PACIFIC EDGE LIMITED

Annual Report 2011

PACIFIC EDGE LTD

We develop and commercialise new diagnostic and prognostic tools for the early detection and management of cancers.

Contents

David Darling, CEO, Pacific Edge Limited.

Company Directory

for the year ended 31 March 2011

Issued capital

172,158,021 ordinary shares
190,625 Series A convertible shares
300,000 redeemable shares (part-paid)

Registered office

Level 13 Otago House
481 Moray Place
Dunedin

Directors

C J Swann — Chairman
D Band
C E Dawson
P Foster
A Masfen
AE Reeve

Chief Executive Officer

David Darling

Auditors

PricewaterhouseCoopers
Dunedin

Bankers

Bank of New Zealand
Dunedin

Solicitors

Anderson Lloyd Lawyers
481 Moray Place
Dunedin

Securities registrar

Link Market Services Limited
138 Tancred St
Ashburton

Accountants

Deloitte
Otago House
481 Moray Place
Dunedin

Company number

DN 1119032

Date of formation

17 May 2001

Company Directory CONTINUED

for the year ended 31 March 2011

Scientific Advisory Board

Pacific Edge has a world-class Scientific Advisory Board (see table below). The members' skills and experience cover a range of disciplines, from clinical medicine and pathology through to commercial biotechnology research and development.

The New Zealand-based team members spend significant time in Pacific Edge's offices and laboratories reviewing progress and advising on science and strategy. The international members visit New Zealand regularly, which helps Pacific Edge keep up to date with international issues and opportunities as well as the rapidly changing technology

Name	Position	Organisation	Country
Anthony Reeve (Chair)	Professor Director	Department of Biochemistry University of Otago Cancer Genetics Laboratory University of Otago	New Zealand
Parry Guilford	Chief Scientific Officer Associate Professor	Pacific Edge University of Otago	New Zealand
Murray Brennan	Physician Vice-President for International Programs	Memorial Sloan Kettering Cancer Centre	USA
Bryan Williams	Director	Monash Institute of Medical Research Monash University	Australia
Osamu Ogawa	Professor Chairman	Department of Urology Kyoto School of Medicine	Japan
Paul Spence	Chief Scientific Officer	Sova Pharmaceuticals	USA
Nik Kasabov	Head of Knowledge Engineering Discovery Research Institute (KEDRI)	Knowledge Engineering School of Computer & Information Sciences Auckland University of Technology	New Zealand
Mike Sullivan	Assoc Professor	Department of Pediatrics Christchurch School of Medicine University of Otago	New Zealand
Han Seung Yoon	Professor of Pathology Clinical Director of Anatomical Pathology	Department of Pathology School of Medicine University of Otago	New Zealand

Clinical Advisory Board
Pacific Edge has a Clinical Advisory Board to provide expert advice on market penetration of the Cx*bladder*® technology in Australia, New Zealand and the United States.

Name	Position	Organisation	Country
Peter Gilling	Consultant Urologist Head of Department Urology	Tauranga Hospital Promed Urology	New Zealand
Peter Davidson	Consultant Urologist Trustee of CURT	Urology Associates Canterbury Urological Research Trust (CURT)	New Zealand
Mark Fraundorfer	Consultant Urologist	Tauranga Hospital Promed Urology	New Zealand
Robert Geltzenberg	Director of Research Professor of Urology	James Buchanan Brady Urological Institute Johns Hopkins University School of Medicine	USA
Sharok Shariat	Surgeon and Specialist in Urologic Oncology	Department of Urology New York-Presbyterian Hospital Weill Medical College Cornell University	USA
Jay Raman	Chief Resident in Urology	Department of Urology New York-Presbyterian Hospital Weill Medical College Cornell University	USA

Directors' Report

for the year ended 31 March 2011

The directors present their annual report, including financial statements of the Company and the Group for the year ended 31 March 2011.

Section 211 of the Companies Act 1993 requires the following disclosures:

The business of the Company is developing and commercialising new diagnostic and prognostic tools for the early detection and management of cancers. The subsidiary manages and operates the laboratory used for the detection of bladder cancer.

The nature of the Company's business has not changed during the year.

Auditors

The Group's auditors are Pricewaterhouse-Coopers. Audit fees payable for the year were $17,500. Pricewaterhouse-Coopers are willing to continue in this role.

Directors' disclosures

The following disclosure was recorded in the interest register:

> A G H Masfen bought 1,381,058 ordinary shares.

Directors' remuneration

Directors were paid as follows:

Director	2011 $	2010 $
C J Swann (Chairman)	22,292	15,000
D C Band	14,083	10,000
J D Cochrane (resigned)	7,500	10,000
C E Dawson	14,083	10,000
J P Foster	14,083	10,000
A E Reeve	9,917	–
A G H Masfen	6,584	–
Total	88,542	55,000

Other remuneration	2011 $	2010 $
A E Reeve — consultancy fee	35,389	25,001

The following directors held office at 31 March 2011:

C J Swann (Chairman), D Band,
C E Dawson, P Foster,
A G H Masfen and A E Reeve.

Johnny Cochrane resigned as a director on 26 August 2010.

No other person was a director at any time during the year.

The board of directors received no notices from directors wishing to use company information which they had received in their capacity as directors but which would not have been available ordinarily.

Donations

The Company and the Group have made no donations during the year.

Employee remuneration

See the chart below for the number of employees who received benefits of more than $100,000.

Employee remuneration	2011	2010
$100,000 – $109,999	1	–
$110,000 – $119,999	1	–
$150,000 – $159,999	–	1
$200,000 – $209,999	–	1
$230,000 – $239,999	1	–

On behalf of the board of directors,

Director_____

Director_____

Dated 30 June 2011

Chairman's and Chief Executive's Report

for the year ended 31 March 2011

Throughout 2010 we worked on completing the commercial product Cxbladder®. Early in 2011 we launched our first diagnostics laboratory to offer Cxbladder® to clinicians in Australia and New Zealand.

Our Company had a great year in 2010. We have moved a long way from a research-oriented operation to a cancer-focussed molecular-diagnostic company — one of New Zealand's first.

We have been living our strategy of building shareholder value through good management of the assets and through the building of marketable products.

This year has seen us complete our clinical trial for our bladder cancer detection test, involving 467 patients in various international centres. This trial, a big investment for the company, success-
fully met its goals, showing that Cxbladder® significantly outperformed the other bladder cancer tests used in the study. This outcome has now provided Pacific Edge with its first commercial product, Cxbladder® .

In 2010 we have seen another significant milestone: the completion of the retrospective clinical trial in Europe.

This successful study, completed by Signature Diagnostics, was publicly announced at the prestigious scientific congress the American Society for Clinical Oncology (ASCO) in 2010. This outcome validates our colorectal cancer technology and is expected to pave the way for further revenue as we look to bring this test to the market.

This successful study was publicly announced at the prestigious scientific congress the American Society for Clinical Oncology in June 2010. This outcome strongly validates our colorectal-cancer prognostic technology and will pave the way for further revenue as we look to bring this test to the market.

The Pacific Edge colorectal cancer prognostic test enables clinicians to clearly identify which patients who have already been diagnosed with stage II or stage III colorectal cancer have an aggressive disease. There are no conventional products available to the clinician to do this at present, so these patients go largely undetected until the disease progresses. A new product that can accurately identify these patients will meet a very large clinical need and enable these patients to get appropriate and timely treatment.

In another first in 2010, we have now set up the first commercial molecular diagnostics laboratory for cancer in New Zealand. With this development, we are dedicated to servicing the needs of clinicians in Australia and New Zealand with our fast, accurate, non-invasive urine test for bladder cancer, Cx***bladder***.

So, with one successfully launched cancer diagnostic product, we have seen a number of tests flowing into our new laboratory. These early tests have enabled us to validate the full commercial laboratory processes necessary for successful licensing. This new turn-key laboratory technology has enabled us to sign up the prestigious commercial partners, Healthscope and Oryzon, in Australia and Spain respectively.

Cx*bladder*® is now on the market in New Zealand and Australia and will be available in Spain and Portugal later this year.

Pacific Edge and our commercial partners Healthscope and Oryzon, are excited to introduce this novel, accurate and non-invasive diagnostic technology for bladder cancer to healthcare professionals in these markets.

Our new laboratory is dedicated to Cx*bladder*® and based in Dunedin, New Zealand. The laboratory is capable of handling 35,000 samples a year from an estimated total market of 55,000 to 85,000 tests a year in Australian and New Zealand.

In early 2011, Pacific Edge signed up leading Australian pathology and healthcare provider Healthscope Pathology to take Cx*bladder*® to the Australian market. This will enable us to reach out to a large number of clinicians and physicians in Australia.

Healthscope's molecular-diagnostic laboratory in Melbourne will also run the Cx*bladder*® technology to supplement the scale and capability of our Dunedin diagnostics laboratory.

Healthscope, premier pathology and healthcare provider, operates in every Australian state and territory as well as in Asia. It is the second largest Australian provider of private hospitals, with 44. Healthscope also operates a leading pathology business with facilities in Australia, New Zealand, Singapore, Vietnam and Malaysia; a growing medical-centres division with more than 48 clinics; and a diagnostic imaging division centred in major hospitals.

Australia and New Zealand

Through Pacific Edge's licence arrangement with Oryzon in Spain and Portugal, we can secure entry to the important European market.

Following our Healthscope arrangement, Pacific Edge exclusively licensed Oryzon to provide Cx*bladder*® to urologists and GPs in Spain and Portugal.

Considered the fastest growing biotechnology and molecular diagnostics company in Spain, Oryzon specialises in the discovery and commercialisation of biomarkers and biomarker tests for diagnostic and therapeutic applications in oncology and neuro-degenerative diseases. Oryzon was founded in 2000 as a spin-off of the University of Barcelona and CSIC. Today, with its international interdisciplinary team, Oryzon is recognised as the leading biomarker discovery and commercialisation company in Spain.

Spain and Portugal are key entry points in the European market for Pacific Edge. This market is roughly four times the size of the New Zealand and Australian markets combined. Spain has the world's highest incidence of bladder cancer per head of population. Around 200,000 of Spain's 46 million people will present to their medical practitioner or clinician with blood in their urine (haematuria), often a precursor to bladder cancer. This will lead to the identification of approximately 13,000 new bladder cancer incidences.

Spain and Portugal

SINGLE USE ONLY

*Cx**bladder**® is a sophisticated, accurate test for the detection of bladder cancer. It is targeted for use by clinicians on all patients who present with blood in their urine (haematuria).*

The Cx**bladder**® test is available to clinicians in Australia, New Zealand, Spain and Portugal as a central laboratory service. A central laboratory provides a single point of contact for all the clinicians in that specific market and enables the Company to provide a superior service at an optimum price.

To use the The Cx**bladder**® technology, clinicians and physicians (GPs) must use Pacific Edge's proprietary kit to collect a small sample of the patient's urine, which is then couriered to the central laboratory for analysis.

The lab for the New Zealand market is in Dunedin. Australia's lab is in Clayton, Melbourne. The Barcelona lab services both Spain and Portugal.

The test is analysed in the lab and the results are sent directly to the patient's specified clinician via a secure web portal. The turnaround time is quick, making the results available for timely and appropriate management of the patient's needs.

In another commercial milestone for the Company, we have made excellent progress with regulatory agencies in the first key markets. The Cx**bladder**® test kit is now registered with the Therapeutic Goods Administration (TGA), the Australian regulatory body for medical devices. It has also been registered with European regulatory authorities and issued with a CE mark for Spain, Portugal and Belgium. These regulatory achievements are essential as we seek to penetrate the Australian and European markets.

Cxbladder® sees nearly all bladder cancer tumours of concern to a urologist.

The clinical trial results show that Cx***bladder***® is much more accurate than other commonly used urine tests for bladder cancer. The interim analysis of the trial showed that the Cx***bladder***® test sees 100 per cent of late-stage tumours and 95 per cent of high-grade tumours.

These high-grade and late-stage tumours are of concern to urologists, and the clinical results show that Cx***bladder***® performs to a much higher level than the other technologies benchmarked in the trial.

Cx***bladder***® will offer urologists and GPs a complete replacement for cytology in their patients urological work-up. This represents a significant market, given that all patients who present to their healthcare professionals will receive one to three cytologies in the initial clinical work-up.

*The markets for Cx**bladder**® are extensive. Cx**bladder**® will be used clinically for both detecting bladder cancer and monitoring the patient for any recurrence or return of the cancer – something that is common for bladder cancer.*

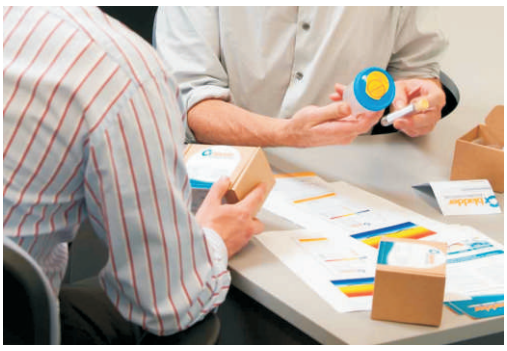
Every year in Australia and New Zealand, approximately 300 urologists see around 50,000 new patients who have presented to their GP or clinician with blood in their urine (haematuria).

By contrast, the US has some 17,000 urologists seeing around one million haematuria patients annually. A single urologist's investigative work-up of a patient with haematuria can cost more than $US1,000 — this places a burden of around $1 billion a year on the US healthcare system.

In each clinical work-up in Australia and New Zealand, the urologist can now supplement their clinical work-up with Cx**bladder**®. This will allow them to definitively triage, early on, those with bladder cancer from those who don't have the disease. We are confident Cx**bladder**® will completely replace the need for cytology in a urological work-up. It will also become the test of preference used with cystoscopy for monitoring recurrence. These two market segments are very large and provide a significant market opportunity for Pacific Edge's new technology.

Spain, by contrast, has the highest incidence of bladder cancer for its size. With a population of around 42 million, more than 200,000 people are expected to present to clinicians and physicians with bladder cancer each year. It is not clear to clinicians and scientists just why the Spanish people should have such a high incidence. It means that the cost to the Spanish healthcare system is very high. This represents a great opportunity for Cx**bladder**®.

Retail prices for Cx**bladder**® for New Zealand and Australian customers will be $NZ300 (ex GST) and $A240 respectively. There is a need for between 55,000 and 85,000 Cx**bladder**® tests a year, at a conservative estimate. In Spain and Portugal Cx**bladder**® is expected to have an equivalent price of approximately €200 and the US market is expected to launch with a retail price of $US500–800.



The last few years has seen the transformation of Pacific Edge as we have continued to develop of our first products.

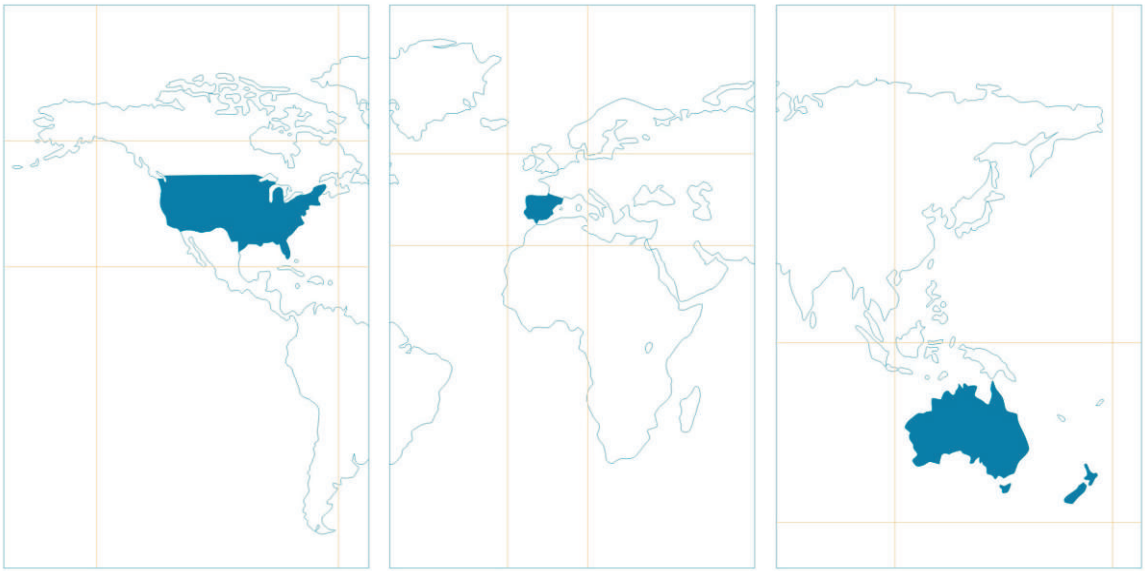
This transformation continues across the Company and from a research operation to a product-driven molecular diagnostics company concerned with providing high-performance diagnostic solutions for clinicians to use in tackling cancer.

In 2010, Pacific Edge appointed a manufacturer for the Cx*bladder*® sample kit as well asan independent logistics and distribution provider to ensure that the kits are delivered on time to clinicians and physicians.

The urine sample kit components for Cx*bladder*® are manufactured in Austria under strict GMP and GLP guidelines. The sample kit components are then sent to a contract service provider for assembly and distribution via two dedicated sites: one in Spain, for the Spanish and Portuguese markets; and one in Christchurch, New Zealand, for the trans-Tasman markets.

The Cx*bladder*® urine sampling kit is now registered for the Australian market under the Therapeutic Goods Administration (TGA) as a Class 1 in-vitro diagnostic. It has also received a 'European Conformity' (CE) mark from the European Union for Spain, Portugal and Belgium so Pacific Edge can distribute and use Cx*bladder*® in Europe.

PACIFIC EDGE'S TARGET MARKETS, 2011–2012



USA; Spain and Portugal; Australia and New Zealand

Opportunities and Risks

Principal Risk

The principal risk to shareholders is that they may be unable to recoup their original investment and may not receive any dividends or other distributions in respect of the shares. This could happen for a number of reasons including:

- The price at which a share can be sold is less than the price paid for the share;
- The market for our shares becomes illiquid or ceases to exist; or
- Our business circumstances change significantly, such that shareholders could receive none, or only some, of the amount they have invested.

The principal risk factors which may, either individually or in combination, affect our future operating performance and value include the risks outlined below.

Management

Pacific Edge, as an operating molecular diagnostics company for cancers, is subject to many industry-specific and company-specific opportunities and risks. These could, individually or combined, dramatically affect our revenue, earnings and financial situation, as well as our stock price.

Business-related opportunities, risks

We launched the first Pacific Edge diagnostic product, Cx*bladder*®, in May 2010. Whether we can bring in a strong revenue from our bladder cancer diagnostic test and our colorectal cancer diagnostic test will depend partly on how well we market and commercialise them. First we must launch the products successfully in reference laboratories and gain acceptance by the medical community and third-party players.

It is critical for us to get reimbursed for the tests by third parties and gain mass acceptance. So we and our partners need to convince key private health organisations and guideline-issuing bodies to include our tests in their cancer-screening guidelines.

Pacific Edge plans to take the Cx*bladder*® test direct to the market in the USA through a central service laboratory. Our current business model for this move involves offering Cx*bladder*® to clinicians and physicians through a laboratory certified under the Clinical Laboratories Improvement Act (CLIA certified laboratory) as a 'laboratory-developed test' (LDT).

Under this model, we will also depend on our partners to develop, commercialise, sell and distribute our products.

Through partnering and licensing, we can generate early revenue in the form of royalty income. Having launched Cx*bladder*® in the Asia-Pacific region and Europe, in collaboration with our partners Healthscope and Oryzon, we are now targeting laboratories in strong USA and Singapore markets.

We are also subject to certain risks related to partnering. Our partnerships are still new and need to develop their full commercial potential in the future. We intend to close additional licensing and partnering deals so we can access a wider global market. We are currently in discussion with new potential partners, but with no assurance that these discussions will be favourable. If our existing partners are not successful we may not find new partners and the planned royalty income will not be achieved.

The bladder cancer diagnostic field has yet to see any intense competition. However some competitors are expected to have made progress in the short term in developing other non-invasive bladder diagnostic tests. We and our partners must defend the lead we have in clinical validation with Cx*bladder*®, which is available as an IVD test kit in Australia, New Zealand and Spain. There is a risk that a competing product could detrimentally affect our business.

By building an extensive clinical network for our Cx*bladder*® clinical study as well as for in-market cohort studies in Spain, we have partly mitigated the risk of getting timely access to enough high-quality patient samples. This clinical network in New Zealand, Australia and Spain allows us to tap into significant resources and to leverage our existing partnerships for gaining further partners in the US or Europe.

Our market strategy for Cx*bladder*® in the US is to enter and offer the test as a central laboratory service through a 'Clinical Laboratory Improvement Administration' (CLIA) certified laboratory as a 'Laboratory Developed Test' (LDT). This approach does not currently require FDA approval.

Recently the Cx*bladder*® test kit has gained registration for the Australian market with the Australian regulatory body the Therapeutic Goods Administration (TGA). Cx*bladder*® kit has also received the regulatory approval of the European Conformity CE mark in Spain, Portugal and Belgium. Without such approvals, we would struggle to gain market acceptance and penetration, as well as reimbursement of our tests. These risks would materially affect our revenue, earnings, financial position and capital-raising ability. They could significantly devalue our shares in those markets. Similar risks exist in all our partnered programmes.

Opportunities and Risks CONTINUED

Intellectual property

Our business relies heavily on commercialising our intellectual property in the form of know-how, licences to third-party patents and our own patent applications. At risk are such things as:

- the scope, duration, depth and breadth of each claim
- its regional coverage
- difficulties enforcing our IP
- the potential for accidental infringing of others' IP.

Any of these factors could negatively affect our cost base; how we commercialise our products and close alliances; our revenue; and ultimately our overall commercial success.

In some jurisdictions, we might face a challenge to the validity, ownership or legal enforceability of our patents. If a competitor were to successfully challenge our patents or limit the coverage of our patents, we could lose important patent protection of our technologies. We would also find it hard to prevent others from using those technologies without compensating us. Litigation is very costly, and any delay in commercialising our products will divert our management's attention and resources.

Since we have grown our business from developing new products to marketing and selling them, patent protection is now even more important in preventing competitors from launching competitive products based on our bio-markers. To that end, we have conducted 'freedom-to-operate' analyses in key markets as well as for our future US product.

We have made great progress in expanding our IP portfolio and getting several key patents granted for cancer diagnosis and prognosis (such as our Cx*bladder*® biomarkers in New Zealand). This puts Pacific Edge in a strong position to provide attractive licensing opportu-nities for the growing number of commercial players active in molecular diagnostics. Our recent licensing deals underscore this opportunity.

Regulatory frameworks

The regulatory environment in cancer molecular diagnostics has become more challenging, especially concerning laboratory-developed tests/homebrew assays. This could affect the timing and cost as well as our ability to meet such regulatory standards. In parts, the regulatory frameworks are not fully established or clarified, as evidenced by a number of warning letters sent by the FDA to a number of diagnostics companies and large reference laboratories. This could damage our ability to generate revenue and put a burden on our cost base and earnings, financial position and competitiveness.

To mitigate this, we have sought advice from experienced advisors. Any change is likely to take some time, and lag behind any changes to healthcare systems. The FDA retains the right to review all processes, including CLIAs and LDTs. When the FDA mooted increasing regulatory process over 'in-vitro diagnostic multi-index assays' (IVDMIAs), this drew a strong backlash from molecular diagnostic companies. As a result, the agency's suggested changes were withdrawn. For us, this means that any such changes could bump up the cost of taking IVDMIAs to the market.

Financial opportunities and risks

At 31 March 2011, our available liquidity (cash, cash equivalents and marketable securities) amounted to $NZ2.486 million. So that we can be sure of having enough liquidity for our medium-term and longer-term operations, we need to strengthen our financial position. We are currently considering how best to do this.

Our operating activities are still making a loss and therefore consuming cash. With our recently announced licensing partnerships, we would reasonably expect an increasing revenue stream from product royalties as we enter and gain momentum in Australia, New Zealand, Spain and Portugal. Successful entry and rapid penetration in these markets will also further reduce any financial risks.

As we are located in New Zealand and will be operating in Australia and Spain soon and plan on gaining a strong presence in the US, we are subject to foreign-exchange rate risks. (At present, this is mainly limited to the AUD/NZD and NZD/Euro relationships.) In the future, our partners' and distributors' net sales may also be subject to foreign exchange risks and so our expected royalties may be indirectly exposed to additional price risks.

Opportunities and Risk CONTINUED

We will monitor these risks regularly and evaluate, in individual instances, whether we can reduce exposure from a single risk or risk bundle by hedging transactions. We should also mention that foreign currency-related transactions also offer opportunities.

Other opportunities and risks

We continuously monitor all applicable environmental, health-and-safety, operational and other statutory or industrial guidelines. At each of our locations, we have implemented functions and internal processes to comply with these. Where appropriate, we set aside provisions to cover any potential liability. Any significant breach could seriously affect our reputation and financial position.

Risk associated with shares

There are particular risks associated with our shares, such as:

- the large holdings of a small number of private and/or institutional shareholders
- low levels of liquidity in the shares
- potential volatility based on the above factors

Overall risk situation of Pacific Edge

The successful Cx*bladder*® clinical study has met its primary aims: with two commercial partners signed up in key markets and the launch of our laboratory in Dunedin.

With much of the product development and clinical-development risks reduced, we can focus on managing our commercial execution risks. These include guideline inclusion and reimbursement in major markets; future product development; and regulatory approval risks.

Other risks

In addition to these specific risks, we face the usual risks that arise in the normal course of operating our business, such as:

- potential changes to existing laws or the introduction of new laws which could result in an increase in compliance costs and obligations
- information systems failure, fraud, business continuity planning and data integrity risk
- the possibility of a number of key personnel leaving us and the potential short term disruption caused by seeking appropriate replacements.

Directors' Statement of Responsibility

for the year ended 31 March 2011

The directors are responsible for ensuring that the financial statements give a true and fair view of the Company's and the Group's financial positions as well as financial performance and cashflows as at 31 March 2011.

The directors consider these financial statements have been prepared using appropriate accounting policies, consistently applied and supported by reasonable judgments and estimates. They also note that all relevant financial reporting and accounting standards were followed

The directors believe both the Company and the Group have kept proper accounting records. As as result, these show the financial positions of both entities reasonably accurately, and show that the financial statements comply with the Financial Reporting Act 1993.

CORPORATE GOVERNANCE

Board's role

Pacific Edge Limited's board of directors is elected by the shareholders to supervise the management of the Company. The board establishes the Company's objectives and strategies for the overall policy framework within which the Company conducts its business.

The board also monitors the performance of management and procedures for providing effective internal financial control. The Chief Executive Office has overall responsibility for the Company's day-to-day management.

Board membership

The board currently comprises six non-executive directors, including the Chairman. In accordance with the Company's constitution, one third — or the number nearest to one third — retire by rotation at each annual meeting. The directors to retire are those who have been longest in office since their last election. Directors retiring by rotation may, if eligible, stand for re-election. 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.

Subcommittees

The board forms subcommittees for designated tasks, including audit, funding and remuneration.

Directors' Statement of Responsibility CONTINUED

Internal financial control

The board has overall responsibility for the Company's system of internal financial control. The directors have established effective procedures and policies. They approve all annual budgets and business plans, as well as monthly financial statements that monitor performance against budget targets and objectives.

The directors are pleased to present the financial statements (as set out on pages 27 to 59) for Pacific Edge Limited and the consolidated Group for the year ended 31 March 2011.

The Pacific Edge Limited board authorised these statements for issue on 30 June 2011.

For and on behalf of the board of directors:

Chairman _____

Director _____

Chief Executive Officer _____

Dated 30 June 2011

Statements of Comprehensive Income

For the Year ended 31st March 2011

	Notes	Group 2011 $	Parent 2011 $	Parent 2010 $
OPERATING REVENUE				
CxBladder sales		500	-	-
Grants Received	4	201,116	201,116	614,633
Interest Earned		82,230	82,230	55,220
Other Income		21,156	21,156	20,000
R&D Tax Claim Rebate		-	-	238,310
Total Operating Revenue		305,002	304,502	928,163
LESS EXPENSES				
Audit Remuneration - Audit Fees		17,500	17,500	12,000
- Other Assurance Services		2,460	2,460	2,815
		19,960	19,960	14,815
Directors' Fees		88,542	88,542	55,000
Depreciation	5	112,876	97,215	97,175
Currency Exchange Loss		1,471	1,471	78
Intellectual Property - Amortisation	11	-	-	1,314
Leases - Rent of Premises	6	142,877	125,103	124,320
- Copier		10,770	10,770	8,071
		153,647	135,873	132,391
Research - Employee benefits		1,250,276	1,246,972	1,217,947
- Consultants		272,029	272,029	83,734
- Clinical Trials		247,275	247,275	795,726
- Consumables		120,280	91,944	109,157
- Contract Services		119,018	115,740	-
- Patents/ trademarks		520,459	520,459	360,484
- Grant written off		-	-	83,333
- Other (Research)		20,130	20,130	65,429
		2,549,467	2,514,549	2,715,810
Write down of investment and advance to subsidiary	12	-	120,345	-
Other Expenses		525,691	473,199	439,954
Total Expenses		3,451,654	3,451,154	3,456,537
NET (LOSS) BEFORE TAX		(3,146,652)	(3,146,652)	(2,528,374)
Income Tax Expense	7	-	-	-
(LOSS) FOR THE YEAR		(3,146,652)	(3,146,652)	(2,528,374)
Other Comprehensive Income		-	-	-
TOTAL COMPREHENSVE INCOME (LOSS) AFTER TAX		(3,146,652)	(3,146,652)	(2,528,374)
Earnings per share for profit attributable to the equity holders of the Company and Group during the year				
Basic Earnings per share	3	(0.018)	(0.018)	(0.017)
Diluted Earnings per share	3	(0.018)	(0.018)	(0.017)

Statements of Changes in Equity

For the Year ended 31st March 2011

	Notes	Group 2011 $	Parent 2011 $	2010 $
EQUITY AT START OF YEAR		1,128,903	1,128,903	257,171
(LOSS) FOR YEAR				
Net (Loss) After Tax		(3,146,652)	(3,146,652)	(2,528,374)
Total Comprehensive Income		(3,146,652)	(3,146,652)	(2,528,374)
OTHER MOVEMENTS				
Owners Contribution	16	4,884,140	4,884,140	3,504,247
Issue Expenses	16	(175,747)	(175,747)	(104,141)
Total Other Movements		4,708,393	4,708,393	3,400,106
EQUITY AT END OF YEAR		2,690,644	2,690,644	1,128,903

EQUITY COMPRISES:

Ordinary Shares

	Notes	Group 2011 $	Parent 2011 $	2010 $
Opening Balance		22,379,025	22,379,025	18,978,919
Shares Issued		4,708,393	4,708,393	3,400,106
Closing Balance	16	27,087,418	27,087,418	22,379,025
Accumulated Losses				
Opening Balance		(21,250,122)	(21,250,122)	(18,721,748)
Net (Loss) After Tax for the year		(3,146,652)	(3,146,652)	(2,528,374)
Closing Balance	17	(24,396,774)	(24,396,774)	(21,250,122)
EQUITY AT END OF YEAR		2,690,644	2,690,644	1,128,903

Note: This statement is to be read in conjunction with 'Notes to the Financial Statements'.

Balance Sheets

As At 31st March 2011

	Notes	Group 2011 $	Parent 2011 $	2010 $
CURRENT ASSETS				
Cash and Cash Equivalents	**8**	2,486,234	2,485,674	956,406
Receivables	**9**	263,929	263,929	224,561
Income Tax Refund Due	**7**	615	615	260,816
Total Current Assets		2,750,778	2,750,218	1,441,783
NON-CURRENT ASSETS				
Property, Plant & Equipment	**10**	544,212	280,953	359,237
Intangibles - Intellectual Property	**11**	-	-	-
Investment in and Advance to Subsidiary	**12**	-	263,819	-
Total Non-Current Assets		544,212	544,772	359,237
TOTAL ASSETS		3,294,990	3,294,990	1,801,020
CURRENT LIABILITIES				
Payables and Accruals	**13**	410,721	410,721	478,492
Redeemable Shares (Part Paid)	**14**	3,000	3,000	3,000
Series A Convertible Preference Shares	**15**	190,625	190,625	190,625
Total Current Liabilities		604,346	604,346	672,117
TOTAL LIABILITIES		604,346	604,346	672,117
NET ASSETS		2,690,644	2,690,644	1,128,903
Represented by:				
EQUITY				
Share Capital	**16**	27,087,418	27,087,418	22,379,025
Accumulated Losses	**17**	(24,396,774)	(24,396,774)	(21,250,122)
TOTAL EQUITY		2,690,644	2,690,644	1,128,903

Note: This statement is to be read in conjunction with 'Notes to the Financial Statements'.

Statement of Cash Flows

For the Year ended 31 March 2011

	Notes	Group 2011 $	Parent 2011 $	2010 $
CASH FLOWS TO OPERATING ACTIVITIES				
Cash was provided from:				
Receipts from Customers & Grants		448,223	447,723	611,184
Net GST received		-	-	25,949
Interest Received		81,615	81,615	55,220
		529,838	529,338	692,353
Cash was disbursed to:				
Payments to Suppliers & Employees		3,402,666	3,297,482	3,149,521
Net GST Paid		45,533	45,533	-
Income Tax Paid		-	-	16,927
		3,448,199	3,343,015	3,166,448
Net Cash Flows to Operating Activities	**20**	(2,918,361)	(2,813,677)	(2,474,095)
CASH FLOWS TO INVESTING ACTIVITIES:				
Cash was provided from:				
Proceeds from Disposal of Plant and Equipment		42,900	42,900	-
Cash was disbursed to				
Capital Expenditure on Plant and Equipment	**10**	319,595	40,675	120,268
Purchase of Investments		-	1,000	-
Advance to subsidiary		-	383,164	-
		319,595	424,839	120,268
Net Cash Flows to Investing Activities		(276,695)	(381,939)	(120,268)
CASH FLOWS FROM FINANCING ACTIVITIES:				
Cash was received from:				
Ordinary Shares Issued	**16**	4,884,140	4,884,140	3,504,247
Share funds in advance from shareholders		16,491	16,491	-
		4,900,631	4,900,631	3,504,247
Cash was disbursed to:				
Issue Expenses	**16**	175,747	175,747	104,141
Share funds in advance refunded		-	-	103,000
		175,747	175,747	207,141
Net Cash Flows From Financing Activities		4,724,884	4,724,884	3,297,106
Net Increase in Cash Held		1,529,828	1,529,268	702,743
Add Opening Cash Brought Forward		956,406	956,406	253,663
Ending Cash Carried Forward		**2,486,234**	**2,485,674**	**956,406**
Comprised of:				
Bank of New Zealand Cheque Account		91,602	91,042	94,335
Bank of New Zealand Call Accounts		2,385,195	2,385,195	812,149
Bank of New Zealand Short Term US $ Deposits		9,437	9,437	49,922
Ending Cash Carried Forward		**2,486,234**	**2,485,674**	**956,406**

Note: This statement is to be read in conjunction with 'Notes to the Financial Statements'.

1. GENERAL INFORMATION

The financial statements presented for the "Parent" are for the entity Pacific Edge Limited, a company registered under the Companies Act 1993. The Company is registered and domiciled in New Zealand for the purpose of developing and commercialising new diagnostic and prognostic tools for the early detection and management of cancers. The subsidiary manages and operates the laboratory used for the detection of bladder cancer.

The Group represents the consolidation of Pacific Edge Limited ("the parent") and, its subsidiary Pacific Edge Diagnostics New Zealand Limited (together the "Group"), for the year ended 31 March 2011. There was no Group in the 2010 financial year, as there were no subsidiaries at 31 March 2010.

These consolidated financial statements have been approved for issue by the Board of Directors on 30 June 2011.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Pacific Edge Limited ("The Company") is a reporting entity under the Financial Reporting Act 1993. The Company is an issuer for the purposes of the Financial Reporting Act 1993. These Financial Statements have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand ("NZ GAAP"); and the Companies Act 1993. They comply with International Financial Reporting Standards, the New Zealand Equivalents to International Financial Reporting Standards ("NZ IFRS") and other applicable Financial Reporting Standards as appropriate for profit oriented entities.

The Company and Group are designated as profit-oriented entities for financial reporting purposes.

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

The consolidated financial statements are presented in New Zealand dollars, which is the Company's functional currency and

Group's presentation currency. All figures are rounded to the nearest dollar.

The accounting principles recognised as appropriate for the measurement and reporting of earnings, cash flows and financial position on an historical cost basis have been used.

(a) Basis of Consolidation
The following entity and the basis of its inclusion for consolidation in these financial statements are as follows:

Subsidiary
Pacific Edge Diagnostics New Zealand Limited
Pacific Edge Limited is the 100% beneficial owner of Pacific Edge Diagnostics New Zealand Limited.

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Pacific Edge Limited as at 31 March 2011 and the results of all subsidiaries for the year then ended. Pacific Edge Limited and its subsidiary together are referred to in these financial statements as the Group of the consolidated entity.

Pacific Edge Limited consolidates as subsidiaries in the group financial statements all entities where Pacific Edge Limited has the capacity to control their financing and operating polices, generally accompanying a shareholding of more than one-half of the voting rights so as to obtain benefits from the activities of the entity. The existence and effect of potential voting rights that are currently exercisable of convertible are considered when assessing whether the Company controls another entity. This power exists where Pacific Edge Limited controls the majority voting power on the governing body or where such policies have been irreversibly predetermined by Pacific Edge Limited or where the determination of such policies is unable to materially impact the level of potential ownership benefits that arise from the activities of the subsidiary.

Subsidiaries which form part of the Group are consolidated from the date on which control is transferred to the Company. 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 measure 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.

Investments in subsidiaries are accounted for at cost less impairment. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost includes direct attributable costs of investment.

(b) Property, Plant and Equipment
Property, Plant and Equipment are those assets held by the company 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 laboratory.

(c) Depreciation

Depreciation of plant and equipment is based on writing off the assets over their useful lives.

Main rates used are

Laboratory Equipment
11.4% to 26.4% D.V

Office & Computer Equipment
9.6% to 60% D.V

Leasehold Improvements
0% to 10% D.V

Plant & Equipment
13% to 40% D.V

Furniture & Fittings
10% to 15% D.V

(d) Research and Development Costs

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 reasonably certain 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. 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. To date, all costs incurred have been considered to be research and have been expensed.

(e) Intellectual Property

The costs of acquired Intellectual Property are recognised at cost and amortised on a straight-line basis over its anticipated useful life, which is currently assessed at four to five years. All Intellectual Property has a finite life. The carrying value of Intellectual Property is reviewed for impairment.
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.

(f) Goods & Services Tax

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

(g) Share Capital

Ordinary shares are described as equity. Redeemable Shares (part paid) and Series A Convertible Preference Shares are classified as liabilities.

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

(h) Financial Instruments

Financial instruments carried forward in the Balance Sheet include cash and bank balances, receivables and trade creditors. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

(i) Receivables

Receivables are initially measured at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment. A provision for impairment of receivables is established when there is objective evidence that the company and group

will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted using the original effective interest rate.

(j) Foreign Currency Translation

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing on the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates, of monetary assets and liabilities denominated in foreign currencies are recognised in the Statements of Comprehensive Income.

(k) Cash and Cash Equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

Bank overdrafts are shown within borrowings in current liabilities in the balance sheet.

(l) Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances, rebates and amounts collected on behalf of third parties. The group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the group's activities as described below.

- Operating revenues represent the revenue from the sale of goods is recognised when a group entity sells a product to the customer.

- Consultancy fees are recognised in the accounting period in which the services are rendered. For fixed-price contracts, revenue is recognised under the percentage of completion method, based on the actual service provided as a proportion of the total services to be provided.

- Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the group will comply with all attached conditions. Government grants relating to costs are deferred and recognised in the profit or loss over the period necessary to match them with the costs that they are intended to compensate. Grants are for reimbursement of laboratory costs.

- Interest Income is recognised using the effective interest method. When a receivable is impaired, the group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income.

(m) Borrowing Costs
Borrowing costs are recognised as an expense in the period in which they are incurred.

(n) Operating Leases
Operating leases are charged to other expenses in the statement of comprehensive income on a straight-line basis over the term of the lease.

(o) Employee Entitlements
Employee benefits are measured at nominal values based on accrued entitlements at current rates of pay. These include salaries and wages accrued up to balance date, annual leave earned to, but not yet taken at balance date, long service leave entitlements expected to be settled within 12 months.

(p) Critical Accounting Estimates and Assumptions

In preparing these financial statements the Company 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. The main estimates and assumptions used are depreciation of property, plant and equipment and the going concern assumption (refer note 25). It is not expected that these estimates and assumptions will have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

(q) Statement of Cash flows

Cash means cash balances on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Operating activities include the cash received and cash paid for the principal revenue-producing activities of the company and group and other activities that are not investing or financing activities,
Investing activities are those activities relating to the acquisition and disposal of non-current assets. Financing activities comprise the change in equity and debt capital structure of the company.

(r) Income Tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, 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 difference 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.

(s) Employee Share Scheme

Employee share options under an employee share scheme are recorded at fair value of the employee services received in exchange for the grant of options and are recognised as an expense. The total amount to be recognised over the vesting period is determined by reference to the fair value of the options granted.

(t) Impairment of Non-financial Assets

Non-financial assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that have a finite useful life are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

The value in use for cash-generating assets is the present value of expected future cash flows.

If an asset's carrying amount exceeds its recoverable amount the asset is impaired and the carrying amount is written down to the recoverable amount.

The total impairment loss is recognised in the Statements of Comprehensive Income.

(u) Segment Reporting
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.

(v) Standards or Interpretations not yet effective
Various standards, amendments and interpretations have been issued by the Accounting Standards Review Board but not yet been adopted by Pacific Edge Limited as they are not yet effective.

NZ IAS 24: Related Party Disclosures (revised 2009)
NZ IAS 24 was revised in November 2009 and is effective for the financial statements issued for the fiscal years beginning on or after 1 January 2011. The amendment to the standard affected primarily the definition of related party. Whilst the change to that definition is significant, application of the amended criteria would not have resulted in identification of any further parties related to the Company and Group. Also, the amended disclosure requirements include "commitments". The existing process of identification of related party transactions within the Company has not included a review of commitments. The frequency of such transactions occurring is likely to be low. All the other disclosures required in the amended standard are already being made by the Company and Group.

NZ IFRS 9: Financial Instruments – Phase 1: Classification and Measurement

NZ IFRS 9 Phase 1 was issued in November 2009 and is effective for the financial statements issued for the fiscal years beginning on or after 1 January 2013.

The new standard simplifies the classification criteria for financial assets, comparing to the current requirements of NZ IAS 39, which results is a reduced number of categories of financial assets and some consequential amendments to disclosures required by NZ IAS 1 "Presentation of Financial Statements" and NZ IFRS 7 "Financial Instruments: Disclosures". The Company and Group's financial assets currently fall into the category of "Loan receivables" within NZ IAS 39 classification. If NZ IFRS 9 was adopted, these assets would have met the definition of the category of "Financial assets measure at amortised cost". However, their measurement and disclosure would not have been affected. The Company and Group would not have any transactions to disclose under the new NZ IAS 1 and NZ IFRS 7 disclosure requirements relating to gain or loss arising on derecognition of financial assets measured at amortised cost.

NZ IFRS 7: Financial Instruments: Disclosures (amendment from July 2010)

The amendment to NZ IFRS 7 from July 2010 is effective for the financial statements issued for the accounting periods beginning on or after 1 January 2011.

The amendment affects the disclosures concerning credit risk, including maximum value exposure to credit risk and various aspects of disclosure of collateral.

The amendment removes the requirement to disclose the maximum exposure to credit risk at the end of accounting period if the carrying value of the financial instruments involved best represents the risk exposure. However, even if the maximum exposure to credit risk is not shown separately, any related collateral or other credit enhancements and their financial effect on credit risk needs to be disclosed.

As a result of the amendments the Company did not need to disclose separately the financial instruments

constituting its highest credit exposure.

The amendment removes the disclosure of the carrying value of financial assets that would otherwise be past due or impaired whose terms have been renegotiated.

NZ IFRS 10: Consolidated Financial Statements (amendment from May 2011)
The amendment to NZ IFRS 10 from May 2011 is effective for the financial statements issued for the accounting periods beginning on or after 1 January 2013.

The amendment builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements. The standard provides additional guidance to assist in determining control where this is difficult to assess.

Application of this standard is not expected to have a material effect on the entities consolidated into the Pacific Edge Limited Group.

NZ IFRS 13: Fair Value Measurement (amendment from May 2011)
The amendment to NZ IFRS 13 from May 2011 is effective for the financial statements issued for the accounting periods beginning on or after 1 January 2013.

The standard provides guidance on how fair value should be applied where its use is already required or permitted by other standards within IFRS, including a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRS. Application of this standard is not expected to have a material effect on the Company or Group

NZ IFRS 34: Interim Financial Reporting (amendment from July 2010)
The amendment to NZ IFRS 34 from July 2010 is effective for the financial statements issued for the accounting periods beginning on or after January 2011.
The amendment expanded the list of examples which required disclosure and removed materiality criteria from

those disclosures and from the disclosure of subsequent events. All the disclosures required, including the new explicit requirement to disclose losses from impairment of financial assets, have already been included in the appropriate Notes to Financial Statements. The review of the subsequent events has been conducted in accordance with the amended requirement.

Other standards, amendments and interpretations to existing standards have been published and are mandatory for the Company and Group's accounting periods beginning on or after 1 January 2011 or later, but the Company and Group has not early adopted them as they are not applicable to the Company and Group, or the interpretation of the standards as clarified by amendments was the same as already applied by the Company and Group.

Application of these standards, amendments and interpretations is not expected to have a material impact on Pacific Edge Limited financial position, results and cash flows in the period of initial application.

Financial Reporting Standard No. 44 New Zealand Additional Disclosures (FRS-44) (approved April 2011)
This standard was approved in April 2011 and is effective for the financial statements issued for the accounting periods beginning on or after 1 July 2011.

This standard sets out New Zealand-specific disclosures for entities that have adopted New Zealand equivalents to International Financial Reporting Standards (NZ IFRSs). The Standard supports the objective of harmonising financial reporting standards in Australia and New Zealand.

Application of this standard is not expected to have a material impact on the Company and Group since the required disclosures are already included in these financial statements.

Amendments to New Zealand Equivalents to International Financial Reporting Standards to Harmonise with International Financial Reporting Standards and Australian Accounting Standards (Harmonisation Amendments) (approved April 2011)

The Financial Reporting Standards Board (FRSB) issued the Harmonisation Amendments for the purpose of harmonising Australian and New Zealand Standards with source IFRSs to eliminate many of the differences between the Standards for profit-oriented entities applying IFRSs as adopted in Australia and New Zealand. The standard is effective for annual periods beginning on or after 1 July 2011.

It is likely that changes arising from the Harmonisation Amendments will affect the disclosure requirements of the Group financial statements, not expected to be material.

(w) New and amended standards adopted by the Company and Group.

The following standards or amendments relevant to the Group became effective for the Group during the year:

NZ IFRS 23 (revised) – business combinations (effective 1 July 2009)

NZ IAS 27 (revised) – consolidated and separate financial statements (effective 1 July 2009)

There are no other new IFRSs or amendments to IFRSs effective for periods beginning 1 April 2010 that are relevant to the Group.

3. EARNINGS PER SHARE

(a) Basic

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year excluding ordinary shares purchased by the Company and held as treasury shares (note 16).

	Group	Parent	
	2011 $	2011 $	2010 $
Loss attributable to equity holders of the Company	$(3,146,652)	$(3,146,652)	$(2,528,374)
Weighted average number of ordinary shares in issue	172,158,021	172,158,021	150,828,761
Earnings per share	$(0.018)	$(0.018)	$(0.017)

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has two categories of dilutive potential ordinary shares: Redeemable shares and Series A Convertible Preference shares. Both categories are assumed to have been converted into ordinary shares. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share option.

	Group	Parent	
	2011 $	2011 $	2010 $
Loss attributable to equity holders of the Company	$(3,146,652)	$(3,146,652)	$(2,528,374)
Weighted average number of ordinary shares in issue	172,158,021	172,158,021	150,828,761
Adjustments for:			
- Assumed redemption of redeemable shares	33,333	33,333	33,333
- Assumed conversion of Series A convertible preference shares	1,334,375	1,334,375	1,334,375
Weighted average number of ordinary shares for diluted earnings per share	173,525,729	173,525,729	152,196,469
Earnings per share	$(0.018)	$(0.018)	$(0.017)

4. GRANTS RECEIVED

During the 2011 financial year the company and group received a grant from the Growth Services Fund for $201,116. All conditions of the grant have been complied with.

5. DEPRECIATION

	Group 2011 $	Parent 2011 $	2010 $
Laboratory Equipment			
General Laboratory	51,076	51,076	38,960
Storage	2,234	2,234	1,347
Tissue Preparation	851	851	1,156
Array	6,772	6,772	9,200
Cell Culture	849	849	1,043
Centrifuge	2,997	2,997	3,903
Electrophoresis	812	812	1,103
Multiplex Project Equipment	9,068	9,068	20,120
Computer/Office Equipm ent	34,294	22,556	20,343
Leasehold Property Improvements	353	-	-
Furniture & Fittings	491	-	-
Plant & Equipment	3,079	-	-
Total Depreciation	112,876	97,215	97,175

6. RELATED PARTIES

The Company and Group paid consultancy fees to A E Reeve, a Director. The fees charged were on normal terms and conditions and totalled $35,389 (2010 $25,001).
At balance date no fees were outstanding relating to these transactions (2010 Nil).

A significant shareholder, the University of Otago provided rental space and car parking to the Group costing $142,877 and the Company costing $125,103 (2010 $124,320).
Mr C E Dawson a director of the Company is also the Chief Executive Officer of Otago Innovation Limited, a wholly owned subsidiary of the University of Otago.

Key management remuneration, inclusive of current benefits, consists of:

Dr. Parry Guilford (Director of research) $26,800;
David Darling (CEO) $220,500.

Refer note 29 for an Incentive Plan that will also impact key management remuneration in future periods.

During the 2011 financial year the Company paid for expenses and fixed asset purchases on the subsidiary's behalf. The consideration paid is recorded as an advance owed to the Company and is not expected to be repaid within a year.

7. INCOME TAX

The Company and Group has incurred an operating loss for the 2011 financial year and no income tax is payable.

	Group 2011 $	Parent 2011 $	2010 $
Net (Loss) before tax	(3,146,652)	(3,146,652)	(2,528,374)
Tax at 30%	(943,996)	(943,996)	(758,512)
Less: not recognised as a deferred tax asset	943,996	943,996	758,512
Income Tax Payable	-	-	-

There are tax losses that are available to be carried forward and offset against future taxable income, if various conditions required by income tax legislation are complied with. At 31 March 2011, the losses totalled approximately $7,855,000 (2010 approximately $8,138,000). There is also deferred research and development expenditure totalling approximately $13,589,000 (2010 approximately $10,161,000) to carry forward and claim for tax in future years. The potential benefit of these losses and research development expenditure at 28% (2010 30%) is approximately $6,004,000 (2010 $5,490,000).

There is a tax refund receivable of $615 (2010 $260,816). This refund includes RWT deducted from interest earned of $79,930, which will be received during the 2011-2012 financial year.

8. CASH & EQUIVALENTS

	Group 2011 $	Parent 2011 $	2010 $
Bank of New Zealand Cheque Account	91,602	91,042	94,335
Bank of New Zealand Call Accounts	2,385,195	2,385,195	812,149
Bank of New Zealand Short Term US$ Deposits	9,437	9,437	49,922
Total Cash & Cash Equivalents	2,486,234	2,485,674	956,406

9. RECEIVABLES

	Group 2011 $	Parent 2011 $	2010 $
Debtors	226,255	226,255	209,915
GST Refund Due	37,674	37,674	14,646
Total Receivables	263,929	263,929	224,561

10. PROPERTY, PLANT & EQUIPMENT

Group

	Laboratory Equipment	Office & Computer Equipment	Leasehold Improvements	Plant & Equipment	Furniture & Fittings	Total
Cost						
Balance at 1 April 2009	1,255,284	315,086	-	-	-	1,570,370
Additions	90,000	30,268	-	-	-	120,268
Balance at 31 March 2010	1,345,284	345,354	-	-	-	1,690,638
Balance at 1 April 2010	1,345,284	345,354	-			1,690,638
Additions	11,482	182,069	21,825	88,618	15,601	319,595
Disposals	(21,743)	-	-	-	-	(21,743)
Balance at 31 March 2011	1,335,023	527,423	21,825	88,618	15,601	1,988,490
Accumulated Depreciation						
Balance at 1 April 2009	955,676	278,550	-	-	-	1,234,226
Depreciation expense	76,832	20,343	-	-	-	97,175
Balance at 31 March 2010	1,032,508	298,893	-	-	-	1,331,401
Balance at 1 April 2010	1,032,508	298,893	-	-	-	1,331,401
Depreciation expense	74,659	34,294	353	3,079	491	112,876
Balance at 31 March 2011	1,107,167	333,187	353	3,079	491	1,444,277
Carrying Amounts						
At 1 April 2009	299,608	36,536	-	-	-	336,144
At 31 March 2010 & 1 April 2010	312,776	46,461	-	-	-	359,237
At 31 March 2011	227,856	194,236	21,472	85,539	15,110	544,212

Parent

	Laboratory Equipment	Office & Computer Equipment	Leasehold Improvements	Plant & Equipment	Furniture & Fittings	Total
Cost						
Balance at 1 April 2009	1,255,284	315,086	-	-	-	1,570,370
Additions	90,000	30,268	-	-	-	120,268
Balance at 31 March 2010	1,345,284	345,354	-	-	-	1,690,638
Balance at 1 April 2010	1,345,284	345,354	-	-	-	1,690,638
Additions	11,482	29,192	-	-	-	40,674
Disposals	(21,743)	-	-	-	-	(21,743)
Balance at 31 March 2011	1,335,023	374,546	-	-	-	1,709,569
Accumulated Depreciation						
Balance at 1 April 2009	955,676	278,550	-	-	-	1,234,226
Depreciation expense	76,832	20,343	-	-	-	97,175
Balance at 31 March 2010	1,032,508	298,893	-	-	-	1,331,401
Balance at 1 April 2010	1,032,508	298,893	-	-	-	1,331,401
Depreciation expense	74,659	22,556	-	-	-	97,215
Balance at 31 March 2011	1,107,167	321,449	-	-	-	1,428,616
Carrying Amounts						
At 1 April 2009	299,608	36,536	-	-	-	336,144
At 31 March 2010 & 1 April 2010	312,776	46,461	-	-	-	359,237
At 31 March 2011	206,699	46,461	-	-	-	280,953

11. INTANGIBLES – INTELLECTUAL PROPERTY

	Group 2011 $	Parent 2011 $	Parent 2010 $
Intellectual Property (Gross) at Cost	2,511,269	2,511,269	2,511,269
Accumulated Amortisation at Beginning of Year	(2,511,269)	(2,511,269)	(2,509,955)
Unamortised Balance at Beginning of Year	-	-	1,314
Current Year Amortisation	-	-	(1,314)
Unamortised Balance At End Of Year	-	-	-
Comprising:			
Intellectual Property (Gross)	2,511,269	2,511,269	2,511,269
Accumulated Amortisation	(2,511,269)	(2,511,269)	(2,511,269)
Total Intangibles– Intellectual Property	-	-	-

Ordinary Shares were issued to the University of Otago in 2002 in consideration for the purchase of Intellectual Property.

12. INVESTMENT IN AND ADVANCE TO SUBSIDIARY

	Parent 2011 $	Parent 2010 $
Advance to subsidiary	383,164	-
Shares in subsidiary	1,000	-
	384,164	-
Less Impairment loss	(120,345)	-
	263,819	-

The consolidated financial statements incorporate the assets and liabilities and result of Pacific Edge Diagnostics New Zealand Limited which is 100% owned and was formed during the 2011 financial year. Its principal activity is the manager and operator of the laboratory used for the detection of bladder cancer. It has a 31 March 2011 balance date and is incorporated in New Zealand. The impairment loss in 2011 is a result of the effect of the investment and advance not being recoverable in full based on the deficit in equity of the subsidiary at 31 March 2011.

13. PAYABLES AND ACCRUALS

	Group 2011 $	Parent 2011 $	2010 $
Trade Creditors	187,471	187,471	293,885
Accrued Expenses	47,203	47,203	28,230
Employee Entitlements (refer below)	159,556	159,556	156,377
Monies received in advance from shareholders	16,491	16,491	-
Total Payables and Accruals	410,721	410,721	478,492

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

Employee Entitlement	Group 2011 $	Parent 2011 $	2010 $
PAYE Tax	25,637	25,637	28,289
Holiday Pay	99,949	99,949	100,749
Accrued Wages	33,970	33,970	27,339
	159,556	159,556	156,377
Comprising:			
Current	159,556	159,556	156,377
Non-Current	-	-	-
Total Employee Entitlements	159,556	159,556	156,377

14. REDEEMABLE SHARES

Part Paid	Group 2011 $	Parent 2011 $	Parent 2010 $
Redeemable shares (Part Paid)	3,000	3,000	3,000
Total Redeemable Shares	3,000	3,000	3,000

These shares relate to an Employee Share Ownership Plan (ESOP). This is due to terminate within the 2012 financial year, once the two subscribers of the remaining 300,000 shares ($3,000 at 1 cent per share) have either converted their Redeemable Shares to Ordinary Shares or been repaid in cash. As these shares provide a right of redemption, they are included as a liability.

The Redeemable shares were originally issued in the ESOP on 26 August 2004. Following a subsequent reduction in the share price for Ordinary Shares, the Directors decided to cancel the scheme and offer all redeemable shareholders repayment in cash or the equivalent value in Ordinary Shares. The Scheme was cancelled on 31 July 2006. Consequently, the remaining value of the options to convert to Ordinary Shares in the ESOP, that had not been previously expensed, was expensed immediately.

15. SERIES A CONVERTIBLE PREFERENCE SHARES

Group & Parent	Shares	2011 $	2010 $
Opening Balance	190,625	190,625	190,625
Non-cash Conversion to ordinary shares	-	-	-
Closing Balance	190,625	190,625	190,625

There are 190,625 (2010: 190,625) Series A Convertible Preference Shares on issue. The original agreement was for each Series A Convertible Preference shareholder having the right to convert, upon election, to five Ordinary Shares and then entitled to five votes. However, the Directors have decided to

increase the Ordinary Share entitlement to seven Ordinary Shares, based on the fair value of recent share issues.
These shares can be redeemed for cash at their purchase price of $1 per share; therefore they are classified as liabilities. There are no rights to any dividends (fixed or cumulative) attached to these shares. On liquidation, the holders of the Series A Convertible Preference Shares will be entitled to receive cash in preference to the holders of Ordinary Shares.

If all Series A Convertible Preference Shares on issue at balance date were converted to Ordinary Shares this will total 1,334,375 shares (at the current level of entitlement 1:7).

16. SHARE CAPITAL

	Group	Parent	
	2011 $	2011 $	2010 $
Ordinary Shares	27,087,418	27,087,418	22,379,025
Total Share Capital	27,087,418	27,087,418	22,379,025

There are 172,158,021 (2010: 150,828,761) Ordinary Shares on issue.
All fully paid shares in the Company have equal voting rights and equal rights to dividends. All Ordinary Shares are fully paid and have no par value.

SHARE CAPITAL GROUP & PARENT	Shares	2011 $	2010 $
Opening Balance	150,828,761	22,379,025	18,978,919
New issues: Direct Offers	21,329,260	4,884,140	3,504,247
	172,158,021	27,263,165	22,483,166
Less Issue Expenses	-	(175,747)	(104,141)
Closing Balance	172,158,021	27,087,418	22,379,025

During the year ended 31 March 2011 500,000, 288,423 & 20,540,837 Ordinary Shares (at 9, 22 & 23 cents per Ordinary Share respectively) were issued in Direct Offers. This raised $4,884,140 cash.

In 2002, 10,000,000 Ordinary Shares were issued to the University of Otago in consideration for purchase of Intellectual Property. Of this amount, 4,200,000 shares were subsequently transferred to Otago Innovation Limited (which is related to the University of Otago, being a wholly owned subsidiary company).

The Company has objectives for capital funding, to meet cash requirements for the various stages of research and development such as clinical trials and product development. Management and the Board of Directors have policies and processes in place for managing and meeting these objectives. This includes personally contacting potential and existing shareholders for additional share capital funding, and arranging bank overdraft facilities from time to time.

17. ACCUMULATED LOSSES

	Group	Parent	
	2011 $	2011 $	2010 $
Opening Balance	(21,250,122)	(21,250,122)	(18,721,748)
Net (Loss) after tax	(3,146,652)	(3,146,652)	(2,528,374)
Closing Balance	(24,396,774)	(24,396,774)	(21,250,122)

18. IMPUTATION CREDIT ACCOUNT

At balance date imputation credits available to the shareholders were:

	Group	Parent	
	2011 $	2011 $	2010 $
Opening Balance	22,506	22,506	5,579
RWT Refund Received	(17,756)	(17,756)	(829)
RWT Paid	615	615	17,756
Closing Balance	5,365	5,365	22,506

19. SEGMENT INFORMATION

The Chief Executive Officer has determined the operating segments based on reports reviewed by him that are used to make strategic decisions.

The Chief Executive Officer considers the business to be one operating segment at balance date. This segment being the research and development of diagnostic and prognostic products for human cancer; currently the Company operates in New Zealand.

The segment information provided to the Chief Executive Officer for the reportable segment previously described, for the year ended 31 March 2011, is shown in the Statements of Comprehensive Income in these financials. The segment assets and liabilities are shown on the Balance Sheet.

The reportable operating segment derives their revenue primarily from grant income. The Chief Executive Officer assesses the performance of the operating segment based on net profit/(loss) for the period.

20. RECONCILIATION OF CASH USED FROM OPERATING ACTIVITIES WITH OPERATING NET LOSS

	Group	Parent	
	2011 $	2011 $	2010 $
Net Loss for the Period	(3,146,652)	(3,146,652)	(2,528,374)
Add Non Cash Items:			
Depreciation	112,876	97,215	97,175
Intellectual Property Amortisation	-	-	1,314
Write down of investment in and advance to subsidiary	-	120,345	-
Total Non Cash Items	112,876	217,560	98,489
Add Movements in Other Working Capital items:			
Increase in Tax Refund Due	260,201	260,201	(255,237)
Decrease in GST Receivable	(23,028)	(23,028)	4,482
Decrease in Other Debtors and Prepayments	(16,340)	(16,340)	70,870
Increase in Payables and Accruals	(84,262)	(84,262)	135,675
Total Movement in Other Working Capital	136,571	136,571	(44,210)
Other:			
Gain (Loss) on Sale included in Investing Activities	(21,156)	(21,156)	-
Net Cash Flows to Operating Activities	(2,918,361)	(2,813,677)	(2,474,095)

21. FINANCIAL INSTRUMENTS

Managing financial risk
The Company and Group's activities expose it to the financial risks of changes in credit risk and interest rates.

Interest Rate Risk
Bank overdrafts at variable interest rates expose the Company and Group to interest rate risk. The Company manages its interest rate risk by arranging share capital to reduce the reliance on the bank overdraft.

Credit Risk
In the normal course of business the Company and Group incurs credit risk from trade receivables. Regular monitoring of receivables is undertaken to ensure that the credit exposure remains within the Company and Group's normal terms of trade.

Liquidity Risk
Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, and the availability of funding through an adequate amount of committed credit facilities. The Company and Group aims to maintain flexibility in funding by keeping committed credit lines available.

Foreign Currency Risk
The Company and Group purchase goods from overseas suppliers. This exposes the Company and Group to foreign currency risk. The Company manages foreign currency risk by only purchasing overseas goods when necessary and when foreign exchanges are favourable.

Interest Rate Risk
The Company and Group's bank deposits are at floating interest rates, which mitigates the risk of interest rates being less than market rates.

Credit Risk
The Company and Group incur credit risk from bank balances and receivables in the normal course of its business. The Group's cash and short term deposits are placed with high credit quality financial

institutions. Accordingly, the Company and Group has no significant concentration of credit risk. The Company and Group has one receivable past due as at 31 March 2011. This was received subsequent to balance date on the 6 May 2011. (2010 Nil).
The carrying values of financial assets represent maximum exposure to credit risk.

Liquidity Risk
Liquidity risk is the risk that the Company and Group may encounter difficulty in raising funds at short notice to meet its commitments as they fall due. Management maintains sufficient cash and the availability of funding through an adequate amount of committed credit facilities.

Foreign Currency Risk
The Company and Group incur foreign currency risk from overseas purchases in the normal course of business. The Company has one small bank account denominated in US dollars. The amount held in the US dollar bank account and the total amount of foreign currency transactions did not have a material effect on the Company and Group gain/loss on foreign exchange.

Fair Values
In the opinion of the directors, the carrying amount of current assets and current liabilities approximate their fair values at balance date.

Unrecognised Financial Instruments
There are no unrecognised financial instruments, hedges or forward exchange contracts at 31 March 2011 (2010 Nil).

Market Risk
Management is of the opinion that the Company and Group's exposure to market risk at balance date is defined as:

Risk Factor	Description	Sensitivity
(i) Currency risk	All assets and liabilities are denominated in NZ dollars, except for one bank account that is denominated in US dollars.	Nil
(ii) Interest rate risk	Exposure to changes in Bank interest rates	As below
(iii) Other price risk	No securities are bought, sold or traded	Nil

A 1% increase or decrease in Bank deposit interest rates will reduce/increase the loss reported by approximately $24,000 (based on normal levels of bank deposits) and increase/reduce equity by the same amount.

Liquidity/maturity profile of liabilities at 31 March 2011:

Group and Parent Liabilities	0-3 Months $	3-6 Months $	6-12 Months $	1-2 Years $	2+ Years $	Total $
Payables & Accruals	410,721	-	-	-	-	410,721
Redeemable Shares (Part Paid)	3,000	-	-	-	-	3,000
Series A Convertible Preference Shares	190,625	-	-	-	-	190,625
	604,346	**-**	**-**	**-**	-	**604,346**

This profile recognises the earliest time band of share conversions or redemptions (as there is no fixed conversion or redemption date). It is unlikely that the redeemable shares will be redeemed prior to 3 months as these shares do not expire until the 2012 financial year.

Liquidity/maturity profile of liabilities at 31 March 2010

Group and Parent Liabilities	0-3 Months $	3-6 Months $	6-12 Months $	1-2 Years $	2+ Years $	Total $
Payables & Accruals	478.492	-	-	-	-	478,492
Redeemable Shares (Part Paid)	3,000	-	-	-	-	3,000
Series A Convertible Preference Shares	190,625	-	-	-	-	190,625
	672,117	**-**	**-**	**-**	-	**672,117**

22. CONTINGENT LIABILITIES

There were no known contingent liabilities at 31 March 2011 (2010 Nil). The Company and Group have not granted any securities in respect of liabilities payable by any other party whatsoever.

23. BANK SECURITIES

The Company has provided a debenture to the Bank of New Zealand to secure borrowings. There were no net bank borrowings at balance date.

24. CAPITAL COMMITENTS

There are no capital commitments at 31 March 2011 (2010 Nil).

25. FUTURE CASH RESOURCES

The Group has sufficient available cash resources to meet its forecast spending requirements until at least 31 December 2011, based on the current programme. Following the recent successful launch of the CX bladder diagnostic tool, the Group is now generating sales revenue from the bladder detection product. Directors are confident that these sales and further planned share capital raising under the Share Purchase Plan (SPP), will provide sufficient funding to meet future cash requirements for planned activities for at least a year from 30 June 2011. The SPP raised $4.88 million in the 2011 financial year. Accordingly, these financial statements continue to be prepared on the going concern basis.

26. LEASE COMMITMENTS

The Company has the following lease commitment for buildings.

	Group	Parent	
	2011 $	2011 $	2010 $
Non cancellable operating lease commitments within one year	142,877	125,103	124,320
Later than one year, not later than two years	141,600	141,600	124,320
Total Lease Commitments	284,477	266,703	248,640

The lease of premises (in the Centre for Innovation) with the University of Otago was negotiated on 25 May 2009. The lease is for two years with a right of renewal for a further two years, at $120,000 per annum. The lease was renewed on 25 May 2011 for a further two years. The Pacific Edge Diagnostics lease of premises is $21,600 a year.

27. SUBSEQUENT EVENTS

There were no events subsequent to balance date.

28. MANAGEMENT OF CAPITAL

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefit for other stakeholders and to maintain an optimal capital structure to support the development of its business. The Company meets these objectives through managing their liquidity position with available funds by reducing costs, issue new shares or sell assets.

29. PACIFC EDGE INCENTIVE PLAN (PEIP)

In March 2011 the Company developed an "Incentive Plan" as a means of providing Key Persons with the opportunity to participate in the potential increasing profitability of the Group. The Plan is an Equity Equivalent (EE) Scheme that provides EE Units on the following terms:

- EE Units are vested to the Participant over a period of 4 years but cannot be redeemed during the first two years from the date of their issue.
- Each EE Unit has the equivalent value of an ordinary share in the Company
- Redemption is in cash for the difference between the value of the EE Units at the time of allocation and their value at the time of redemption
- The Company must be trading in a cash flow positive condition and the Company's share price on the NZX must be at a minimum price of $1.00 per share.
- A maximum of 25% of a Participant's vested EE Units can be redeemed in any one year.

The Company commenced issuing the EE Units in late March 2011. However, no recognition of the fair value of these EE Units has been made in these financial statements because their impact is not material.

Additional Stock Exchange Information

For the Year ended 31 March 2011

The total number of issued voting securities is 172,348,646 comprised of 172,158,021 Ordinary Shares and 190,625 Series A Convertible Preference Shares.

The Company's Ordinary Shares are listed on the New Zealand Stock Exchange.

The Company's Series A Convertible Preference Shares and Redeemable shares (Part Paid) are not listed on the New Zealand Stock Exchange.

1. Substantial Security Holders

The Company's register of substantial security holders, prepared in accordance with section 26 of the Securities Amendment Act 1988, recorded the following information as at 31 March 2011. These shareholders have a relevant interest of 5% or more in all classes of securities.

Name	Number of Ordinary Voting Securities	Number of Series A Convertible Preference Share Voting Securities	Part paid Redeemable Shares
Masfen Securities Limited	17,540,349 (10.18%)	-	-
K One W One Limited	13,037,412 (7.56%)	-	-
M J Sullivan	-	-	200,000 (66.67%)
S H Morgan	-	-	100,000 (33.33%)

2. Spread of Security Holders at 31 March 2011

	No. of Ordinary Security Holders	Percentage of Issued Ordinary Equity	No. of Series A Security Holders	Percentage of Issued Series A Equity	No. of Part Paid Redeemable Share Holders	Percentage of Issued Part Paid Redeemable Shares
1 – 1,000	11	0.01%				
1,001 – 5,000	69	0.16%	1	2.62%		
5,001 – 10,000	117	0.71%	2	7.67%		
10,001 – 100,000	455	11.61%	5	89.71%	1	33.33%
100,001 – 500,000	135	17.90%			1	66.67%
500,001 – 1,000,000	19	9.05%				
1,000,001 – 2,500,000	15	16.37%				
2,500,001 – 13,000,000	9	33.41%				
13,000,001 and Over	1	10.78%				
Total Security Holders	831	100.00%	8	100.00%	2	100.00%

3. Twenty Largest Equity Security Shareholders

Ordinary Shares	
Masfen Securities Limited	17,540,349
K One W One Limited	13,037,412
New Zealand Central Securities Depository Ltd	9,498,406
University of Otago	8,597,540
Hypertech Medical Limited	8,029,197
Superlife Trustee Nominees Limited	7,655,921
FNZ Custodians Limited	4,600,785
Sinclair Long Term Holdings Limited	4,000,000
Peter Bertram Alloo / Trevor James Mason / Geraldine Trustees Ltd	3,064,516
Carol Anne Edwards / Graeme Brant Ramsey	2,750,000
Essex Castle Limited	2,202,221
Steven Cyril Hancock / Bronwyn Hilda Hancock	2,175,000
Ewan John Bennie	2,102,266
Lewis Holdings Limited	1,907,577
Waterview Custodian Limited	1,847,488
Robin Angus Floyd	1,793,816
Farnworth Ventures Limited	1,750,000
Forsyth Barr Custodians Limited	1,743,468
Superlife Trustee Nominees Limited	1,508,564
University of Otago Foundation Trust	1,489,237
Part Paid Redeemable Shares	
Michael James Sullivan	200,000
Shannon Henry Morgan	100,000

Series A Convertible Preference Shares	
Investment Custodial Services Limited	100,000
Warren Peter Leslie	25,000
Ralph David Huston Stewart / Dorothea Elspeth Stewart / Andrew Francis Wall	20,000
Andrew Templeton / Lynnore Templeton	13,000
Jeff Wilson	13,000
Essex Castle Limited	8,125
Shona Margaret Reeve	6,500
FNZ Custodians Limited	5,000

4. Directors' Shareholdings

Listed below, Equity securities in which each director, and associated person of each Director, holds a relevant interest at balance date:

	2011 $	2010 $
Number of Series A Convertible Preference Shares		
AE Reeve	6,500	6,500
Number of Ordinary Shares		
CE Dawson	507,634	443,118
AE Reeve	64,964	64,964
CJ Swann	500,000	500,000
A Masfen	17,540,349	16,159,291

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Independent Auditors' Report

to the shareholders of Pacific Edge Limited

Report on the Financial Statements

We have audited the financial statements of Pacific Edge Limited on pages 27 to 59, which comprise the balance sheets as at 31 March 2011, the statements of comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, and the notes to the financial statements that include a summary of significant accounting policies and other explanatory information for both the Company and the Group. The Group comprises the Company and the subsidiary it controlled at 31 March 2011 or from time to time during the financial year.

Directors' Responsibility for the Financial Statements

The Directors are responsible for the preparation of these financial statements in accordance with generally accepted accounting practice in New Zealand and that give a true and fair view of the matters to which they relate and for such internal controls as the Directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (New Zealand) and International Standards on Auditing. These standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider the internal controls relevant to the Company and Group's preparation of financial statements that give a true and fair view of the matters to which they relate, in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company and Group's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates, as well as evaluating the overall presentation of the financial statements.

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

We have no relationship with, or interests in, Pacific Edge Limited or its subsidiary other than in our capacities as auditors and providing tax advice. These services have not impaired our independence as auditors of the Company and Group.

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Independent Auditors' Report

Pacific Edge Limited

Opinion

In our opinion, the financial statements on pages 27 to 59:

(i) comply with generally accepted accounting practice in New Zealand;

(ii) comply with International Financial Reporting Standards; and

(iii) give a true and fair view of the financial position of the Company and the Group as at 31 March 2011, and their financial performance and cash flows for the year then ended.

Emphasis of Matter

In forming our opinion, we have considered the potential effect of the Company having insufficient funds available to meet its commitments which could impact on the Company's and Group's future viability. Note 25 refers to the current plans for further funding. The Board is presently uncertain as to the outcome of these plans. The validity of the going concern assumption on which the financial statements are prepared depends on future funding being available. If sufficient funding is not provided, substantial adjustments may have to be made to reflect the situation that assets may need to be realised other than in the amounts at which they are currently recorded in the balance sheets. In addition, the Company and Group may have to provide for further liabilities that might arise.

Our audit opinion is not qualified in respect of the matter emphasised.

Report on Other Legal and Regulatory Requirements

We also report in accordance with Sections 16(1)(d) and 16(1)(e) of the Financial Reporting Act 1993. In relation to our audit of the financial statements for the year ended 31 March 2011:

(i) we have obtained all the information and explanations that we have required; and

(ii) in our opinion, proper accounting records have been kept by the Company as far as appears from an examination of those records.

Restriction on Distribution or Use

This report is made solely to the Company's shareholders, as a body, in accordance with Section 205(1) of the Companies Act 1993. Our audit work has been undertaken so that we might state to the Company's shareholders those matters which we are required to state to them in an auditors' 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.

PricewaterhouseCoopers

Chartered Accountants
30 June 2011

Dunedin

Glossary

Assay. Chemical reactions that allow detection or quantification of substances or biomarkers in samples.

Biomarker. A characteristic that is objectively measured and evaluated as an indicator of normal biologic or pathogenic processes or pharmacological responses to a therapeutic intervention.

Biopsy. Sample of tissue from a living body extracted for diagnostic purposes.

Classification. The division of a disease into medically relevant subtypes, such as aggressive and nonaggressive subclasses of tumours in oncology.

Clinical Trial. A single statistically significant trial for patients with disease. The results of the trial provide performance statistics for the test and are written up and published in a peer-reviewed journal.

Colonoscopy. Invasive endoscopic examination of the large colon and the end section of the small bowel with a CCD camera or a fibre-optic camera on a flexible tube passed through the anus. Frequently used to diagnose colorectal cancer and other colon diseases.

DNA. Deoxyribonucleic acid. The carrier of genetic information for all complex organisms. DNA consists of four different bases bound to a sugar phosphate backbone: adenine (A), cytosine (C), guanine (G), thymine (T). The genetic information is encoded in the sequence of four bases.

Endoscope. Optical device for the inspection of body cavities and minimally invasive surgery. See also **colonoscopy**.

Endoscopy. Visual inspection of body cavities by use of an endoscope.

False-positive rate. Percentage of healthy individuals, falsely identified as sick due to the imprecision of a diagnostic procedure.

FDA. Food and Drug Administration. US government agency responsible for the approval of drugs and medical devices (e.g. IVD tests).

Incidence. Number of new cases per year in a specific disease indication.

Indication. A valid reason to use a certain test, medication, procedure or surgery.

In vitro. In a test tube.

IVD. In-vitro diagnostic.

Milestone payment. One-time payment between contractual parties upon reaching important goals with collaboration.

Molecular classification test. Diagnostic test that, based on the analysis of DNA or RNA, allows the more precise classification of a disease in clinically or pathologically relevant subgroups.

Molecular Diagnostics. Diagnostics based on genetic and epigenetic information.

Monitoring. The tracing of potential recurrence or assessment of progression of a disease.

Non-exclusive licensing model. Strategy for the commercialisation of patents by which several licensees in a geographic region obtain the rights to use one or more patents for the same application.

Non-exclusive partnerships. Business partnerships of a company with several other companies in which each of the collaborations [pursues the same or similar goals].

Oncology. The branch of medicine that studies tumours (cancer) and seeks to understand their development, diagnosis, treatment and prevention.

PCR. Polymerase chain reaction. Method to multiply a section of the DNA in a test tube.

Prognosis. Prediction of how a patient's disease will progress, and the chance of recovery.

Prototype assay. Prototype of a test procedure as a starting point for the development of diagnostic products.

Reagents. Chemical substances needed for the performance of an assay.

Relapse. Disease return following treatment to the primary or distant organ.

Recurrence. Disease return following medical intervention (see **relapse**)

Research market. Market for laboratory equipment and supplies not intended for therapeutic or diagnostic use in humans or animals.

RNA. Ribonucleic acid. Molecule build of similar components as DNA that mainly as an information carrier is involved in the use of genetic information to direct the synthesis of proteins. Compared to DNA, RNA is chemically and biologically considerably less stable.

RT PCR. Real-time PCR. PCR in which the amplification of a DNA segment is continuously measured.

RUO. Research Use Only. Label for products only intended for research applications.

Screening. The systematic and preventative mass screening of an asymptomatic population for early detection of disease.

Sensitivity. The measure of a test's ability to accurately detect the presence of a disease. For example, a sensitivity of 90% means that out of 100 patients who actually have the disease, on average 90 are correctly diagnosed.

Specificity. The measure for a test's ability to exclude a disease if it is truly not present. For example, a specificity of 90% means that out of 100 healthy people 10 are falsely identified as having the disease.

Surveillance. Tight surveillance of individuals at high risk of developing a disease by using diagnostic procedure.

Test kit. Test reagent kit. A set of reagents, consumables and processing instructions necessary to perform a diagnostic laboratory test.

Test panel. Combination of different biomarkers in a diagnostic test.

Tumour. A mass of excess tissue that results from abnormal cell division.

Urologist. Specialist clinicians for urological diseases and disorders.

Validation. Establishing documented evidence that a process or system, when operated within established parameters, can perform effectively and reproducibly and meet its predetermined specifications and quality attributes.