PACIFIC EDGE LTD

ANNUAL REPORT 2012

Vision…

To benefit global communities through delivery of innovative solutions for the early diagnosis and better treatment of cancer. Pacific Edge has its first product in the marketplace, ***Cxbladder***®, and four products in late stage development. Pacific Edge's products are based on proprietary genetic databases used to identify diagnostic biomarkers for cancers. The company specialises in building commercial cancer tests from these proprietary biomarkers.

Mission…

To improve patient outcomes, provide superior returns to our shareholders and benefits to other stakeholders by developing and commercialising innovative solutions for the early detection and management of cancer.

Contents

Figure 1: Preparing Reagents for the ***Cxbladder***® test.

Company Directory

Pacific Edge Limited > for the year ended 31 March 2012

Issued Capital

274,463,410 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 (Independent)
C. E. Dawson
P. Foster (Independent)
A. Masfen

Chief Executive Officer

D. 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

119032

Date of Incorporation

27 February 2001

Nature of Business

Develop and commercialise novel diagnostic and prognostic tools for the early detection and management of cancers.

Company Directory (continued)

Pacific Edge Limited > for the year ended 31 March 2012

Pacific Edge Scientific Advisory Board

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

Members of the Scientific Advisory Board advise on science, scientific progress and clinical opportunities. Visits to New Zealand by the international members also provide a strong linkage to international issues and opportunities while enabling us to keep abreast of the rapidly changing technology.

Name	Position	Organisation	Country
A. Reeve (Chair) [1]	Professor Director	Department of Biochemistry, University of Otago Cancer Genetics Laboratory, University of Otago	New Zealand
P. Guilford	Chief Scientific Officer Associate Professor	Pacific Edge University of Otago	New Zealand
N. Kasabov	Head of Knowledge Engineering Discovery Research Institute (KEDRI)	Knowledge Engineering School of Computer & Information Sciences, Auckland University of Technology	New Zealand
M. Sullivan	Associate Professor	Department of Pediatrics, Christchurch School of Medicine University of Otago	New Zealand
H. Seung Yoon	Professor of Pathology Clinical Director of Anatomical Pathology	Department of Pathology, School of Medicine, University of Otago	New Zealand
M. Brennan	Physician Vice President for International Programs	Memorial Sloan-Kettering Cancer Centre	USA
B. Williams	Director	Monash Institute of Medical Research, Monash University	Australia
O. Ogawa	Professor Chairman	Department of Urology, Kyoto School of Medicine	Japan
P. Spence	Principal	Spence Partners	France

[1] Professor A. Reeve resigned from the role of Chairman of the Scientific Advisory Board, Pacific Edge on 26 March 2012.

Clinical Advisory Board

Pacific Edge has a Clinical Advisory Board to provide expert advice on global clinical needs and applications for the ***Cxbladder***® technology.

Name	Position	Organisation	Country
R. Getzenberg	Director of Research Professor of Urology	James Buchanan Brady Urological Institute Johns Hopkins University School of Medicine	USA
S. Shariat	Surgeon and Specialist in Urologic Oncology	Department of Urology, New York Presbyterian Hospital Weill Medical College Cornell University	USA
J. Raman	Urologist	Penn State Hershey Surgery Specialists Hershey, Pennsylvania, USA	USA
P. Cozzi	Urologist	VMO at Hurstville Community Hospital St Georges Public Hospital Mater Private Hospital	Australia
P. Gilling	Consultant Urologist Head of Urology Department	Tauranga Hospital UROBop Ltd	New Zealand
M. Fraundorfer	Consultant Urologist	Tauranga Hospital UROBop Ltd	New Zealand
P. Davidson	Consultant Urologist Trustee of CURT	Urology Associates Canterbury Urological Research Trust (CURT)	New Zealand
J. Masters	Urologist	Auckland City Hospital Manakau Superclinic Gilgit road specialists	New Zealand

Annual Report of Directors

Pacific Edge Limited > for the year ended 31 March 2012

The Directors present their Annual Report including Financial Statements of the Company and Group for the year ended 31 March 2012.

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 subsidiaries in New Zealand and the United States have been set up to manage and operate the commercial laboratories used for the detection of bladder cancer. The Australian subsidiary is a research and development company.

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

AUDITORS

The Group Auditors are PricewaterhouseCoopers. Audit fees payable for the year were $20,000. PricewaterhouseCoopers are willing to continue as the Group Auditors.

DIRECTORS' DISCLOSURES

The following disclosures were recorded in the interest register:

Share Dealings

Person/or Associated Persons	No. Sold	Class Sold	No. Purchased	Class Purchased
A. G. H. Masfen			1,381,058	Ordinary Shares
A. G. H. Masfen			7,571,292	Ordinary Shares
C. E. Dawson			64,516	Ordinary Shares
C. E. Dawson			271,946	Ordinary Shares

Directors' Remuneration

Directors' remuneration paid was as follows:

Directors' Fees	2012 ($)	2011 ($)
C. J. Swann (Chairman)	27,500	22,292
D. C. Band	17,000	14,083
A. G. H. Masfen	17,000	6,584
C. E. Dawson	17,000	14,083
J. P. Foster	17,000	14,083
A. E. Reeve (Resigned 25/08/2011)	8,500	9,917
J. D. Cochrane (Resigned 26/08/2010)	-	7,500
Total	**104,000**	**88,542**

No Directors' fees were paid from the subsidiaries.

Other Remuneration

Other Remuneration	2012 ($)	2011 ($)
A. E. Reeve – Consultancy Fee	4,833	35,389

Transactions with Directors

The Company and Group paid consultancy fees for accounting services to C J S Advisory Limited. CJ Swann is a Director of this company. The fees charged were on normal terms and conditions and totalled $6,226 (2011: $Nil). At balance date no fees were outstanding relative to these transactions (2011: $Nil).

A significant shareholder, the University of Otago, provided rental space and car parking to the Group costing $144,725 (2011: $142,877) and the Company costing $122,356 (2011: $125,103). As at 31 March 2012 the Group commitment is $169,464 (2011: $142,877) and the Company commitment is $144,624 (2011: $125,103). 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.

The following Directors held office at 31 March 2012:

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

A. E. Reeve resigned as Director on 25 August 2011.

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 received in their capacity as Directors, which would not have ordinarily been available.

Donations

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

Employee Remuneration

Employees receiving remuneration or benefits in excess of $100,000 were as follows:

Remuneration	2012 ($)	2011 ($)
$100,000–$109,999	1	1
$110,000–$119,999	–	1
$230,000–$239,999	–	1
$290,000–$299,999	1	–

Annual Report of Directors (continued)

Pacific Edge Limited > for the year ended 31 March 2012

Pacific Edge Diagnostics New Zealand Limited

The Company has a wholly owned subsidiary called Pacific Edge Diagnostics New Zealand Limited which was incorporated on 15 April 2010. The directors of the subsidiary are David Darling (who is the CEO of the Company) and Chris Swann (the Company's Chairman). No remuneration was paid by the subsidiary to these directors.

There are no employees of Pacific Edge Diagnostics New Zealand Limited who received remuneration exceeding $100,000 in the year ended 31 March 2012. No donations have been made by the subsidiary. No amounts have been paid to the auditor by the subsidiary for the year ended 31 March 2012.

Pacific Edge Analytical Services Limited

The Company has a wholly owned subsidiary called Pacific Edge Analytical Services Limited which was incorporated on 08 October 2010. The sole director of the subsidiary is David Darling. No remuneration was paid by the subsidiary to David Darling for his role as director.

There are no employees of Pacific Edge Diagnostics New Zealand Limited who received remuneration exceeding $100,000 in the year ended 31 March 2012. No donations have been made by the subsidiary. No amounts have been paid to the auditor by the subsidiary for the year ended 31 March 2012.

Pacific Edge Diagnostics USA Limited

The Company has a wholly owned subsidiary called Pacific Edge Diagnostics USA Limited which was incorporated in the USA on 15 December 2011. The sole director of the subsidiary is David Darling. No remuneration was paid by the subsidiary to David Darling for his role as director.

There are no employees of Pacific Edge Diagnostics USA Limited who received remuneration exceeding $100,000 in the year ended 31 March 2012. No donations have been made by the subsidiary. No amounts have been paid to the auditor by the subsidiary for the year ended 31 March 2012.

Pacific Edge Pty Limited

The Company has a wholly owned subsidiary called Pacific Edge Pty Limited which was incorporated in Australia on 4 August 2008. The directors of the subsidiary are David Darling, David Band and Bryan Williams, who is a member of the Scientific Advisory Board for the Company. No remuneration was paid by the subsidiary to these directors.

There are no employees of Pacific Edge Pty Limited who received remuneration exceeding $100,000 in the year ended 31 March 2012. No donations have been made by the subsidiary. $3884 was paid to the auditor by the subsidiary for the year ended 31 March 2012.

For and on behalf of the Board of Directors,

Director Director

Dated the 29th day of June 2012.

Chairman and Chief Executive's Report

Pacific Edge Limited > for the year ended 31 March 2012

This has been a challenging and exciting year, satisfying to have delivered on so many outstanding milestone achievements. Our vision to become a world-leading cancer molecular diagnostics company is truly within our grasp, although we have some demanding times ahead in conquering the marketplace.

We started off the year with the commercial focus of successfully putting ***Cxbladder®*** into a number of global markets and we have made a considerable advance on that goal.

Our achievements in 2012 include:

- Successfully raising a net NZ$19 million in July 2011 to fund the launch of ***Cxbladder®*** into the United States (US)
- Construction is underway with the company's diagnostics laboratory located in Hershey, Pennsylvania
- The appointment of Jackie Walker as the executive to lead the business in the US
- Licenced partners Oryzon in Spain and Healthscope in Australia
- Launch of Healthscope's provision of ***Cxbladder®*** to Australian urologists
- Started the generation of revenue from commercial tests being processed in the NZ diagnostic laboratory for ***Cxbladder®***
- Successful issue of further patents for the company's technologies in development in Singapore, Europe, Australia and New Zealand

We are thrilled to have Jackie Walker drive our growth in the US. She is a strategic, results-oriented, and passionate executive with 25 years experience in the Life Sciences/Medical Device Industry. She has an outstanding background in P & L Management, Sales and Marketing, New Product Development, and Operations. Her experience spans large global companies as well as start-ups.

Throughout her career, Jackie has demonstrated a track record of success by conceiving and executing strategies to grow revenues, to create competitive market positioning and grow revenues and profitability. This is exactly the kind of background that will drive the growth of Pacific Edge Diagnostics USA (PED_{USA}). Jackie is based in Hershey Pennsylvania at the company's US head office and central laboratory facility.

> Premier Source have been appointed as the company's billing and reimbursement agent for the US business and the billing and reimbursement systems designer for ***Cxbladder®***.

PED_{USA} will use the services of Premier Source, based in San Francisco, to manage the billing and reimbursement of ***Cxbladder®*** in the US market. This comprehensive service will engage with our customers from the laboratory interface and will manage the billing and subsequent reimbursement for the individual patients be they Medicare, Medicaid or private payor.

> An in-market, third party, survey of Medical and Benefits Review Committees for Health Insurers in the US that provided an excellent concordance of the acceptability of ***Cxbladder®***'s reimbursement process with their system needs.

As part of the integration of ***Cxbladder®*** into the US market, we need to understand how the reimbursement procedures for our test will integrate into the systems operated by the large private payors for reimbursement. To do so, twenty-one payors from across the US covering the wide spectrum of private plans were independently interviewed and the ***Cxbladder®*** test processes showed a very high level of acceptance and concordance with the payors systems.

> A key urologist customer in the US working with ***Cxbladder®*** as part of their commercial clinical process.

The US market is by far the largest opportunity for the company and we have therefore embarked on building a laboratory for the provision of the ***Cxbladder®*** test to urologists and physicians across the US. The laboratory will be regulated under the Clinical Laboratories

David Darling CEO

Improvement Amendment Act, (CLIA). This accreditation process enables Pacific Edge Diagnostics USA, (PED_{USA}) to offer ***Cxbladder***® as a Laboratory Developed Test (LDT). Work with early adoption partners is underway and we have been delighted to have a key urologist using ***Cxbladder***® in their clinical program. We expect to have other key urologists actively engaged before the new laboratory is completed in the US. To do this Pacific Edge in New Zealand has embarked on a process of attaining a CLIA certification for the New Zealand based laboratory in Dunedin. On successful completion of the CLIA regulatory process expected in 2012, the company will be able to provide a New Zealand based commercial service for private payor customers in the US.

> The acceptance for publication of the ***Cxbladder***® multicentre international study by the Journal of Urology.

The Journal of Urology has accepted the Company's successful multicentre international clinical study for publication. This will be the second peer reviewed scientific paper to be published on ***Cxbladder***®. The publication of these successful results showing that ***Cxbladder***® sees greater than 95% of all high grade and late stage tumours is a significant clinical milestone for the technology. This underpins the quality of our science and paves the way for increased acceptance by urologists.

> The signing of partners in Australia (Healthscope), Spain (Oryzon) and New Zealand (Labtests).

During the year Oryzon has been working to get the ***Cxbladder***® technology installed and running in their commercial laboratory. It could reasonably be expected that this will occur during 2012 in time to meet our market expectations for Spain. Labtests in New Zealand has been signed up as the exclusive sales and marketing partner for the Auckland and Northland regions. These regions account for approximately 40% of New Zealand's market and all tests in New Zealand will be analysed in Pacific Edge Diagnostic NZ's laboratory in Dunedin.

> Healthscope's laboratory successfully completed the uptake of the ***Cxbladder***® technology and was certified by Pacific Edge to offer commercial tests in February 2012.

Cxbladder® technology has now been successfully integrated into the Healthscope laboratory in Melbourne and start-up audits have been completed. Pacific Edge signed off the Healthscope laboratory in February of 2012 and the laboratory is now certified to commercially analyse tests.

Commercialisation of our novel cancer diagnostics

> The last two years has seen a transformation of Pacific Edge as we progressed the development of our first product ***Cxbladder***® from product prototype to a commercial test used in the clinical work-up of patients. This transformation continues across the Company and into the market, changing the business from a research operation to a product-driven molecular-diagnostic company concerned with providing high performance diagnostic solutions for clinicians to tackle cancers.

Pacific Edge continues its rapid move to becoming a commercial cancer diagnostics company. This mission involves Pacific Edge deploying a combination of selected exclusive partnerships and wholly owned subsidiaries in targeted key markets to initiate adoption of the ***Cxbladder***® test and generate revenues from international and domestic markets.

During the year we engaged all resources to focus on the delivery of our lead product ***Cxbladder***® test into New Zealand, Australia, Spain and the US. Significant progress has been achieved in each of these markets. This could reasonably be expected to flow on to adoption and revenue generation beginning in the coming financial year ending 31 March 2013.

Chairman and Chief Executive's Report (continued)

Pacific Edge Limited > for the year ended 31 March 2012

To speed adoption by an increasing number of practitioners, Pacific Edge and its partners have been active in the market place attending a number of urology based conventions in New Zealand, Australia and the US. The largest was the American Urological Association (AUA) convention with an attendance of over 10,000 urologists. Others included:

- LUGPA 2011 (Large Urology Group Practice Association), approximately 10% of US practicing urologists are clustered into LUGs.
- USANZ 2011 (Urology Society of Australia and New Zealand).

As a result of these and other market initiatives, significant progress has been made with a growing number of urologists engaged in some form of adoption, evaluation or use of the test in their clinical practice. Adoption of a medical device into a clinician's practice has always expected to be a longer process than for a conventional consumer product. We have been delighted with the very positive feedback received from clinicians to our test to date.

> International markets are being primed for the uptake of ***Cx**bladder*®.

The last few years have been exciting and challenging. We have developed a world-class molecular diagnostic test for the early detection of bladder cancer and have embarked on a global commercialisation strategy that engages leading partners in New Zealand, Australia, the United States and Spain in taking ***Cx**bladder*® to urologists and physicians, our customers.

Treatment of bladder cancer incurs the highest total medical costs of any cancer and in the USA this figure is approaching US$200,000 per patient from detection until death. In the US there are expected to be in excess of 1 million people presenting to their healthcare provider this year with blood in their urine, haematuria, and it is anticipated that the US healthcare system could spend over $1 billion annually in investigating haematuria.

Of those people who present with blood in their urine, 12.5% will have bladder cancer. Some occupations have a much higher incidence of bladder cancer. These include firefighters, fire control officers, truck drivers, hairdressers and biochemical engineers where the incidence can range as high as 30%.

New Zealand and Australia are our home markets with approximately 300 urologists seeing some 50,000 people with haematuria. This gives a potential for approximately 85,000 tests per annum. These small but significant home markets enable us to introduce the product and polish the commercial offering.

Spain and Portugal are key entry points to the European market for Pacific Edge. Together these markets are approximately 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. Approximately 200,000 of Spain's 46 million people will present to their medical practitioner or clinician with haematuria leading to the identification of approximately 13,000 thousand new bladder cancer incidences annually.

Our progress in encouraging urologists to evaluate ***Cx**bladder*® to determine how best to integrate this new test into their clinical pathway has resulted in excess of 350 tests being received and analysed. It is expected that a further 1200 tests will be carried out during this phase of the adoption process across the new markets during this financial year.

Individual evaluation is an integral part of the adoption process for medical practitioners. As would be expected in the medical profession, adoption of new technology requires consideration of the peer reviewed scientific literature as well as the opinions of recognised leaders in urology combined with their own evaluations in clinic. During the year the company has signed a key customer in the US who has evaluated in excess of 60 tests in a formal clinical setting.

Figure 2: Jackie Walker, Chief Executive Officer of Pacific Edge Diagnostics USA; and Jack Atchason, Executive Director, Hershey Centre for Applied Research US, monitoring the build progress of the new commercial laboratory in Hershey, Pennsylvania.

Figure 3: Pacific Edge Diagnostics USA, situated on the second floor of HCAR building, Pennsylvania.

Chairman and Chief Executive's Report (continued)

Pacific Edge Limited > for the year ended 31 March 2012

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

Cxbladder® is expected to replace cytology for patients presenting to clinicians with haematuria and be used to complement cystoscopy in the clinical care of patients following treatment where patients are being monitored for a recurrence of the disease.

The results of a multicentre international clinical study for ***Cxbladder®*** have been submitted to the Journal of Urology for publication and this peer reviewed scientific paper will be published in the September edition of the Journal. This will become the second peer reviewed scientific publication on the ***Cxbladder®*** technology and will be another significant milestone in the commercialisation of the product.

The publication shows that ***Cxbladder®*** is much more accurate than other commonly used urine tests for bladder cancer. The interim analysis of the trial showed that the ***Cxbladder®*** test detects 100% of late-stage tumours and 95% of high-grade tumours.

These high grade and late stage tumours are the tumours of concern to urologists, and the clinical results show that ***Cxbladder®*** performs to a significantly higher level than the other commonly used technologies benchmarked in the trial.

The commercial partners for *Cxbladder®*

> Commercialisation of ***Cxbladder®*** globally will be a combination of the company's own laboratories in key markets and selected partners in some geographies.

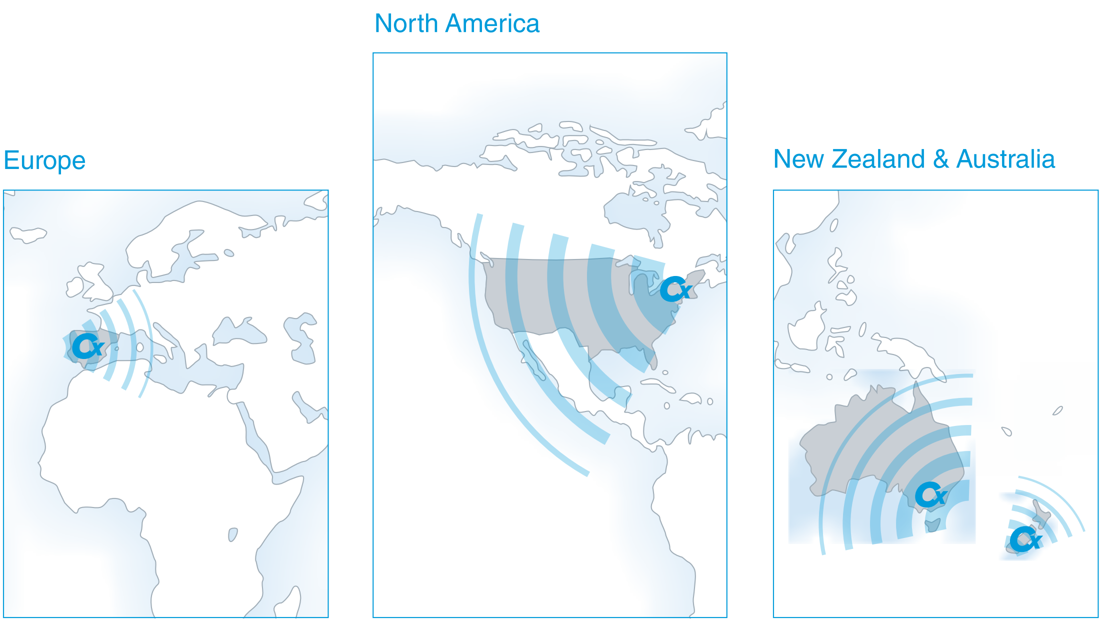

Figure 4: The commercial centres for ***Cxbladder®*** in 2012.

Each of the Company and partner laboratories will be licensed and audited to enable an extremely uniform and compliant level of analysis of Pacific Edge's test.

Tests will be analysed in these laboratories and the results sent directly to the patient's specified clinician or physician via a secure web portal. Turn-around time is between three to five working days, making the results available for timely and appropriate management of the patient's needs.

In early 2011, Pacific Edge licensed leading Australian pathology and healthcare provider Healthscope Pathology to take ***Cxbladder***® to the Australian market. This will enable us to reach out to the larger numbers of clinicians and physicians in Australia. Healthscope's molecular diagnostics laboratory in Melbourne is now qualified to run the ***Cxbladder***® technology and will be able to supplement the scale and capability of our Dunedin diagnostics laboratory.

Healthscope, a premier healthcare provider, with operations in Australia and Asia, is the second largest Australian private hospital provider. 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.

Following the Healthscope agreement, Pacific Edge exclusively licensed Oryzon to provide ***Cxbladder***® to urologists and GPs in Spain and Portugal. Oryzon is considered the fastest growing biotechnology and molecular diagnostics company in Spain.

The laboratory for the New Zealand market is in Dunedin and for the USA in Hershey, Pennsylvania. Healthscope's laboratory is located in Clayton, Melbourne. Oryzon's laboratory is in Barcelona and will service urologists and physicians in both Spain and Portugal.

Commercial adoption and initial revenues achieved in target markets

> ***Cxbladder***® 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.

In Australia and New Zealand, urologists can now supplement their clinical work-up with ***Cxbladder***®. This will allow them to definitively triage, early on, those with bladder cancer from those who don't have the disease. We are confident ***Cxbladder***® will 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.

Retail prices for ***Cxbladder***® for New Zealand and Australian patients will be NZ$320 and AU$240 per test respectively. There is an anticipated need, in New Zealand and Australia, for between 55,000 and 85,000 ***Cxbladder***® tests a year, at a conservative estimate. In Spain and Portugal, ***Cxbladder***® is expected to have a retail price of €200 and the US market is expected to launch with a retail price of US$500–800.

Pacific Edge has appointed an exclusive manufacturer in Europe for the ***Cxbladder***® sample kit as well as an independent logistics and distribution provider to ensure that the kits are delivered on time to clinicians and physicians.

The urine sample kit components for ***Cxbladder***® are manufactured 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 and US markets.

Chairman and Chief Executive's Report (continued)

Pacific Edge Limited > for the year ended 31 March 2012

Stage 1

Stage 2

Cxbladder® Process

Figure 5: Physician / patient interaction

Figure 6: Receipt / acceptance of sample into laboratory.

Stage 3

Figure 7: Sample processing.

Stage 4

Figure 8: Sample analysis.

Stage 5

Figure 9: Report reading / patient interaction.

Chairman and Chief Executive's Report (continued)

Pacific Edge Limited > for the year ended 31 March 2012

Figure 10: Processing Cxbladder samples.

> In conclusion, the 2012 financial year has been another year of high performance for Pacific Edge with many great successes and several conclusive commercial outcomes. ***Cxbladder***® has been launched in-market and the process of adoption and generation of initial revenue is underway.

Our first commercial diagnostic product is now on the market and customers, patients and doctors are able to access the ***Cxbladder***® test kits in New Zealand, Australia, the United States and later this year in Spain and Portugal. Through us or our business partners, we are extremely well positioned to drive our commercialisation forward, grow our revenue stream, broaden our customer base and sign additional licensing deals, in key markets, for our cancer molecular diagnostic product. The outcome of this will be to improve our earnings situation to a point where within the next several years we can emerge as a growing and leading cancer molecular diagnostics company.

While the focus of our efforts is on the commercialisation of ***Cxbladder***®, in the past year Singapore granted patent recognition for Pacific Edge's colorectal cancer prognostic technology. Patents were also granted in Europe, Australia, and New Zealand for the company's technology for the detection of gastric cancer. The company continues to develop it's pipeline of diagnostic and prognostic products.

I would like to sincerely thank all of our employees, our partners, our customers, and in particular our shareholders for their continued loyal support, strong commitment and trust in us to deliver on the promises of our vision. The current financial year again promises to be very rewarding for Pacific Edge and the many clinicians and patients that our products come into contact with. We expect to see our new laboratory and the regulatory process completed in the US and growing revenue generation in all the markets where we have launched in.

> The opportunities are large, particularly in the US. While many of the risks for Pacific Edge have been reduced, there remain a number of potential risks that the company has limited if any control over. Some of these have been identified here and the outlines of how we would expect to mitigate them.

Pacific Edge is a commercial entity operating in the field of molecular diagnostics. The company's products are diagnostic and prognostic products for the early detection and management of cancer. As such, Pacific Edge is subject to many industry-specific and company-specific opportunities and risks. These could, individually or combined, dramatically affect our future revenue or earnings and have a negative impact on our future financial situation, as well as our share price.

Business-related opportunities and risks

We have now launched the first Pacific Edge diagnostics product, ***Cxbladder***®. Whether we can bring in strong revenue from our bladder-cancer diagnostic test will depend partly on how well we market and commercialise the test with clinicians, physicians and insurers. First we must launch the products successfully in diagnostic laboratories and gain acceptance by the medical community and third-party payers in each country.

It is critical for us to get reimbursed for the tests by third parties and gain mass acceptance. So our partners and we 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 ***Cxbladder***® test direct to the market in the US through a central laboratory. Our current business model for this move involves offering ***Cxbladder***® to clinicians and physicians through a laboratory certified under the Clinical Laboratories Improvement Act (CLIA certified laboratory) as a 'laboratory developed test' (LDT). This approach does not currently require FDA approval. However in the longer term it is anticipated that Pacific Edge will seek FDA approval.

Under this model, we will also depend on our partners to develop, commercialise, sell and distribute our products based on our licensed markers/technologies.

Through partnering and licensing, we can leverage our marketing efforts to generate early revenue in the form of royalty income. Having launched ***Cxbladder***® in the Asia/Pacific region and Europe, in collaboration with our partners Healthscope and Oryzon, we are now well underway with our laboratory in the strong US market.

We are also subject to certain partnering-related risks. Our partnerships are still new and need to develop their full commercial potential in future. We still intend to close additional non-exclusive licensing and partnering deals for ***Cxbladder***® so we can access the widest possible global market. We are currently in discussion with new potential partners, but with no assurance that we will obtain favourable terms. Successful marketing by our existing partners will obviously play a big part.

The bladder cancer diagnostic field has yet to see any intense competition. However some competitors are expected to have made progress over the past year in developing other non-invasive bladder diagnostic tests.

Chairman and Chief Executive's Report (continued)

Pacific Edge Limited > for the year ended 31 March 2012

Our commercialisation partners and we must strongly leverage the lead we have in clinical validation with ***Cxbladder***®.

By building an extensive clinical network for our ***Cxbladder***® clinical study as well as for the in-market cohort studies in Spain and Australia, 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 huge resources and to leverage our existing partnerships for gaining further partners in Europe and Asia.

IP related opportunities and risks

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

- The scope, duration, depth and breadth of each single claim granted
- The regional coverage
- The competing IP that we could depend on
- Our ability to enforce the protection
- The potential for accidental infringing of other IP
- Prevention of others from infringing our IP
- Our ability to in-license key IP

Any of these factors could affect our cost base, how we commercialise our products and close alliances, our revenue and ultimately our earnings and 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 even just 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 could 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 analysis on intellectual property in these and related fields for our key markets.

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

Regulatory opportunities and risks

The regulatory environment in cancer molecular diagnostics has become more challenging, especially concerning laboratory developed tests/homebrew assays in the US market. This could affect our 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 risk and prepare for any potential issues, 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 CLIA and LDT. When the FDA mooted increasing regulatory process over 'In-Vitro Diagnostic Multi-Index Assays' (IVDMIAs), this drew a strong response from molecular diagnostic companies. As a result, the agency's suggested changes were taken back to the bench. For us, this means that any such changes could bump up the cost of taking IVDMIAs to the market should we need to or choose to market the technology with this commercialisation route.

Financial opportunities and risks

At 31 March 2012 our available liquidity (cash, cash equivalents and marketable securities) amounted to $NZ17.94 million as a result of our capital raise during the 2012 financial year. These funds provide the company with enough liquidity for our medium-term operations, to enable us to take advantage of ***Cxbladder®*** in the marketplace and in the US in particular. With the expectation of receiving some revenue from diagnostic sales in 2012 and significantly greater revenue in 2013 the company's short to medium-term financial risks are much reduced. Should expansion opportunities occur for the existing product in a new geography or for one of the company's pipeline products, the company will seek to raise additional capital to expedite the market opportunity.

However, 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 and the US. Successful entry, adoption of the product and rapid penetration in these markets will also further reduce any financial risks.

Commercially we are now located in New Zealand and Australia and plan on gaining a strong presence in the US with the vision to operate globally with ***Cxbladder®*** either through partnerships or our wholly owned subsidiaries. We are therefore subject to foreign exchange rate risks. At present, this is mainly limited to the AUD/NZD, USD/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. We will monitor these risks regularly and evaluate, for 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 always offer opportunities as well.

Other opportunities and risks

We continuously monitor all applicable environmental, health and safety, operational and other statutory or industrial guidelines. At each of our business or laboratory locations, we have implemented functions and internal processes to comply with these. To lessen the impact from the many tax, corporate, employment, competition, IP and other legal frameworks, we consult external experts in our decision-making, policies and processes. Where appropriate, we set aside provisions to cover any potential liability. There are particular risks associated with our shares, such as:

- The large holdings of a small number of private equity and/or institutional shareholders
- Low levels of liquidity in the shares
- Resulting high volatility in share price
- External influences from global recession impacting on investor confidence
- Negative perceptions of any share sale

Chairman and Chief Executive's Report (continued)

Pacific Edge Limited > for the year ended 31 March 2012

At the same time, the relatively small number of existing shareholdings in Pacific Edge's shares allows us to have a regular dialogue with key shareholders. We are helped in this regard by the large proportion of shares held by a small proportion of 'cornerstone' shareholders, including the University of Otago.

Overall Risk Situation Of Pacific Edge

With the inflow of capital received from the fund-raising completed in mid-2011 plus the successful ***Cxbladder***® clinical study meeting its primary aims; multiple commercial partners signed up in key markets and the launch of the roll-out of ***Cxbladder***® into the Australian market; and the start of the build-out of the business in the US market, the company lowered or removed a number of risks of the investment case.

With so much of the product development of ***Cxbladder***® completed, the logistics chain for the sample kit completed, regulatory approvals for the ***Cxbladder***® kit completed in some markets and underway in others, we see many of the clinical development risks reduced. We continue to focus on managing our commercial execution risks. These include guideline inclusion and reimbursement in major markets; future product development; and regulatory approval in some markets and sustained reimbursement in the US.

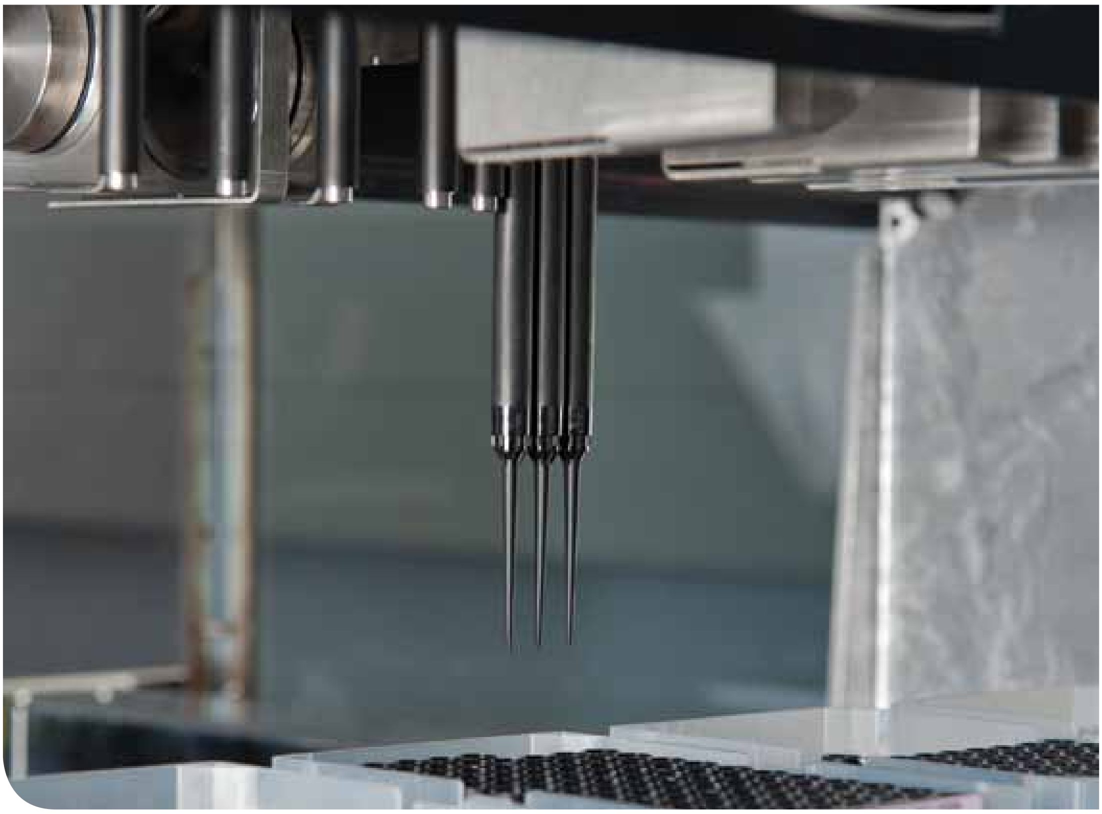

Figure 11: Robotic Liquid Handling Workstation for ***Cxbladder***®.

Directors' Responsibility Statement

Pacific Edge Limited > for the year ended 31 March 2012

The Directors are responsible for ensuring that the financial statements give a true and fair view of the financial position of the Company and Group as at 31 March 2012 and its financial performance and cash flows for the year ended on that date.

The Directors consider that the financial statements of the Company and Group have been prepared using appropriate accounting policies, consistently applied and supported by reasonable judgements and estimates and that all relevant financial reporting and accounting standards have been followed.

The Directors believe that proper accounting records have been kept which enable, with reasonable accuracy, the determination of the financial position of the Company and Group and facilitate compliance of the financial statements with the Financial Reporting Act 1993.

CORPORATE GOVERNANCE

Role of the Board of Directors

The Board of Directors' primary role is to effectively represent and promote the interests of the Company. The Board is elected by the shareholders to supervise the management of the Company. The Board establishes the Company's objectives, strategies for achieving these objectives, and the overall policy framework within which the business of the Company is conducted, monitors management's performance, and ensures that procedures are in place to provide effective internal financial control.

The day to day management responsibilities of the Company have been delegated to the Chief Executive Officer.

Corporate Governance Practices in the Constitution

The Company's constitution sets out guidelines for Directors and management in carrying out their duties and responsibilities. The constitution requires that the Board comply with the Listing Rules and the Companies Act 1993. The provisions in the Second Schedule to the Company's constitution governs the proceedings of the Board. The Company's constitution covers matters such as:

- General corporate governance matters
- Role of the Board
- Composition of the Board
- Directors' responsibilities
- Appointment and removal of directors (including executive and alternate directors)
- Powers and rights of directors
- Remuneration of directors
- Confidentiality and protection of Company information
- Compliance with laws and regulations
- Shareholder participation, rights, and obligations
- Company transactions
- Conflicts of interest
- Protection of Company assets

The primary responsibilities of the Board include ensuring compliance with the Company's constitution, setting up clear goals for the Company and ensuring that there are appropriate strategies in place for achieving them, monitoring the performance of management, managing the Company's financial position and statements, ensuring that the Company follows high standards of ethical and corporate behaviour, and ensuring that the Company has appropriate risk management policies in place. Newly elected directors are expected to be familiar with their obligations under the Constitution. Training is also provided to new and existing directors where this is required to enable directors to fulfil their obligations under the Constitution.

Directors' Responsibility Statement (continued)

Pacific Edge Limited > for the year ended 31 March 2012

Board Membership

The Board has been selected on their individual skills and contribution to the Company. The Board is comprised of 5 non-executive directors including the Chairman Chris Swann, David Band, Colin Dawson, Peter Foster, and Anatole Masfen. The Chairman is a non-executive director who is elected by the directors.

In accordance with the Company's constitution one third, or the number nearest to one third, of the Board retire by rotation at each annual meeting. The directors to retire are those who have been longest in office since the 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.

Sub Committees

The Board forms subcommittees for designated tasks to be addressed. Such subcommittees include the Audit Subcommittee, the Funding Subcommittee and the Remuneration Subcommittee.

Internal Financial Control

The Board has overall responsibility for the Company's system of internal financial control. The directors have established procedures and policies that are designed to provide effective internal financial control. Annual budgets and business plans are prepared, and agreed by the Board. Financial statements are prepared monthly and reviewed by the Board throughout the year to monitor performance against budget targets and objectives.

The directors are responsible for presenting the financial statements for each financial year. The directors are responsible for ensuring the Company's financial statements give a true and fair view of the financial position of the Company and its financial performance and cash flows for each year.

Audit Committee

The Company's constitution requires it to have an Audit Committee comprised solely of directors of the Company, with the majority of members being independent directors. There must be at least three members in the Audit Committee and at least one member must have an accounting or financial background. Under the constitution the responsibilities of Audit Committee include as a minimum:

- Ensuring that the processes are in place in monitoring those processes so that the Board is properly and regularly informed and updated on corporate financial matters
- Recommending the appointment and removal of the independent auditor
- Meeting regularly to monitor and review the independent and internal auditing practices
- Having direct communication with and unrestricted access to the independent and any internal auditors or accountants
- Reviewing the financial reports and advising all directors whether they comply with the appropriate laws and regulations
- Ensuring that the external auditor or lead audit partner is changed at least every five years

Conflicts of Interest

The constitution sets out a procedure to be followed where directors are faced with a potential conflict of interest. At all times a director must be able to act in the interests of the Company as a whole and in accordance with all relevant laws including the NZX Listing Rules and the Companies Act 1993.

The personal interests of a director must not be allowed to prevail over those of the Company and its shareholders generally. The constitution requires a director to disclose any personal interests to the Company which may conflict with the Company's interest.

The Company's constitution provides that a director may:

- contract with the Company and be a party to any transaction with the Company
- have any personal involvement or interest in any transaction or arrangement to which the Company is a party or is otherwise interested or involved
- become a director or other officer of, or otherwise be interested in, any corporation promoted by the Company or in which the Company may be directly or indirectly interested as a shareholder or otherwise
- retain any remuneration profits or benefits in relation to any of these arrangements

However a director who is interested in a transaction that is entered into by the Company may not vote on a Board resolution in respect of any matter relating to the transaction unless that matter is one in which the directors are either required to sign a certificate or where the matter relates to an indemnity.

Compliance with NZX and Securities Commission Guidelines

The Company's governance policies are consistent with the NZX Corporate Governance Best Practice Code and meet the 9 Principles for Corporate Governance issued by the Securities Commission.

In summary, the 9 principles are:

1. Ethical Standards—Directors should observe and foster high ethical standards.
2. Board Composition—There should be a balance of independence, skills, knowledge, experience, and perspectives among directors so that the board works effectively.
3. Board Committees—The Board should use committees where this would enhance its effectiveness in key areas while retaining board responsibility.
4. Reporting and Disclosure—The Board should demand integrity both in financial reporting and in the timeliness and balance of disclosures on entity affairs.
5. Remuneration—The remuneration of directors and executives should be transparent, fair, and reasonable.
6. Risk Management—The Board should regularly verify that the entity has appropriate processes that identify and manage potential and relevant risks.
7. Audits—The Board should ensure the quality and independence of the external audit process.
8. Shareholder Relations—The Board should foster constructive relationships with shareholders that encourage them to engage with the entity.
9. Stakeholder Interests—The Board should respect the interests of stakeholders within the context of the entity's ownership type and its fundamental purpose.

Reporting and Disclosure

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

The Directors have pleasure in presenting the financial statements, set out on pages 26 to 59 for Pacific Edge Limited and the consolidated Group for the year ended 31 March 2012.

The Board of Pacific Edge Limited authorised these financial statements for issue on 29 June 2012.

For and on behalf of the Board of Directors,

Chairman

Director

Chief Executive Officer

Dated the 29th day of June 2012.

Statements of Comprehensive Income

Pacific Edge Limited > for the year ended 31 March 2012

		Notes	Group 2012 ($)	Group 2011 ($)	Parent 2012 ($)	Parent 2011 ($)
OPERATING REVENUE						
Cxbladder Sales			9,615	500	–	–
Grant Received		4	106,669	201,116	106,669	201,116
Licence Fees			163,502	–	163,502	–
Interest Earned			341,790	82,230	341,713	82,230
Other Income			24,926	21,156	–	21,156
Total Operating Revenue			**646,502**	**305,002**	**611,884**	**304,502**
LESS EXPENSES						
Audit Remuneration	Audit Fees		19,550	17,500	19,550	17,500
	Other Assurance Services		7,194	2,460	3,310	2,460
			26,744	**19,960**	**22,860**	**19,960**
Directors' Fees			104,000	88,542	104,000	88,542
Depreciation		5	177,907	112,876	82,465	97,215
Currency Exchange Loss			96,001	1,471	96,001	1,471
Conference & Travel			349,212	168,275	327,588	168,275
Stock Exchange & Registry Fees			105,892	61,986	105,892	61,986
Leases	Rent of Premises	6	144,725	142,877	122,356	125,103
	Copier		11,974	10,770	11,974	10,770
			156,699	**153,647**	**134,330**	**135,873**
Research	Employee Benefits		1,303,428	1,250,276	1,149,688	1,246,972
	Consultants		869,871	272,029	307,565	272,029

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

		Notes	Group 2012 ($)	Group 2011 ($)	Parent 2012 ($)	Parent 2011 ($)
Research	Clinical Trials		192,417	247,275	140,728	247,275
	Consumables		89,165	120,280	7,797	91,944
	Contract Services		121,703	119,018	121,703	115,740
	Patents/ Trademarks		598,187	520,459	598,187	520,459
	Other (Research)		–	20,130	–	20,130
			3,174,771	**2,549,467**	**2,325,668**	**2,514,549**
Write down of investment and advance to subsidiaries		**12**	–	–	1,124,725	120,345
Other Expenses			535,314	525,585	369,457	242,832
Interest Expense			2,668	106	1,604	106
Total Expenses			**4,729,208**	**3,451,654**	**4,694,590**	**3,451,154**
NET (LOSS) BEFORE TAX			**(4,082,706)**	**(3,146,652)**	**(4,082,706)**	**(3,146,652)**
Income Tax Expense		**7**	–	–	–	–
(LOSS) FOR THE YEAR AFTER TAX			**(4,082,706)**	**(3,146,652)**	**(4,082,706)**	**(3,146,652)**
Translation Foreign Operations		**18**	3,472	–	3,472	–
TOTAL COMPREHENSIVE INCOME/(LOSS)			**(4,079,234)**	**(3,146,652)**	**(4,079,234)**	**(3,146,652)**
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)	(0.018)	(0.018)
Diluted Earnings per share		**3**	(0.017)	(0.018)	(0.017)	(0.018)

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

Statements of Changes in Equity

Pacific Edge Limited > for the year ended 31 March 2012

	Notes	Group 2012 ($)	Group 2011 ($)	Parent 2012 ($)	Parent 2011 ($)
EQUITY AT START OF YEAR		2,690,644	1,128,903	2,690,644	1,128,903
(LOSS) FOR YEAR		**(4,082,706)**	**(3,146,652)**	**(4,082,706)**	**(3,146,652)**
Translation Foreign Operations difference		3,472	–	3,472	–
Total Comprehensive Loss		**(4,079,234)**	**(3,146,652)**	**(4,079,234)**	**(3,146,652)**
TRANSACTION WITH OWNERS IN THEIR CAPACITY AS OWNERS					
Owners Contribution	**16**	20,128,024	4,884,140	20,128,024	4,884,140
Issue Expenses	**16**	(1,061,512)	(175,747)	(1,061,512)	(175,747)
Total		**19,066,512**	**4,708,393**	**19,066,512**	**4,708,393**
EQUITY AT END OF YEAR		**17,677,922**	**2,690,644**	**17,677,922**	**2,690,644**

Equity Comprises:

	Notes	Group 2012 ($)	Group 2011 ($)	Parent 2012 ($)	Parent 2011 ($)
Share Capital					
Opening Balance		27,087,418	22,379,025	27,087,418	22,379,025
Shares Issued		19,066,512	4,708,393	19,066,512	4,708,393
Closing Balance	**16**	**46,153,930**	**27,087,418**	**46,153,930**	**27,087,418**
Accumulated Losses					
Opening Balance		(24,396,774)	(21,250,122)	(24,396,774)	(21,250,122)
Net (Loss) for the year		(4,082,706)	(3,146,652)	(4,082,706)	(3,146,652)
Closing Balance	**17**	**(28,479,480)**	**(24,396,774)**	**(28,479,480)**	**(24,396,774)**
Reserves					
Translation Currency Reserve	**18**	3,472	–	3,472	–
EQUITY AT END OF YEAR		**17,677,922**	**2,690,644**	**17,677,922**	**2,690,644**

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

Balance Sheets

Pacific Edge Limited > as at 31 March 2012

	Notes	Group 2012 ($)	Group 2011 ($)	Parent 2012 ($)	Parent 2011 ($)
CURRENT ASSETS					
Cash and Cash Equivalents	**8**	17,959,469	2,486,234	17,935,620	2,485,674
Receivables	**9**	207,380	263,929	163,895	263,929
Income Tax Refund Due	**7**	–	615	–	615
Other Assets	**10**	83,553	–	1,417	–
Total Current Assets		**18,250,402**	**2,750,778**	**18,100,932**	**2,750,218**
NON–CURRENT ASSETS					
Property, Plant & Equipment	**11**	396,354	544,212	220,757	280,953
Investment in and Advance to Subsidiaries	**12**	–	–	244,551	263,819
Total Non–Current Assets		**396,354**	**544,212**	**465,308**	**544,772**
TOTAL ASSETS		**18,646,756**	**3,294,990**	**18,566,240**	**3,294,990**
CURRENT LIABILITIES					
Payables and Accruals	**13**	775,209	410,721	694,693	410,721
Redeemable Shares (Part Paid)	**14**	3,000	3,000	3,000	3,000
Series A Convertible Preference Shares	**15**	190,625	190,625	190,625	190,625
Total Current Liabilities		**968,834**	**604,346**	**888,318**	**604,346**
TOTAL LIABILITIES		**968,834**	**604,346**	**888,318**	**604,346**
NET ASSETS		**17,677,922**	**2,690,644**	**17,677,922**	**2,690,644**
Represented by:					
EQUITY					
Share Capital	**16**	46,153,930	27,087,418	46,153,930	27,087,418
Accumulated Losses	**17**	(28,479,480)	(24,396,774)	(28,479,480)	(24,396,774)
Reserves	**18**	3,472	–	3,472	–
TOTAL EQUITY		**17,677,922**	**2,690,644**	**17,677,922**	**2,690,644**

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

Statements of Cash Flows

Pacific Edge Limited > for the year ended 31 March 2012

	Notes	Group 2012 ($)	Group 2011 ($)	Parent 2012 ($)	Parent 2011 ($)
CASH FLOWS TO OPERATING ACTIVITIES					
Cash was provided from:					
Receipts from Customers & Grants		374,632	448,223	362,249	447,723
Net GST received		46,170	–	56,995	–
Interest Received		320,108	81,615	320,031	81,615
Income Tax Received		615	–	615	–
		741,525	**529,838**	**739,890**	**529,338**
Cash was disbursed to:					
Payments to Suppliers & Employees		4,346,266	3,402,666	3,270,243	3,297,482
Net GST Paid		–	45,533	–	45,533
Income Tax Paid		–	–		–
		4,346,266	**3,448,199**	**3,270,243**	**3,343,015**
Net Cash Flows to Operating Activities	**21**	**(3,604,741)**	**(2,918,361)**	**(2,530,353)**	**(2,813,677)**
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	**11**	30,049	319,595	22,267	40,675
Purchase of Investments		–	–	–	1,000
Advances to subsidiaries	**12**	–	–	1,105,458	383,164
		30,049	**319,595**	**1,127,725**	**424,839**
Net Cash Flows to Investing Activities		**(30,049)**	**(276,695)**	**(1,127,725)**	**(381,939)**

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

	Notes	Group 2012 ($)	Group 2011 ($)	Parent 2012 ($)	Parent 2011 ($)
CASH FLOWS FROM FINANCING ACTIVITIES:					
Cash was received from:					
Ordinary Shares Issued	**16**	20,128,024	4,884,140	20,128,024	4,884,140
Share funds in advance from shareholders		41,513	16,491	41,513	16,491
		20,169,537	**4,900,631**	**20,169,537**	**4,900,631**
Cash was disbursed to:					
Issue Expenses	**16**	1,061,512	175,747	1,061,512	175,747
		1,061,512	**175,747**	**19,108,025**	**175,747**
Net Cash Flows From Financing Activities		**19,108,025**	**4,724,884**	**19,108,025**	**4,724,884**
Net Increase in Cash Held		**15,473,235**	**1,529,828**	**15,449,946**	**1,529,268**
Add Opening Cash Brought Forward		2,486,234	956,406	2,485,674	956,406
Ending Cash Carried Forward		**17,959,469**	**2,486,234**	**17,935,620**	**2,485,674**
Comprised of:					
Bank of New Zealand Cheque Account		176,733	91,602	158,496	91,042
Bank of New Zealand Call Accounts		8,767,088	2,385,195	8,767,088	2,385,195
Bank of New Zealand Short Term US$ Deposits		5,865,702	9,437	5,865,702	9,437
Bank of New Zealand Short Term AUD$ Deposits		51,656	–	51,656	–
Bank of New Zealand Short Term EUR$ Deposits		29,063	–	29,063	–
Bank of New Zealand Term Deposit		3,063,616	–	3,063,616	–
Commonwealth Bank AUD$ Cheque Account		5,611	–	–	–
Ending Cash Carried Forward		**17,959,469**	**2,486,234**	**17,935,620**	**2,485,674**

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

Notes to the Financial Statements

Pacific Edge Limited > for the year ended 31 March 2012

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 subsidiaries Pacific Edge Diagnostics New Zealand Limited, Pacific Edge Diagnostics USA Limited, Pacific Edge Pty Limited and Pacific Edge Analytical Services Limited (together the "Group").

These consolidated financial statements have been approved for issue by the Board of Directors on 29 June 2012.

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"); the Financial Reporting Act 1993 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 entities and the basis of their inclusion for consolidation in these financial statements are as follows:

Name of Subsidiary	Place of Incorporation (or registration) & Operation	Principal Activity	Ownership Interests & Voting Rights 2012 (%)	2011 (%)
Pacific Edge Diagnostics New Zealand Limited	New Zealand	Commercial Laboratory Operation	100	100
Pacific Edge Pty Limited	Australia	Biotechnology Research & Development	100	100
Pacific Edge Diagnostics USA Limited	USA	Commercial Laboratory Operation	100	–
Pacific Edge Analytical Services Limited	New Zealand	Dormant Company	100	100

Pacific Edge Limited is incorporated in New Zealand and is the parent entity of the Group. Pacific Edge Pty Limited has a balance date of 30 June. Financial statements for this subsidiary have been prepared to 31 March 2012 date in accordance with NZ IAS 27.

Pacific Edge Diagnostics USA Limited has a balance date of 31 December. Financial statements for this subsidiary have been prepared to 31 March 2012 date in accordance with NZ IAS 27.

Pacific Edge Diagnostics New Zealand Limited has a balance date of 31 March which is the same as the Parent.

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Pacific Edge Limited as at 31 March 2012 and the results of all subsidiaries for the year then ended. Pacific Edge Limited and its subsidiaries together are referred to in these financial statements as the Group.

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 or 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 Group for the purpose of carrying on its business activities on an ongoing basis. All Property, Plant and Equipment is stated at cost less subsequent accumulated depreciation and any accumulated impairment losses. The cost of purchased assets includes the original purchase consideration given to acquire the assets, and the value of other directly attributable costs that have been incurred in bringing the assets to the location and condition necessary for their intended service. This includes the laboratory equipment for the establishment of the laboratory.

Notes to the Financial Statements (continued)

Pacific Edge Limited > for the year ended 31 March 2012

(c) Depreciation

Depreciation of plant and equipment is based on writing off the assets over their useful lives, using the diminishing value basis.

Main rates used are:

- Laboratory Equipment 11.4% to 26.4%
- Office & Computer Equipment 9.6% to 60%
- Leasehold Improvements 0% to 10%
- Plant & Equipment 13% to 40%
- Furniture & Fittings 10% to 15%

(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 Statements of Comprehensive Income and Statements of Cash flows have been prepared so that all components are stated exclusive of GST. All items in the Balance Sheets 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, as they can be redeemed for cash.

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 Sheets include cash and bank balances, receivables trade creditors, redeemable shares, convertible preference shares and advances to subsidiaries. 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 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

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the Group financial statements, the results and financial position of each group entity are expressed in New Zealand dollars ('NZ$'), which is the functional currency of the Company and the presentation currency for the Group financial statements.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the end of the reporting period.

Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in the statement of comprehensive income in the period in which they arise except for:

Exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur, which form part of the net investment in a foreign

Notes to the Financial Statements (continued)

Pacific Edge Limited > for the year ended 31 March 2012

operation, and which are recognised in other comprehensive income and accumulated as a separate component of equity in the Group's foreign currency translation reserve and reclassified from equity to profit or loss (as a reclassification adjustment) on disposal of the net investment.

Foreign Operations

For the purpose of presenting the Group financial statements, the assets and liabilities of the Group's foreign operations are expressed in New Zealand dollars using exchange rates prevailing at the end of the reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated as a separate component of equity in the Group's foreign currency translation reserve. Such exchange differences are reclassified from equity to profit or loss (as a reclassification adjustment) in the period in which the foreign operation is disposed of.

(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. Interest income on impaired loans is recognised using the original effective interest rate.

(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 statements 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 Group made estimates and assumptions concerning the future. These estimates and assumptions may differ from the subsequent actual results. Estimates and assumptions are continually evaluated and are based on historical experience and other factors including expectations or future events that are believed to be reasonable under the circumstances. The main estimates and assumptions used are depreciation of property, plant and equipment, any impairment of subsidiaries and the going concern assumption. 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) Statements 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 and Group.

(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.

Notes to the Financial Statements (continued)

Pacific Edge Limited > for the year ended 31 March 2012

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.

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 External Reporting Board (XRB) but not yet been adopted by Pacific Edge Limited as they are not yet effective.

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 2015.

The new standard simplifies the classification criteria for financial assets, comparing to the current requirements of NZ IAS 39, which results in 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 and liabilities currently fall into the category of "Loans" and are receivables within the NZ IAS 39 classification. If NZ IFRS 9 was adopted, these assets would the definition of the category of "Financial assets and liabilities measure at amortised cost". However, their measurement and disclosure would not be 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 gains or losses arising on derecognition of financial assets measured at amortised cost. This standard will be adopted when it is effective. There is no intention to adopt earlier.

Financial statement presentation — presentation of other comprehensive income (amendment to IAS1)

This amendment is effective for the financial statements issued for the fiscal years beginning on or after 1 January 2014.

The amendment requires profit or loss and other comprehensive income (OCI) to be presented, either in a single continuous statement or in two separate but consecutive statements. There is little noticeable change from the current requirements. However, the format of the OCI section is required to be changed to separate items that might be recycled from items that will not be recycled. The changes do not affect the measurement of net profit or earnings per share; however, they change the way items of OCI are presented.

This amendment has minimal effect on the Company and Group as they currently have only one immaterial other comprehensive income transaction. This standard will be adopted when it is effective there is no intention to adopt earlier.

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. This standard will be adopted when it is effective. There is no intention to adopt earlier.

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. This standard will be adopted when it is effective. There is no intention to adopt earlier.

Notes to the Financial Statements (continued)

Pacific Edge Limited > for the year ended 31 March 2012

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.

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

The following standard relevant to the Group became effective for the Group during the year:

- IAS 24 — Related Party Disclosures (effective 1 January 2011)

There are no other new NZ IFRSs or amendments to NZ IFRSs effective for periods beginning 1 April 2011 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 2012 ($)	Group 2011 ($)	Parent 2012 ($)	Parent 2011 ($)
Loss attributable to equity holders of the Company	(4,079,234)	(3,146,652)	(4,079,234)	(3,146,652)
Weighted average number of ordinary shares on issue	231,982,797	172,158,021	231,982,797	172,158,021
Earnings per share	(0.018)	(0.018)	(0.018)	(0.018)

(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 2012 ($)	Group 2011 ($)	Parent 2012 ($)	Parent 2011 ($)
Loss attributable to equity holders of the Company	(4,079,234)	(3,146,652)	(4,079,234)	(3,146,652)
Weighted average number of ordinary shares on issue	231,982,797	172,158,021	231,982,797	172,158,021
Adjustments for:				
- Assumed redemption of redeemable shares	60,000	33,333	60,000	33,333
- Assumed conversion of Series A convertible preference shares	953,125	1,334,375	953,125	1,334,375
Weighted average number of ordinary shares for diluted earnings per share	232,995,922	173,525,729	232,995,922	173,525,729
Earnings per share	(0.018)	(0.018)	(0.018)	(0.018)

Notes to the Financial Statements (continued)

Pacific Edge Limited > for the year ended 31 March 2012

4. GRANT RECEIVED

During the 2012 financial year the Company has submitted two claims for partial reimbursement of costs with New Zealand Trade & Enterprise in line their funding agreement. These claims are included as a grant included in receivables and the proceeds are expected to be received in the 2013 financial year (2011: Grant received $201,116 from Growth Services).

All conditions of the grant have been complied with.

5. DEPRECIATION

	Group 2012 ($)	Group 2011 ($)	Parent 2012 ($)	Parent 2011 ($)
Laboratory Equipment				
General Laboratory	38,064	51,076	38,064	51,076
Storage	2,945	2,234	2,945	2,234
Tissue Preparation	626	851	626	851
Array	4,984	6,772	4,984	6,772
Cell Culture	691	849	691	849
Centrifuge	2,302	2,997	2,302	2,997
Electrophoresis	598	812	598	812
Multiplex Project Equipment	6,675	9,068	6,675	9,068
Computer/Office Equipment	97,199	34,294	25,580	22,556
Leasehold Property Improvements	2,147	353	–	–
Furniture & Fittings	3,450	491	–	–
Plant & Equipment	18,226	3,079	–	–
Total Depreciation	**177,907**	**112,876**	**82,465**	**97,215**

6. RELATED PARTIES

The Company and Group paid consultancy fees to A E Reeve, a Director (to 25 August 2011). The fees charged were on normal terms and conditions and totalled $4,833 (2011 $35,389). At balance date no fees were outstanding relating to these transactions (2011 Nil).

The Company and Group paid consultancy fees for accounting services to C J S Advisory Limited. CJ Swann is a Director of this company. The fees charged were on normal terms and conditions and totalled $6,226 (2011: $Nil). At balance date no fees were outstanding relative to these transactions (2011: $Nil).

A significant shareholder, the University of Otago, provided rental space and car parking to the Group costing $144,725 (2011: $142,877) and the Company costing $122,356 (2011: $125,103). As at 31 March 2012 the Group commitment is $169,464 (2011: $142,877) and the Company commitment is $144,624 (2011: $125,103). 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.

Group and Parent key management remuneration for short term benefits was $322,000 (2011: $247,300).

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

Directors fees and payments during the 2012 financial year are $104,000 (2011: $88,542). All members of the Group are considered to be related parties of Pacific Edge Limited (ultimate Parent). This includes the subsidiaries identified in Note 2(a).

During the 2012 financial year the Company paid for expenses of $431,705, plant and equipment purchases and other costs on Pacific Edge Diagnostics USA Limited's behalf. The total consideration paid of $501,627 is recorded as an advance owed to the Company and is not expected to be called for repayment within a year, until the subsidiary has sufficient funds.

Notes to the Financial Statements (continued)

Pacific Edge Limited > for the year ended 31 March 2012

7. INCOME TAX

The Company and Group has incurred an operating loss for the 2012 financial year and no income tax is payable. On 20 May 2010, the New Zealand Government announced in its annual budget changes to the corporate tax rate from 30% to 28%, effective 1 April 2011.

	Group 2012 ($)	Group 2011 ($)	Parent 2012 ($)	Parent 2011 ($)
Net (Loss) before tax	(4,082,706)	(3,146,652)	(4,082,706)	(3,146,652)
Tax at 28% (2011: 30%)	(1,143,158)	(943,996)	(1,143,158)	(943,996)
Less: not recognised as a deferred tax asset	1,143,158	943,996	1,143,158	943,996
Income Tax Expense	–	–	–	–

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 2012, the tax losses totalled approximately $11,937,474 (2011 $7,854,767). There is also deferred research and development expenditure totalling approximately $13,589,000 (2011:13,589,000) to carry forward and claim for tax in future years. The potential benefit of these losses and research development expenditure at 28% is approximately $7,147,000 (2011 $6,004,000).

There is no income tax due for 2012 (2011 $615). The company had a certificate of exemption for RWT and as such no RWT was deducted from interest earned.

8. CASH & CASH EQUIVALENTS

	Group 2012 ($)	Group 2011 ($)	Parent 2012 ($)	Parent 2011 ($)
Bank of New Zealand Cheque Account	176,732	91,602	158,495	91,042
Bank of New Zealand Call Accounts	8,767,088	2,385,195	8,767,088	2,385,195
Bank of New Zealand Short Term US$ Deposits	5,865,702	9,437	5,865,702	9,437
Bank of New Zealand Short Term AUD$ Deposits	51,656	–	51,656	–
Bank of New Zealand Short Term EUR$ Deposits	29,063	–	29,063	–
Bank of New Zealand Term Deposit	3,063,616	–	3,063,616	–
Commonwealth Bank of Australia Cheque Account	5,612	–	–	–
Total Cash & Cash Equivalents	**17,959,469**	**2,486,234**	**17,935,620**	**2,485,674**

Interest on the bank balances range from 0% to 4.55% (2011: 0% to 4.55%) per annum

9. RECEIVABLES

	Group 2012 ($)	Group 2011 ($)	Parent 2012 ($)	Parent 2011 ($)
Debtors	147,595	226,255	122,669	226,255
Accrued Interest	21,682	–	21,682	–
Australian GST Refund Due	1,277	–	–	–
GST Refund Due	36,826	37,674	19,544	37,674
Total Receivables	**207,380**	**263,929**	**163,895**	**263,929**

10. OTHER ASSETS

	Group 2012 ($)	Group 2011 ($)	Parent 2012 ($)	Parent 2011 ($)
Prepayments	1,417	–	1,417	–
Other – Lease Security Deposit	82,136	–	–	–
Total Other Assets	**83,553**	**–**	**1,417**	**–**

Notes to the Financial Statements (continued)

Pacific Edge Limited > for the year ended 31 March 2012

11. PROPERTY, PLANT & EQUIPMENT

Group

	Laboratory Equipment	Office & Computer Equipment	Leasehold Improvements	Plant & Equipment	Furniture & Fittings	Total
COST						
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**
Balance at 1 April 2011	1,335,023	527,423	21,825	88,618	15,601	1,988,490
Additions	–	27,221	–	1,703	2,749	31,673
Disposals	–	–	–	(1,624)	–	(1,624)
Balance at 31 March 2012	**1,335,023**	**554,644**	**21,825**	**88,697**	**18,350**	**2,018,539**
ACCUMULATED DEPRECIATION						
Balance at 1 April 2010	1,032,509	298,893	–	–	–	1,331,402
Depreciation expense	74,659	34,294	353	3,079	491	112,876
Balance at 31 March 2011	**1,107,168**	**333,187**	**353**	**3,079**	**491**	**1,444,278**
Balance at 1 April 2011	1,107,168	333,187	353	3,079	491	1,444,278
Depreciation expense	56,885	97,199	2,147	18,226	3,450	177,907
Balance at 31 March 2012	**1,164,053**	**430,386**	**2,500**	**21,305**	**3,941**	**1,622,185**
CARRYING AMOUNTS						
At 1 April 2010	312,776	46,461	–	–	–	359,237
At 31 March 2011 & 1 April 2011	227,855	194,236	21,472	85,539	15,110	544,212
At 31 March 2012	170,9710	124,258	19,325	67,392	14,409	396,354

PROPERTY, PLANT & EQUIPMENT (CONTINUED)

Parent

	Laboratory Equipment	Office & Computer Equipment	Leasehold Improvements	Plant & Equipment	Furniture & Fittings	Total
COST						
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**
Balance at 1 April 2011	1,335,023	374,546	–	–	–	1,709,569
Additions	–	22,240	–	–	–	22,240
Disposals	–	–	–	–	–	–
Balance at 31 March 2012	**1,335,023**	**396,786**	**–**	**–**	**–**	**1,731,809**
ACCUMULATED DEPRECIATION						
Balance at 1 April 2010	1,032,509	298,893	–	–	–	1,331,402
Depreciation expense	74,659	22,556	–	–	–	97,215
Balance at 31 March 2011	**1,107,168**	**321,449**	**–**	**–**	**–**	**1,428,617**
Balance at 1 April 2011	1,107,168	321,449	–	–	–	1,428,617
Depreciation expense	56,885	25,580	–	–	–	82,465
Balance at 31 March 2012	**1,164,053**	**347,029**	**–**	**–**	**–**	**1,511,082**
CARRYING AMOUNTS						
At 1 April 2010	312,776	46,461	–	–	–	359,237
At 31 March 2011 & 1 April 2011	227,856	53,097	–	–	–	280,953
At 31 March 2012	170,971	49,757	–	–	–	220,727

Notes to the Financial Statements (continued)

Pacific Edge Limited > for the year ended 31 March 2012

12. INVESTMENT IN AND ADVANCE TO SUBSIDIARIES

	Parent 2012 ($)	Parent 2011 ($)
Advances to subsidiaries	1,368,276	383,164
Shares in subsidiary	1,000	1,000
	1,369,276	384,164
Less Impairment loss	(1,124,725)	(120,345)
	244,551	**263,819**

The consolidated financial statements incorporate the assets and liabilities and result of Pacific Edge Diagnostics New Zealand Limited, Pacific Edge Diagnostics USA Limited (formed in 2012 Financial Year) & Pacific Edge Pty Limited. They are all 100% owned by Pacific Edge Limited. The subsidiaries in NZ and USA principal activity is the management and operation of the laboratories used for the detection of bladder cancer. The Australian entity is a research and development company. The impairment loss in 2012 is a result of the effect of the investment and advances not being recoverable in full based on the total deficit in equity of the subsidiaries at 31 March 2012. Accordingly, the impairment loss reduces the value in the Parent's books to its fair value based on the recoverable amount at balance date.

13. PAYABLES AND ACCRUALS

	Group 2012 ($)	Group 2011 ($)	Parent 2012 ($)	Parent 2011 ($)
Trade Creditors	427,905	187,471	347,389	187,471
Accrued Expenses	46,826	47,203	46,826	47,203
Employee Entitlements (refer below)	242,474	159,556	242,474	159,556
Monies received in advance from shareholders	58,004	16,491	58,004	16,491
Total Payables and Accruals	**775,209**	**410,721**	**694,693**	**410,721**

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 2012 ($)	Group 2011 ($)	Parent 2012 ($)	Parent 2011 ($)
PAYE Tax	29,281	25,637	29,281	25,637
Holiday Pay	97,119	99,949	97,119	99,949
Accrued Wages	116,074	33,970	116,074	33,970
Total Employee Entitlements	**242,474**	**159,556**	**242,474**	**159,556**

14. REDEEMABLE SHARES

Part Paid	Group 2012 ($)	Group 2011 ($)	Parent 2012 ($)	Parent 2011 ($)
Redeemable shares (Part Paid)	3,000	3,000	3,000	3,000
Total Redeemable Shares	**3,000**	**3,000**	**3,000**	**3,000**

These shares relate to an Employee Share Ownership Plan (ESOP). This is due to terminate after the 2013 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 2012 ($)	Group 2011 ($)	Parent 2012 ($)	Parent 2011 ($)
Opening Balance	190,625	190,625	190,625	190,625
Closing Balance	**190,625**	**190,625**	**190,625**	**190,625**

There are 190,625 (2011: 190,625) Series A Convertible Preference Shares on issue. The original agreement was for each Series A Convertible Preference shareholder having the right to either convert, upon election, to five Ordinary Shares and then entitled to five votes or redeem the shares for cash at their purchase price of $1 per share.

As these shares can be redeemed for cash at their purchase price of $1 per share within the next year, they have been classified as current liabilities. There are no rights to any dividends (fixed or cumulative) attached to these preference 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 953,125 shares (at the current level of entitlement 1:5 (2011: 953,125)).

Notes to the Financial Statements (continued)

Pacific Edge Limited > for the year ended 31 March 2012

16. SHARE CAPITAL

	Group 2012 ($)	Group 2011 ($)	Parent 2012 ($)	Parent 2011 ($)
Ordinary Shares	46,153,930	27,087,418	46,153,930	27,087,418
Total Share Capital	**46,153,930**	**27,087,418**	**46,153,930**	**27,087,418**

There are 274,463,410 (2011: 172,158,021) 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	2012 ($)	2011 ($)
Opening Balance	172,158,021	27,087,418	22,379,025
New issues: Private Placement	23,000,000	5,060,000	–
New issues: Direct Offers	79,305,389	15,068,024	4,884,140
	274,463,410	47,215,442	27,263,165
Less Issue Expenses	–	(1,061,512)	(175,747)
Closing Balance	**274,463,410**	**46,153,930**	**27,087,418**

During the year ended 31 March 2012 23,000,000 Ordinary shares were issued (at 22 cents per Ordinary Share) through a private placement. Additionally 79,305,389 Ordinary shares were issued (at 19 cents per Ordinary Share) in Direct Offers. These issues raised a total of $20,128,024 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).

17. ACCUMULATED LOSSES

	Group 2012 ($)	Group 2011 ($)	Parent 2012 ($)	Parent 2011 ($)
Opening Balance	(24,396,774)	(21,250,122)	(24,396,774)	(21,250,122)
Net (Loss) After Tax	(4,082,706)	(3,146,652)	(4,082,706)	(3,146,652)
Closing Balance	**(28,479,480)**	**(24,396,774)**	**(28,479,480)**	**(24,396,774)**

18. FOREIGN CURRENCY TRANSLATION RESERVE

Exchange differences relating to the translation from the functional currencies of the Group's foreign subsidiaries into New Zealand dollars are brought to account by entries made directly to the foreign currency translation reserve.

19. IMPUTATION CREDIT ACCOUNT

At balance date imputation credits available to the shareholders were:

	Group 2012 ($)	Group 2011 ($)	Parent 2012 ($)	Parent 2011 ($)
Opening Balance	615	17,756	615	17,756
RWT Refund Received	(615)	(17,756)	(615)	(17,756)
RWT Paid	–	615	–	615
Closing Balance	**–**	**615**	**–**	**615**

Notes to the Financial Statements (continued)

Pacific Edge Limited > for the year ended 31 March 2012

20. 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 three operating segments at balance date. These segments being the research and development of diagnostic and prognostic products for human cancer and the operator of the laboratory used for the detection of bladder cancer; currently operating in the United States of America and New Zealand.

The segment information provided to the Chief Executive Officer for the reportable segment described above, for the year ended 31 March 2012, is shown below.

2012	NZ Laboratory	US Laboratory	Research	Total
Total segment revenue	34,541	–	270,171	304,712
Revenue from External Customers	**34,541**	**–**	**270,171**	**304,712**
Adjusted EBITDA	(457,991)	(431,705)	(3,354,205)	(4,243,901)
Interest revenue	77	–	341,713	341,790
Interest expense	(1,084)	–	(1,604)	(2,688)
Depreciation & Amortisation	(95,442)	–	(82,465)	(177,907)
Income tax expense	–	–	–	–
Total Loss Before Tax	**(554,440)**	**(431,705)**	**(3,096,561)**	**(4,082,706)**
Total Assets	**236,036**	**82,136**	**18,328,584**	**18,646,756**
Total Liabilities	**(61,103)**	**(12,215)**	**(895,516)**	**(968,834)**

In 2011 there was one segment at balance date being the research and development of diagnostic and prognostic products for human cancer. The 2011 segment information is shown in the statement of comprehensive income in these financial statements. The 2011 segment assets and liabilities are shown on the balance sheets. The adjusted EBITDA is the earnings before income tax, depreciation and amortisation.

SEGMENT INFORMATION (CONTINUED)

Sales between segments are carried out at arms length prices. The revenue from external parties reported to the Chief Executive Officer is measured in a manner consistent with that in the statement of comprehensive income.

The amounts provided to the Chief Executive Officer with respect to total assets are measured in a manner consistent with that of the financial statements. These assets are allocated based on the operation of the segment and the physical location of the asset. "Reportable segments" assets are reconciled to total assets as follows:

	2012 ($)
Segment assets for reportable segments	18,646,756
Unallocated	–
Total Assets per the Balance Sheet	**18,646,756**

The amounts provided to the Chief Executive Officer with respect to total liabilities are measured in a manner consistent with that of the financial statements. These liabilities are allocated based on the operations of the segment. "Reportable segments" liabilities are reconciled to total liabilities as follows:

	2012 ($)
Segment liabilities for reportable segment	968,834
Unallocated	–
Total Liabilities per the Balance Sheet	**968,834**

The reportable operating segment research derives their revenue primarily from grant income and the reportable operating segment laboratories derive their revenue primarily of sales of Cx bladder kits. The Chief Executive Officer assesses the performance of the operating segment based on net profit/(loss) for the period.

Notes to the Financial Statements (continued)

Pacific Edge Limited > for the year ended 31 March 2012

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

	Group 2012 ($)	Group 2011 ($)	Parent 2012 ($)	Parent 2011 ($)
Net Loss for the Period	(4,079,234)	(3,146,652)	(4,079,234)	(3,146,652)
Add Non Cash Items:				
Depreciation	177,907	112,876	82,465	97,215
Write down of investment in and advance to subsidiary	–	–	1,124,725	120,345
Total Non Cash Items	**177,907**	**112,876**	**1,207,190**	**217,560**
Add Movements in Other Working Capital items:				
Decrease in Tax Refund Due	615	260,201	615	260,201
Increase in GST Receivable	–	(23,028)	–	(23,028)
(Increase)/Decrease in Receivables and Other Assets	(27,004)	(16,340)	98,617	(16,340)
Increase in Payables and Accruals	322,975	(84,262)	242,459	(84,262)
Total Movement in Other Working Capital	**296,585**	**136,571**	**341,691**	**136,571**
Other:				
Gain (Loss) on Sale included in Investing Activities	–	(21,156)	–	(21,156)
Net Cash Flows to Operating Activities	**(3,604,741)**	**(2,918,361)**	**(2,530,353)**	**(2,813,677)**

22. FINANCIAL INSTRUMENTS

Managing financial risk

The Company and Group's activities expose it to the market risks of changes in interest rate risk, credit risk, liquidity risk and foreign currency risk.

- **Interest Rate Risk:** Bank overdrafts and bank deposits 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. Also, bank deposits are placed in various deposit accounts to maximise interest earned.
- **Credit Risk:** In the normal course of business the Company and Group incurs credit risk from debtors and bank balance. Regular monitoring 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 and through raising share capital to meet its cash obligations.
- **Foreign Currency Risk:** The Company and Group purchase goods from overseas suppliers and supplier's services to overseas subsidiaries. Also, assets are held overseas in the US subsidiary. 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, receivables and other assets 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 other than bank deposits with 96.3% of total assets at the Bank of New Zealand. The carrying values of financial assets represent maximum exposure to credit risk. At balance date there were no impaired or past due receivables.

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 if required.

Foreign Currency Risk

The Group undertakes certain transactions denominated in foreign currencies. Hence, exposures to exchange rate fluctuations arise. Exchange rate exposures are managed within approved policy parameters before a foreign currency transaction is approved.

Notes to the Financial Statements (continued)

Pacific Edge Limited > for the year ended 31 March 2012

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 2012 (2011 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
Currency risk	Assets and liabilities are denominated in NZD, USD, AUD, and EUR currencies	As below
Interest rate risk	Exposure to changes in Bank interest rates	As below
Other price risk	No securities are bought, sold or traded	Nil

Balances in AUD and EUR currencies are not significant. A 1% increase or decrease in USD will reduce/increase the loss reported by approximately $30,000 and increase/reduce equity by the same amount. (2011: Nil)

A 1% increase or decrease in Bank deposit interest rates will reduce/increase the loss reported by approximately $180,000 (based on normal levels of bank deposits) and increase/reduce equity by the same amount (2011: $24,000).

Liquidity / maturity profile of liabilities at 31 March 2012:

Group Liabilities	0–3 Months ($)	3–6 Months ($)	6–12 Months ($)	1–2 Years ($)	2+ Years ($)	Total ($)
Payables & Accruals	775,209	–	–	–	–	775,209
Redeemable Shares (Part Paid)	3,000	–	–	–	–	3,000
Series A Convertible Preference Shares	190,625	–	–	–	–	190,625
	968,834	–	–	–	–	**968,834**

Parent Liabilities	0–3 Months ($)	3–6 Months ($)	6–12 Months ($)	1–2 Years ($)	2+ Years ($)	Total ($)
Payables & Accruals	694,693	–	–	–	–	694,693
Redeemable Shares (Part Paid)	3,000	–	–	–	–	3,000
Series A Convertible Preference Shares	190,625	–	–	–	–	190,625
	888,318	–	–	–	–	**888,318**

This profile recognises the earliest time band of share conversions or redemptions (as there is no fixed conversion or redemption date).

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**

Notes to the Financial Statements (continued)

Pacific Edge Limited > for the year ended 31 March 2012

23. CONTINGENT LIABILITIES

There were no known contingent liabilities at 31 March 2012 (2011 Nil). The Company and Group have not granted any securities in respect of liabilities payable by any other party whatsoever.

24. 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.

25. CAPITAL COMMITMENTS

There are no capital commitments for the Company or Group at 31 March 2012 (2011 Nil).

26. LEASE COMMITMENTS

The Company has the following lease commitment for buildings.

	Group 2012 ($)	Group 2011 ($)	Parent 2012 ($)	Parent 2011 ($)
Non cancellable operating lease commitments within one year	377,498	142,877	125,760	125,103
Later than one year, not later than two years	377,498	141,600	125,760	141,600
Later than two years, not later than five years	690,414	–	–	–
Total Lease Commitments	**1,445,410**	**284,477**	**251,520**	**266,703**

The lease of premises (in the Centre for Innovation) with the University of Otago was negotiated on 25 May 2009 for two years with a right of renewal for a further two years. The lease was renewed on 25 May 2011 for a further two years at $125,760 per annum. The Pacific Edge Diagnostics Limited's lease of premises is $21,600 a year for two years. Pacific Edge Diagnostics USA Limited signed a 5 year lease on 21 December, 2011. The total financial commitment for this lease is $1,150,691.

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 potential future returns to 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, issuing new shares or sell assets.

29. PACIFIC 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 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. At balance date 6,449,000 EE units had been vested to Key Staff , Directors and Consultants. The fair value of these EE Units has been determined as $Nil at 31 March 2012 because the conditions above are assessed as unlikely to be met and, accordingly, no expense or liability have been recorded in these financial statements.

Additional NZX Information

Pacific Edge Limited > for the year ended 31 March 2012

The total number of issued voting securities is 274,954,035 comprised of 274,463,410 Ordinary Shares and 190,625 Series A Convertible Preference Shares, and 300,000 Redeemable Shares (Part Paid).

The Company's Ordinary Shares are listed on the NZSX.

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

The company currently does not have a credit rating.

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 2012. These share-holders 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
New Zealand Central Securities Depository Limited	58,672,600 (21.39%)	–	–
Masfen Securities Limited	25,057,641 (9.14%)	–	–
K One W One Limited	20,021,739 (7.30%)	–	–
M J Sullivan	–	–	200,000 (66.67%)
S H Morgan	–	–	100,000 (33.33%)

2. SPREAD OF SECURITY HOLDERS AT 30 APRIL 2012

	No. of Ordinary Security Holders	No. of Ordinary Security Holders	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	8	0.74%				
1,001 – 5,000	109	10.15%				
5,001 – 10,000	141	13.13%	2	28.57%		
10,001 – 100,000	563	52.42%	5	71.43%	1	33.33%
100,001 – 500,000	193	17.97%			1	66.67%
500,001 – 1,000,000	28	2.61%				
1,000,001 – 2,500,000	21	1.96%				
2,500,001 – 13,000,000	8	0.74%				
13,000,001 and Over	3	0.28%				
Total Security Holders	**1074**	**100.00%**	**7**	**100.00%**	**2**	**100.00%**

3. TWENTY LARGEST EQUITY SECURITY SHAREHOLDERS AS AT 30 APRIL 2012

Ordinary Shares	
New Zealand Central Securities Depository Ltd	58,672,600
Masfen Securities Limited	25,057,641
K One W One Limited	20,021,739
Superlife Trustee Nominees Limited	12,862,446
Hypertech Medical Limited	8,029,197
FNZ Custodians Limited	7,404,935
Sinclair Long Term Holdings Limited	6,000,000
University of Otago	5,422,540
Carol Anne Edwards / Graeme Brant Ramsey	4,040,000
Christopher Peter Huljich / Colin Gordon Powell	2,769,813
Christopher & Banks Private Equity Limited	2,742,505
Superlife Trustee Nominees Limited	2,316,722
Steven Cyril Hancock / Bronwyn Hilda Hancock	2,250,000
Ewan John Bennie	2,203,718
Essex Castle Limited	2,202,221
Lewis Holdings Limited	1,907,577
Waterview Custodian Limited	1,847,488
Robin Angus Floyd	1,793,816
Investment Custodial Services Limited	1,765,697
Farnworth Ventures Limited	1,750,000

Additional NZX Information (continued)

Pacific Edge Limited > for the year ended 31 March 2012

TWENTY LARGEST EQUITY SECURITY SHAREHOLDERS AS AT 30 APRIL 2012 (CONTINUED)

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
Antony Reeve	6,500
FNZ Custodians Limited	5,000

Part Paid Redeemable Shares	
Michael James Sullivan	200,000
Shannon Henry Morgan	100,000

4. DIRECTORS' SHAREHOLDINGS

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

	2012 ($)	2011 ($)
NUMBER OF ORDINARY SHARES		
CE Dawson	507,634	507,634
AE Reeve (Resigned)	64,964	64,964
CJ Swann	500,000	500,000
A Masfen	25,057,641	17,540,349

5. WAIVERS GRANTED BY NZX

NZX granted the following waiver in the 12 month period from 1 May 2011 to 30 April 2012:

- Listing Rule 7.10.5 on 29 July 2011 — to enable the over subscription facility and the shortfall book build offered as part of the renounceable rights issue.

6. EXERCISE OF NZX POWERS (LISTING RULE 5.4.2)

NZX placed a halt on the trading of the company's ordinary shares on opening of the market on 29 July 2011, whilst the Company completed its book build. The trading halt was lifted at 1.37 pm on 29 July 2011.

pwc

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 26 to 59, which comprise the balance sheets as at 31 March 2012, 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 subsidiaries it controlled at 31 March 2012 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 subsidiaries other than in our capacities as auditors and providing tax services. These services have not impaired our independence as auditors of the Company and Group.

pwc

Independent Auditors' Report

Pacific Edge Limited

Opinion

In our opinion, the financial statements on pages 26 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 2012, and their financial performance and cash flows for the year then ended.

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 2012:

(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
29 June 2012

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. U.S. 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.

Nonexclusive 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.

Glossary (continued)

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 which 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 ten 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.

Figure 12: Processing samples with the Vacuum Manifold.

PACIFIC EDGE LTD

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