

A woman with dark hair tied back, wearing a blue lab coat and blue gloves, is working in a laboratory. She is using a pipette to transfer liquid into a small white box. The box has a barcode and the number 'BX2500170' on it. The background shows a white laboratory bench with other equipment.

**CONSOLIDATED
INTERIM FINANCIAL
STATEMENTS**

**FOR THE SIX MONTHS
ENDED 30 SEPTEMBER 2022**



PACIFIC EDGE INC
CANCER DIAGNOSTICS COMPANY

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2022

Consolidated Interim Financial Statements

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	NOTES	UNAUDITED SEPT 2022 6 MONTHS (\$'000)	UNAUDITED SEPT 2021 6 MONTHS (\$'000)	AUDITED 2022 12 MONTHS (\$'000)
REVENUE				
Operating Revenue	4	8,707	5,378	11,445
Total Operating Revenue		8,707	5,378	11,445
Other Income	4	761	747	1,691
Interest Income		1,099	108	549
Foreign Exchange Gain		3,026	497	193
Total Revenue and Other Income		13,593	6,730	13,878
OPERATING EXPENSES				
Laboratory Operations		4,467	3,076	6,498
Research		3,710	2,572	5,135
Sales and Marketing		11,375	6,179	14,277
General and Administration		4,612	3,888	7,756
Total Operating Expenses	5	24,164	15,715	33,666
NET LOSS BEFORE TAX		(10,571)	(8,985)	(19,788)
Income Tax Expense		-	-	-
LOSS FOR THE PERIOD AFTER TAX		(10,571)	(8,985)	(19,788)
<i>Items that may be reclassified to profit or loss:</i>				
Translation of Foreign Operations		380	-	114
TOTAL COMPREHENSIVE LOSS attributable to equity holders of the Company		(10,191)	(8,985)	(19,674)
Earnings per share for loss attributable to the equity holders of the Company during the period				
Basic and Diluted Earnings per share		(0.013)	(0.012)	(0.026)

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2022

	NOTES	SHARE CAPITAL (\$'000)	ACCUMULATED LOSSES (\$'000)	SHARE BASED PAYMENTS RESERVE (\$'000)	FOREIGN CURRENCY TRANSLATION RESERVE (\$'000)	TOTAL EQUITY (\$'000)
UNAUDITED 6 MONTHS TO 30 SEPT 2021						
Balance as at 31 March 2021		190,305	(170,061)	4,038	827	25,109
Loss After Tax		-	(8,985)	-	-	(8,985)
Other Comprehensive Income		-	-	-	-	-
TOTAL COMPREHENSIVE LOSS attributable to equity holders of the Company		-	(8,985)	-	-	(8,985)
<i>Transactions with owners in their capacity as owners:</i>						
Issue of Share Capital	7	76,045	-	-	-	76,045
Share Based Payments - Employee Remuneration	7	172	-	-	-	172
Share Based Payments - Employee Share Options	7	1,175	-	(121)	-	1,054
Balance as at 30 September 2021		267,697	(179,046)	3,917	827	93,395
AUDITED 12 MONTHS TO 31 MARCH 2022						
Balance as at 31 March 2021		190,305	(170,061)	4,038	827	25,109
Loss After Tax		-	(19,788)	-	-	(19,788)
Other Comprehensive Income		-	-	-	114	114
TOTAL COMPREHENSIVE LOSS attributable to equity holders of the Company		-	(19,788)	-	114	(19,674)
<i>Transactions with owners in their capacity as owners:</i>						
Issue of Share Capital	7	99,622	-	-	-	99,622
Share Based Payments - Employee Remuneration	7	172	-	-	-	172
Share Based Payments - Employee Share Options	7	4,040	-	(893)	-	3,147
Balance as at 31 March 2022		294,139	(189,849)	3,145	941	108,376
UNAUDITED 6 MONTHS TO 30 SEPT 2022						
Balance as at 31 March 2022		294,139	(189,849)	3,145	941	108,376
Loss After Tax		-	(10,571)	-	-	(10,571)
Other Comprehensive Income		-	-	-	380	380
TOTAL COMPREHENSIVE LOSS attributable to equity holders of the Company		-	(10,571)	-	380	(10,191)
<i>Transactions with owners in their capacity as owners:</i>						
Issue of Share Capital	7	(2)	-	-	-	(2)
Share Based Payments - Employee Remuneration	7	93	-	-	-	93
Share Based Payments - Employee Share Options	7	-	-	567	-	567
Balance as at 30 September 2022		294,230	(200,420)	3,712	1,321	98,843

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

CONSOLIDATED BALANCE SHEET

AS AT 30 SEPTEMBER 2022

NOTES	UNAUDITED SEPT 2022 6 MONTHS (\$000)	UNAUDITED SEPT 2021 6 MONTHS (\$000)	AUDITED MARCH 2022 12 MONTHS (\$000)
CURRENT ASSETS			
Cash and Cash Equivalents	37,989	80,081	35,412
Short Term Deposits	55,466	11,505	70,000
Receivables	6,017	2,978	4,012
Inventory	1,507	956	1,007
Other Assets	1,734	930	1,183
Total Current Assets	102,713	96,450	111,614
NON-CURRENT ASSETS			
Property, Plant and Equipment	1,753	908	1,404
Right of Use Assets	1,507	2,381	1,830
Intangible Assets	784	231	434
Total Non-Current Assets	4,044	3,520	3,668
TOTAL ASSETS	106,757	99,970	115,282
CURRENT LIABILITIES			
Payables and Accruals	5,983	4,227	4,983
Lease Liabilities	1,267	1,033	1,072
Total Current Liabilities	7,250	5,260	6,055
NON-CURRENT LIABILITIES			
Lease Liabilities	664	1,315	851
Total Non-Current Liabilities	664	1,315	851
TOTAL LIABILITIES	7,914	6,575	6,906
NET ASSETS	98,843	93,395	108,376
Represented by:			
EQUITY			
Share Capital	7	294,230	267,697
Accumulated Losses	(200,420)	(179,046)	(189,849)
Share Based Payments Reserve	3,712	3,917	3,145
Foreign Currency Translation Reserve	1,321	827	941
TOTAL EQUITY	98,843	93,395	108,376
FURTHER INFORMATION			
Net Tangible Assets per share (\$)	14	0.121	0.118



Director

For and on behalf of the Board of Directors



Director

Dated 23rd day of November 2022

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2022

NOTES	UNAUDITED SEPT 2022 6 MONTHS (\$000)	UNAUDITED SEPT 2021 6 MONTHS (\$000)	AUDITED MARCH 2022 12 MONTHS (\$000)
CASH FLOWS TO OPERATING ACTIVITIES			
Cash was provided from:			
Receipts from Customers	7,316	5,370	10,942
Receipts from Grant Providers	404	469	1,413
Interest Received	908	242	365
	8,628	6,081	12,720
Cash was disbursed to:			
Payments to Suppliers and Employees	22,611	14,683	30,198
Net GST cash (inflow) outflow	(11)	14	74
	22,600	14,697	30,272
Net Cash Flows To Operating Activities	8	(13,972)	(17,552)
NET CASH FLOWS FROM (TO) INVESTING ACTIVITIES:			
Cash was provided from:			
Proceeds from Short Term Deposits	71,784	17,000	51,837
	71,784	17,000	51,837
Cash was disbursed to:			
Purchase of Short Term Deposits	57,310	9,505	102,837
Capital Expenditure on Plant and Equipment	504	298	713
Capital Expenditure on Intangible Assets	487	108	413
	58,301	9,911	103,963
Net Cash Flows From (To) Investing Activities	13,483	7,089	(52,126)
CASH FLOWS (TO) FROM FINANCING ACTIVITIES:			
Cash was received from:			
Proceeds from Borrowings	314	-	-
Ordinary Shares Issued	7	-	80,000
Exercising of Share Options	-	657	2,306
	314	80,657	105,794
Cash was disbursed to:			
Repayment of Leases - Principal	553	506	1,147
Repayment of Leases - Interest	46	69	126
Issue Expenses	7	3,099	3,865
	601	3,674	5,138
Net Cash Flows (To) From Financing Activities	(287)	76,983	100,656
Net (Decrease) Increase in Cash and Cash Equivalents Held	(776)	75,456	30,978
Add Opening Cash Brought Forward	35,412	4,129	4,129
Effect of exchange rate changes on net cash	3,353	496	305
Ending Cash and Cash Equivalents Carried Forward	37,989	80,081	35,412

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

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2022

1. SUMMARY OF ACCOUNTING POLICIES

The unaudited consolidated interim financial statements (“Interim Financial Statements”) presented are those of Pacific Edge Limited (“Company”) and its subsidiaries (“Group”). The Company is registered and domiciled in New Zealand for the purpose of developing and commercialising innovative diagnostic and prognostic tools for the early detection and management of cancers. Pacific Edge Diagnostics New Zealand Limited and Pacific Edge Diagnostics USA Limited manage and operate the laboratories used for the detection of bladder cancer. Pacific Edge (Australia) Pty Limited’s purpose is to research and develop the Cxbladder products and other prognostic tools. Pacific Edge Diagnostics Singapore Pte Limited’s purpose is sales and marketing of bladder cancer products and assisting with research and development. Pacific Edge Analytical Services Limited is a dormant entity.

The Company is a for profit entity, registered in New Zealand under the Companies Act 1993 and is a reporting entity for the purposes of the Financial Markets Conduct Act 2013. The Company is dual listed, with its primary listing of ordinary shares quoted in New Zealand on the NZX Main Board, and a secondary listing in Australia as a Foreign Exempt Entity on the ASX.

a) Basis of Preparation of Financial Statements

The Interim Financial Statements for the six months ended 30 September 2022 have been prepared in accordance with New Zealand Generally Accepted Accounting Practice (GAAP) and the Financial Markets Conduct Act 2013. They comply with the New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS) and other guidance as issued by the External Reporting Board, as appropriate for entities, and with International Financial Reporting Standards.

The Interim Financial Statements have been prepared in accordance with NZ IAS 34 - Interim Financial Reporting. In complying with NZ IAS 34, these consolidated Interim Financial Statements also comply with IAS 34 - Interim Financial Reporting and should be read in conjunction with the Company’s 2022 Annual Report. The Interim Financial Statements for the six months ended 30 September 2022 are unaudited. Comparative balances for 30 September 2021 are unaudited, whilst the comparative balances for 31 March 2022 are audited.

The Interim Financial Statements are prepared on the basis of historical cost, except where otherwise identified. The presentation currency used in the preparation of the financial statements is New Zealand dollars and all values are rounded to the nearest thousand dollars (\$000).

b) Accounting Policies and Accounting Estimates

All significant accounting policies have been applied on a basis consistent with those used in the audited financial statements of Pacific Edge Limited for the year ended 31 March 2022.

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2022

The Interim Financial Statements were authorised by the Board of Directors on 23 November 2022. The Annual Financial Statements for the year ended 31 March 2022 were authorised by the Board of Directors on 25th May 2022.

c) Audit

The Interim Financial Statements have not been audited. The comparative full year financial results for the year ended 31 March 2022 have been audited.

d) Basis of Consolidation

The following entities and the basis of their inclusion for consolidation in these Interim Financial Statements are as follows:

Name of Subsidiary	Place of Incorporation (or registration) and Operation	Principal Activity	Ownership Interests & Voting Rights	
			30 Sept 2022 (%)	30 Sept 2021 (%)
Pacific Edge Diagnostics New Zealand Limited	New Zealand	Commercial Sales and Diagnostic Laboratory Operation	100	100
Pacific Edge (Australia) Pty Limited	Australia	Biotechnology Research & Development	100	100
Pacific Edge Diagnostics USA Limited	USA	Commercial Sales and Diagnostic Laboratory Operation	100	100
Pacific Edge Diagnostics Singapore Pte Limited	Singapore	Commercial Sales and Biotechnology Research & Development	100	100
Pacific Edge Analytical Services Limited	New Zealand	Dormant Company	100	100

2. INVESTMENTS IN AND ADVANCES TO SUBSIDIARIES

The consolidated Interim Financial Statements incorporate the assets and liabilities and results of Pacific Edge Diagnostics New Zealand Limited, Pacific Edge (Australia) Pty Limited, Pacific Edge Diagnostics USA Limited, Pacific Edge Diagnostics Singapore Pte Limited and Pacific Edge Analytical Services Limited, all of which are 100% owned by the Company. Subsidiaries have a 31 March balance date. The investments in and advances to subsidiaries are eliminated on consolidation in the Group financial statements.

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2022

3. DIVIDENDS

The Company does not propose to pay dividends to shareholders similar to previous years. This policy continues.

4. REVENUE AND OTHER INCOME

	Unaudited Sept 2022 6 Months (\$000)	Unaudited Sept 2021 6 Months (\$000)	Audited March 2022 12 Months (\$000)
Cxbladder Sales			
US - Accrual Accounting	7,383	4,537	9,687
US - Cash Accounting	916	445	953
Total US Sales	8,299	4,982	10,640
Rest of World	408	396	805
Total Operating Revenue	8,707	5,378	11,445
Other Income			
Grant Revenue	300	295	321
Research Rebates and Tax Incentives	461	452	1,370
Total Other Income	761	747	1,691

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2022

5. OPERATING EXPENSES

The note below highlights total expenses shown within total operating expenses. These items are then split across functions; laboratory, research, sales and marketing and general and administration as reported in the annual report.

	Notes	Unaudited Sept 2022 6 Months (\$000)	Unaudited Sept 2021 6 Months (\$000)	Audited March 2022 12 Months (\$000)
Operating Expenses				
Amortisation		123	54	156
Auditors Remuneration				
Group year end financial statements		69	80	184
Half year review of financial statements		29	27	28
Foreign statutory financial statements		13	12	12
Total Auditors Remuneration		111	119	224
Consultant Costs		858	400	984
Depreciation		206	127	264
Depreciation on Right of Use Assets		569	526	1,064
Directors Fees		247	186	413
Employee Benefits		10,797	6,770	16,402
Employee Share Scheme Expenses		93	172	172
Employee Share Options		567	397	839
Interest on Lease Liabilities		46	69	125
NZX / ASX / Registry Fees		225	806	901
Rental and Lease Expense		38	28	79
Site Fees - Clinical Studies		636	279	599
Other Operating Expenses		9,648	5,782	11,444
Total Operating Expenses		24,164	15,715	33,666

Employee Share Scheme

Employee Share Scheme Expenses are a non-cash expense. These relate to shares issued to employees in lieu of cash bonuses.

Employee Share Options

Employee Share Options are a non-cash expense. Refer to Note 8 of the latest Annual Report for details of the accounting policy for Employee Share Schemes.

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2022

Other Operating Expenses

The major categories of expenditure which make up operating expenses, but are not disclosed separately on the previous page: Laboratory costs, Information Technology costs, Compliance and Regulatory costs and Investor Relations costs.

6. SEGMENT INFORMATION

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Chief Executive Officer who makes strategic decisions.

There are two operating segments at balance date:

- Commercial:** The sales, marketing, laboratory and support operations to run the commercial businesses worldwide.
- Research:** The research and development of diagnostic and prognostic products for human cancer.

The reportable operating segment Commercial derives its revenue primarily from sales of Cxbladder tests and the reportable operating segment Research derives its revenue primarily from grant income. The Chief Executive Officer assesses the performance of the operating segments based on their net result for the period.

Segment income, expenses and profitability are presented on a gross basis excluding inter-segment eliminations to best represent the performance of each segment operating as independent business units. The segment information provided to the Chief Executive Officer for the reportable segment described above, for the six months ended 30 September 2022, is shown on the following page.

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2022

Unaudited 6 Months to 30 September 2022	Commercial (\$'000)	Research (\$'000)	Less: Eliminations (\$'000)	Total (\$'000)
Income				
Operating Revenue - External	8,707	-	-	8,707
- Internal	-	-	-	-
Other Income	237	1,287	(763)	761
Interest Income	3	1,096	-	1,099
Foreign Exchange Gain	8	3,018	-	3,026
Total Income	8,955	5,401	(763)	13,593
Expenses				
Expenses	16,280	7,749	(763)	23,266
Depreciation & Amortisation	594	304	-	898
Total Operating Expenses	16,874	8,053	(763)	24,164
Loss Before Tax	(7,919)	(2,652)	-	(10,571)
Income Tax Expense	-	-	-	-
Loss After Tax	(7,919)	(2,652)	-	(10,571)
Net Cash Flow to Operating Activities	(8,478)	(5,494)	-	(13,972)

Audited 12 Months to 31 March 2022	Commercial (\$'000)	Research (\$'000)	Less: Eliminations (\$'000)	Total (\$'000)
Income				
Operating Revenue - External	11,445	-	-	11,445
- Internal	-	-	-	-
Other Income	437	2,187	(933)	1,691
Interest Income	2	547	-	549
Foreign Exchange Gain	-	193	-	193
Total Income	11,884	2,927	(933)	13,878
Expenses				
Expenses	20,378	12,737	(933)	32,182
Depreciation & Amortisation	977	507	-	1,484
Total Operating Expenses	21,355	13,244	(933)	33,666
Loss Before Tax	(9,471)	(10,317)	-	(19,788)
Income Tax Expense	-	-	-	-
Loss After Tax	(9,471)	(10,317)	-	(19,788)
Net Cash Flow to Operating Activities	(8,620)	(8,932)	-	(17,552)

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2022

Unaudited 6 Months to 30 September 2021	Commercial (\$'000)	Research (\$'000)	Less: Eliminations (\$'000)	Total (\$'000)
Income				
Operating Revenue - External	5,378	-	-	5,378
- Internal	-	-	-	-
Other Income	239	1,034	(526)	747
Interest Income	1	107	-	108
Foreign Exchange Gain	-	497	-	497
Total Income	5,618	1,638	(526)	6,730
Expenses				
Expenses	9,137	6,396	(526)	15,007
Depreciation & Amortisation	481	227	-	708
Total Operating Expenses	9,618	6,623	(526)	15,715
Loss Before Tax	(4,000)	(4,985)	-	(8,985)
Income Tax Expense	-	-	-	-
Loss After Tax	(4,000)	(4,985)	-	(8,985)
Net Cash Flow to Operating Activities	(3,393)	(5,223)	-	(8,616)

Eliminations

These are the intercompany transactions between the subsidiaries and the Parent. These are eliminated on consolidation of Group results.

Total Laboratory Throughput

Unaudited	Commercial (#tests)	Research (#tests)	Total (#tests)
6 months ended 30 September 2022	12,422	2,495	14,917
12 months ended 31 March 2022	19,196	3,890	23,086
6 months ended 30 September 2021	9,192	1,944	11,136

Laboratory Throughput is a key metric for the Group: Laboratory Throughput provides evidence of the usage of Cxbladder products globally and the rates of adoption between different customer segments. Total Laboratory Throughput includes commercial tests, which are invoiced to customers, and research tests which are not considered to be billable as these tests relate to user programs or other non-chargeable activities.

Commercial test numbers are also a key metric for the Group: Commercial Tests are those tests for which the Company is actively seeking reimbursement and cash receipts, and tests performed at no charge in order to gain new customers.

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2022

Segment Assets and Liabilities Information

Unaudited as at 30 September 2022	Commercial (\$'000)	Research (\$'000)	Total (\$'000)
Total Assets	8,906	97,851	106,757
Total Liabilities	5,990	1,924	7,914

Audited as at 31 March 2022	Commercial (\$'000)	Research (\$'000)	Total (\$'000)
Total Assets	6,031	109,251	115,282
Total Liabilities	4,571	2,335	6,906

Unaudited as at 30 September 2021	Commercial (\$'000)	Research (\$'000)	Total (\$'000)
Total Assets	5,529	94,441	99,970
Total Liabilities	4,073	2,502	6,575

Additions to non-current assets for the period include:

	Commercial (\$'000)	Research (\$'000)	Total (\$'000)
Property, Plant & Equipment	487	17	504
Right of Use Assets	-	-	-
Intangible Assets	441	30	471
Total Additions to Non Current Assets	928	47	975

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

There are no unallocated assets or liabilities.

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2022

Geographic Split of Revenue and Non-Current Assets

The Group generates most of the operating revenue from Commercial tests from the US and New Zealand, and also receives Grant revenue from Australia and New Zealand. Rest of World consists of Revenue from Australia and Singapore.

	Unaudited Sept 2022 6 Months (\$000)	Unaudited Sept 2021 6 Months (\$000)	Audited March 2022 12 Months (\$000)
Operating and Other Revenue			
US	8,299	4,982	10,640
New Zealand	638	915	1,729
Rest of World	531	228	767
Total Operating and Grant Revenue	9,468	6,125	13,136

	Unaudited Sept 2022 6 Months (\$000)	Unaudited Sept 2021 6 Months (\$000)	Audited March 2022 12 Months (\$000)
Non-Current Assets			
US	1,500	1,866	1,611
New Zealand	2,544	1,649	2,057
Rest of World	-	5	-
Total Non-Current Assets	4,044	3,520	3,668

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2022

7. SHARE CAPITAL

	Sept 2022 Shares 6 Months Shares (000)	Unaudited Sept 2022 6 Months (\$000)	Unaudited Sept 2021 6 Months (\$000)	Audited March 2022 12 Months (\$000)
Opening Balance	810,087	294,139	190,305	190,305
Issue of Ordinary Shares - Placement			80,000	103,487
Issue of Ordinary Shares - Exercise of Share Options			1,175	4,040
Issue of Ordinary Shares - Employee Remuneration ¹	93	93	172	172
Less: Issue Expenses		(2)	(3,955)	(3,865)
Movement	93	91	77,392	103,834
Closing Balance	810,180	294,230	267,697	294,139

¹ During the period 92,985 shares were issued as part of employees remuneration in lieu of cash payments at an average price of \$1.00 per share. (Six months to September 2021 and Twelve months to March 2022: 123,086 at \$1.40).

There are 810,180,218 (September 2021: 788,469,244 and March 2022: 810,087,233) 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.

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2022

8. RECONCILIATION OF CASH USED IN OPERATING ACTIVITIES WITH OPERATING NET LOSS

	Unaudited Sept 2022 6 Months (\$000)	Unaudited Sept 2021 6 Months (\$000)	Audited March 2022 12 Months (\$000)
Net Loss for the Period	(10,571)	(8,985)	(19,788)
Add Non Cash Items:			
Depreciation	206	127	263
Loss on disposal of Property, Plant and Equipment	16	-	11
Amortisation	123	54	156
Employee Share Options	567	397	839
Employee bonuses paid in shares in lieu of cash	93	172	172
Depreciation on right of use assets	569	526	1,064
Interest on finance leases shown in lease repayments	46	69	126
Total Non Cash Items	1,620	1,345	2,631
Add Movements in Other Working Capital items:			
(Increase) in Receivables and Other Assets	(2,493)	(484)	(1,772)
(Increase) in Inventory	(500)	(166)	(217)
Increase in Payables and Accruals	998	172	1,786
Effect of exchange rates on net cash	(3,026)	(498)	(192)
Total Movement in Other Working Capital	(5,021)	(976)	(395)
Net Cash Flows to Operating Activities	(13,972)	(8,616)	(17,552)

9. CONTINGENT LIABILITIES

There were no known contingent liabilities at 30 September 2022 (September 2021: Nil and March 2022: Nil). The Company and Group have not granted any securities in respect of liabilities payable by any other party whatsoever.

10. CAPITAL COMMITMENTS

There are no capital commitments at 30 September 2022 (September 2021: Nil and March 2022: Nil).

11. SUBSEQUENT EVENTS

There are no subsequent events.

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2022

12. RELATED PARTIES

Details of all related party relationships have been disclosed in the annual report for the year ended 31 March 2022. No new transactions with directors or key management personnel occurred that would be considered a related party.

13. PROPOSED LOCAL COVERAGE DETERMINATION (LCD) CHANGES - POTENTIAL IMPACT ON REVENUE

On 29 July 2022 Pacific Edge Limited became aware of proposed changes by Novitas, the Medicare Administrative Contractor (MAC) with jurisdiction for Pacific Edge's US laboratory to the LCD that governs the reimbursement of Cxbladder in the US by the US Centres for Medicare & Medicaid Services (CMS).

If the proposed LCD was approved unchanged, Cxbladder would not qualify for coverage from Novitas for tests reimbursed by the CMS. These tests represent a significant portion of current Cxbladder testing revenue. Multiple companies with dozens of diagnostic tests that have existing coverage or are seeking coverage, would similarly be impacted by this proposal.

Having consulted with US-based advisers and industry experts, Pacific Edge believes the proposed changes are unlikely to survive the ongoing review process in their current form. The consensus view Pacific Edge received was that the proposed changes to the LCD are contrary to US legal requirements and precedent. The proposed changes also fundamentally change the process for determining coverage for specific tests and could deprive US clinicians and Medicare patients access to diagnostic tools with proven, peer-reviewed clinical utility.

Novitas closed the period for public comments on the proposals on 6 September 2022.

Novitas has not provided a specific date for a decision, however Pacific Edge understands the proposed LCD expires if it is not notified within 12 months from the date of proposal of July 28 2022. Regardless of a positive or negative determination, Pacific Edge understands CMS is required to give Pacific Edge at least 45 days' notice of the effective determination date. Pacific Edge continues to receive payment in line with the existing LCD.

Full details of the market update relating to the proposed LCD can be found by following the link below.

<https://www.nzx.com/announcements/396175>

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2022

14. NET TANGIBLE ASSETS**Accounting Policy**

Net Tangible Assets per share is a non-GAAP measure that is required to be disclosed by the NZX Listing Rules. The calculation of the Group's Net Tangible Assets per share and its reconciliation to the consolidated balance sheet is presented below.

	Unaudited Sept 2022 6 Months (\$000)	Unaudited Sept 2021 6 Months (\$000)	Audited March 2022 12 Months (\$000)
Total Assets	106,757	99,970	115,282
Less Intangible Assets	784	231	434
Less Total Liabilities	7,914	6,575	6,906
Net Tangible Assets	98,059	93,164	107,942
Number of Shares Issued (000's)	810,180	788,469	810,087
Net Tangible Assets per share	\$0.121	\$0.118	\$0.133



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