of fees paid to PwC during FY22 are identified on page 52.

PwC has provided the Audit & Risk Committee with written confirmation that, in their view, it was able to operate independently during the year.

PwC attends each Annual Shareholders Meeting of the Company, and the lead audit partner is available to answer questions from shareholders at that Meeting. PwC attended the 2021 Annual Shareholders Meeting.

**INTERNAL AUDITS**

Internal audits are used as a tool for the systematic and independent examination of Pacific Edge's operational processes as they relate to product and service provision.

Pacific Edge conducts internal audits at planned intervals to verify that its Quality Management System is effectively implemented and maintained and provides continuous improvement opportunities in system processes. This also ensures compliance with the requirements of its International Standard, ISO9001:2015 certification, which was awarded in November 2017 and reassessed annually by an external body for continued certification.

**PRINCIPLE 8: SHAREHOLDER RIGHTS & RELATIONS**

“The Board should respect the rights of shareholders and foster constructive relationships with shareholders that encourage them to engage with the issuer.”

**SHAREHOLDER COMMUNICATIONS**

Pacific Edge is committed to ensuring that its shareholders are kept up to date with key activities and are provided with relevant information about the Company and its performance.

The Company communicates with shareholders during the financial year through shareholder newsletters, annual and half year reports and at the Annual Shareholders Meeting (ASM). All written communications and reports are available on the Company's website, as well as emailed to shareholders who elect to be emailed. All shareholders are given the option to elect to receive electronic communications from the Company.

In addition to shareholders, Pacific Edge has a wide range of stakeholders and maintains open channels of communication for all audiences, including brokers, the investing community and the New Zealand Shareholders' Association, as well as its staff, suppliers and customers.

**SHAREHOLDER MEETINGS**

In accordance with the NZX Listing Rules, shareholders have the right to vote on major decisions which may change the nature of the Company. Each shareholder has one vote per share and voting is conducted by polls.

The notice of the Annual Shareholders Meeting is announced on the NZX and ASX, sent to shareholders and posted on to the Company's website at least 20 working days prior to the Annual Shareholders Meeting each year.

**DIRECTORS' REMUNERATION**

Remuneration of Directors and senior executives is the key responsibility of the Remuneration Committee.

Pacific Edge's policy is to offer competitive Director fees to attract and retain high quality, appropriately skilled Directors, who will best add value to the Company. Consistent with this, in June 2021 Pacific Edge commissioned Strategic Pay Limited to provide market data and make recommendations on appropriate Director remuneration levels, taking into consideration other NZX listed companies of similar size, turnover and market capitalisation, as well as those in a similar sector. The Strategic Pay report also considered the operational complexities, risks and phase of growth of Pacific Edge.

# REMUNERATION

The Board considered Strategic Pay's recommendations, the skills, performance and experience of Directors and the skills and expertise required to add value as Pacific Edge's commercial strategy escalates. Taking this into consideration, combined with the increase in non-executive Directors, the Pacific Edge Board recommended an increase to the total pool for non-executive Director remuneration, to a total maximum aggregate of \$465,000, which was approved by shareholders at the 2021 annual shareholders' meeting. Executive Directors do not receive Directors' fees. The standard Directors' fees per annum are as follows:

Board of Directors	FY22	FY21
Position	Total Allowable Fees per annum (NZ\$)	Total Allowable Fees per annum (NZ\$)
Chair	115,000	80,000
Deputy Chair	70,000	50,000
US Based Director	N/A	79,000
Other Directors (x2)	60,000 (x4)	44,000 (x2)
Chair Audit & Risk Committee	10,000	5,000
Special Governance Allocation	30,000	N/A

Any proposed increases in non-executive Director fees and remuneration will be put to shareholders for approval at the Annual Shareholders Meeting by way of ordinary resolution. If independent advice is sought by the Board, it will be disclosed to shareholders as part of the approval process.

Directors also receive reimbursement for reasonable travelling, accommodation and other expenses incurred in the course of performing their duties. Other than as Chair of the Audit & Risk Committee, and any potential fees received from the Special Governance Allocation, Directors do not receive any additional fees for positions on Committees of the Board or subsidiary companies. Directors fees exclude GST, where applicable.

As at 1 April 2021, there were six Directors of Pacific Edge, with five non-executive and 1 executive Director. During the year, David Darling retired as executive Director (January 2022). Since 1 April 2021 there have been two appointments, with Mark Green in May 2021 and Tony Barclay in March 2022. As at 31 March 2022, there were seven non-executive Directors of Pacific Edge.

Non-executive Directors received the following Directors' fees from the Company in the year ended 31 March 2022:

DIRECTORS' FEES	FY22 (NZ\$000)	FY21 (NZ\$000)
Pacific Edge Limited Board		
C. Gallaher (Chair)	103	80
S. Park	70*	49
B. Williams (Deputy Chair)	68	50
A. Masfen	60*	44
A. Stove	55	2
M. Green (appointed 10 May 21)	55*	-
T. Barclay (appointed 21 Mar 22)	2	-
D. Levison (USA) (resigned 19 Nov 20)	-	53
<b>TOTAL</b>	<b>413</b>	<b>278</b>

\*Includes payments made to Directors out of the Special Governance Allocation relating to the performance of duties that are considered additional to the expected duties of the Board. These additional duties related to the Company's capital raise and dual listing on the Australian Stock Exchange and recruitment of Peter Meintjes as CEO of the Company.

## CHIEF EXECUTIVE OFFICER REMUNERATION

The review and approval of the Chief Executive Officer's (CEO) remuneration is the responsibility of the Board. The remuneration of the CEO for the year ended 31 March 2022 is detailed as between each of the exiting CEO, David Darling and the continuing CEO, Peter Meintjes for their respective periods in the role of CEO during the year ended 31 March 2022.

### Structure

The exiting CEO's remuneration comprised:

- A fixed base salary, including Kiwisaver contributions by the Group;
- An at risk short term incentive (STI) payable annually of up to 40% of the base salary subject to agreed upon criteria in the areas of health and safety, staff engagement, profitability and cashflow;
- An at risk STI payable on attainment of agreed upon commercial milestones; and
- A long term incentive (LTI) which includes non-cash share options granted by the Company that will vest, based on vesting criteria over three years after the grant date.

The continuing CEO's remuneration comprises:

- A fixed base salary, including Kiwisaver contributions by the Group;
- An at risk short term incentive (STI) payable annually of up to 40% of the base salary subject to the Board's assessment of performance; and
- A long term incentive (LTI) which includes non-cash share options granted by the Company that will vest, based on vesting criteria, over five years after the grant date (further detail provided on the following page).

## Cash Remuneration

	Fixed remuneration (salary and Kiwisaver) (NZ\$000)	Payments as an Independent Contractor pre Employment	STI Cash (NZ\$000)	STI % achieved	Total cash remuneration (NZ\$000)
<b>Peter Meintjes</b>					
FY22	109	105	-	-	<b>214</b>
FY21	-	-	-	-	-
<b>David Darling</b>					
FY22	379	-	- **	-	<b>379</b>
FY21	390	-	231*	75%	<b>621</b>

\* STI Cash for FY21 includes STI relating to the FY20 paid in FY21 (\$6,000), plus STI on the achievement of the milestones of obtaining coverage from the Centers for Medicare & Medicaid Services and signing the commercial contract with Kaiser Permanente.

\*\* An accrual for a bonus payment to David Darling of \$185,970, made up of 50% cash (\$92,985) and 50% shares issued at the market price of \$1.00 (\$92,985) was included in the FY22 Accounts. The issue of shares and cash bonus occurred during April 2022.

## Non-cash Remuneration

During FY22, Peter Meintjes, was granted 3,000,000 options, which vest based on agreed vesting criteria between 2023 and 2027.

The Issue of options to acquire ordinary shares pursuant to an option agreement between Peter Meintjes and the Company occurred on the 18th February 2022. Subject to the continuous employment of the option holder (other than as a result of death or disability), the options will vest in five equal tranches on each of the first five anniversaries of 17 January 2022, as follows:

- Year 1 - 600,000 options (Year 1 Shares)
- Year 2 - 600,000 options (Year 2 Shares)
- Year 3 - 600,000 options (Year 3 Shares)
- Year 4 - 600,000 options (Year 4 Shares)
- Year 5 - 600,000 options (Year 5 Shares)

Options must be exercised within 4 years of the relevant vesting date, unless the option holder ceases to be an employee of the Company (or a subsidiary) other than as a result of permanent retirement, death or disability in which case all options that have vested must be exercised within one month of the date on which the option holder ceases to be employed.

Options are issued for nil consideration. Cash consideration of:

- NZD\$1.15 per share for the Year 1 Shares; and
- NZD\$1.25 for the Year 2 – Year 5 Shares,

is payable on the exercise of the Options.

A payment totalling \$3,690,000 would be required, if all options are exercised.

## EMPLOYEE REMUNERATION

Employee Remuneration consists of a fixed salary and on an employee-by-employee basis may also include variable or “at-risk” remuneration.

Fixed remuneration includes: an individual’s base salary, for core responsibilities, capability and performance, along with any superannuation scheme contributions by the Group and any other health or disability benefits provided by the Group. The base salary is benchmarked to the market.

Variable remuneration includes:

- short term incentives that are linked directly to the Company’s performance and designed to reward permanent employees for Company successes and high performance across any given year. Short term incentives may be paid out in either cash, and/or ordinary shares in the Company at the discretion of the Company.
- long term incentives for selected employees consist of share options, allowing the employee to obtain ordinary shares in the Company. Incentive options typically vest over three years and there is a 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 vesting date. No options can be exercised later than the tenth anniversary of the final vesting date. Share options are deemed non-cash remuneration and are accounted for accordingly.

The table on pages 91 and 92 shows the number of employees and former employees of the Group, not being Directors of the Group, who, in their capacity as employees, received remuneration and other benefits during the period ended 31 March 2022 totalling at least \$NZ\$100,000.

This includes cash remuneration and expenditure related to ordinary shares paid in lieu of cash bonuses and excludes the value of share options that have vested but have not been exercised.

The Group operates in New Zealand, Australia, Singapore and the United States where market remuneration levels differ. Of the employees noted in the table below, 71% are employed by the Group outside New Zealand. The offshore remuneration amounts are converted into New Zealand dollars.

During the year, 52 employees or former employees of the Group, not being Directors of the Company, received remuneration and other benefits that exceeded NZ\$100,000 in value as follows:

Employee Remuneration (NZ\$000)	2022	2021
700,000 - 710,000	-	1
670,000 - 680,000	-	1
580,000 - 590,000	1	-
530,000 - 540,000	1	-
520,000 - 530,000	-	1
480,000 - 490,000	-	1
470,000 - 480,000	1	-
460,000 - 470,000	1	-
440,000 - 450,000	-	1
420,000 - 430,000	1	-
390,000 - 400,000	1	-
370,000 - 380,000	1	-
360,000 - 370,000	1	-
350,000 - 360,000	1	-
340,000 - 350,000	-	1
320,000 - 330,000	1	-
310,000 - 320,000	1	1
300,000 - 310,000	1	1
290,000 - 300,000	1	1

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Employee Remuneration (NZ\$000)	2022	2021
280,000 – 290,000	2	1
270,000 – 280,000	1	-
260,000 – 270,000	4	1
250,000 – 260,000	3	1
240,000 – 250,000	1	2
230,000 – 240,000	3	3
220,000 – 230,000	1	2
210,000 – 220,000	3	-
200,000 – 210,000	3	2
190,000 – 200,000	1	-
180,000 – 190,000	2	2
170,000 – 180,000	1	1
160,000 – 170,000	1	2
140,000 – 150,000	1	1
130,000 – 140,000	-	1
120,000 – 130,000	1	-
110,000 – 120,000	1	1
100,000 – 110,000	10	3
	<b>52</b>	<b>34</b>

The table above includes both fixed and variable cash remuneration as described above, including base salaries, superannuation contributions, contributions to health and disability plans and cash-based short-term incentives. The table above excludes any non-cash long-term incentives that have vested but have not been exercised.

#### DIRECTORS AND OFFICERS INSURANCE

In accordance with the Companies Act 1993 and the constitution of the Company, Pacific Edge indemnifies and insures its Directors and Officers, including Directors and Officers of subsidiary companies within the Group, in respect of liability incurred for any act or omission in their capacity as a Director or Officer of the Company. This insurance includes defence costs. If an act or omission was to occur that was covered by this insurance, the Company would pay the liability of the act or omission and be reimbursed by the insurer.

## RISK ANALYSIS

As a growth company, there are a number of risks which could impact business. We believe it is important for our shareholders to have an understanding of these risks and the processes the Board and management have put in place to mitigate these risks.

The Board provides oversight of the senior leadership's management of key risks. The Audit & Risk Committee reports to and assists the Board by identifying and reviewing the key risks, assessing their materiality, ensuring the risk management processes are adequate, the Board has reliable information and future events that may create uncertainty or pose a risk are identified and considered.

The COVID-19 pandemic continued to have an impact on the throughput, revenue and expenses of the group for the year ended 31 March 2022, and remains a risk to the business for the foreseeable future. While throughput quantities for the group were up 46% on the prior corresponding year, the restricted access to clinics has offset some of the increases expected from the increased Sales and Marketing expenditure (up 55% on the prior corresponding year).

The Group has Cash, Cash Equivalents and Short Term Deposits of \$105,412,000 as at 31 March 2022 which provides confidence in the ability of the Group to manage any on-going impacts caused by Covid-19.

Risk	Mitigation
Market disruption negatively impacts sales volumes	<p>The Board acknowledge the high concentration of revenue generated from the US Market. Mitigation can come from multiple market and product exposure, which reduces market disruption risk. As we introduce additional products in new areas, we will continue to reduce our exposure to any potential geographic or product market disruption.</p> <p>Controlling and managing the sales and marketing and the laboratory through our Pacific Edge Diagnostics USA Ltd senior executives who are based in the key US market provides greater control to counter market disruption.</p> <p>Addition of in-home-sampling enables continuation of tests during disruption caused by inability of patients to visit clinics.</p> <p>Strengthened balance sheet with strong cash reserves provides ability to continue to operate during disruption.</p>
Manufacturing disruption negatively impacts our ability to operate and /or meet our User Experience standards	<p>We have CLIA certified laboratories in both USA and New Zealand able to provide backup if one laboratory is disrupted, providing test performance continuity.</p> <p>Dedicated supply chain logistics manager and alternative suppliers validated which has maintained consumables' supplies during the COVID-19 pandemic.</p> <p>Increased stock held to mitigate the risk of delays in supply.</p> <p>Insurance policies in place and reviewed regularly including business continuity.</p>
Key person risk – loss of key capability at short notice	<p>We have cross training for key roles and Employment Agreements generally include 3 month notice periods.</p> <p>New CEO (Peter Meintjes) has been recruited (January 2022), with prior CEO (David Darling) continuing to be engaged as a consultant, providing business continuity and risk mitigation.</p> <p>Appropriate remuneration with a mix of short and long term incentives including share options are provided to promote attraction and retention of key staff.</p>

Risk	Mitigation
Regulatory or policy changes impact our ability to operate in the US Markets	<p>Completed clinical studies have validated our test performance.</p> <p>Clinical studies in progress targeted to provide clinical utility data supporting wider adoption by the medical community and wider reimbursement by funders and third party payers.</p> <p>We have dedicated specialists working in Accounts and Payer Relationships.</p> <p>We have negotiated agreements in place with major medical insurers in the USA.</p> <p>We continue to invest in Research and Development for Cxbladder products, focused on providing ongoing improvements in test performance.</p> <p>In the USA we have added a VP of Medical Affairs and are expecting to increase the number of Medical Science Liaisons (MSLs) to promote adoption in the medical community by</p> <ul style="list-style-type: none"> <li>- Reviewing clinical practice to ensure that Cxbladder products are utilized compliantly with our LCD with established medical necessity</li> <li>- Communicating our clinical evidence portfolio as scientific peers to our clinician customers in support of the sales process</li> <li>- Serving as scientific experts to internal colleagues at Pacific Edge</li> <li>- Establishing Key Opinion Leader (KOL) engagement programs, such as Speakers' Bureau and Advisory Boards to foster greater clinical acceptance</li> <li>- Working with clinical study sites to enrol eligible patients in our clinical studies</li> </ul> <p>We are investing in growing the sales and marketing presence in the USA.</p> <p>We are targeting growth in markets outside the USA, including New Zealand, Australia, and Singapore to offset the single market risk.</p>
Loss of key customer	<p>Increased sales and marketing investment is targeting growing the customer base, reducing the reliance on single customer. Investment in clinical evidence and research and development to improve product performance will also provide increased usage within the key markets and increase the incentives for customers to order and reimburse the Cxbladder range of products.</p>
Competitor activity	<p>We have yet to see any successful commercial competition in the bladder cancer diagnostic field from new advanced molecular diagnostics.</p> <p>Cxbladder has an evidence portfolio that would take substantial time and money to replicate.</p> <p>We continue to invest in Research and Development for Cxbladder products, focused on providing ongoing increased test performance and value for clinical decision making.</p> <p>We are focused on building a strong and loyal customer base through an excellent customer experience.</p>
Know-how and Intellectual property are jeopardised	<p>We have an extensive intellectual property patent portfolio, which is supplemented by trade secrets which are protected and secured.</p> <p>Continued investment in research and development targeting new and improved products reduces the risk and impact of existing intellectual property being jeopardised.</p>

Risk	Mitigation
Maintaining regulatory compliance in order to market and sell product and maintain market confidence	<p>We establish our standard operating procedures with the advice of relevant industry experts across legal, regulatory and quality compliance.</p> <p>We continuously monitor the regulatory environment for changes that may affect our business.</p> <p>We have a successful history of regulatory review in both operating laboratories in New Zealand and the USA.</p> <p>We are ISO9001:2015 certified and conduct internal audits at planned intervals to verify that our Quality Management System is effectively implemented and maintained.</p>
Financial failure due to lack of capital and high cash burn	<p>The Company closely manages its capital. It had \$105.4m of cash and cash equivalents as at 31 March 2022, which the Board believes is sufficient to deliver the Company's strategic plan.</p> <p>Controlled expansion is dependent on achievement of business milestones to ensure cash burn is managed within the capital available.</p>
FX Risk, counterparty risk, liquidity risk and interest rate risk	<p>A new Treasury Policy has been adopted in the past 12 months, providing policy to manage liquidity risk, FX risk, counterparty credit risk, cash management and interest rate risk. The Treasury Policy is reviewed at regular meetings of the board and is monitored by the Audit &amp; Risk Committee.</p>
Health and safety- work-related injuries or illness	<p>We report our health and safety progress regularly to the Board of Directors.</p> <p>The Group is engaging external consultants to conduct a complete review of the Health and Safety policies and framework within the Group.</p>
Cyber security and data protection – cyber attack results in disruption to operations and/or data breach	<p>Regular monitoring and reporting of network security, including the use of independent reviews and audits to test and identify potential risks. Appointment of Chief Digital Officer - May 2021.</p>
Share registry risks including lack of liquidity in the Company's shares	<p>We are aware of the risks associated with our shares, such as low levels of liquidity, a number of large investors, high volatility in share price and external influences from investor confidence. The dual listing on the ASX in September 2021 provides some mitigation to this risk.</p> <p>We have an investor relations activity programme that seeks to inform both existing and potential investors about the Group.</p>

# STAUTORY INFORMATION

For the year ended 31 March 2022

## DIRECTORS' INTERESTS

The company maintains an Interests Register in accordance with the Companies Act 1993 and the Financial Markets Conduct Act 2013.

Directors disclosed interests, or cessation of interest, in the following entities pursuant to section 140 of the Companies Act 1993 during the year ended 31 March 2022.

Director/Entity	Relationship
<b>C. Gallaher</b>	
Mariposa Ltd	Chairman
VinLink Marlborough Ltd	Chairman
<b>S. Park</b>	
Eurogrow Potatoes Limited	Director
National Provident Fund	Trustee
Hawkes Bay Airport Limited	Director
Hawkes Bay Airport Construction Limited	Director
Waiapu Anglican Social Services Trust	Chair of Audit & Risk Committee
Rapid Response Nursing Limited	Director and Shareholder
Even Capital GP Limited	Director and Shareholder
Scotch and Sparkles Limited	Director and Shareholder
<b>B. Williams</b>	
Cartherics Pty Ltd	Director & Shareholder
Pacifik Biopharma Ltd	Director & Shareholder
Cleveland Clinic	Consultant & Advisor
EngeneIC Pty Ltd	Director & Shareholder
<b>A. Masfen</b>	
Albert Nominees Limited	Director
Artemis Capital Limited	Director
Masfen Securities Limited	Director
Mill Creek Limited	Director
Pure Food Limited	Director and Shareholder
TBL Trustees Limited	Director
TBL Holdings Limited	Director
TecTrax Limited	Director
Vesper Marine Limited	Director
Vesper Innovations Limited	Director
Windfarm Group W2 Limited	Director
<b>A. Stove</b>	
Rua Bioscience Limited	Director and Shareholder
TAB New Zealand Limited	Deputy Chair
<b>M. Green</b> (Appointed 10 May 2021)	
Obsidian Capital & Advisory Limited	Director and Shareholder
Mariposa Holdings Limited	Director
Astrolab VC Investment Committee	Chair
The Better Product Group Limited	Director and Shareholder
<b>T. Barclay</b> (Appointed 21 March 2022)	
Izon Science Limited	Chair
Baymatob Operations Pty. Ltd	Chair
Veriphi Limited	Director

## DIRECTOR APPOINTMENT DATES

The dates below are the first appointment dates for all current Directors. Directors have been re-appointed at Annual Shareholder Meetings, when retiring by rotation.

T. Barclay	21 March 2022
C. Gallaher	1 July 2016
M. Green	10 May 2021
A. Masfen	1 April 2008
S. Park	5 December 2018
A. Stove	15 March 2021
B. Williams	1 June 2013

T. Barclay will be standing for election by shareholders at the FY22 Annual Shareholder Meeting.

C. Gallaher and S. Park will retire and stand for election by shareholders at the FY22 Annual Shareholder Meeting.

## DIRECTORS' SECURITY HOLDINGS

Securities in the Company in which each Director and associated person of each Director, has a relevant interest, are specified in the table below as at 31 March 2022.

Number of Equity Securities	2022	2021
T. Barclay	20,000	-
D. Darling *	8,028,229	8,772,072
C. Gallaher	602,058	547,058
M. Green	-	-
A. Masfen	-	-
S. Park	58,591	55,900
A. Stove	5,000	5,000
B. Williams	237,427	197,127

\* During the year D. Darling ceased to be a Director of the Company. The information provided in the table above is consistent with disclosures made to the market through the New Zealand Stock Exchange. The total holding of 8,028,229 equity securities is made up of 4,611,562 ordinary shares in the Company and 3,416,667 options to acquire ordinary shares in the Company.

## SECURITY DEALINGS OF DIRECTORS

### D. Darling

- Exercised 750,000 options converting these to shares during the year.
- Purchased 37,037 shares under the terms of the retail offer to shareholders during the year.
- Sold 780,880 shares on market during the year.

### C. Gallaher

- Purchased 55,000 shares under private placement during the year.

### S. Park

- Purchased 2,691 shares under the terms of the retail offer to shareholders during the year.

### B. Williams

- Purchased 40,300 shares on market during the year.

**INFORMATION USED BY DIRECTORS**

The Board of Directors received no notices from Directors wishing to use Company information received in their capacity as Directors, which would not have ordinarily been available.

**INDEPENDENCE**

The following Directors are considered by the Board to be independent, as defined under the NZX Main Board Listing Rules, as at 31 March 2022:

T. Barclay, C. Gallaher, M. Green, A. Masfen, S. Park, A. Stove, and B. Williams,

**SUBSIDIARY COMPANY DIRECTORS**

Section 211(2) of the Companies Act 1993 requires the company to disclose, in relation to its subsidiaries, the total remuneration and value of other benefits received by Directors and former Directors, and particulars of entries in the interests registers made during the year ended 31 March 2022.

No subsidiary has Directors who are not Directors of Pacific Edge Limited or employees of the Group with the exception of Pacific Edge Diagnostics Singapore Pte Ltd, which is required to have a Nominee Director resident in Singapore. The remuneration and other benefits of such Directors are included in the Directors Remuneration section of this report and the remuneration and other benefits of employees totalling NZ\$100,000 or more during the year ended 31 March 2022 are included in the relevant bandings for remuneration above.

No remuneration is paid to any Director of a subsidiary company for their position as Director of that subsidiary company except for the Nominee Director in Singapore. Pacific Edge Diagnostics Singapore Pte Ltd pay Tricor Singapore Pte Ltd for this function on an arm's length basis.

The persons who held office as Directors of subsidiary companies at 31 March 2022 are as follows:

Pacific Edge Diagnostics New Zealand Limited	S. Park, A. Masfen, M. Green
Pacific Edge Analytical Services Limited	S. Park, A. Masfen, M. Green
Pacific Edge Diagnostics USA Ltd	B. Williams, C. Gallaher, J. Walker
Pacific Edge Pty Ltd	B. Williams, C. Gallaher, P. Meintjes
Pacific Edge Diagnostics Singapore Pte Ltd	B. Williams, Wee Choo Peng

**TWENTY LARGEST EQUITY SECURITY SHAREHOLDERS AS AT 31 MAY 2022**

Rank	Registered Shareholder	Number of Shares	% of Total Shares
1	New Zealand Central Securities Depository Limited	319,844,979	39.48
2	Forsyth Barr Custodians Limited	52,130,654	6.43
3	FNZ Custodians Limited	46,104,252	5.69
4	New Zealand Depository Nominee	23,557,220	2.91
5	Masfen Securities Limited	22,121,378	2.73
6	K One W One Limited	21,091,520	2.60
7	Pt Booster Investments Nominees Limited	13,988,802	1.73
8	Custodial Services Limited	12,498,591	1.54
9	JBWERE (Nz) Nominees Limited	10,913,848	1.35
10	Leveraged Equities Finance Limited	7,902,132	0.98
11	Forsyth Barr Custodians Limited	6,143,505	0.76
12	Carol Anne Edwards & Graeme Brent Ramsey	5,537,037	0.68
13	FNZ Custodians Limited	4,602,103	0.57
14	Steven Cyril Hancock & Bronwyn Hilda Hancock	3,640,000	0.45
15	Kevin Glen Douglas & Michelle Mckenney Douglas	3,425,000	0.42
16	Minggang Chen	3,000,000	0.37
17	National Nominees Limited	2,816,968	0.35
18	Ballynagarrick Investments Limited	2,615,671	0.32
19	Hobson Wealth Custodian Limited	2,229,960	0.28
20	HSBC Custody Nominees (Australia) Limited	2,143,381	0.26
	<b>Total</b>	<b>566,307,001</b>	<b>69.90</b>

**SHAREHOLDERS HELD THROUGH NZCSD AS AT 31 MAY 2022**

New Zealand Central Securities Depository Limited (NZCSD) provides a custodian depository service that allows electronic trading of securities to its members and does not have a beneficial interest in these shares. As at 31 May 2022, the ten largest shareholdings in the company held through NZCSD were:

Rank	Registered Shareholder	Number of Shares	% of Total Shares in the Company
1	HSBC NOMINEES (NEW ZEALAND) LIMITED	61,803,735	7.63
2	CITIBANK NOMINEES (NZ) LTD	43,358,139	5.35
3	TEA CUSTODIANS LIMITED	39,514,761	4.88
4	PREMIER NOMINEES LIMITED	32,881,125	4.06
5	BNP PARIBAS NOMINEES NZ LIMITED	28,747,199	3.55
6	JPMORGAN CHASE BANK	22,057,620	2.72
7	ACCIDENT COMPENSATION CORPORATION	20,523,537	2.53
8	PRIVATE NOMINEES LIMITED	13,818,068	1.71
9	COGENT NOMINEES (NZ) LIMITED	8,042,378	0.99
10	HSBC NOMINEES (NEW ZEALAND) LIMITED	7,403,451	0.91
	<b>Total</b>	<b>278,150,013</b>	<b>34.34</b>

**SPREAD OF SECURITY HOLDERS AS AT 31 MAY 2022**

	No. of Ordinary Security Holders	% of Issued Capital
1 - 1,000	926	0.06%
1,001 - 5,000	2,173	0.76%
5,001 - 10,000	1,256	1.18%
10,001 - 50,000	2,212	6.19%
50,001 - 100,000	455	4.05%
Greater than 100,001	525	87.76%
<b>Total Security Holders</b>	<b>7,547</b>	<b>100.00%</b>

**SUBSTANTIAL PRODUCT HOLDERS**

The following substantial product holder information is given pursuant to section 293 of the Financial Markets Conduct Act 2013. These substantial product holders are shareholders who have a relevant interest of 5% or more of a class of quoted voting products of the Company.

As at 31 March 2022, details of the substantial product holders of the Company and their relevant interests in the Company's Shares are as follows:

Name of Substantial Product Holder	Number of Ordinary Voting Securities as at 31 March 2022	% of Issued Capital
ANZ New Zealand Investments Limited, ANZ Bank New Zealand Limited and ANZ Custodial Services NZ Ltd	45,015,065	6.175%
Westpac Banking Corporation	52,810,384	6.700%
Salt Funds Management Limited	48,114,089	5.944%
Harbour Asset Management Limited and Jarden Securities Limited	119,715,899	14.778%

**DONATIONS**

The Group made no donations during the year.

**CREDIT RATING**

The Company currently does not have a credit rating.

**WAIVERS FROM NZX LISTING RULES**

No waivers were granted by NZX during the year ended 31 March 2022.

**EXERCISE OF NZX POWERS (LISTING RULE 9.9.3)**

NZX did not exercise its powers during the year under Listing Rule 9.9.3.

**COMPANY DIRECTORY**

As at 31 March 2022

**Issued Capital**

810,087,233 Ordinary Shares

**Registered Office**

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

**Directors**

C. Gallaher – Chairman  
A. Masfen  
S. Park  
B. Williams  
A. Stove  
M. Green (appointed 10 May 2021)  
T. Barclay (appointed 21 March 2022)  
D. Darling (ceased 17 January 2022)

**Chief Executive Officer**

Peter Meintjes

**Nature of Business**

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

**Auditors**

PricewaterhouseCoopers  
Dunedin

**Bankers**

Bank of New Zealand  
Dunedin

ANZ  
Dunedin

Kiwibank  
Dunedin

Westpac  
Dunedin

**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**

27th February 2001

**PACIFIC EDGE COMMUNICATIONS****Websites**

[www.pacificedgedx.com](http://www.pacificedgedx.com)  
[www.cxbladder.com](http://www.cxbladder.com)

**Facebook**

[www.facebook.com/PacificEdgeLtd](https://www.facebook.com/PacificEdgeLtd)  
[www.facebook.com/Cxbladder](https://www.facebook.com/Cxbladder)

**Twitter**

@PacificEdgeLtd  
@Cxbladder

**LinkedIn**

[www.linkedin.com/company/pacific-edge-ltd](https://www.linkedin.com/company/pacific-edge-ltd)

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