

# INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS  
ENDED 30 SEPTEMBER 2019



**PACIFIC EDGE** INC.  
CANCER DIAGNOSTICS COMPANY

**Interim Financial Statements**

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**STATEMENT OF COMPREHENSIVE INCOME**

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2019

|  | NOTES | UNAUDITED<br>SEPT 2019<br>6 MONTHS<br>(\$'000) | UNAUDITED<br>SEPT 2018<br>6 MONTHS<br>(\$'000) | AUDITED<br>MARCH 2019<br>12 MONTHS<br>(\$'000) |
|--|-------|--|--|--|
| <b>REVENUE</b>   |       |  |  |  |
| Operating Revenue  | 5     | 2,285  | 2,033  | 3,817  |
| <b>Total Operating Revenue</b>   |       | <b>2,285</b>                                   | <b>2,033</b>                                   | <b>3,817</b>                                   |
| Other Income   | 5     | 282  | 442  | 990  |
| Interest Income  |       | 115  | 169  | 323  |
| Foreign Exchange Gain/(Loss)   |       | 19   | (5)  | (1)  |
| <b>Total Revenue and Other Income</b>  |       | <b>2,701</b>                                   | <b>2,639</b>                                   | <b>5,129</b>                                   |
| <b>OPERATING EXPENSES</b>  |       |  |  |  |
| Laboratory Operations  |       | 2,656  | 2,356  | 4,594  |
| Research   |       | 1,974  | 1,666  | 3,532  |
| Sales and Marketing  |       | 4,102  | 4,434  | 8,236  |
| General and Administration   |       | 3,358  | 2,902  | 6,676  |
| <b>Total Operating Expenses</b>  | 6     | <b>12,090</b>                                  | <b>11,358</b>                                  | <b>23,038</b>                                  |
| <b>NET (LOSS) BEFORE TAX</b>   |       | <b>(9,389)</b>                                 | <b>(8,719)</b>                                 | <b>(17,909)</b>                                |
| Income Tax Expense   |       | -  | -  | 9  |
| <b>(LOSS) FOR THE YEAR AFTER TAX</b>   |       | <b>(9,389)</b>                                 | <b>(8,719)</b>                                 | <b>(17,918)</b>                                |
| <i>Items that may be reclassified to profit or loss:</i>   |       |  |  |  |
| Translation of Foreign Operations  |       | (17)   | 1  | (3)  |
| <b>TOTAL COMPREHENSIVE (LOSS) attributable to equity holders of the Company</b>                        |       | <b>(9,406)</b>                                 | <b>(8,718)</b>                                 | <b>(17,921)</b>                                |
| <b>Earnings per share for profit attributable to the equity holders of the Company during the year</b> |       |  |  |  |
| Basic and Diluted Earnings per share   |       | (0.018)  | (0.019)  | (0.037)  |

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

## STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2019

|  | NOTES | SHARE CAPITAL<br>(\$'000) | RETAINED EARNINGS<br>(\$'000) | SHARE BASED PAYMENTS RESERVE<br>(\$'000) | FOREIGN CURRENCY TRANSLATION RESERVE<br>(\$'000) | TOTAL EQUITY<br>(\$'000) |
|--|-------|---------------------------|-------------------------------|--|--|--------------------------|
| <b>UNAUDITED 6 MONTHS TO 30 SEPT 2018</b>                                |       |                           |                               |  |  |                          |
| <b>Balance as at 31 March 2018</b>                                       |       | <b>131,824</b>            | <b>(120,119)</b>              | <b>4,055</b>                             | <b>880</b>                                       | <b>16,640</b>            |
| (Loss) After Tax   |       | -                         | (8,719)                       | -  | -  | (8,719)                  |
| Other Comprehensive Income   |       | -                         | -                             | -  | 1  | 1                        |
| TOTAL COMPREHENSIVE (LOSS) attributable to equity holders of the Company |       | -                         | (8,719)                       | -  | 1  | (8,718)                  |
| <i>Transactions with owners in their capacity as owners:</i>             |       |                           |                               |  |  |                          |
| Issue of Share Capital (net of expenses)                                 | 8     | 2,600                     | -                             | -  | -  | 2,600                    |
| Exercising of Employee Share Options                                     | 8     | 88                        | -                             | -  | -  | 88                       |
| Share Based Payment - Employee Share Options                             |       | -                         | -                             | 284                                      | -  | 284                      |
| <b>Balance as at 30 September 2018</b>                                   |       | <b>134,512</b>            | <b>(128,838)</b>              | <b>4,339</b>                             | <b>881</b>                                       | <b>10,894</b>            |
| <b>AUDITED 12 MONTHS TO 31 MARCH 2019</b>                                |       |                           |                               |  |  |                          |
| <b>Balance as at 31 March 2018</b>                                       |       | <b>131,824</b>            | <b>(120,119)</b>              | <b>4,055</b>                             | <b>880</b>                                       | <b>16,640</b>            |
| (Loss) After Tax   |       | -                         | (17,918)                      | -  | -  | (17,918)                 |
| Other Comprehensive Income   |       | -                         | -                             | -  | (3)  | (3)                      |
| TOTAL COMPREHENSIVE (LOSS) attributable to equity holders of the Company |       | -                         | (17,918)                      | -  | (3)  | (17,921)                 |
| <i>Transactions with owners in their capacity as owners:</i>             |       |                           |                               |  |  |                          |
| Issue of Share Capital   | 8     | 14,391                    | -                             | -  | -  | 14,391                   |
| Share Based Payments - Employee Remuneration                             | 8     | 188                       | -                             | -  | -  | 188                      |
| Share Based Payment - Employee Share Options                             |       | -                         | -                             | 612                                      | -  | 612                      |
| Share Based Payment - Employee Share Options Expired                     |       | -                         | 160                           | (160)                                    | -  | -                        |
| <b>Balance as at 31 March 2019</b>                                       |       | <b>146,403</b>            | <b>(137,877)</b>              | <b>4,507</b>                             | <b>877</b>                                       | <b>13,910</b>            |
| <b>UNAUDITED 6 MONTHS TO 30 SEPT 2019</b>                                |       |                           |                               |  |  |                          |
| <b>Balance as at 31 March 2019</b>                                       |       | <b>146,403</b>            | <b>(137,877)</b>              | <b>4,507</b>                             | <b>877</b>                                       | <b>13,910</b>            |
| (Loss) After Tax   |       | -                         | (9,389)                       | -  | -  | (9,389)                  |
| Other Comprehensive Income   |       | -                         | -                             | -  | (17)   | (17)                     |
| TOTAL COMPREHENSIVE (LOSS) attributable to equity holders of the Company |       | -                         | (9,389)                       | -  | (17)   | (9,406)                  |
| <i>Transactions with owners in their capacity as owners:</i>             |       |                           |                               |  |  |                          |
| Share Based Payments - Employee Remuneration                             | 8     | 112                       | -                             | -  | -  | 112                      |
| Share Based Payment - Employee Share Options                             |       | -                         | 435                           | (115)                                    | -  | 320                      |
| <b>Balance as at 30 September 2019</b>                                   |       | <b>146,515</b>            | <b>(146,831)</b>              | <b>4,392</b>                             | <b>860</b>                                       | <b>4,936</b>             |

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

## BALANCE SHEET

AS AT 30 SEPTEMBER 2019

|                                      | NOTES | UNAUDITED<br>SEPT 2019<br>6 MONTHS<br>(\$'000) | UNAUDITED<br>SEPT 2018<br>6 MONTHS<br>(\$'000) | AUDITED<br>MARCH 2019<br>12 MONTHS<br>(\$'000) |
|--------------------------------------|-------|--|--|--|
| <b>CURRENT ASSETS</b>                |       |  |  |  |
| Cash and Cash Equivalents            |       | 2,737  | 4,560  | 4,847  |
| Short Term Deposits                  |       | 2,000  | 5,500  | 8,000  |
| Receivables                          |       | 952  | 836  | 1,265  |
| Inventory                            |       | 828  | 846  | 842  |
| Other Assets                         |       | 923  | 912  | 610  |
| <b>Total Current Assets</b>          |       | <b>7,440</b>                                   | <b>12,654</b>                                  | <b>15,564</b>                                  |
| <b>NON-CURRENT ASSETS</b>            |       |  |  |  |
| Property, Plant and Equipment        |       | 661  | 876  | 769  |
| Right of Use Assets                  | 9     | 1,500  | -  | -  |
| Intangible Assets                    |       | 208  | 273  | 233  |
| <b>Total Non-Current Assets</b>      |       | <b>2,369</b>                                   | <b>1,149</b>                                   | <b>1,002</b>                                   |
| <b>TOTAL ASSETS</b>                  |       | <b>9,809</b>                                   | <b>13,803</b>                                  | <b>16,566</b>                                  |
| <b>CURRENT LIABILITIES</b>           |       |  |  |  |
| Payables and Accruals                |       | 3,372  | 2,771  | 2,572  |
| Lease Liabilities                    | 9     | 1,149  | 90   | 52   |
| <b>Total Current Liabilities</b>     |       | <b>4,521</b>                                   | <b>2,861</b>                                   | <b>2,624</b>                                   |
| <b>NON-CURRENT LIABILITIES</b>       |       |  |  |  |
| Lease Liabilities                    | 9     | 352  | 48   | 32   |
| <b>Total Non-Current Liabilities</b> |       | <b>352</b>                                     | <b>48</b>                                      | <b>32</b>                                      |
| <b>TOTAL LIABILITIES</b>             |       | <b>4,873</b>                                   | <b>2,909</b>                                   | <b>2,656</b>                                   |
| <b>NET ASSETS</b>                    |       | <b>4,936</b>                                   | <b>10,894</b>                                  | <b>13,910</b>                                  |
| Represented by:                      |       |  |  |  |
| <b>EQUITY</b>                        |       |  |  |  |
| Share Capital                        | 8     | 146,515  | 134,512  | 146,403  |
| Accumulated Losses                   |       | (146,831)                                      | (128,838)                                      | (137,877)                                      |
| Share Based Payments Reserve         |       | 4,392  | 4,339  | 4,507  |
| Foreign Translation Reserve          |       | 860  | 881  | 877  |
| <b>TOTAL EQUITY</b>                  |       | <b>4,936</b>                                   | <b>10,894</b>                                  | <b>13,910</b>                                  |
| <b>FURTHER INFORMATION:</b>          |       |  |  |  |
| Return on Assets (%)                 |       | (96%)  | (63%)  | (108%)   |
| Return on Equity (%)                 |       | (191%)   | (80%)  | (129%)   |
| Debt to Equity Ratio (%)             |       | 99%  | 27%  | 19%  |
| Net Tangible Assets Per Share (\$)   |       | 0.009  | 0.022  | 0.027  |



Director



Director

Dated 21st day of November 2019

For and on behalf of the Board of Directors

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

## STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2019

|  | NOTES | UNAUDITED<br>SEPT 2019<br>6 MONTHS<br>(\$'000) | UNAUDITED<br>SEPT 2018<br>6 MONTHS<br>(\$'000) | AUDITED<br>MARCH 2019<br>12 MONTHS<br>(\$'000) |
|--|-------|--|--|--|
| <b>CASH FLOWS TO OPERATING ACTIVITIES</b>            |       |  |  |  |
| Cash was provided from:                              |       |  |  |  |
| Receipts from Customers                              |       | 2,350  | 2,026  | 3,734  |
| Receipts from Grant Providers                        |       | 641  | 663  | 755  |
| Interest Received                                    |       | 161  | 250  | 376  |
|  |       | 3,152  | 2,939  | 4,865  |
| Cash was disbursed to:                               |       |  |  |  |
| Payments to Suppliers and Employees                  |       | 10,511   | 11,610   | 22,431   |
| Net GST cash outflow (inflow)                        |       | 46   | (59)   | (59)   |
|  |       | 10,557   | 11,551   | 22,372   |
| <b>Net Cash Flows To Operating Activities</b>        | 10    | <b>(7,405)</b>                                 | <b>(8,612)</b>                                 | <b>(17,507)</b>                                |
| <b>CASH FLOWS FROM/(TO) INVESTING ACTIVITIES:</b>    |       |  |  |  |
| Cash was provided from:                              |       |  |  |  |
| Proceeds from Short Term Deposits                    |       | 8,000  | 5,500  | 11,000   |
|  |       | 8,000  | 5,500  | 11,000   |
| Cash was disbursed to:                               |       |  |  |  |
| Purchase of Short Term Deposits                      |       | 2,000  | -  | 8,000  |
| Capital Expenditure on Plant and Equipment           |       | 41   | 19   | 50   |
| Capital Expenditure on Intangible Assets             |       | 30   | 71   | 106  |
|  |       | 2,071  | 90   | 8,156  |
| <b>Net Cash Flows From/(To) Investing Activities</b> |       | <b>5,929</b>                                   | <b>5,410</b>                                   | <b>2,844</b>                                   |
| <b>CASH FLOWS (TO)/FROM FINANCING ACTIVITIES:</b>    |       |  |  |  |
| Cash was received from:                              |       |  |  |  |
| Ordinary Shares Issued                               | 8     | -  | 2,623  | 14,569   |
|  |       | -  | 2,623  | 14,569   |
| Cash was disbursed to:                               |       |  |  |  |
| Repayment of Finance Leases                          | 9     | 609  | 43   | 97   |
| Issue Expenses                                       | 8     | 3  | 23   | 178  |
|  |       | 612  | 66   | 275  |
| <b>Net Cash Flows (To)/From Financing Activities</b> |       | <b>(612)</b>                                   | <b>2,557</b>                                   | <b>14,294</b>                                  |
| <b>Net (Decrease) in Cash Held</b>                   |       | <b>(2,088)</b>                                 | <b>(645)</b>                                   | <b>(369)</b>                                   |
| Add Opening Cash Brought Forward                     |       | 4,847  | 5,242  | 5,242  |
| Effect of Exchange Rate Changes on Net Cash          |       | (22)   | (37)   | (26)   |
| <b>Ending Cash Carried Forward</b>                   |       | <b>2,737</b>                                   | <b>4,560</b>                                   | <b>4,847</b>                                   |

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

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2019

**1. SUMMARY OF ACCOUNTING POLICIES**

The unaudited 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 new 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 processing Cxbladder tests. Pacific Edge Pty Limited’s purpose is to research and develop the Cxbladder product and other prognostic tools. Pacific Edge Diagnostics Singapore Pte Limited sells and markets bladder cancer products and assists with research and development and Pacific Edge Analytical Services Limited is a service 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 listed with NZX Limited with its ordinary shares quoted on the NZX Main Board.

**Basis of Preparation**

The Interim Financial Statements for the six months ended 30 September 2019 have been prepared in accordance with the requirements of the NZX Listing Rules.

The Interim Financial Statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice (NZ GAAP) and comply 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 2019 Annual Report. The Interim Financial Statements for the six months ended 30 September 2019 are unaudited. Comparative balances for 30 September 2018 are unaudited, whilst the comparative balances for 31 March 2019 are audited.

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

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2019

**Accounting Policies**

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 2019 except for the adoption of NZ IFRS 16 which has impacted the accounting for leases. Pacific Edge Limited adopted NZ IFRS 16 on its effective date 1 April 2019. In accordance with the modified retrospective adoption of this standard, the prior period comparative has not been restated. Further details of the impact of this accounting standard are detailed in Note 9.

**Authorisation**

The Interim Financial Statements were authorised by the Board of Directors on 21 November 2019. The annual financial statements for the year ended 31 March 2019 were authorised by the Board of Directors on 29 May 2019.

**Audit**

The Interim Financial Statements have not been audited. The comparative full year financial results for the year ended 31 March 2019 have been audited.

**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 2019 (%)                    | 30 Sept 2018 (%) |
| 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                                 | 100              |
| Pacific Edge Diagnostics Singapore Pte Limited | Singapore  | Biotechnology Research & Development | 100                                 | 100              |
| Pacific Edge Analytical Services Limited       | New Zealand  | Diagnostic Biocomputational Services | 100                                 | 100              |

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2019

**2. GOING CONCERN**

The Interim Financial Statements have been prepared on the going concern basis which assumes that the Company and Group will have sufficient cash to pay its debts as they fall due for a minimum of 12 months from the signing of the Interim Financial Statements.

As at 30 September 2019, the Company and Group had \$4.737m of cash, cash equivalents and short term deposits on hand (2018: \$10.060m). The Company and Group expects to raise approximately \$20m, either through its capital raise, or in reliance on the associated underwrite, through the capital raise activity outlined in Note 13. The Company and Group had net assets of \$4.936m (2018: \$10.894m) at 30 September 2019 and cash receipts totalling \$3.152m were received in the six month period to 30 September 2019 (2018: \$2.939m). Net cash out flows from operating activities for the six month period to 30 September 2019 were \$7.405m (2018: \$8.612m).

While the Company and Group continues to incur operating losses, the Company and Group remains solvent and continues to pay its debts as they fall due. The Company and Group continues to progress commercial negotiations with targeted large scale health organisations in the USA and whilst these negotiations are taking longer than expected to complete, the Company and Group continues to make good progress with these negotiations. The new contracts that will result from these commercial negotiations are expected to have a significant positive impact on the Company's and Group's financial position once they are concluded.

The Company and Group has prepared cash flow forecasts which indicate that if these commercial negotiations continue to be delayed and the Company and Group is not able to raise the capital discussed in Note 13, the Company and Group may not have sufficient cash to meet its minimum expenditure commitments and support its current levels of activity. The Company and Group may therefore need to raise additional funds to continue as a going concern. This indicates that there is a material uncertainty as at 30 September 2019 that may cast significant doubt on the Company's and Group's ability to continue as a going concern and, therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

To address the future additional funding requirements of the Company and Group, the Directors have:

- Entered into discussions to secure additional equity funding from current or new shareholders,
- Continued to monitor the Company's and Group's ongoing working capital requirements and minimum expenditure commitments, and
- Continued to focus on maintaining an appropriate level of expenditure to support business growth in line with the Company's and Group's available cash resources.

The Directors are confident that they will be able to obtain additional equity funding to enable the Company and Group to meet its minimum expenditure requirements and support its planned level of expenditure.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2019

**3. INVESTMENT AND ADVANCES IN SUBSIDIARIES**

The consolidated Interim Financial Statements incorporate the assets and liabilities and results of Pacific Edge Diagnostics New Zealand Limited, Pacific Edge Diagnostics USA Limited, Pacific Edge Diagnostics Singapore Pte Limited, Pacific Edge Analytical Services Limited and Pacific Edge Pty 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.

**4. DIVIDENDS**

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

**5. REVENUE AND OTHER INCOME**

|                                | Unaudited<br>Sept 2019<br>6 Months<br>(\$000) | Unaudited<br>Sept 2018<br>6 Months<br>(\$000) | Audited<br>March 2019<br>12 Months<br>(\$000) |
|--------------------------------|---|---|---|
| <b>Cxbladder Sales</b>         |   |   |   |
| - US                           | 1,984   | 1,837   | 3,296   |
| - Rest of World                | 301   | 196   | 521   |
| <b>Total Operating Revenue</b> | <b>2,285</b>                                  | <b>2,033</b>                                  | <b>3,817</b>                                  |
| <b>Other Income</b>            |   |   |   |
| Grant Income                   | 49  | 352   | 773   |
| Research Rebate Received       | 233   | 90  | 217   |
| <b>Total Other Income</b>      | <b>282</b>                                    | <b>442</b>                                    | <b>990</b>                                    |



## NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2019

**6. OPERATING EXPENSES**

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

|   | Notes | Unaudited<br>Sept 2019<br>6 Months<br>(\$000) | Unaudited<br>Sept 2018<br>6 Months<br>(\$000) | Audited<br>March 2019<br>12 Months<br>(\$000) |
|---|-------|---|---|---|
| <b>Operating Expenses</b>                                   |       |   |   |   |
| Amortisation  |       | 58  | 79  | 154   |
| Auditors Remuneration                                       |       |   |   |   |
| - Group year end financial statements                       |       | 73  | 118   | 167   |
| - Half year financial statements review report to Directors |       | 21  | -   | 21  |
| - R&D review of Callaghan Innovation                        |       | 4   | 3   | 3   |
| - Foreign statutory financial statements                    |       | -   | -   | 9   |
| Depreciation  |       | 79  | 116   | 237   |
| Depreciation on Right of Use Assets                         | 9     | 571   | -   | -   |
| Directors Fees  |       | 169   | 136   | 279   |
| Employee Benefits   |       | 5,558   | 5,184   | 10,708  |
| Employee Share Scheme Expenses                              |       | 115   | 88  | 188   |
| Employee Share Options                                      |       | 318   | 284   | 612   |
| Interest on Lease Liabilities                               | 9     | 48  | -   | 7   |
| Rental and Lease Expense*                                   |       | 20  | 594   | 1,128   |
| Other Operating Expenses                                    |       | 5,056   | 4,756   | 9,525   |
| <b>Total Operating Expenses</b>                             |       | <b>12,090</b>                                 | <b>11,358</b>                                 | <b>23,038</b>                                 |

\*Due to the adoption of NZ IFRS 16, this now only includes short term, low value and variable lease payments. The remaining payments are now represented by depreciation on right of use assets and interest on lease liabilities.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2019

**Employee Share Options**

Employee Share Options are a non-cash expense. Refer to Note 10 of the 2019 Annual Report for details of the accounting policy for Employee Share Schemes.

**Employee Share Scheme Expenses**

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

**Other Operating Expenses**

The major categories of expenditure which make up operating expenses, but are not disclosed separately above, are Laboratory costs, Information Technology costs, Compliance and Regulatory costs, NZX and Registry fees, Investor Relations costs, Consultants and Contractors.

**7. 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:

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

The reportable operating segment Commercial derives its revenue primarily from sales of Cxbladder tests and the reportable operating segment Research derives its revenue primarily from grant income. The Chief Executive Officer assesses the performance of the operating segments based on net (loss) 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 2019, is shown on the following page.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2019

| Unaudited 6 Months to 30 September 2019      | Commercial (\$000) | Research (\$000) | Less: Eliminations (\$000) | Total External Income (\$000) |
|--|--------------------|------------------|----------------------------|-------------------------------|
| <b>Income</b>                                |                    |                  |                            |                               |
| Operating Revenue - External                 | 2,280              | 5                | -                          | 2,285                         |
| - Internal                                   | -                  | -                | -                          | -                             |
| Other Income                                 | 180                | 522              | (420)                      | 282                           |
| Interest Income                              | 1                  | 116              | (2)                        | 115                           |
| Foreign Exchange Gain                        | 2                  | 16               | 1                          | 19                            |
| <b>Total Income</b>                          | <b>2,463</b>       | <b>659</b>       | <b>(421)</b>               | <b>2,701</b>                  |
| <b>Expenses</b>                              |                    |                  |                            |                               |
| Expenses                                     | 7,194              | 4,609            | (421)                      | 11,382                        |
| Depreciation & Amortisation                  | 513                | 195              | -                          | 708                           |
| <b>Total Operating Expenses</b>              | <b>7,707</b>       | <b>4,804</b>     | <b>(421)</b>               | <b>12,090</b>                 |
| <b>Loss Before Tax</b>                       | <b>(5,244)</b>     | <b>(4,145)</b>   | <b>-</b>                   | <b>(9,389)</b>                |
| Income Tax Expense                           | -                  | -                | -                          | -                             |
| <b>Loss After Tax</b>                        | <b>(5,244)</b>     | <b>(4,145)</b>   | <b>-</b>                   | <b>(9,389)</b>                |
| <b>Net Cash Flow to Operating Activities</b> | <b>(4,349)</b>     | <b>(3,056)</b>   | <b>-</b>                   | <b>(7,405)</b>                |

| Audited 12 Months to 31 March 2019           | Commercial (\$000) | Research (\$000) | Less: Eliminations (\$000) | Total External Income (\$000) |
|--|--------------------|------------------|----------------------------|-------------------------------|
| <b>Income</b>                                |                    |                  |                            |                               |
| Operating Revenue - External                 | 3,817              | -                | -                          | 3,817                         |
| - Internal                                   | 199                | -                | (199)                      | -                             |
| Other Income                                 | 213                | 1,669            | (892)                      | 990                           |
| Interest Income                              | 4                  | 368              | (49)                       | 323                           |
| Foreign Exchange Gain                        | (1)                | 1                | (1)                        | (1)                           |
| <b>Total Income</b>                          | <b>4,232</b>       | <b>2,038</b>     | <b>(1,141)</b>             | <b>5,129</b>                  |
| <b>Expenses</b>                              |                    |                  |                            |                               |
| Expenses                                     | 15,625             | 8,163            | (1,141)                    | 22,647                        |
| Depreciation & Amortisation                  | 135                | 256              | -                          | 391                           |
| <b>Total Operating Expenses</b>              | <b>15,760</b>      | <b>8,419</b>     | <b>(1,141)</b>             | <b>23,038</b>                 |
| <b>Loss Before Tax</b>                       | <b>(11,528)</b>    | <b>(6,381)</b>   | <b>-</b>                   | <b>(17,909)</b>               |
| Income Tax Expense                           | 9                  | -                | -                          | 9                             |
| <b>Loss After Tax</b>                        | <b>(11,537)</b>    | <b>(6,381)</b>   | <b>-</b>                   | <b>(17,918)</b>               |
| <b>Net Cash Flow to Operating Activities</b> | <b>(11,709)</b>    | <b>(5,798)</b>   | <b>-</b>                   | <b>(17,507)</b>               |

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2019

| Unaudited 6 Months to 30 September 2018      | Commercial (\$000) | Research (\$000) | Less: Eliminations (\$000) | Total External Income (\$000) |
|--|--------------------|------------------|----------------------------|-------------------------------|
| <b>Income</b>                                |                    |                  |                            |                               |
| Operating Revenue - External                 | 2,033              | -                | -                          | 2,033                         |
| - Internal                                   | 76                 | -                | (76)                       | -                             |
| Other Income                                 | 41                 | 577              | (176)                      | 442                           |
| Interest Income                              | 2                  | 167              | -                          | 169                           |
| Foreign Exchange (Loss)                      | -                  | (4)              | (1)                        | (5)                           |
| <b>Total Income</b>                          | <b>2,152</b>       | <b>740</b>       | <b>(253)</b>               | <b>2,639</b>                  |
| <b>Expenses</b>                              |                    |                  |                            |                               |
| Expenses                                     | 7,348              | 4,068            | (253)                      | 11,163                        |
| Depreciation & Amortisation                  | 66                 | 129              | -                          | 195                           |
| <b>Total Operating Expenses</b>              | <b>7,414</b>       | <b>4,197</b>     | <b>(253)</b>               | <b>11,358</b>                 |
| <b>Loss Before Tax</b>                       | <b>(5,262)</b>     | <b>(3,457)</b>   | <b>-</b>                   | <b>(8,719)</b>                |
| <b>Net Cash Flow to Operating Activities</b> | <b>(5,506)</b>     | <b>(3,106)</b>   | <b>-</b>                   | <b>(8,612)</b>                |

## Eliminations

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

## Segment Assets and Liabilities Information:

| As at 30 September 2019 | Commercial (\$000) | Research (\$000) | Total (\$000) |
|-------------------------|--------------------|------------------|---------------|
| Total Assets            | 3,151              | 6,658            | 9,809         |
| Total Liabilities       | 3,421              | 1,452            | 4,873         |

| As at 31 March 2019 | Commercial (\$000) | Research (\$000) | Total (\$000) |
|---------------------|--------------------|------------------|---------------|
| Total Assets        | 2,028              | 14,538           | 16,566        |
| Total Liabilities   | 1,768              | 888              | 2,656         |

| As at 30 September 2018 | Commercial (\$000) | Research (\$000) | Total (\$000) |
|-------------------------|--------------------|------------------|---------------|
| Total Assets            | 2,493              | 11,310           | 13,803        |
| Total Liabilities       | 2,100              | 809              | 2,909         |



## NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2019

**Total Laboratory Throughput:**

|                                    | Commercial<br>(#tests) | Research<br>(#tests) | Total<br>(#tests) |
|------------------------------------|------------------------|----------------------|-------------------|
| Six months ended 30 September 2019 | 6,573                  | 1,574                | 8,147             |
| Twelve months ended 31 March 2019  | 12,744                 | 2,953                | 15,697            |
| Six months ended 30 September 2018 | 6,078                  | 1,319                | 7,397             |

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

Billable/commercial test numbers are also a key metric for the Group: the tests are those for which the Company is actively seeking reimbursement and cash receipts. Given the time lag in the US between processing a Cxbladder test and receiving the associated cash receipts, reported revenue based on the application of our accounting policy and billable tests do not correlate in the same time period with one another. Billable test numbers also include tests for CMS patients, which are all invoiced to CMS but for which revenue is not being recognised.

**Additions to non-current assets for the period include:**

|  | Commercial<br>(\$000) | Research<br>(\$000) | Total<br>(\$000) |
|--|-----------------------|---------------------|------------------|
| Property, Plant & Equipment                  | 24                    | 17                  | 41               |
| Right of Use Assets                          | 1,715                 | 442                 | 2,157            |
| Intangible Assets                            | -                     | 30                  | 30               |
| <b>Total Additions to Non-Current Assets</b> | <b>1,739</b>          | <b>489</b>          | <b>2,228</b>     |

Sales between segments are carried out at arm's length. Post adoption of NZ IFRS 15, 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 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 FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2019

**8. SHARE CAPITAL**

|   | Sept 2019<br>6 Months<br>Shares (000) | Unaudited<br>Sept 2019<br>6 Months<br>(\$000) | Unaudited<br>Sept 2018<br>6 Months<br>(\$000) | Audited<br>March 2019<br>12 Months<br>(\$000) |
|---|---------------------------------------|---|---|---|
| <b>Opening Balance</b>                                    | <b>510,871</b>                        | <b>146,403</b>                                | <b>131,824</b>                                | <b>131,824</b>                                |
| Issue of Ordinary Shares - Rights Issue and Direct Offers | -                                     | -   | 2,623   | 15,044  |
| Issue of Ordinary Shares - Exercise of Share Options      | -                                     | -   | -   | -   |
| Issue of Ordinary Shares - Employee Remuneration          | 510                                   | 115   | 88  | 188   |
| Less: Issue Expenses                                      | -                                     | (3)   | (23)  | (653)   |
| <b>Movement</b>   | <b>510</b>                            | <b>112</b>                                    | <b>2,688</b>                                  | <b>14,579</b>                                 |
| <b>Closing Balance</b>                                    | <b>511,382</b>                        | <b>146,515</b>                                | <b>134,512</b>                                | <b>146,403</b>                                |

There are 511,381,538 (March 2019: 510,871,464 and September 2018: 474,792,378) 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.

**9. LEASES**

The Company adopted NZ IFRS 16 on its effective date 1 April 2019. Prior to 31 March 2019, leases of property, plant and equipment were classified as either finance or operating leases under NZ IAS 17. Payments made under operating leases were included in the profit or loss on a straight-line basis over the period of the lease. Items leased under a finance lease were capitalised with a corresponding liability. The asset was depreciated in accordance with the property, plant and equipment policy and the lease liability was amortised in line with finance lease payments.

From 1 April 2019, leases are recognised as a right of use asset and a corresponding liability at the date at which the leased asset is available for use. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period. The lease asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2019

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payments that are based on an index or a rate
- amounts expected to be payable by the lessee under residual value guarantees
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the lessee's incremental borrowing rate, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions. Lease assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct cost

The Company mainly leases property and laboratory equipment.

The Company has used the modified retrospective transition resulting in no changes being made to comparative periods.

The Company used the following practical expedients permitted by the standard in applying NZ IFRS 16 for the first time:

- use of a single discount rate to leases with reasonably similar characteristics;
- use of hindsight in determining a lease term;
- reliance on previous assessments on whether leases are onerous; and
- exclusion of initial direct costs for the measurement of the lease asset at the date of initial application.

The key impacts for the company in the 6 months ended 30 September 2019 were:

- Increased the net loss by \$52,000 as the interest and depreciation calculated under NZ IFRS 16 is greater than the lease payments under NZ IAS 16.
- Additional right of use assets recognised on transition and subsequent to totalling \$1,863,000 and \$70,000.
- Additional lease liabilities recognised on transition and subsequent to totalling of \$1,863,000 and \$70,000.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2019

|  | Unaudited<br>Sept 2019<br>6 Months<br>(\$'000) |
|--|--|
| <b>Right of Use Asset</b>  |  |
| <b>Cost</b>  |  |
| Assets recognised on initial transition - previously operating assets      | 1,863  |
| Assets recognised on initial transition - previously under a finance lease | 223  |
| Additions  | 70   |
| Transfers to plant, property and equipment                                 | (155)  |
| Foreign currency translation   | 64   |
|  | 2,065  |
| <b>Accumulated Depreciation</b>  |  |
| Depreciation   | 571  |
| Transfers to plant, property and equipment on transition                   | (24)   |
| Foreign currency translation   | 18   |
|  | 565  |
| <b>Net Right of Use Asset Balance</b>                                      | <b>1,500</b>                                   |
|  |  |
| <b>Lease Liability</b>   |  |
| Liabilities recognised on initial transition                               | 1,863  |
| Lease liabilities previously recognised as finance leases                  | 83   |
| Additions  | 70   |
| Lease repayments   | (609)  |
| Interest charged   | 48   |
| Foreign currency translation   | 46   |
|  | <b>1,501</b>                                   |
|  |  |
| Split by:  |  |
| Current liability  | 1,149  |
| Non-current liability  | 352  |
|  | <b>1,501</b>                                   |

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2019

**10. RECONCILIATION OF CASH USED FROM OPERATING ACTIVITIES WITH OPERATING NET LOSS**

|  | Sept 2019<br>6 Months<br>(\$000) | Sept 2018<br>6 Months<br>(\$000) | March 2019<br>12 Months<br>(\$000) |
|--|----------------------------------|----------------------------------|------------------------------------|
| Net Loss for the Period                              | (9,389)                          | (8,719)                          | (17,918)                           |
| <b>Add Non Cash Items:</b>                           |                                  |                                  |                                    |
| Depreciation   | 79                               | 116                              | 237                                |
| Amortisation   | 58                               | 79                               | 154                                |
| Employee Share Options                               | 318                              | 284                              | 612                                |
| Employee Bonuses Paid in Shares in Lieu of Cash      | 115                              | 88                               | 188                                |
| Depreciation on right of use assets                  | 571                              | -                                | -                                  |
| Interest on finance leases shown in lease repayments | 48                               | -                                | -                                  |
| <b>Total Non Cash Items</b>                          | <b>1,189</b>                     | <b>567</b>                       | <b>1,191</b>                       |
| <b>Add Movements in Other Working Capital items:</b> |                                  |                                  |                                    |
| Decrease/(Increase) in Receivables and Other Assets  | -                                | (80)                             | (341)                              |
| Decrease /(Increase) in Inventory                    | 14                               | (94)                             | (90)                               |
| Increase/(Decrease) in Payables and Accruals         | 799                              | (292)                            | (353)                              |
| Effect of exchange rates on net cash                 | (18)                             | 6                                | 4                                  |
| <b>Total Movement in Other Working Capital</b>       | <b>795</b>                       | <b>(460)</b>                     | <b>(780)</b>                       |
| <b>Net Cash Flows to Operating Activities</b>        | <b>(7,405)</b>                   | <b>(8,612)</b>                   | <b>(17,507)</b>                    |

**11. CONTINGENT LIABILITIES**

There were no known contingent liabilities at 30 September 2019 (March 2019: Nil and September 2018: Nil). The Company and Group have not granted any securities in respect of liabilities payable by any other party whatsoever.

**12. CAPITAL COMMITMENTS**

There are no capital commitments at 30 September 2019 (March 2019: Nil and September 2018: Nil).

**13. SUBSEQUENT EVENTS**

On the 21st of November 2019, the Company announced a capital raise of approximately \$20m by way of a private placement and a 1 for 4.25 rights issue for ordinary shares which is intended to close on the 11th of December 2019. The capital raise is fully underwritten by Jarden Partners Limited and Forsyth Barr Group Limited.



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