


16 ANNUAL REPORT

FOR THE YEAR ENDED 31 MARCH 2016



PACIFIC EDGE LTD
CANCER DIAGNOSTICS COMPANY



The Board of Directors of Pacific Edge Limited is pleased to present the Annual Report for the Year ended 31 March 2016.

This Annual Report provides a review of our activities during the 2016 financial year and management and Board commentary on our focus for 2017 and beyond.

We are pleased to have this opportunity to share our progress and future plans with you.

The Annual Report can also be viewed on our website www.pacificedgedx.com

Chris Swann *David Darling*

Chris Swann
Chairman

David Darling
Chief Executive Officer



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KEY DATES

End of Financial Year	31 March
Full Year Results	By 31 May
Annual Report	By 30 June
2016 Annual Meeting	25 August 2016
End of Half Year	30 September
Interim Results	By 30 November
Interim Report	By 31 December

ABOUT OUR BUSINESS

Pacific Edge is a cancer diagnostics company. Our goal is to deliver innovative solutions for the early detection and management of cancer. We have identified a significant opportunity to provide bladder cancer patients with our accurate, easy to use, and cost effective urine-based technology, and we are building a 'one stop shop' of Cxbladder products to meet different clinical needs of physicians and patients.

Our primary market is the United States and we also have partnerships in other key markets around the world. While our commercial journey is still at an early stage, the potential is very large and we are gaining strong traction in our targeted markets.

We operate a franchise-like business model which includes our wholly owned subsidiaries and other licensed partners. Our tests are analysed and results produced from the company's two certified laboratories, one in New Zealand and one in the USA. In some markets, such as the USA, we have determined that it is more effective to have our own people selling our own products. In other markets, such as Australia, we are benefitting from the expertise and knowledge of local specialist partners.

Our Offer

We specialise in discovering, building and commercialising innovative cancer diagnostic tests that can contribute to a clinically meaningful difference in the detection and management of cancer. Our products are built from our proprietary genetic databases, which are used to identify diagnostic and prognostic biomarkers for cancer.

Our intellectual property includes patents, trade secrets and know-how covering the areas of bladder, gastric, colorectal and endometrial cancers and melanoma, along with the specific aspects of analysing patients' samples in customised laboratories. However, our current commercial focus is on delivering a suite of bladder cancer products over the short to medium term in targeted markets. Our wider intellectual property portfolio has the potential to provide us with further options in the future.

Cxbladder

Cxbladder provides a suite of non-invasive, accurate and easy to use urine-based tests that have been tailored to meet different clinical needs. We now have three products in market and our tests span the clinical pathway for detection and management of bladder cancer, providing physicians with greater resolution in key areas of their clinical evaluations.

Our first product, Cxbladder Detect, was launched in the US in mid-2013 and our second product, Cxbladder Triage, rolled out in staged launches, into the US and other markets last year. Our latest product is Cxbladder Monitor, which was introduced to the US market at the American Urological Association meeting in May this year, and will be commercially available in the United States later in 2016.

Our Markets

We have targeted specific geographies and markets where we expect our products to be readily adopted at scale, and where there is a strong understanding of the value that molecular tests provide to physicians and patients.

New Zealand is our home market and plays an important role in trialling new initiatives, as well as providing a launch pad for the global rollout of our products.

The USA remains our primary opportunity, with thousands of urologists and millions of potential tests. We are now starting to make inroads into this challenging market, with an expanded sales team, experienced local management, our CLIA certified and CAP accredited laboratory and a suite of Cxbladder products.

In Australia, we have signed a new commercial partnership with Tolmar Australia to market and sell our products, and we are working with them to grow our presence, drive sales and encourage clinical use of our Cxbladder products.

South East Asia is a new opportunity for our company and we are in the process of establishing a commercial base and testing the market in Singapore, ahead of further investigation into the wider region.

PATHWAY TO COMMERCIAL SUCCESS



We have found that that once urologists have the opportunity to trial Cxbladder with their patients, and compare it alongside their existing practices, they can see its benefit as a quick, non-invasive and effective test to detect and manage bladder cancer. It can take a number of months between the start of a User Programme and ensuing commercial sales and this depends a lot on the size of the User Programme.

Investing for Growth

We have identified four investment areas which we believe are critical to securing the long term commercial success of our company – Product Development, Market Expansion, People, Intellectual Property.

Product Development: We are investing into the development of a suite of Cxbladder products, tailored to meet the needs of different patient groups. Our first two products are now in-market, with our third product to be rolled out in the US this year. Our fourth product in the pipeline is expected to launch later in 2016.

Market Expansion: Our vision is to have our high performance Cxbladder products available in a large number of key markets globally. Our international presence is growing and we currently have operations in the US, New Zealand and Australia, and are in the process of establishing a commercial presence in South East Asia. We will remain focused on these key markets in the near term, particularly the United States.

People: We invest strongly to ensure we have great people driving our success. We have talented leadership and sales personnel in each of our markets, a highly skilled technical and clinical team, knowledgeable management and an experienced Board with a range of skills.

Intellectual Property: Protecting our knowledge is an important part of what we do, and we seek patents and copyright in targeted global markets. These underwrite our ability to commercialise products, across a range of technologies, and remain a significant investment.

Franchise-like Business Model

Our business model enables us to provide a consistent clinical product to physicians, be they in New Zealand, Australia, the US or South East Asia. Our laboratories are configured to a consistent standard and are managed, audited and regulated with the same systems and regulators. This combined with our Urine Sampling System, the same for all products in all markets, provides high quality tests. A small tube of the patient’s urine is transported safely and effectively across long distances by airlines and couriers.

Cxbladder™

Cxbladder Triage

Frontline tool for use by primary physicians in the early evaluation of haematuria (blood in the urine)

- NZ Launch Dec 2014
- US Rollout 2015

Cxbladder Detect

For use by urologists, for patients who have been referred for a full workup

- In Market 2013/2014

Cxbladder Monitor

Helps physicians monitor bladder cancer in patients

- NZ Launch Dec 2015
- US Rollout 2016

Cxbladder Predict

Help segregate low grade tumours from high grade and late stage tumours

- Expected launch 2016



FY16 PROGRESS AND HIGHLIGHTS

Growing Acceptance and Uptake of Cxbladder:

- Growing customer numbers in the US and other targeted markets
- Increase in the number of User Programmes
- Continuing growth in User Programmes fuelling the transition to commercial sales
- Growth in product sales, particularly in North America

Building Momentum and Gaining Traction in the US:

- Expanded US sales team to 18 executives covering 19 regions
- Signed Federal Supply Schedule Agreement with the Veterans Administration
- Kaiser Permanente User Programme progressing well

Commercial Progress Being Made in Other Markets:

- New commercial partnership in Australia
- Inclusion in Canterbury District Health Board new haematuria HealthPathway
- Increasing uptake from healthcare organisations and urologists in New Zealand
- Ongoing investigations into South East Asia with first User Programme started in Singapore

Expanding Suite of Products:

- Second product, Cxbladder Triage, rolled out in the US in 2015
- Launched third product, Cxbladder Monitor, in NZ in late 2015; progressive rollout into other markets, including US, in 2016

Increasing Number of Patents Accepted/Granted:

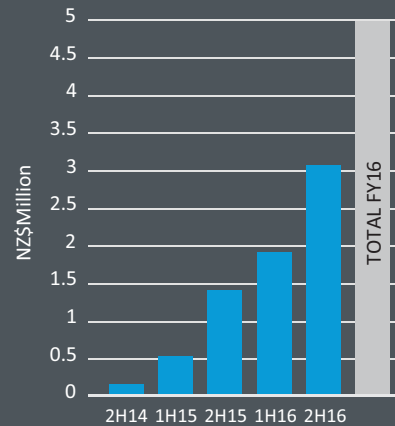
- Six patents issued over multiple jurisdictions

Funding for Growth:

- Successful capital raising with a total of \$35.3 million raised through a fully underwritten rights offer completed in July 2015

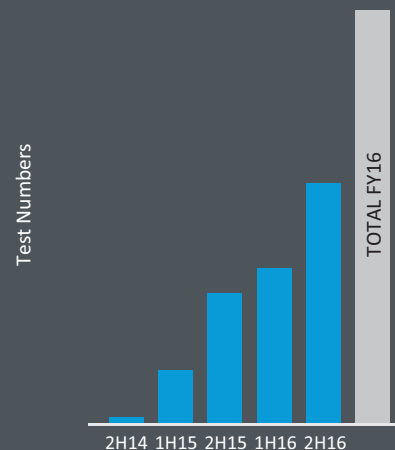
OPERATING REVENUE

162% increase in operating revenue compared to the previous year



LABORATORY THROUGHPUT

114% increase in test throughput compared to the previous year



Operating revenue has grown from approximately \$150,000 to \$4.98m in past two years

Total revenue \$7.19m

Expenses have stabilised and are expected to be at a similar level in FY17

Net Loss After Tax in line with expectations at \$15.45m

Cash and cash equivalents \$24.16m as at 31 March 2016

Debt free with funding from capital and technology grants for new product development, commercialisation, US rollout and investigation into South East Asia



CHAIRMAN AND CEO'S REPORT

FY16 was another year of positive progress and growth for Pacific Edge. While our commercial journey is still at an early stage, we are gaining good market traction with our Cxbladder products and have achieved a number of milestones this year, particularly in the United States, our primary market.

United States, Our Primary Opportunity and a Market of Scale

Particularly pleasing in FY16 was the signing of a Federal Supply Schedule with the Veterans Administration (VA), the largest integrated healthcare system in the US, with up to 10.2 million veterans and their families under cover. This agreement allows us to market our Cxbladder technology to the VA's healthcare providers and urologists and is something we have been working towards for some time.

We also expanded our US sales team to take advantage of the opportunities in the US market. These specialised sales executives are in high demand and come to us with established relationships and networks across the medical community.

They are now fully mobilised and are focused on building relationships with existing and new customers, which includes targeted large VA healthcare clinics. The results of our investment are starting to be seen in both the uptake of User Programmes and test sales in the US.

The VA is one of three targeted large scale potential customers in the US. Kaiser Permanente, which is one of the nation's largest not-for-profit health plans, and the Centers for Medicaid and Medicare Services (CMS) are the other two. Combined, all three organisations potentially offer access to millions of test opportunities. We are working through the acceptance process with these final two and while there are no guarantees, if we can gain access to their populations, it will be transformational for our company.

Other Targeted Markets

We are also continuing to focus on our other targeted markets in New Zealand, Australia and more recently, South East Asia.

New Zealand is a smaller commercial opportunity for us but still very important and it serves as a good trial for similar executions in other markets. One of the major highlights of FY16 was the signing of an agreement with Canterbury District Health Board to provide Cxbladder technology for the evaluation of patients who present with haematuria, which is blood in the urine.

This is the first time a health organisation has entered into a process to replace cytology, the incumbent urine test, with Cxbladder, and is a great endorsement for other healthcare organisations and markets to follow suit.

In Australia, we have signed a new commercial partnership with Tolmar Australia to market and sell our products. Tolmar is a uro-oncology company which provides medicine and support for men with advanced prostate cancer. They have well-developed relationships in the uro-cancer community and in line with our usual process, they will be encouraging urologists to trial our Cxbladder products through User Programmes and then working to convert these to commercial customers. With a dedicated sales team of eight people, calling on urologists daily, we will have a greater reach into the Australian market.

Last year we talked about the opportunity in South East Asia, from patients requiring testing and management of bladder cancer and also from the growing number of medical tourists who come to the region for wellness and medical checkups.

We have now started our first User Programme with a leading Singapore hospital and are in discussions with several other hospitals to allow them to evaluate Cxbladder in their own clinical settings. We are also in the process of establishing a commercial base in Singapore which will allow us to build our presence in this area and provide a hub for further investigation into South East Asia.

Suite of Cxbladder Products Providing a 'One Stop Shop'

We remain focused on developing and commercialising a suite of non-invasive, highly accurate and cost effective bladder cancer diagnostic tests, which are tailored to meet the needs of different patient groups. The results from clinical trials and peer-reviewed research continue to uphold the accuracy and efficacy of our technology over other tests.

We now have three products in market, all of which serve different clinical needs. Our first product, Cxbladder Detect, was launched in the US in mid-2013 and our second product, Cxbladder Triage, rolled out into the US and other markets last year. A number of leading urologists are currently trialling Cxbladder Triage in their clinical settings and its performance was published in a peer reviewed science paper in the prestigious international medical journal, BMC Urology, in April 2015.

Our latest product is Cxbladder Monitor, which launched in New Zealand in late 2015 and will be launched into the United States during 2016. The positive results from a clinical study of Cxbladder Monitor were recently presented by Dr Yair Lotan in a keynote address at the American Urology Association Conference in the US. The official US launch is being timed to coincide with the peer reviewed scientific publication of this study in mid 2016.

We have one further product currently in the pipeline, Cxbladder Predict, which we expect to launch in New Zealand later this year.

We have invested years of research and millions of dollars into the development of our technologies and protecting our IP is a priority for us. In the 2016 financial year, we continued to apply for and receive patents for our technology in markets across the world.

Engaging With The People Who Matter

A key objective for us in FY16 was engaging with the people who matter, our patients and their families and care givers.

We are proud to be the leading sponsor of *bladdercancer.me*, an online patient community that provides support, tools and information for patients, their families and care-givers. The site was developed in collaboration with a group of New Zealand and Australian companies, including Pacific Edge. The resources available on the site include information on our Cxbladder products and the benefits they offer for patients.

Our People

We are fortunate to have very experienced management staff and personnel leading our company supported by a Board of Directors with extensive in-market and broad commercial experience. In the US, we have a dedicated sales and marketing focus with experienced managers and sales executives, who have proven performance in medical fields. Our laboratories are staffed by specialists and regulated by world class organisations - CLIA, CAP and IANZ.

Members of both our Clinical and Scientific Advisory Boards are experts in their fields and recognised internationally. They provide valuable input and insights as we continue to innovate and develop new products.

Whilst our global business is growing, our headcount remains relatively small and every member of the Pacific Edge team works hard to help us achieve our goals. In the past financial year, we have added seven new roles to support our international growth, across sales, marketing, product improvement and development. To complement this, we have a number of specialist consultants who provide their time and skills.

Our thanks go to every individual who works for and alongside Pacific Edge, for their energy, passion and commitment as we work to realise our potential.

Our Board

In the last year, we undertook a review of the skills and expertise required on the Board as Pacific Edge continues its commercialisation in the US and other markets. In line with this, we appointed David Levison, a US based director with extensive knowledge and experience in the US healthcare and molecular diagnostics market.

In addition, since year end we have announced further Board changes with Chris Gallaher to be appointed as an independent director with effect from 1 July 2016. Chris was most recently Group Chief Financial Officer for Fulton Hogan and has held senior executive and CEO roles with Vector, Village Roadshow and Carter Holt Harvey. He brings significant financial and risk management expertise to the company and will be a welcome addition to the Board.

Also announced were the retirements of long-time director and chairman, Chris Swann, who will retire at the upcoming annual shareholders' meeting and Charles Sitch, who has stepped down due to increasing commitments in Australia where he is based. The Board would like to take this opportunity to thank both Chris and Charles for their valuable input, advice and oversight of Pacific Edge as it continues to progress in its commercial journey.

Financial Performance

We have made pleasing commercial progress this year.

Test throughput is increasing, and was up 114% in the last year, as we gain traction commercially and with our User Programmes. We are starting to deliver real revenue growth, with \$4.98 million of operational revenue in FY16, up 162%, and \$7.19 million of total revenue, up 74%.

Investment into people, product development, market expansion, and protection of our intellectual property were the main drivers behind our \$15.45 million loss. The year on year increase was primarily due to our increased investment into the US market, particularly the expansion of our US sales force from 12 to 18 executives.

Pacific Edge is debt free and had cash on hand at year-end of \$24.16 million from which we will continue to fund our growth strategy.

LOOKING FORWARD

We are now transitioning from the development phase to the execution phase of our growth strategy.

In the past four years, we have built up a detailed knowledge of the US healthcare market and combined this with our 'on the ground' market experience to develop a robust and well considered commercial pathway. The US healthcare market is complex and continues to change with the adoption of Obamacare; however, it remains one of the world's largest medical markets and the potential is very large.

Our strategy is to deliver high growth over the medium term by creating more products and building scale in an increasing number of targeted markets.

We have invested for the future and believe our existing infrastructure and resources are appropriate for our medium term growth goals. Investment into our business in FY17 is expected to be in line with FY16.

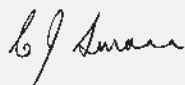
With \$24.6 million in cash and cash equivalents as at 31 March 2016, the company is well funded to progress its current growth plans.

Moving forward, we will continue to focus on growth and gaining traction in the US and our other targeted markets. We have set ourselves a number of goals for FY17 and will be looking to tick these off as we progress through the year.

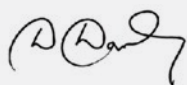
The potential opportunity for our company is huge.

We are confident that our Cxbladder products deliver on their promise of being highly accurate, easy to use and cost effective. We are well ahead of any potential competitors in terms of trial and acceptance of our technology, the development of a suite of products, and clinical validation. While we are still in the early stages of our journey, we are working hard to ensure our suite of products are the preferred choice for urologists and large healthcare organisations.

On behalf of the Board, we would like to thank all our shareholders, staff and customers for their continued support.



Chris Swann
Chairman



David Darling
Chief Executive Officer



PRIORITIES FOR FY17

MARKETS

US: Remains the primary focus for growth

Australia: Work with Tolmar Australia to build awareness and increase sales of Cxbladder tests in Australia

SEA: Establish a base in Singapore for further investigation into South East Asia, continue to support current User Programme in Singapore and initiate new User Programmes with targeted healthcare providers

NZ: Continue to work closely with healthcare providers and urologists in New Zealand to encourage uptake of Cxbladder

PRODUCTS

Rollout of Cxbladder Monitor into the United States and Australia

Launch Cxbladder Predict in New Zealand

SALES CHANNELS

US sales team to continue targeting large urology practices and integrated healthcare providers as well as targeted, large VA healthcare providers

Identify and investigate new sales channels

Increase online marketing and product awareness, including ongoing support for patient community, bladdercancer.me

CUSTOMERS

Complete the Kaiser Permanente User Programme and progress to commercial relationship

Continue to progress discussions with Centers for Medicare and Medicaid Services

Continue to initiate new User Programmes and transition early adopters into commercial customers



Q&A WITH THE EXECUTIVE TEAM

We welcome contact from our shareholders and have enjoyed a number of conversations with them during the year. We asked our executive team to provide answers to some of the most commonly asked questions.

What is your commercial pathway within the Veterans Administration and how long will it take to generate revenue from this customer?

Jack Atchason, VP Sales Pacific Edge

Diagnosics USA (PEDUSA): We now have the Federal Supply Schedule (FSS) under our belts and this enables us to market our tests directly to urologists at the VA clinics. Prior to this, it was not possible to even enter a VA clinic to start a commercial discussion. Each clinic will be treated like any other key customer and provided with the opportunity to evaluate our Cxbladder technology and work out how best to implement it into their clinical settings. So yes, there will be some User Programmes for the VA. However, the great upside is that with the FSS, most of the commercial negotiation and reimbursement issues have already been dealt with in the contract. We are now registered on their system, making it easy for medical professionals to administer the tests.

What are next steps with Kaiser Permanente (KP)?

Paul O'Sullivan, Clinical Director Pacific

Edge: We recently announced that we have completed recruitment for the KP User Programme. The next steps involve the collation, sorting, input and analysis of the data, both in New Zealand and in the US. The final outcome will then be written up to enable the KP commercial team to evaluate the outcome. Acceptance of the performance of Cxbladder Triage is expected to lead to a commercial negotiation and decisions on where in their clinical process KP would see the most value being derived. The pace of the transition to a commercial customer will be dependent on KP's internal processes.

How is the process with the CMS progressing and are we likely to see an outcome this year?

Jackie Walker, CEO PEDUSA: We continue to make steady progress with the Centers for Medicare and Medicaid Services (CMS). This is a federal process that is administered on behalf of the CMS by their contractor in our region, Novitas.

This is largely a complex and iterative process. We will continue to work the CMS to obtain a Local Coverage Decision (LCD) enabling us to gain reimbursement for Medicare patients who are using our test.

Can you provide a bit more detail on how your sales people work in the US?

Jack Atchason: PEDUSA has a dedicated sales force of 18 people. Each is assigned to a predetermined sales region which targets the areas in the country with the highest sales potential for our products. These territories often coincide with the large metro areas. It allows us to reach the majority of the haematuria/bladder cancer market with the appropriate reach and frequency to effectively drive the business. Our field sales people bring diverse selling skills and experiences, with many having deep urology relationships. They have a track record of sales success, a strategic approach and are passionate about making a difference in the detection and treatment of bladder cancer. Their primary role is to build relationships with identified potential customers in their region, encouraging clinicians to trial Cxbladder in their own clinical settings and then working to transition them into commercial customers.

How long does it take to convert a User Programme into sales?

Brent Pownall, Commercial Director, Pacific Edge Diagnostics NZ and Amanda West, Clinical Process Manager: Our sales executives develop close working relationships with urologists to help them evaluate the Cxbladder products and determine which product will work best for them in their specific practice. This can vary from practice to practice. Nearly all urologists are keen to engage with the Cxbladder products in a User Programme where they get to understand how the products will work in their specific clinical settings. The size of the User Programme will vary considerably and is often related to the scale of the specific urologist's business practice. Large organisations, such as Kaiser Permanente, often require very formal User Programmes that require regulatory and ethics sign-off at their site in order for the data to be collected, analysed and used.

Are you facing much competition in this area and how are you staying ahead?

Jimmy Suttie, Chief Operating Officer: It is an interesting to note that up until last month there hadn't been any new therapies for bladder cancer in 30 years. Similarly, until Cxbladder was released, there hadn't been any new commercial molecular diagnostics released to the market since Abbotts UroVysion™ FISH assay in 2002.

Given the size and scale of urologists' unmet needs and the size of the potential opportunity, this is as an attractive target and we have seen more companies announcing a desire to enter into this field. However, the R&D, regulatory approval and clinical acceptance process takes considerable time and Pacific Edge is well ahead in this process.

Will Pacific Edge be producing more tests for bladder cancer or focusing on other cancers?

Parry Guilford, Chief Scientific Officer: Pacific Edge has a significant opportunity with a product suite of four Cxbladder tests. Three are in the market right now and we are on track to deliver our fourth test at the end of 2016. This makes our company very unique globally, with three dedicated tests for urologists spanning the clinical spectrum and targeted to meet their defined needs.

The development and roll-out of these products is a major undertaking for the company and we are focused on completing and delivering these tests in-market to a high standard. In the longer term, we will be looking to bring on board other products, some of which may well be other cancers, particularly those where the company has well-defined intellectual property.

Pacific Edge is growing fast. Will the pace of growth continue and how will it be funded?

Bryan Williams, Director: The primary focus for the company remains the US market, which is a large market with many different customers who have the potential to add significant revenue. With three products in the market in New Zealand and Australia, and two in-market in the USA with another to launch mid-2016, we expect our growth to continue. It's a unique scenario for sales executives to have this number of high performing products to provide to their customers.

The company had \$24.2 million of cash at 31 March 2016, sufficient to deliver on our immediate plans. As we generate more revenue, particularly from identified large customers, this will support funding for our continued growth. This next operating year will see us consolidate our processes and grow our customer base. We don't envisage any significant changes to the number of people that we employ and we will continue to invest significantly in the development and management of our intellectual property. As such, we are on plan to make a similar investment as last year in our four areas - people, product development, market expansion and intellectual property.

When will Pacific Edge become self funding?

Kate Rankin, Chief Financial Officer, Pacific Edge: Our goal for Pacific Edge is to grow the revenue from our suite of products in our targeted markets. Our medium to long term objective is for revenue growth to fund the company and we are working hard to get to the point of break even. The revenue contribution from some of our large customers has the potential to provide a significant shift towards our goal of being cash flow positive.

The scale of revenue generated from sales of our tests will be dependent on several things. Firstly, the rate of transition of User Programmes to commercial relationships which is an on-going process; secondly, our ability to penetrate the VA market and also to bring Kaiser Permanente on as a commercial customer; and thirdly, to complete the process with the CMS and gain our Local Coverage Decision. The scale of any one of these could make a significant step change in our revenue and we are actively working with each of them to bring greater revenue to the company.



BLADDER CANCER AND CXBLADDER

Worldwide, bladder cancer is the ninth¹ most prevalent form of cancer. It has a very high recurrence rate and often progresses quickly to a later stage disease. Consequently, bladder cancer patients live in a world of ongoing monitoring and clinical intervention, much of which is invasive and expensive. However, bladder cancers are highly treatable, especially if detected in the early stages. This makes timely and regular surveillance of this cancer a key element of the clinical process and of the individual patient's healthcare program.

The current average cost per bladder cancer patient in the USA is estimated to be approaching US\$240,000 from diagnosis to death, the highest total medical costs per patient of all cancers. Early detection and improved monitoring has the potential to lower total healthcare costs and improve patient outcomes.

One of the early symptoms of bladder cancer is the presence of blood in the urine, called haematuria. Established clinical guidelines require that all patients with confirmed haematuria receive a urological work-up to establish the cause.

Approximately 7 million people will have haematuria every year in the United States. Of these, it is estimated that greater than one million patients are evaluated to determine the cause of their haematuria, costing the US healthcare system around \$1.5 billion per annum².

Early identification of those patients who present with haematuria and who have a low probability of having bladder cancer, significantly reduces the need for invasive work-ups, thereby lowering diagnostic related adverse events and costs.

CXBLADDER

Cxbladder products offer a step change in how cancer bladder is detected and monitored.

Cxbladder provides a suite of non-invasive, accurate and easy to use tests for the detection and management of bladder cancer. Our 'one stop shop' of Cxbladder products are designed to meet the specific clinical needs of physicians and urologists managing the different patient groups, from early detection through to monitoring and management. More accurate than other urine-based cancer detection tests³, Cxbladder gives patients and physicians additional resolution and further confidence in their clinical evaluations and diagnoses.

Cxbladder measures the expression of biomarkers, genes and clinical factors that, when combined, create unique molecular signatures for urothelial carcinoma, the most common form of bladder cancer.

The tests require a small sample of the patient's urine to be sent to one of Pacific Edge's own partner laboratories. The laboratory analyses the urine, measures the presence of the proprietary genomic biomarkers and provides reports that enable the physician to more accurately determine whether the patient does or does not have urothelial carcinoma.

Due to its ease of use, Cxbladder, with its unique non-invasive urine sampling system, encourages greater patient compliance with the recommended long term monitoring and testing regime.

One of the tests, Cxbladder Triage, has been designed to be used as a frontline test by physicians on patients presenting with blood in urine to rule out the presence of bladder cancer; potentially saving many patients the inconvenience and invasiveness of a full urological workup.

The performance of Cxbladder in clinical and validation studies has shown it to outperform the traditional cytology testing process, thus making the case to replace cytology in the clinical guidelines. The potential cost savings that could arise from integrating the high performance Cxbladder tests into clinical regimes provide a compelling value proposition to both clinicians and payers.

CXBLADDER PRODUCT SUITE

Cxbladder Triage is targeted to be used by clinicians and physicians responsible for the primary detection of bladder cancer as a frontline tool in the early evaluation of haematuria.

It enables the accurate evaluation of patients presenting with haematuria, in order to exclude those patients with a low probability of having bladder cancer. It is estimated that patients requiring a full evaluation for bladder cancer could drop from 80% to 20%, reducing the need for a full urological workup and pressure on the healthcare system.⁴

A recent research paper published in the prestigious journal, BMC Urology, showed that Cxbladder Triage correctly triaged out 80% of patients presenting with micro haematuria⁴.

Cxbladder Detect is designed for use by urologists, for patients who have been referred for a full work up.

This test is often used alongside cystoscopy and other diagnostics tools in the patient's clinical work-up and its repeated high performance shows that clinicians now no longer need to use cytology or any other non-invasive urine tests currently used in the clinical pathway.

Cxbladder Detect outperforms cytology³ (a three sample urine test which is the current alternative) in the detection of tumours in all cases.

Cxbladder Monitor has been developed for use by urologists who are monitoring patients with bladder cancer for recurrence of the disease.

It is designed to be used on patients as part of their ongoing surveillance regime to quickly and accurately identify those who have a low probability of having recurrent cancers, providing ongoing reassurance to clinicians and their patients that the cancer hasn't returned, or supporting the case for further urological investigation.

Worldwide, bladder cancer is the ninth most prevalent form of cancer and has a very high recurrence rate. Therefore, bladder cancer patients live in a world of ongoing monitoring and clinical intervention. Cxbladder Monitor provides a simple, non-invasive and cost effective monitoring tool.

¹ <http://www.wcrf.org/int/cancer-facts-figures/data-specific-cancers/bladder-cancer-statistics>

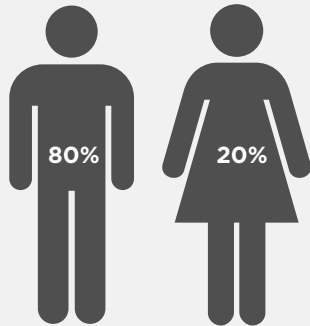
² United States National Comprehensive Cancer Network and annual Medicare statistics

³ O'Sullivan et al: A multigene urine test for the detection and stratification of bladder cancer in patients presenting with haematuria, J Urol 2012; 188: 741-747

⁴ Kavalieris et al. BMC Urology (2015) 15:23 DOI 10.1186/s12894-015-0018-5

CXBLADDER IN THE CLINICAL PATHWAY

PRIMARY HEALTHCARE (General Practitioner)



1 MILLION PATIENTS WITH HAEMATURIA PRESENTING TO GPs ANNUALLY

SECONDARY HEALTHCARE (Specialist Cancer Clinic)
 (Specialist healthcare provider / Urologist / Specialist Cancer Clinic)

REFERRAL TO A SPECIALIST

Cxbladder Triage
 For use by physicians and urologists to triage out patients who present with haematuria and who have a low probability of having bladder cancer and therefore do not require a referral for a full urological workup.

FULL EVALUATION TESTING

Cxbladder Detect
 For use by urologists for patients who have been referred for a full work up.

DIAGNOSED WITH BLADDER CANCER

CANCER MANAGMENT
 Due to high recurrence of bladder cancer, patients undergo regular testing.
Year One - up to six times
Year Two to Five - up to four times per year

Cxbladder Monitor
 For use by urologists who are monitoring patients with bladder cancer for recurrence of the disease.

BOARD OF DIRECTORS

Pacific Edge is led by an experienced and knowledgeable Board of Directors who offer a range of complementary skills and expertise.



1. David Band, Independent Director (Appointed 2007)

David is an experienced international businessman and joined the Board in 2007 upon returning to New Zealand from Europe. David's career encompasses significant experience in corporate consulting and management. This included extensive periods with Korn/Ferry International, PA Consulting Group and Sibson Consulting. At PA Consulting Group he was Head of the Management Development Practice. He is Chairman of Pacific Edge Diagnostics USA, Chairman of AbacusBio Ltd and Director of Kauri Australia Pty Ltd.

2. Dave Darling, Executive Director and CEO (Appointed 2014)

Dave has over 30 years' business experience in life sciences and biotechnology and was appointed to the Board as Executive Director in 2014. In his capacity as Chief Executive Officer he has led Pacific Edge from its early inception, and has significant executive and leadership experience in the development and international commercialization of biomedical and biotechnology businesses and products. During his career, Dave has held a number of positions in governance, executive and senior management, joining Pacific Edge from Fletcher Challenge.

3. Anatole Masfen, Non-independent Director (Appointed 2008)

Anatole is the co-founder of Artemis Capital, a private equity investment firm based in Auckland. Anatole brings to the Board significant experience as an investment manager.

Anatole graduated from Auckland University with a MCom (Hons) in Finance and Economics. He then spent seven years at Air New Zealand and Ansett Australia in various roles in Pricing and Revenue Management where he was responsible for systems and process implementation, which continue to drive profitability of the airline.

4. Chris Swann, Independent Director (Appointed 2005)

Chris is a Chartered Accountant, experienced Director and Business Advisor. He is a member of the New Zealand Institute of Chartered Accountants and the Institute of Directors. Chris was the principal of T D Scott & Co. Limited, a Dunedin-based accountancy and business advisor firm for 10 years which was sold to Deloitte in 2008. Chris has extensive experience as a business advisor and director in a number of industries including the service, manufacturing, health, and biotechnology sectors. He also has experience in strategy and seed funding businesses, currently managing the New Zealand Seed Fund. Chris has a BCom with a double major in Accounting and Information Science and a MBA from Otago University.



5



6

Appointed 2 April 2016



7

To be appointed with effect from 1 July 2016

Chris joined the Board of Pacific Edge in 2005 and has been chairman since 2007. He has advised that he will be retiring from the Board at the next annual meeting.

5. Bryan Williams, Independent Director (Appointed 2013)

Bryan Williams is an internationally recognised cancer researcher and research administrator with significant business experience. He was Chairman of the Board of Directors of MEI Pharma, a US based NASDAQ listed company for seven years, was a Director of Cancer Trials Australia and is presently Chairman of the Board of BioGrid Australia. He has served as a Director of Pacific Edge Pty Ltd for the past four years. Bryan was Director of the Monash Institute of Medical Research (MIMR) from 2006 until 2013 and is currently Director and CEO of the Hudson Institute of Medical Research in Melbourne. He previously held leadership positions in Cleveland and Toronto.

6. David Levison, Independent Director (Appointed 2016)

David has spent 25 years in the healthcare industry, from pharmaceuticals to services to diagnostics. David is the founder, CEO, and Director of CardioDx. Prior to launching CardioDx, David was a Venture Partner at TPG Ventures and was the CEO of XDx. Previously, he was the founder, President and CEO of iScribe (which was sold to AdvancePCS-now Caremark in December, 2001). Prior to iScribe, David was President of Oncology Therapeutics Network (sold to Bristol-Myers Squibb in 1996). David also served as CFO of OTN's parent company, Axion, from 1990 to 1993. Prior to Axion, he was with Cole Gilburne Fund, an early stage, technology focused venture capital firm. David received his MBA from Stanford University and BS from Williams College.

7. Chris Gallaher, Independent Director (To be appointed with effect from 1 July 2016)

Chris is a senior executive with extensive financial and general management expertise. A New Zealander based in Melbourne, his career has been spent within large international companies in a range of financial and senior management roles, where he worked closely with company Boards and Audit Committees. He also serves on the Board of The Good Shepherd New Zealand and the investment committee of property development company, Substantia Pty Ltd. Chris is a Chartered Accountant and holds a BCom from Otago University and is a member of the Australian Institute of Company Directors.

On 2 June 2016, Charles Sitch retired from the Board, due to increasing commitments in Australia where he is based.

SENIOR EXECUTIVE TEAM

Jimmy Suttie, Chief Operating Officer, Pacific Edge

Jimmy has vast experience, as an executive, with the management of science and technology in New Zealand's primary industry sector, particularly the development of science for commercialisation. Jimmy joined Pacific Edge to head up operations for the franchise and new product development.

Parry Guilford, Chief Scientific Officer, Pacific Edge

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

Kate Rankin, Chief Financial Officer, Pacific Edge

Kate joined Pacific Edge in November 2014 and brings international business experience, finance and leadership skills to the senior management team. Her most recent role was as Senior Finance Performance Manager and a member of the Telecom New Zealand International Leadership Team, and prior to that she was Team Leader and Legal Entity Controller at Deutsche Bank in London.

Jackie Walker, Chief Executive Officer, Pacific Edge Diagnostics USA

Jackie brings to the company over 25 years of extensive leadership experience in commercialising medical technologies in the US and a strong general management background. Prior to joining Pacific Edge Diagnostics USA, Jackie held senior executive positions at OSspray Ltd, Ondine Biomedica, Dentsply International, a NASDAQ-100 company, and Ohmeda Medical.

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

Jack brings over 25 years of successful experience in sales, sales leadership, and commercial operations, with large and small pharmaceutical organizations in the US. A proven leader in start-up organizations and product launches, Jack held roles of increasing responsibility for Abbott Laboratories Amgen, Cytogen, Idenix, Millenium, and Targanta.

Brent Pownall, Commercial Director, Pacific Edge Diagnostics NZ

Pacific Edge Diagnostics New Zealand is the Company's commercial arm in New Zealand and Australia. Brent brings significant strategic marketing, business development and commercialisation experience, including sales and marketing of biologics and biomedical products in New Zealand, Australia, Asia and the United States.



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FINANCIAL STATEMENTS

FOR THE
YEAR ENDED
31 MARCH 2016



PACIFIC EDGE LTD
CANCER DIAGNOSTICS COMPANY

COMPANY DIRECTORY

As at 31 March 2016

Issued Capital

376,543,478 Ordinary Shares

Registered Office

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

Directors

C Swann – Chairman
D Band
D Darling
A Masfen
C Stitch
B Williams

Chief Executive Officer

David Darling

Nature of Business

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

Auditors

PricewaterhouseCoopers
Dunedin

Bankers

Bank of New Zealand
Dunedin
ANZ
Dunedin

Solicitors

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

Securities Registrar

Link Market Services Limited
138 Tancred St
Ashburton

Company Number

1119032

Date of Incorporation

27th February 2001

Statement of Comprehensive Income

For the year ended 31st March 2016

	Notes	GROUP	
		2016 \$	2015 \$ Restated
OPERATING REVENUE			
Product Sales and Licence Fees		4,975,532	1,899,665
Total Operating Revenue		4,975,532	1,899,665
Other Income	7	1,403,264	1,445,932
Interest Income		762,177	509,529
Foreign Exchange Gain		52,223	276,556
Total Operating Revenue and Other Income		7,193,196	4,131,682
OPERATING EXPENSES			
Laboratory Operations		1,047,439	588,367
Research	4,7	4,442,459	4,015,005
Sales and Marketing		1,021,831	753,476
Other Expenses	7	16,357,858	11,249,927
Total Operating Expenses		22,869,587	16,606,775
NET (LOSS) BEFORE TAX		(15,676,391)	(12,475,093)
Income Tax Expense	10	-	-
(LOSS) FOR THE YEAR AFTER TAX		(15,676,391)	(12,475,093)
Translation Foreign Operations	20	222,966	153,531
TOTAL COMPREHENSIVE (LOSS)		(15,453,425)	(12,321,562)
Earnings per share for profit attributable to the equity holders of the Company and Group during the year			
Basic and Diluted Earnings per share	3	(0.043)	(0.039)

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

Statement of Changes in Equity

For the year ended 31st March 2016

	Notes	Share Capital \$	Foreign Currency Translation Reserve \$	Share Based Payments Reserve \$	Retained Earnings \$	Total Equity \$
Balance as at 31 March 2014		66,611,612	541,849	-	(45,375,453)	21,778,008
Profit after tax		-	-	-	(11,229,006)	(11,229,006)
Other Comprehensive Income		-	153,531	-	-	153,531
Issue of Share Capital		-	-	-	-	-
Share based payment expense		-	-	-	-	-
Balance as at 31 March 2015 as previously reported		66,611,612	695,380	-	(56,604,459)	10,702,533
Prior period adjustment	2	-	-	1,246,087	(1,246,087)	-
Restated balance as at 31 March 2015		66,611,612	695,380	1,246,087	(57,850,546)	10,702,533
Profit after tax		-	-	-	(15,676,391)	(15,676,391)
Other Comprehensive Income		-	222,966	-	-	222,966
Issue of Share Capital	18	33,400,214	-	-	-	33,400,214
Share based payment expense	8	-	-	1,158,148	-	1,158,148
Balance as at 31 March 2016		100,011,826	918,346	2,404,235	(73,526,937)	29,807,470

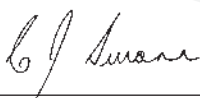
These Statements are to be read in conjunction with the Notes to the Financial Statements.

Balance Sheet

As at 31st March 2016

	Notes	GROUP	
		2016 \$	2015 \$ Restated
CURRENT ASSETS			
Cash and Cash Equivalents	11	4,160,451	2,818,738
Short Term Deposits	11	20,000,000	5,000,000
Receivables	12	5,730,031	2,583,811
Inventory	13	707,277	622,904
Other Assets	14	495,551	245,498
Total Current Assets		31,093,310	11,270,951
NON-CURRENT ASSETS			
Property, Plant and Equipment	15	989,940	1,118,315
Intangible Assets	16	247,554	244,050
Total Non-Current Assets		1,237,494	1,362,365
TOTAL ASSETS		32,330,804	12,633,316
CURRENT LIABILITIES			
Payables and Accruals	17	2,523,334	1,930,783
Total Current Liabilities		2,523,334	1,930,783
TOTAL LIABILITIES		2,523,334	1,930,783
NET ASSETS		29,807,470	10,702,533
Represented by:			
EQUITY			
Share Capital	18	100,011,826	66,611,612
Accumulated Losses	19	(73,526,937)	(57,850,546)
Share Based Payments Scheme	8	2,404,235	1,246,087
Foreign Translation Reserve	20	918,346	695,380
TOTAL EQUITY		29,807,470	10,702,533

For and on behalf of the Board of Directors



Director



Director

Dated the 26th day of May 2016

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

Statement of Cash Flows

For the year ended 31st March 2016

		GROUP	
		2016	2015
		\$	\$
Notes			
CASH FLOWS TO OPERATING ACTIVITIES			
Cash was provided from:			
	Receipts from Customers and Grants	3,648,395	1,184,329
	Interest Received	318,777	602,175
		3,967,172	1,786,504
Cash was disbursed to:			
	Payments to Suppliers and Employees	20,907,758	14,358,079
	Net GST Paid (Received)	11,774	(32,824)
		20,919,532	14,325,255
	Net Cash Flows to Operating Activities	(16,952,360)	(12,538,751)
CASH FLOWS TO INVESTING ACTIVITIES:			
Cash was provided from:			
	Proceeds from Short Term Deposits	14,000,000	10,500,000
		14,000,000	10,500,000
Cash was disbursed to:			
	Capital Expenditure on Plant and Equipment	164,016	227,630
	Transfers to Short Term Deposits	29,000,000	-
	Capital Expenditure on Intangible Assets	160,555	198,912
		29,324,571	426,542
	Net Cash Flows to Investing Activities	(15,324,571)	10,073,458
CASH FLOWS FROM FINANCING ACTIVITIES:			
Cash was received from:			
	Ordinary Shares Issued	35,335,812	-
		35,335,812	-
Cash was disbursed to:			
	Issue Expenses	1,935,596	-
		1,935,596	-
	Net Cash Flows From Financing Activities	33,400,216	-
	Net increase (decrease) in Cash Held	1,123,285	(2,465,293)
	Add Opening Cash Brought Forward	2,818,738	4,943,700
	Effect of exchange rate changes on net cash	218,428	340,331
	Ending Cash and Cash Equivalents Carried Forward	4,160,451	2,818,738

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

Notes to the Financial Statements

For the year ended 31st March 2016

1. GENERAL INFORMATION

The financial statements presented are for the Group. The Group is made up of the “Parent” entity, Pacific Edge Limited (“the Company”), and its subsidiaries. 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. Included within the Group are Pacific Edge Diagnostics New Zealand Limited and Pacific Edge Diagnostics USA Ltd which operate the laboratories used for the detection of bladder cancer. Pacific Edge Pty Ltd’s purpose is to research and develop the Cxbladder product and other prognostic tools. Pacific Edge Diagnostics Singapore Pte Ltd was incorporated in March 2015 but remains dormant, as does Pacific Edge Analytical Services Limited.

These consolidated financial statements have been approved for issue by the Board of Directors on 26 May 2016.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Pacific Edge Limited is a company registered under the Companies Act 1993 and is a Financial Markets Conduct (FMC) reporting entity under Part 7 of the Financial Markets Conduct Act 2013. The financial statements of the Group have been prepared in accordance with the requirements of Part 7 of the Financial Markets Conduct Act 2013, and the NZX Main Board Listing Rules. In accordance with the Financial Markets Conduct Act 2013, because group financial statements are prepared and presented for Pacific Edge Limited and its subsidiaries, separate financial statements for Pacific Edge Limited are no longer required to be prepared and presented.

The Group is profit-oriented 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 Parent’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.

Basis of Preparation

These consolidated financial statements of the Group have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand (NZ GAAP). The Group is a for-profit entity for the purposes of complying with NZ GAAP. The consolidated financial statements comply with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS), other New Zealand accounting standards and authoritative notices that are applicable to entities that apply NZ IFRS. The consolidated financial statements also comply with International Financial Reporting Standards.

The consolidated financial statements have been prepared using the historical cost convention.

Reclassification and Disclosures

These financial statements have been restated to reflect a prior period adjustment as follows:

During the period, the Company was made aware of options that have met various vesting conditions and require recognition for accounting purposes. A portion of the amount relates to the previous period. As required by accounting standards, the amount has been adjusted against opening retained earnings. There is no material adjustment to the opening balance sheet, on this basis no third balance sheet has been presented.

The impact of the restatement on these financial statements is as follows:

For the year ended 31 March 2015: \$1,246,087 increase in employee benefit expenses and loss for the period, a \$1,246,087 increase in share based payments reserve. There is no impact on total equity. This adjustment equates to a \$0.004 increase in loss per share.

Notes to the Financial Statements

For the year ended 31st March 2016

(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	
			2016 %	2015 %
Pacific Edge Diagnostics New Zealand Limited	New Zealand	Commercial Laboratory Operation	100	100
Pacific Edge Pty Ltd	Australia	Biotechnology Research & Development	100	100
Pacific Edge Diagnostics USA Ltd	USA	Commercial Laboratory Operation	100	100
Pacific Edge Analytical Services Limited	New Zealand	Dormant Company	100	100
Pacific Edge Singapore Pte Ltd	Singapore	Dormant Company	100	100

Pacific Edge Limited is incorporated in New Zealand and is the parent entity of the Group.

Pacific Edge Diagnostics New Zealand Limited, Pacific Edge Diagnostics USA Ltd, Pacific Edge Analytical Services Limited, Pacific Edge Diagnostics Singapore Pte Ltd and Pacific Edge Pty Ltd all have 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 2016 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. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from involvement with the investee; and
- has the ability to use its power to affect its returns.

Subsidiaries which form part of the Group are consolidated from the date on which control is transferred to the 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 measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

Notes to the Financial Statements

For the year ended 31st March 2016

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.

(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 laboratories.

Gains and losses on disposals are determined by comparing the net proceeds with the carrying amount and are recognised within the Statement of Comprehensive Income when they occur.

(c) Depreciation

Depreciation of plant and equipment is based on writing off the assets over their useful lives, using the straight line (SL) and diminishing value (DV) basis.

Main rates used are:

Laboratory Equipment	5% to 26.4%	DV
Office and Computer Equipment	5% to 60%	DV
Leasehold Improvements	10%	SL
Plant and Equipment	5% to 40%	DV
Furniture and Fittings	7% to 25%	DV

The assets' useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

(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. If the expenditure also benefits processes or products for which it cannot be recovered, it will be expensed. The asset will be amortised from the date of commencement of commercial production of the product to which it relates on a straight-line basis over the period of expected benefit. Development assets are reviewed annually for any impairment in their carrying value.

(e) Intangible Assets

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, where indicators of impairment exist.

Notes to the Financial Statements

For the year ended 31st March 2016

The following costs associated with Intellectual Property are expensed as incurred during the research phases of a project and are only capitalised when incurred as part of the development phase of a process or product within development assets: Internal Intellectual Property costs including the costs of patents and patent application.

Software Development Costs

Costs associated with development of software are held at cost and amortised over their useful lives of between two and five years.

Amortisation of Intangible Assets

- Patents – Amortisation is charged on a straight-line basis over the estimated useful life of the intangible assets 1-20 years. The estimated useful life and amortisation method is reviewed at the end of each reporting period.
- Software development costs - Amortisation is charged on a straight-line basis over the estimated useful life of the intangible assets 2-5 years. The estimated useful life and amortisation method is reviewed at the end of each reporting period.

(f) Goods & Services Tax

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

(g) Share Capital

Ordinary shares are described as equity.

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

Equity-settled share-based payments to employees and others providing services are measured at the fair value of the equity instruments at the grant date. Details regarding the determination of the fair value of equity-settled share based transactions are set out in Note 8.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity. At the end of each reporting period, the Group revisits its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share based payments reserve.

(h) Financial Instruments

Financial instruments include cash and cash equivalents, short term deposits, receivables and trade creditors. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

(i) Receivables

Receivables are initially measured at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment. A provision for impairment of receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability

Notes to the Financial Statements

For the year ended 31st March 2016

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 Parent and the presentation currency for the Group financial statements.

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

Foreign Operations

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

(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.

(l) Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable. The fair values are determined based on management estimates of the amounts 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.

Sale of Goods

Revenue from the sale of goods is recognised when the goods are delivered and titles have passed, at which time all the following conditions are satisfied: the Group has transferred to the buyer the significant risks and rewards of ownership of the goods; the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold. In the case of Cxbladder sales, revenue is recognised when the Cxbladder report has been produced for the sample being tested.

Notes to the Financial Statements

For the year ended 31st March 2016

Consultancy Fees

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.

Licence Fees

Licence fees are recognised in the accounting period in which the contract is signed.

Interest Income

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) Government Grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received. Government grants are recognised in the Statement of Comprehensive Income on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate.

All conditions of the grants have been complied with.

Cxbladder Research Rebate

Cxbladder research rebate is recognised at its fair value where there is a reasonable assurance that the rebate will be received and the Group will comply with all attached conditions. The research programme is administered by Pacific Edge Pty Ltd.

All conditions of the research rebate have been complied with.

(n) Borrowing Costs

Borrowing costs are recognised as an expense in the period in which they are incurred.

(o) Operating Leases

Leases in which a significant portion of risks and rewards of ownership are retained by the lessor are classified as operating leases. Operating leases are charged to other expenses in the Statement of Comprehensive Income on a straight-line basis over the term of the lease.

(p) Employee Entitlements

Employee benefits are measured at 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.

(q) 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, revenue which is

Notes to the Financial Statements

For the year ended 31st March 2016

detailed further within Note 2 (l) and the going concern assumption which is further assessed in Note 29: Going Concern. 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.

(r) Statements of Cash Flows

Operating activities include the cash received and cash paid for the principal revenue-producing activities of the 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 and proceeds and payments of short term deposits. Financing activities comprise the change in equity and debt capital structure of the Group.

(s) Income Tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the Statement of Comprehensive Income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements in accordance with NZ IAS 12. Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

(t) Inventory

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average formula.

(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 issued but not yet effective and relevant to the Group

A number of new standards and amendments to standards and interpretations are not yet effective and have not been applied in preparing these consolidated Financial Statements.

NZ IFRS 15: Revenue from contracts with customers (Effective date: periods beginning on or after 1 January 2018) :

NZ IFRS 15, 'Revenue from contracts with customers' deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers.

Notes to the Financial Statements

For the year ended 31st March 2016

Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces NZ IAS 18 'Revenue' and NZ IAS 11 'Construction contracts' and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2018 and earlier application is permitted. The group intends to adopt NZ IFRS 15 on its effective date and is currently assessing its full impact. This standard is not expected to significantly impact the Group.

NZ IFRS 16: Leases (Effective date: periods beginning on or after 1 January 2019):

NZ IFRS 16, 'Leases', replaces the current guidance in NZ IAS 17. Under NZ IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Under NZ IAS 17, a lessee was required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). NZ IFRS 16 now requires a lessee to recognise a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts. Included is an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees. The standard is effective for accounting periods beginning on or after 1 January 2019. Early adoption is permitted but only in conjunction with NZ IFRS 15, 'Revenue from Contracts with Customers'. The Group intends to adopt NZ IFRS 16 on its effective date and has yet to assess its full impact.

There are no other NZ IFRS or NZ IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group.

(w) New and amended standards adopted the Group

There are no standards or amendments adopted by the Group since 1 April 2015 that have a significant impact on 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 on issue during the year excluding ordinary shares purchased by the Company (Note 18).

	GROUP	
	2016 \$	2015 \$
Loss attributable to equity holders of the Company	(15,676,391)	(12,475,093)
Weighted average number of ordinary shares on issue	361,307,737	318,615,921
Earnings per share	(0.043)	(0.039)

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of shares outstanding to assume conversion of all dilutive potential ordinary shares. The Group's dilutive potential ordinary shares are in the form of share options. As the Group made a loss during the current year and losses cannot be diluted, basic and diluted earnings per share are the same.

Notes to the Financial Statements

For the year ended 31st March 2016

4. GRANT REVENUE

Grants are for the reimbursement of research costs. The Company has been awarded grants from Callaghan Innovation and New Zealand Trade and Enterprise.

Callaghan Innovation has awarded the Company a Growth Grant, which commenced on 1 January 2014. Callaghan Innovation reimburses the Company for 20 percent of eligible expenditure on the Group's R&D programme. This eligible expenditure complies with NZ IAS 38: Intangible Assets and the Ministerial Direction / New Zealand Gazette, No 146.

For the year ended 31 March 2016, the total eligible expenditure under this Growth Grant was \$5,700,739 (2015: \$5,309,469). The Company also receives grants from Callaghan Innovation for postgraduate internships and summer students.

New Zealand Trade and Enterprise have awarded the Company an International Growth Fund grant, to support the start up of the Group's operations in Singapore. New Zealand Trade and Enterprise reimburses the Company for 50 percent of eligible expenditure relating to the Singapore operations.

All conditions of the grants have been complied with.

5. DEPRECIATION

	GROUP	
	2016 \$	2015 \$
Laboratory Equipment	196,414	174,764
Computer/Office Equipment	97,154	88,972
Leasehold Property Improvements	17,927	12,389
Furniture and Fittings	25,675	21,195
Plant and Equipment	10,313	10,848
Total Depreciation	347,483	308,168

6. AMORTISATION

	GROUP	
	2016 \$	2015 \$
Internally Generated Software Development Costs	122,397	103,888
Patents	36,322	46,735
Total Amortisation	158,719	150,623

Notes to the Financial Statements

For the year ended 31st March 2016

7. REVENUE AND EXPENSES

	GROUP	
	2016 \$	2015 \$
Other Income		
Grant Revenue	1,281,728	1,110,772
Research Rebated Received	121,536	335,160
Total Other Income	1,403,264	1,445,932
Other Expenses		
Amortisation (refer to Note 6 for additional information)	158,719	150,623
Auditors Remuneration		
- Audit Fees	57,700	50,400
- Other Assurance Services (refer below)	8,500	-
Depreciation (refer to Note 5 for additional information)	347,483	308,168
Directors Fees (refer to Note 9 for additional information)	225,828	203,452
Employee Benefits (refer to Note 8 for additional information)	8,237,118	4,284,735
Employee Share Options (refer below)	1,158,148	1,246,087
Rental and Lease Expense	1,033,620	763,587
Compensation Payment (refer to Note 17 for additional information)	(135,016)	500,000
Other Operating Expenses	5,265,758	3,742,875
Total Other Expenses	16,357,858	11,249,927

Other assurance services

Other assurance services performed by the auditor includes; a share registry audit, review of the half year disclosure to the NZX and a review of the Callaghan Growth Grant claim.

Employee Share Options

Employee Share Options are a non-cash expense. Refer to Note 8 for additional information.

8. EMPLOYEE BENEFITS

	GROUP	
	2016 \$	2015 \$
Represented by:		
Employee Benefits in Research and Development	1,202,283	1,066,669
Short Term Salaries, Wages and Other Employee Benefits	8,237,118	4,284,735
Share Option Expense	1,158,148	1,246,087
Total Employee Benefits	10,597,549	6,597,491

Notes to the Financial Statements

For the year ended 31st March 2016

Employee share option scheme

The Board believes that the issue of share options provides an appropriate incentive for participating employees to grow the total shareholder return of the Company. Share options are issued to selected employees as a long-term component of remuneration in accordance with the Group's remuneration policy.

The Employee Share Option scheme allows Group employees to acquire shares of the Company. Each option entitles the holder, on payment of the exercise price, to one ordinary share in the capital of the Company. The exercise price of the granted options is determined using the fair value of the Company's share price at the time of the options being granted. The term in which options may be exercised and ultimately lapse if not exercised, varies from case to case depending on the terms of issue for each separate option.

The fair value of options granted is recognised as an employee expense in the Statement of Comprehensive Income with a corresponding increase in the employee share option reserve. Incentive options vest over three years and the employee must continue to be employed by the Group for their share options to vest. Performance options vest immediately and there are no other vesting conditions for performance options. Tranches of options are exercisable over four to ten years from the relevant vesting date. No options can be exercised later than the tenth anniversary of the final vesting date.

The cost of stock options recognised in the Income Statement for the year ended 31 March 2016 is \$1,158,148 (2015: \$1,246,087).

The Group has no legal or constructive obligation to repurchase or settle the options in cash.

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

	GROUP			
	2016		2015	
	Weighted average exercise price (\$)	Options	Weighted average exercise price (\$)	Options
Outstanding at 1 April	0.72	4,642,166	-	-
Granted	0.50	701,000	0.72	4,680,500
Forfeited	0.63	(90,000)	0.69	(38,334)
Exercised	-	-	-	-
Expired	-	-	-	-
Outstanding at 31 March	0.69	5,253,166	0.72	4,642,166
Exercisable at 31 March	0.70	4,105,993	0.70	1,948,132

The weighted average fair value of options granted during the year, determined using the Black-Scholes valuation model, was \$0.54 per option (2015: \$0.64).

The significant inputs into the Black-Scholes valuation model were the market share price at grant date, the exercise price shown below, the expected annualised volatility of 50%, a dividend yield of 0%, an expected option life of between one and ten years and an annual risk-free interest rate of between 2.6% and 4.2%.

The volatility measured is the standard deviation of continuously compounded share returns and is based on a statistical analysis of daily share prices in the past one to ten years.

Notes to the Financial Statements

For the year ended 31st March 2016

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

Expiry Month	Vesting Date	Exercise Price	31 March 16 Options	31 March 15 Options
September 2018	September 2014	0.69	56,666	56,666 *
September 2018	September 2014	0.80	73,000	73,000 *
November 2018	November 2014	0.54	200,000	200,000
September 2019	September 2015	0.69	362,497	362,497
September 2019	September 2015	0.80	750,000	750,000
November 2019	November 2015	0.54	200,000	200,000
September 2020	September 2016	0.69	367,501	367,501
September 2020	September 2016	0.80	750,000	750,000
November 2020	November 2016	0.54	200,000	200,000
September 2021	September 2017	0.69	372,502	372,502
September 2021	September 2017	0.80	750,000	750,000
March 2024	March 2014	0.72	-	20,000
March 2024	March 2014	0.50	-	30,000
September 2024	September 2014	0.69	260,000	260,000 *
August 2025	August 2015	0.72	4,166	-
September 2025	September 2015	0.50	265,000	- *
September 2025	September 2015	0.72	14,998	-
January 2026	January 2016	0.72	10,832	-
March 2026	March 2016	0.72	83,333	83,333
July 2026	August 2016	0.50	4,166	-
July 2026	July 2016	0.50	8,332	-
August 2026	August 2016	0.50	4,166	-
August 2026	August 2016	0.72	4,167	-
September 2026	September 2016	0.50	85,333	-
September 2026	September 2016	0.72	15,001	-
January 2027	January 2017	0.72	10,834	-
March 2027	March 2017	0.72	83,333	83,333
July 2027	August 2017	0.50	4,167	-
July 2027	July 2017	0.50	8,334	-
August 2027	August 2017	0.50	4,167	-
August 2027	August 2017	0.72	4,167	-
September 2027	September 2017	0.50	85,333	-
September 2027	September 2017	0.72	15,001	-
January 2028	January 2018	0.72	10,834	-
March 2028	March 2018	0.72	83,334	83,334
July 2028	August 2018	0.50	4,167	-
July 2028	July 2018	0.50	8,334	-
August 2028	August 2018	0.50	4,167	-
September 2028	September 2018	0.50	85,334	-
			5,253,166	4,642,166

* Included within these tranches are 684,000 options (2015: 383,000) that vested immediately.

Notes to the Financial Statements

For the year ended 31st March 2016

9. RELATED PARTIES

The Group paid consultancy fees for accounting services to CJS Business Advisors Limited. CJ Swann is a director and shareholder of this company. The fees charged were on normal terms and conditions and totaled \$24,975 (2015: \$31,464). At balance date \$2,723 were outstanding relative to these transactions (2015: \$2,613).

A significant shareholder, the University of Otago, provided services, including rental space and car parking, to the Group to the value of \$250,881 (2015: \$233,067). As at 31 March 2016 the Group commitment for the next financial year is \$186,990 (2015: \$168,079).

Refer to Note 30 for details of the Incentive Plan that includes key management remuneration.

Directors' fees and payments during the 2016 financial year are \$225,828 (2015: \$203,452). There are no long term or termination benefits.

Key management personnel comprise of Directors and the Chief Executive Officers of Pacific Edge Limited and Pacific Edge Diagnostics USA Limited. A close personal relation of a member of key management personnel is employed by the company on the same terms as other comparable employees.

Key management compensation was as follows:

	GROUP	
	2016 \$	2015 \$
Salaries and Other Short Term Employee Benefits	1,223,422	963,628
Share Options Benefits	797,391	675,136
Total Benefits	2,020,813	1,638,764

Notes to the Financial Statements

For the year ended 31st March 2016

10. INCOME TAX

The Company and Group has incurred an operating loss for the 2016 financial year and no income tax is payable. The Company had a certificate of exemption for RWT and as such no RWT was deducted from interest earned.

	GROUP	
	2016 \$	2015 \$
Income tax recognised in the profit or loss:		
Current tax expense	280,570	34,087
Adjustments to current tax in respect to prior years	373,269	-
Benefit of previously unrecognised tax losses	(653,840)	(34,087)
Deferred Tax in respect of the current year	(4,542,483)	(3,261,455)
Adjustments to deferred tax in respect to prior years	358,859	-
Deferred tax assets not recognised	4,183,625	3,261,455
Income tax expense	-	-
The prima facie income tax on pre-tax accounting profit from operations reconciles to:		
Accounting loss before income tax	(15,676,391)	(12,475,093)
At the statutory income tax rate of 28%	(4,389,390)	(3,493,026)
Permanent Differences - Non-deductible expenditure	968,698	673,561
Difference in US and Australian income tax rates	(467,950)	(407,903)
Prior period adjustment	358,857	-
Tax losses utilised	(653,840)	(34,087)
Deferred tax assets not recognised	4,187,624	3,261,455
Income tax expense reported in the Statement of Comprehensive Income	-	-

Tax Losses

The group has losses to carry forward of approximately \$25,822,802 (2015: \$18,889,706) with a potential tax benefit of \$6,442,095 (2015: \$5,289,118). The tax losses are split between the following jurisdictions (shown in NZD): New Zealand \$5,526,831 (tax effect of \$1,547,513 (at 28%)), Australia \$151,197 (tax effect of \$45,359 (at 30%)) and the United States \$20,144,744 (tax effect of \$6,849,223 (at 34%)). Tax losses are available to be carried forward and offset against future taxable income subject to the various conditions required by income tax legislation being complied with.

Deferred Research and Development Expenditure

The Group has deferred research and development tax expenditure of \$29,543,514 (2015: \$23,486,869) to carry forward and claim for income tax purposes in New Zealand in the future. This has a tax effect of \$8,272,184 (2015: \$6,806,947). The deferred research and development tax expenditure can either be carried forward and offset against future income arising from the research and development, or subject to meeting the shareholder continuity requirements can be offset against future other taxable income.

Deferred Tax Assets

The Group does not recognise a deferred tax asset in the Balance Sheet.

Imputation Credit Account

The Group has imputation credits of \$Nil (2015: \$Nil).

Notes to the Financial Statements

For the year ended 31st March 2016

11. CASH, CASH EQUIVALENTS AND SHORT TERM DEPOSITS

	GROUP	
	2016 \$	2015 \$
Cash at Bank	4,160,451	2,818,738
Short Term Deposits	20,000,000	5,000,000
Total Cash, Cash Equivalents and Short Term Deposits	24,160,451	7,818,738
NZD	23,202,186	6,070,784
AUD	13,345	119,707
USD	938,318	1,622,964
EUR	6,602	5,283
Total Cash, Cash Equivalents and Short Term Deposits	24,160,451	7,818,738

Interest on the bank balances ranges from 0% to 3.95% (2015: 0% to 4.79%) per annum. Funds held on term deposit with ANZ Bank can be accessed with one month's notice at the request of the authorised bank signatories of Pacific Edge Ltd.

12. RECEIVABLES

	GROUP	
	2016 \$	2015 \$
Trade Receivables	4,486,259	1,645,898
Sundry Debtors	692,719	842,033
Accrued Interest	483,904	40,504
GST/BAS Refund Due	67,149	55,376
Total Receivables	5,730,031	2,583,811

No allowance for bad debts have been recognised for the year ended 31 March 2016. Amounts overdue but not impaired are as follows:

- \$2,398,052 is within 0 - 180 days old
- \$967,510 is within 181 - 365 days old
- \$882,046 is over 365 days old but is still expected to be recovered.

13. INVENTORY

	GROUP	
	2016 \$	2015 \$
Laboratory Supplies	707,277	622,904
Total Inventory	707,277	622,904

Laboratory supplies used during the year are included within the Statement of Comprehensive Income in Laboratory Operations.

Notes to the Financial Statements

For the year ended 31st March 2016

14. OTHER ASSETS

	GROUP	
	2016 \$	2015 \$
Prepayments	339,935	128,597
Lease Security Deposit	97,725	90,197
Credit Card Collateral	57,891	26,704
Total Other Assets	495,551	245,498

15. PROPERTY, PLANT & EQUIPMENT

	GROUP					
	Laboratory Equipment	Office & Computer Equipment	Leasehold Improvements	Plant & Equipment	Furniture & Fittings	Total
Cost						
Balance at 1 April 2014	2,001,620	727,678	122,919	100,418	137,619	3,090,254
Additions	72,222	77,008	61,651	2,898	13,851	227,630
Disposals	-	-	-	-	-	-
Translation Differences	79,557	21,443	15,846	143	18,120	135,109
Balance at 31 March 2015	2,153,399	826,129	200,416	103,459	169,590	3,452,993
Balance at 1 April 2015	2,153,399	826,129	200,416	103,459	169,590	3,452,993
Additions	55,652	95,822	-	11,386	1,156	164,016
Translation differences	49,701	15,471	9,760	88	12,318	87,338
Disposals	-	-	-	-	-	-
Balance at 31 March 2016	2,258,752	937,422	210,176	114,933	183,064	3,704,347
Accumulated Depreciation						
Balance at 1 April 2014	1,401,400	478,054	17,043	48,242	33,546	1,978,285
Depreciation expense	174,764	88,972	12,389	10,848	21,195	308,168
Disposals	-	-	-	-	-	-
Translation differences	32,482	8,212	2,294	57	5,180	48,225
Balance at 31 March 2015	1,608,646	575,238	31,726	59,147	59,921	2,334,678
Balance at 1 April 2015	1,608,646	575,238	31,726	59,147	59,921	2,334,678
Depreciation expense	196,414	97,154	17,927	10,313	25,675	347,483
Disposals	-	-	-	-	-	-
Translation differences	21,723	5,513	1,527	37	3,446	32,246
Balance at 31 March 2016	1,826,783	677,905	51,180	69,497	89,042	2,714,407
Carrying Amounts						
At 1 April 2014	600,220	249,624	105,876	52,176	104,073	1,111,969
At 31 March 2015	544,753	250,891	168,690	44,312	109,669	1,118,315
At 31 March 2016	431,969	259,517	158,996	45,436	94,022	989,940

Notes to the Financial Statements

For the year ended 31st March 2016

16. INTANGIBLE ASSETS

	GROUP			
	Software Development Costs	Patents	Cxbladder Development Costs	Total
Cost				
Balance at 1 April 2014	242,188	33,802	32,846	308,836
Additions	139,244	59,668	-	198,912
Translation Differences	4,306	-	-	4,306
Balance at 31 March 2015	385,738	93,470	32,846	512,054
Balance at 1 April 2015	385,738	93,470	32,846	512,054
Additions	105,010	55,545	-	160,555
Translation Differences	2,653	-	-	2,653
Balance at 31 March 2015	493,401	149,015	32,846	675,262
Accumulated Amortisation				
Balance at 1 April 2014	89,516	16,901	9,529	115,946
Amortisation expense	103,888	46,735	-	150,623
Translation differences	1,435	-	-	1,435
Balance at 31 March 2015	194,839	63,636	9,529	268,004
Balance at 1 April 2015	194,839	63,636	9,529	268,004
Amortisation expense	122,397	36,322	-	158,719
Translation differences	985	-	-	985
Balance at 31 March 2016	318,221	99,958	9,529	427,708
Carrying Amounts				
At 1 April 2014	152,672	16,901	23,317	192,890
At 31 March 2015	190,899	29,834	23,317	244,050
At 31 March 2016	175,180	49,057	23,317	247,554

Notes to the Financial Statements

For the year ended 31st March 2016

17. PAYABLES AND ACCRUALS

	GROUP	
	2016 \$	2015 \$
Trade Creditors	1,114,326	949,879
Accrued Expenses	300,236	97,833
Compensation Payment (refer below)	-	500,000
Employee Entitlements (refer below)	1,108,772	383,071
Total Payables and Accruals	2,523,334	1,930,783

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

Employee Entitlements

	GROUP	
	2016 \$	2015 \$
PAYE Tax	63,173	54,538
Holiday Pay	436,999	153,250
Accrued Wages	608,600	175,283
Total Employee Entitlements	1,108,772	383,071

Compensation payment

On 25 May 2015 the Financial Markets Authority (“FMA”) issued the Company with a warning in regard to what FMA considered to be two historical breaches by the Company of its continuous disclosure obligations under NZX Main Board Listing Rule 10.1.1(a) (“Listing Rule”) and Section 19B of the Securities Markets Act 1988 (“Act”). The alleged breaches related to the timing of market releases made by the Company in connection with the signing of two separate contractual agreements with US National Provider Networks where the Company was obliged to seek formal approval from the contractual counterparties to announce that the agreements had been signed.

FMA and the Company entered into a settlement agreement under which the Company agreed to make a compensation payment of \$500,000 to be distributed to shareholders who sold shares in the Company during the period of delay between the signing of the agreements and announcement to NZX.

The full compensation payment of \$500,000 was recognised in the Statement of Comprehensive Income in 2015 as an expense with a corresponding accrual made in the Balance Sheet. \$135,016 has been reversed into the Statement of Comprehensive Income in 2016 as this portion of the accrual was not required.

For more information on the FMA Warning please refer to the announcement released to the NZX on 25 May 2015.

Notes to the Financial Statements

For the year ended 31st March 2016

18. SHARE CAPITAL

	GROUP	
	2016 \$	2015 \$
Ordinary Shares	100,011,826	66,611,612
Total Share Capital	100,011,826	66,611,612

There are 376,543,478, (2015: 318,615,921) Authorised 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

	2016 Shares	2016 \$	2015 Shares	2015 \$
Opening Balance	318,615,921	66,611,612	318,615,921	66,611,612
New issues: Direct Offers	57,927,557	35,335,810	-	-
	376,543,478	101,947,422	318,615,921	66,611,612
Less Issue Expenses	-	(1,935,596)	-	-
Closing Balance	376,543,478	100,011,826	318,615,921	66,611,612

19. ACCUMULATED LOSSES

	GROUP	
	2016 \$	2015 \$
Opening Balance	(57,850,546)	(45,375,453)
Net (Loss) After Tax	(15,676,391)	(12,475,093)
Closing Balance	(73,526,937)	(57,850,546)

20. 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.

Notes to the Financial Statements

For the year ended 31st March 2016

21. SEGMENT INFORMATION

The Chief Executive Officer has determined the operating segments based on reports reviewed by him that are used to monitor performance and allocate resources. There are three operating segments at balance date. These are research and development of diagnostic and prognostic products for human cancer both in New Zealand and Australia and the operators of the laboratories used for the detection of bladder cancer; currently operating in the United States of America and New Zealand. Segment income, expenses and profitability are presented on a gross basis excluding inter-segment eliminations to best represent the performance of each segment operating as independent business units.

The segment information provided to the Chief Executive Officer for the reportable segment described above, for the year ended 31 March 2016, is shown below.

2016	NZ Laboratory	US Laboratory	Research NZ & Australia	Less: Eliminations	Total External Income
Income					
Commercial Sales and Licence Fees	344,001	4,631,036	495	-	4,975,532
Research Tests Processed	190,670	200,331	-	(391,001)	-
Grant Revenue and Research Rebate	-	-	1,403,264	-	1,403,264
Interest	24	28	2,051,437	(1,289,312)	762,177
Intercompany Cost Recovery	66,606	9,452	757,555	(833,613)	-
Foreign Exchange Gain	(1,214)	-	53,437	-	52,223
Total Income	600,087	4,840,847	4,266,188	(2,513,926)	7,193,196
Expenses					
Expenses	1,204,288	13,298,230	10,374,793	(2,513,926)	22,363,385
Depreciation and Amortisation	18,421	216,207	271,574	-	506,202
Total Operating Expenses	1,222,709	13,514,437	10,646,367	(2,513,926)	22,869,587
Profit Before Tax	(622,622)	(8,673,590)	(6,380,179)	-	(15,676,391)

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

2016	NZ Laboratory	US Laboratory	Research NZ & Australia	Total
Total Assets	256,448	5,663,653	26,410,703	32,330,804
Total Liabilities	45,714	1,095,004	1,382,616	2,523,334

Additions to non current assets include property, plant and equipment of \$114,518 to Research NZ and Australia, \$12,544 to the NZ Laboratory and \$36,954 to the US Laboratory. There were also \$160,566 in additions to intangible assets within Research NZ and Australia.

There is no external revenue to any particular customer greater than 10%, nor is there a significant concentration risk in relation to receivable balances.

Notes to the Financial Statements

For the year ended 31st March 2016

2015 (Restated)	NZ Laboratory	US Laboratory	Research NZ & Australia	Less: Eliminations	Total External Income
Income					
Commercial Sales and Licence Fees	120,321	1,777,097	2,247	-	1,899,66
Research Tests Processed	328,812	32,425	-	(361,237)	-
Grant Revenue and Research Rebate	-	-	1,445,932	-	1,445,93
Interest	14	2	1,186,488	(676,975)	509,529
Overhead Recovery	-	-	862,188	(862,188)	-
Foreign Exchange Gain	-	-	276,556	-	276,556
Total Income	449,147	1,809,524	3,773,411	(1,900,400)	4,131,682
Expenses					
Expenses	869,356	7,450,925	9,728,103	(1,900,400)	16,147,984
Depreciation and Amortisation	24,704	175,419	258,668	-	458,791
Total Operating Expenses	894,060	7,626,344	9,986,771	(1,900,400)	16,606,775
Profit Before Tax	(444,913)	(5,816,820)	(6,213,360)	-	(12,475,093)

Segment assets and liabilities information

2015	NZ Laboratory	US Laboratory	Research NZ & Australia	Total
Total Assets	188,138	2,958,652	9,486,526	12,633,316
Total Liabilities	63,079	428,271	1,439,433	1,930,783

Sales between segments are carried out at arm's length. 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.

The reportable operating segment derives its revenue primarily from grant income and the reportable operating segment laboratories derive their revenue primarily from sales of Cxbladder detection tests. The Chief Executive Officer assesses the performance of the operating segments based on net profit/(loss) for the period.

Notes to the Financial Statements

For the year ended 31st March 2016

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

	GROUP	
	2016 \$	2015 \$
Net Loss for the Period	(15,676,391)	(12,475,093)
Add Non Cash Items:		
Depreciation	347,483	308,168
Amortisation	158,719	150,623
Movement in share based payments reserve	1,158,148	1,246,087
Effect of exchange rates on net cash	(52,223)	(276,556)
Total Non Cash Items	1,612,127	1,428,322
Add Movements in Other Working Capital items:		
(Increase) in Receivables and Other Assets	(3,396,273)	(2,088,524)
(Increase) in Inventory	(84,373)	(381,059)
Increase in Payables and Accruals	592,550	977,603
Total Movement in Other Working Capital	(2,888,096)	(1,491,980)
Net Cash Flows to Operating Activities	(16,952,360)	(12,538,751)

23. FINANCIAL INSTRUMENTS

Managing Financial Risk

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

Interest Rate Risk

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

Credit Risk

The Group incurs credit risk from bank balances, receivables in the normal course of its business and other assets. Regular monitoring of receivables and other assets is undertaken to ensure that the credit exposure remains within the Group's normal terms of trade. The Group's cash and short term deposits are placed with high credit quality financial institutions. Accordingly, the Group has no significant concentration of credit risk other than bank deposits with 11.75% of total assets at the Bank of New Zealand and 61.90% at ANZ Bank. The carrying values of financial assets represent the maximum exposure to credit risk.

Liquidity Risk

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

Notes to the Financial Statements

For the year ended 31st March 2016

Fair Values

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

Market Risk

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

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

Risk Factor	Description	Sensitivity
(i) Currency risk	Assets and liabilities are denominated in NZD, USD, AUD, and EUR currencies.	As below
(ii) Interest rate risk	Exposure to changes in Bank interest rates	As below
(iii) Other price risk	No securities are bought, sold or traded	Nil

Balances in AUD and EUR currencies are not significant. A 10% increase or decrease in USD against the NZD will reduce/increase the loss reported by approximately \$860,000 (2015 at 1%: \$59,000) respectively and increase/reduce equity by the same amount.

A 1% increase or decrease in Bank deposit interest rates will reduce/increase the loss reported by approximately \$146,000 (based on normal levels of bank deposits) and increase/reduce equity by the same amount (2015: \$113,000).

Payables and Accruals totaling \$2,523,334 are due within 3 months of balance date (2015: \$1,930,783) due within 3 months of balance date.

24. CONTINGENT LIABILITIES

There were no known contingent liabilities at 31 March 2016 (2015: Nil). The Group has not granted any securities in respect of liabilities payable by any other party whatsoever.

25. CAPITAL COMMITMENTS

There are no capital commitments for the Group at 31 March 2016 (2015: Nil).

Notes to the Financial Statements

For the year ended 31st March 2016

26. LEASE COMMITMENTS

The Group has the following lease commitment for buildings.

	GROUP	
	2016 \$	2015 \$
Non cancellable operating lease commitments within one year	1,007,285	562,422
Later than one year, not later than two years	610,428	529,004
Later than two years, not later than five years	13,029	531,064
Total Lease Commitments	1,630,742	1,622,490

The lease of premises (in the Centre for Innovation) with the University of Otago was renegotiated on 26 May 2015 for a further two years at \$154,750 per annum. Pacific Edge Diagnostics New Zealand Limited's lease of premises is \$26,650 a year. Pacific Edge Diagnostics USA Limited has a 5 year lease which expires on 30 November 2017. The total financial commitment remaining for this lease is \$711,764 (2015:\$1,033,688). This includes an additional Allowance Reimbursement which is payable to the landlord on a monthly basis. The total financial commitment for this Allowance Reimbursement is \$324,455 (2015: \$589,342).

27. SUBSEQUENT EVENTS

There are no subsequent events.

28. MANAGEMENT OF CAPITAL

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

29. GOING CONCERN

While the Company continues to incur operating losses, the Company remains solvent and continues to meet its debts as they fall due. The cash flows are a critical part of ensuring the business continues to operate in line with the business strategy adopted by the Directors. In preparing the financial statements, the Directors have applied the principles of going concern on the basis that current cash reserves and its ability to generate cash will be sufficient to meet its debts as they fall due for a minimum of 12 months from signing the financial statements. Given there is uncertainty of future cash flows at the date of signing these financial statements, a material uncertainty exists at that date. In the event that the Company is unable to generate sufficient cash or scale back its operations, that event may cast significant doubt on the Company's ability to continue as a going concern. In this event, the Company may be unable to realise its assets and discharge its liabilities in the normal course of business.

Notes to the Financial Statements

For the year ended 31st March 2016

30. 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 increasing profitability of the Group. The Plan is an Equity Equivalent (EE) Scheme that provides EE Units on the following terms:

- EE Units are vested to the Participant over a period of 4 years but cannot be redeemed during the first two years from the date of their issue.
- Each EE Unit has the equivalent value of an ordinary share in the Company.
- Redemption is in cash for the difference between the value of the EE Units at the time of allocation and their value at the time of redemption.
- The Company must be trading in a cash flow positive condition and the Company’s share price on the NZX must have reached \$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 6,253,000 EE units had been issued. The fair value of these EE Units has been determined as \$Nil at 31 March 2016 (2015: \$Nil) because the conditions above are assessed as unlikely to be met and, accordingly, no expense or liability have been recorded in these financial statements.

Holding of EE units by current Directors and Officers

Chris Swann	412,500
David Darling	1,800,000

The Board of Directors has voted in favour of winding up this scheme and this is intended to be completed during financial year 2017.



Independent Auditors' Report to the shareholders of Pacific Edge Limited

Report on the Consolidated Financial Statements

We have audited the consolidated financial statements of Pacific Edge Limited (“the Company”) on pages 25 to 53, which comprise the consolidated balance sheet as at 31 March 2016, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and the notes to the financial statements that include significant accounting policies and other explanatory information for the Group. The Group comprises the Company and the entities it controlled at 31 March 2016 or from time to time during the financial year.

Directors' Responsibility for the Consolidated Financial Statements

The Directors are responsible on behalf of the Company for the preparation and fair presentation of these consolidated financial statements in accordance with New Zealand Equivalents to International Financial Reporting Standards and International Financial Reporting Standards and for such internal controls as the Directors determine are necessary to enable the preparation of consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider the internal controls relevant to the Company's preparation and fair presentation of the consolidated financial statements 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'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 consolidated financial statements.

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

We are independent of the Group. Other than in our capacity as auditors and providers of other related assurance services we have no relationship with, or interests in, the Group. The provision of these services has not impaired our independence.



Independent Auditors' Report

Pacific Edge Limited

Opinion

In our opinion, the consolidated financial statements on pages 25 to 53 present fairly, in all material respects, the financial position of the Group as at 31 March 2016, and its financial performance and cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards and International Financial Reporting Standards.

Emphasis of Matter

Without modifying our opinion, we draw attention to the disclosures made in Note 29 in the financial statements which indicates that there is uncertainty over the Group's ability to generate sufficient cash flows. This condition, along with other matters as set forth in Note 29, indicate the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern and therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

Restriction on Use of our Report

This report is made solely to the Company's shareholders, as a body, in accordance with the Companies Act 1993. Our audit work has been undertaken so that we might state 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.

A handwritten signature in blue ink that reads 'Priscilla Cooper'.

Chartered Accountants
26 May 2016

Dunedin

STATUTORY INFORMATION

For the year ended 31st March 2016

DIRECTORS' DISCLOSURES

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

During the year ended 31 March 2016, D. Darling and B. Williams were both appointed as Directors of Pacific Edge Diagnostics Singapore Pte. Ltd.

There were no other entries to the interests register during the year ended 31 March 2016.

INFORMATION USED BY DIRECTORS

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

DIRECTORS' REMUNERATION

The total amount of remuneration and other benefits received by each Director during the year ended 31 March 2016 are provided below:

Directors' Remuneration	Directors Fees'	Directors Fees'
	2016 NZ\$	2015 NZ\$
C.Swann (Chairman)	62,712	58,867
D.Band	37,161	36,009
D.Darling*	-	-
A.Masfen	32,100	30,454
B.Nogales**	29,525	25,310
C.Sitch	32,078	10,625
B.Williams	32,100	30,454
Total	225,676	203,450

*Given D Darling is an executive director, he does not receive directors fees and his remuneration is included in the Employee Remuneration table on page 58.

**Nogales' Directors Fees were paid by the subsidiary Pacific Edge Diagnostics USA Limited, of which he is a Director, for the year ended 31 March 2016.

STATUTORY INFORMATION

For the year ended 31st March 2016

DIRECTORS' SHAREHOLDINGS

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

Number of Equity Securities	2016	2015
C. Swann	797,064	797,064
B. Williams	4,316	4,316
D. Darling	5,319,897*	5,319,897

*D Darling has a current interest in a total of 5,319,897 equity securities, made up of 3,069,897 ordinary shares in the Company and 2,250,000 options to acquire ordinary shares in the Company.

INDEPENDENCE

The following directors are considered by the Board to be independent (as defined under the NZX Main Board Listing Rules) as at 31 March 2016: C.Swann, B.Williams, C.Sitch and D.Band.

The following directors are considered by the Board to not be independent: A. Masfen and D. Darling.

CHANGES TO THE BOARD OF DIRECTORS

The following changes to the Board of Directors have been announced and take effect subsequent to 31 March 2016:

D. Levison has been appointed to the Board effective 2 April 2016

C. Sitch resigned from the Board on 2 June 2016

C. Gallaher has been appointed to the Board effective 1 July 2016

C. Swann will retire from the Board at the 2016 Annual General Meeting on 25 August 2016

STATUTORY INFORMATION

For the year ended 31st March 2016

EMPLOYEE REMUNERATION

The Group operates in New Zealand, Australia and the United States where market remuneration levels differ. The offshore remuneration amounts are converted into New Zealand dollars. Of the employees noted in the table below, 79% are employed by the Group outside New Zealand. During the year, 28 employees or former employees of the Group, not being directors of the Company, received remuneration and other benefits that exceeded NZ\$100,000 in value as follows:

Employee Remuneration	2016	2015
\$100,000 - \$109,999	4	4
\$110,000 - \$119,999	1	3
\$120,000 - \$129,999	2	1
\$130,000 - \$139,999	-	2
\$140,000 - \$149,999	1	1
\$160,000 - \$169,999	2	-
\$170,000 - \$179,999	2	-
\$180,000 - \$189,999	2	-
\$190,000 - \$199,999	2	3
\$200,000 - \$209,999	2	1
\$210,000 - \$219,999	3	-
\$220,000 - \$229,999	1	-
\$230,000 - \$239,999	1	-
\$260,000 - \$269,999	-	1
\$280,000 - \$289,999	2	-
\$310,000 - \$319,999	-	1
\$350,000 - \$359,999	1	-
\$440,000 - \$449,999	1	1
\$550,000 - \$559,999	1	-

SUBSIDIARY COMPANY DIRECTORS

Section 211(2) of the Companies Act 1993 requires the company to disclose, in relation to its subsidiaries, the total remuneration and value of other benefits received by directors and former directors, and particulars of entries in the interests registers made during the year ended 31 March 2016.

No subsidiary has directors who are not directors of Pacific Edge Limited or employees of the Group. The remuneration and other benefits of such directors are included in the Directors Remuneration section of this report and the remuneration and other benefits of employees totalling NZ\$100,000 or more during the year ended 31 March 2016 are included in the relevant bandings for remuneration above.

STATUTORY INFORMATION

For the year ended 31st March 2016

Other than B. Nogales, who received remuneration for his position as director of Pacific Edge Diagnostics USA Ltd, no remuneration is paid to any other director of subsidiary companies for their position as director of the subsidiary company.

The persons who held office as directors of subsidiary companies at 31 March 2016 are as follows:

Pacific Edge Diagnostics New Zealand Limited	D.Darling, C.Swann
Pacific Edge Analytical Services Limited	D.Darling
Pacific Edge Diagnostics USA Ltd	D.Darling, C.Swann, D.Band, B.Nogales
Pacific Edge PTY Ltd	D.Darling, D.Band, B.Williams
Pacific Edge Diagnostics Singapore PTE Ltd	D.Darling, B.Williams, K.Rankin

DONATIONS

The Group has made no donations during the year.

STOCK EXCHANGE LISTING

The total number of issued voting securities is 376,543,478 Ordinary Shares. The Company's Ordinary Shares are listed on the NZX Main Board.

CREDIT RATING

The Company currently does not have a credit rating.

SUBSTANTIAL PRODUCT HOLDERS

The following substantial product holder information is given pursuant to section 293 of the Financial Markets Conduct Act 2013. These substantial product holders are shareholders who have a relevant interest of 5% or more of a class of quoted voting products of the Company. As at 31 March 2016, details of the substantial product holders of the Company and their relevant interests in the Company's Shares are as follows:

Name of Substantial Product Holder	Number of Ordinary Voting Securities as at 31 March 2016	
New Zealand Central Securities Depository Limited	111,921,890	29.72%
K One W One Limited	20,286,297	5.39%

STATUTORY INFORMATION

For the year ended 31st March 2016

SPREAD OF SECURITY HOLDERS AT 30 APRIL 2016

	No. of Ordinary Security Holders	Percentage of Issued Ordinary Equity
1 - 1,000	494	0%
1,001 - 5,000	1,868	1%
5,001 - 10,000	1,101	2%
10,001 - 100,000	1,961	15%
100,001 - 500,000	241	14%
500,001 - 1,000,000	23	5%
1,000,001 - 2,500,000	12	5%
2,500,001 - 13,000,000	11	17%
13,000,001 and Over	3	41%
Total Security Holders	5,714	100%

TWENTY LARGEST EQUITY SECURITY SHAREHOLDERS AS AT 30 APRIL 2016

	Ordinary Shares
New Zealand Central Securities Depository Limited	111,847,691
K One W One Limited	20,286,297
Superlife Trustee Nominees Limited	17,572,912
FNZ Custodians Limited	11,582,387
Forsyth Barr Custodians Ltd	11,497,178
Masfen Securities Limited	9,413,567
Leveraged Equities Finance Limited	6,216,930
FNZ Custodians Limited	5,267,368
Hypertech Holdings Corporation	4,929,169
Carol Anne Edwards & Graeme Brent Ramsey	4,281,930
Superlife Trustee Nominees Limited	3,207,620
Custodial Services Limited	3,176,679
David Darling & Yvonne Mccallum & Independent Trustees (Tauranga) Limited	2,978,900
Steven Cyril Hancock & Bronwyn Hilda Hancock	2,660,000
Archem Trading NZ Limited	2,276,968
University Of Otago	2,255,000
Michael Walter Daniel & Nigel Geoffrey Burton & Michael Murray Benjamin	2,000,000
Custodial Services Limited	1,903,596
Farnworth Ventures Limited	1,900,000
David John Mccaulay & Sally Anne Mccaulay	1,899,980

STATUTORY INFORMATION

For the year ended 31st March 2016

WAIVERS FROM NZX LISTING RULES

No waivers were granted by NZX during the 12 month period ended 31 March 2016.

EXERCISE OF NZX POWERS (LISTING RULE 5.4.2)

NZX did not exercise its powers during the year under Listing Rule 5.4.2.

DIVERSITY

As at 31 March 2016 all six directors of the Company were male. The Company does not have a gender diversity policy. The Officers of the Company (as defined by the NZX Main Board Listing Rules) are the CEO, CFO and COO of the Company, the CEO of Pacific Edge Diagnostics USA Limited and the Commercial Director for Pacific Edge Diagnostics New Zealand Limited. As at 31 March 2016, three Officers were male and two were female.

	FY16 Male	FY16 Female	FY15 Male	FY15 Female
Directors of Pacific Edge	6	0	6	0
Officers of Pacific Edge	3	2	3	2

CORPORATE GOVERNANCE

Role of the Board

The Board of Directors of Pacific Edge Limited is elected by the shareholders to supervise the management of the Company. The Board establishes the Company's objectives, strategies for achieving these objectives, 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 govern 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

STATUTORY INFORMATION

For the year ended 31st March 2016

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 financial 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.

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, Charles Sitch, Anatole Masfen and Bryan Williams and one executive Director, David Darling. 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 Nomination 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.

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 the 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
- Monitoring and reviewing the independent and internal auditing practices.
- Having direct communication with and unrestricted access to the independent auditors and any internal auditors or accountants.
- Reviewing the financial reports and advising all directors whether they comply with the appropriate laws and regulations.

STATUTORY INFORMATION

For the year ended 31st March 2016

- Ensuring that the external auditor or lead audit partner is changed at least every five years.
- The Audit Committee comprises 3 independent directors, Chris Swann, David Band and Charles Sitch.

Nomination Subcommittee

The Board has established a nomination committee to recommend director appointments to the Board. The committee members are Anatole Masfen, Bryan Williams and Chris Swann.

Remuneration Committee

The Board has a remuneration committee to recommend the remuneration for directors to the shareholders. The members of this committee are David Band, Bryan Williams, David Darling and Chris Swann.

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 Main Board 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 Financial Markets Authority and set out on the Financial Markets Authority website.

In summary, the 9 principles are:

1. Ethical Standards — Directors should set high standards of ethical behaviour, model this behaviour and hold management accountable for delivering these standards throughout the organisation.
2. Board Composition and Performance — To ensure an effective Board, there should be a balance of independence, skills, knowledge, experience and perspectives.

STATUTORY INFORMATION

For the year ended 31st March 2016

3. Board Committees — The Board should use committees where this will 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 corporate disclosures.
5. Remuneration — The remuneration of directors and executives should be transparent, fair, and reasonable.
6. Risk Management — Directors should have a sound understanding of the key risks faced by the business, and should regularly verify there are appropriate processes to identify and manage these.
7. Auditors — 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 Company.
9. Stakeholder Interests — The Board should respect the interests of stakeholders, taking into account the entity's ownership type and its fundamental purpose.

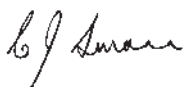
Reporting and Disclosure

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.

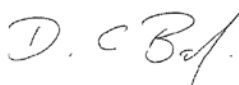
The Directors have pleasure in presenting the financial statements, set out on pages 25 to 53 for Pacific Edge Limited and the consolidated Group for the year ended 31 March 2016.

The Board of Pacific Edge Limited authorised these financial statements for issue on 26 May 2016.

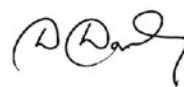
For and on behalf of the Board of Directors,



Chairman



Director



Chief Executive Officer

Dated the 30th day of June 2016





PACIFIC EDGE LTD
CANCER DIAGNOSTICS COMPANY

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