PACIFIC EDGE
LTD

PRELIMINARY HALF YEAR REPORT 2013

PACIFIC EDGE GROUP CONSOLIDATED RESULTS FOR ANNOUNCEMENT TO THE MARKET

Reporting Period: Six months to 30 September 2013.

Previous Reporting Period: Six months to 30 September 2012.

	Current Half Year ($NZ'000)	Previous corresponding Half Year ($NZ'000)
Trading Revenue	17	11
Other Revenue	166	314
Total Revenue from Ordinary Activities	183	325
Profit (loss) from ordinary activities after tax attributable to security holder	(4,971)	(3,241)
Net profit (loss) attributable to security holders	**(4,971)**	**(3,241)**

Interim / Final Dividend: The company does not propose to pay dividends to shareholders.

Pacific Edge continues the rapid commercial rollout of Cxbladder in the world's largest biomedical market, where our focus is to launch Cxbladder and start our revenue stream in the USA. In New Zealand and Australia, we have built a stronger understanding of the clinical adoption process for new tests and have been using this knowledge to grow adoption and the revenue for the company. We have focused on the District Health Boards as high volume targets and announced the signing of the first of these in July of this year.

Our focus in these markets is on growing revenue off a consistent and highly repeatable clinical experience for both the patient and the clinicians from using Cxbladder, delivered from one of our specialist laboratories in New Zealand, Australia and now the USA. We will continue to accelerate the adoption of the test and the reimbursement process throughout the second half of the financial year, building a strong base for future repeat sales.

The continuation of the rapid roll-out of our new business in the USA has been a dominant component of our commercialization program this year. At the conclusion of the last financial year in March 2013, we had completed our custom made Cxbladder dedicated laboratory, on time, to specification and within budget. We had transferred the skills and capability from New Zealand and implemented the necessary equipment, processes and standard operating procedures. Our NZ based team, along with new team members recruited in the USA, ran the new laboratory equipment up to specification and signed off the new laboratory as suitable to provide Cxbladder as a consistent and highly reproducible detection technology for clinicians and physicians in the USA.

The medical need being addressed by the clinicians and physicians is to provide this new accurate non-invasive test to enable a faster and more accurate detection of urothelial carcinomas in patients that present with haematuria. By urothelial carcinomas, we mean the cancers of the urothelial tract, including bladder cancers, as our clinical studies have now shown us that Cxbladder also correctly identifies cancers of the upper urinary tract in a non-invasive way. This is yet another value proposition for Cxbladder and one not able to be provided by the 'gold standard' cystoscopy.

The next necessary component in our business rollout in the USA was to enable the laboratory to operate a commercial service provision to these 10,500 urologists in the USA who are grappling with approximately one million patients per year who are presenting with haematuria (blood in the urine). For us to provide Cxbladder to these clinicians, we needed to obtain regulatory approval for Cxbaldder as a service in our new laboratory. This regulatory approval comes in the form

of the Clinical Laboratory Improvement Amendments (CLIA). CLIA enables the company to offer a Laboratory Developed Test (LDT) to these medical specialists under a highly regulated laboratory process. Achieving CLIA registration was a critical component in enabling our USA subsidiary (PED_{USA}) to embark on the recruitment and training to empower the sales force. The first of the sales and marketing team launched Cxbladder in early July of 2013.

During this first half of the financial year, PED_{USA}, with the help of industry specialists, mapped out the locations of the urologists operating at scale in the USA. This initial map led a further team of specialists to define the specific sales regions to the scale that sees an estimated sixty percent of the market covered. To complement this, new customer management software and laboratory management software was refined to facilitate a fully functional laboratory and sales capability. All of this commercial activity took extensive resources, time and energy. Co-ordination and delivery of these came from the New Zealand based team and the newly recruited US laboratory, clinical and sales and marketing executives in the USA. The outcome was the launch of Cxbladder and the recent announcement of the initial sales and reimbursement of Cxbladder in the USA. We have now officially launched.

We have segmented the market to focus on the high volume urologists in several key sectors. Firstly, the Centre for Medicaid and Medicare Services (CMS), who provide the public medical coverage to an estimated 150 million people over the age of 65. Secondly, the Veterans Administration, who provide medical coverage to approximately 20 million veterans and their families. Thirdly, the large private insurance entities, the Health Maintenance Organisations (HMO's) and Integrated Healthcare Service providers such as Kaiser Permanente and Intermountain to name two examples. Finally, the Large Urology Group Practices, which aggregate clinicians' purchasing power. These four segments make up the majority of our customer base. We expect to complete contracts with national preferred providers that enable Cxbladder to be on the schedule linking payers and providers, an important part of our commercial reimbursement.

Along the way and in particular over the last financial year, we have learnt a significant amount about the value propositions and adoption process of new medical devices for clinicians and specifically urologists. We have captured these key learnings and we have integrated these into our sales and marketing processes. Adoption of new technology by urologists has significantly more pre-purchase dissonance than was expected. It is a big task to change a clinician's clinical process and adopt new technology without validation in their specific clinical program. Cxbladder has shown us that there are a significant number of ways that the technology can provide a clinical perspective for urologists and we now have eight different value propositions either in commercial use or under evaluation by these clinicians in New Zealand, Australia and the USA.

The drivers of adoption in the US are different to those in New Zealand and Australia. Whilst still driven to provide the best clinical outcome for patients, clinicians in the USA work in a litigious operating environment that encourages the adoption of new technology where that technology provides an accurate non-invasive clinical perspective for both patients and clinicians. Cxbladder has shown over the last six months that it meets the clinical hurdles faced by urologists and also offers the clinician a means of increasing their probability of successful cancer detection and thereby the potential risk of any litigation that could arise with a poor clinical evaluation and tumour detection process. The current tools available to urologists all have significant shortcomings. This has been our market entry point for Cxbladder in the USA.

In New Zealand and Australia we have learnt that the adoption cycle is also long with significant pre-purchase dissonance. The new Cxbladder technology not only has to have a first class clinical performance pedigree, as evidenced by publication in peer reviewed science journals, but also needs to be used extensively by a urologist in his clinical setting, addressing his specific clinical needs. As a result of this learning, we undertook a program of User Studies in which we targeted individual large practices and key opinion leaders, identified their specific needs and ran blinded studies specifically for them with the goal of lowering this pre-purchase dissonance and consequently producing further independent performance data.

The User Program of formal studies and evaluations with individual urologists was set up to address this pre-purchase dissonance We started putting these studies in place during 2012 and into 2013 and delivered two excellent outcomes in the New Zealand market. This successful program has now also been extended into Australia and more recently the USA. In the NZ User Program the first two participants, the Waitemata

District Health Board (WDHB) and the Canterbury District Health Board (CDHB), both successfully completed their User Studies on patients presenting to their clinics where samples were sent to our laboratory in Dunedin to be analysed. During the studies the true clinical outcome was blinded from us and on analysis the final results from both studies showed a very successful outcome. Cxbladder has now been validated in two DHB's in a commercial setting and we are now progressing this into commercial sales.

Looking forward, over the next six months we expect to deliver:

- Contracted commercial relationships with National Network Providers in the US.
- A steady increase in the growth of the adoption of Cxbladder in all markets.
- A completion of the raising of capital that will drive an acceleration of our sales force rollout in 2014.
- The gearing of our New Zealand team to deliver two new products to the market over the coming 2014 financial year.

The Company has recorded a net loss, from investment in its commercial developments including: market entry, research and product development, of $4,971,183 for the half year ended 30 September 2013, compared to a budgeted loss of $4,730,945 for the half-year end. This compares to a recorded net loss of $3,240,412 for the half year ended 30 September 2012. The majority of this net loss is the investment in the Company's setting up of business in the US, clinical trials, product development and intellectual property as it is expensed. The Company is investing significant funds in the ramping up of the commercial program in the US and the development of new products in this financial year.

As a matter of policy, the Company continues to write off all research and development expenditure until the point at which products or projects provide reasonable certainty of cost recovery. Over this period, the Company has made further significant investment in market development, intellectual property protection, and product development and in the clinical trials for the Company's cancer detection and prognostic assays.

Chris Swann
Chairman

David Darling
Chief Executive Officer

Preliminary half year announcement on consolidated results (including the results for the previous corresponding half year) in accordance with Listing Rule 10.4.2.

This report has been prepared in a manner which complies with generally accepted accounting practice and gives a true and fair view of the matters to which the report relates and is based on unaudited financial statements.

The Listed Issuer does have a formally constituted Audit Committee of the Board of Directors.

		Consolidated Statement Financial Performance		
1	CONSOLIDATED STATEMENT OF FINANCIAL PERFORMANCE	Current Half Year $NZ'000	Up/Down %	Previous corresponding Half Year $NZ'000
1.1	**Operating Revenue**			
	a Trading Revenue	17	54.5%	11
	b Other Revenue	166	(47.1%)	314
	c Total Operating Revenue	183	(43.7%)	325
1.2	**Operating *Surplus (Deficit) Before Taxation**	(4,971)	(53.4%)	(3,241)
	a Less taxation on operating result			
1.3	**Operating *Surplus (Deficit) After Tax**	(4,971)	(53.4%)	(3,241)
	a Extraordinary Items after Tax			
	b Unrealised net change in value of investment properties			
1.4	**Net *Surplus (Deficit) For The Period**	(4,971)	(53.4%)	(3,241)
	a Net *Surplus (Deficit) attributable to minority interests			
1.5	**Net Surplus (Deficit) Attributable To Members Of The Listed Issuer**	**(4,971)**	(53.4%)	**(3,241)**

		Consolidated Statement of Financial Performance	
2	DETAILS OF SPECIFIC RECEIPTS/OUTLAYS, REVENUES/ EXPENSES FOR HALF YEAR	Current Half Year $NZ'000	Previous corresponding Half Year $NZ'000
2.1	**Included In Consolidated Statement Of Financial Performance**		
	a Interest revenue included in Item 1.1(b)	76	187
	b # Unusual items for separate disclosure (gain/loss) (detail – Item 2.2)		
	c Equity earnings (gain/loss) (detail – Item 3)		
	d Interest expense included in Item 1.2 (include all forms of interest, etc.)		
	e Leasing and renting expenses	326	108
	f Depreciation	164	59
	g Diminuton in the value of assets (other than depreciation)		
	h Amortisation of goodwill		
	i Amortisation of other intangible assets	10	
	j Impairment of goodwill		
	k Impairment of other intangible assets		

		Consolidated Statement of Financial Performance	
		Current Half Year $NZ'000	Previous corresponding Half Year $NZ'000
2.2	**Supplementary Items**		
	a # Interest costs excluded from Item 2.1(d) and capitalised		
	b # Outlays (other than those arising from the acquisition of an existing business) capitalised in intangibles		
	c Unrecognised differences between the carrying value and market value of publicly traded investments		
	# Items marked in this way need to be shown only where their inclusion as revenue or exclusion from expenses has had a material effect on reported *surplus (deficit)		

		Statement of Movements In Equity	
3	**STATEMENT OF MOVEMENTS IN EQUITY**	Current Half Year $NZ'000	Previous corresponding Half Year $NZ'000
3.1	**Net Surplus (Deficit) Attributable To Members Of Listed Issuer**	(4,971)	(3,241)
	a Net Surplus (Deficit) attributable to minority interest		
3.2	**Other Recognised Revenue And Expenses**		
	a Increases (decreases) in revaluation reserves		
	b Current Translation Differences	215	(25)
	c Minority interest in other recognised revenue and expenses		
3.3	**Total Recognised Revenues And Expenses**	(4,756)	(3,266)
3.4	**Other Movements**		
	a Contributions by Owners	509	
	b Distributions to Owners		
3.5	**Equity At Beginning Of Half Year**	11,146	17,678
3.6	**Equity At End Of Half Year**	**6,899**	**14,412**

		Earnings Per Security	
4	**EARNINGS PER SECURITY**	Current Half Year $NZ'000	Previous corresponding Half Year $NZ'000
	Calculation of basic and fully diluted, EPS in accordance with IAS33: Earnings Per Share		
	a Basic EPS	–0.018	–0.012
	b Diluted EPS (if materially different from (a))		

5 REPORTS FOR INDUSTRY SEGMENTS

Information on the industry and geographical segments of the Listed Issuer is to be reported for the half year in accordance with the provisions of SSAP:23: Financial Reporting for Segments. Because of the differing nature and extent of segments among Listed Issuers, no complete proforma is provided and the segment information should be completed separately and attached to this report. However, the following shows a suitable list of items for presentation and indicates which amounts should agree with items included elsewhere in the half year/full year report:

SEGMENTS

	Industry	NZ Laboratory	US Laboratory	Research	Total
–	**Operating Revenue**				
	• Sales to customers outside the group	13	2	2	17
	• Intersegment sales				
	• Unallocated revenue			166	166
–	Total revenue [consolidated total equal to Item 1.1(c) above]	13	2	168	183
–	Segment result	(496)	(1,540)	(2,935)	(4,971)
–	Unallocated expenses				
–	Operating surplus (Deficit) after tax (Item 1.3)	(496)	(1,540)	(2,935)	(4,971)
–	Segment assets	152	1,029	6,907	8,088
–	Unallocated assets				
–	Total assets (Equal to Item 6.3)	152	1,029	6,907	8,088

		Consolidated Statement Financial Performance		
6	**CURRENT ASSETS**	At end of current Half Year $NZ'000	As shown in last Annual Report $NZ'000	If half yearly as shown in last Half Year $NZ'000
	a Cash	6,381	10,676	14,507
	b Trade receivables	197	132	127
	c Investments			
	d Inventories			
	e Other assets, current	223	205	174
	TOTAL CURRENT ASSETS	**6,801**	**11,013**	**14,808**
6.1	**NON-CURRENT ASSETS**			
	a Less taxation on operating result			
	a Trade receivables			
	b Investments			
	c Inventories			
	d Property, plant and equipment	1,220	1,081	1,027
	e Goodwill			
	f Deferred Taxation Assets			
	g Other Intangible Assets	66		
	h Other assets, non current		129	
6.2	**TOTAL NON-CURRENT ASSETS**	**1,286**	**1,210**	1,027
6.3	**TOTAL ASSETS**	**8,088**	**12,223**	**15,835**

6.4	**CURRENT LIABILITIES**			
	a Trade Creditors	654	922	886
	b Income in advance, current			
	c Secured loans			
	d Unsecured loans			
	e Provisions, current			
	f Other liabilities, current	383	156	537
	TOTAL CURRENT LIABILITIES	**1,037**	**1,078**	**1,423**
6.5	**NON-CURRENT LIABILITIES**			
	a Accounts payable, non-current			
	b Secured loans			
	c Unsecured loans			
	d Provisions, non-current			
	e Deferred Taxation Liability, non-current			
	f Other liabilities, non-current	153		
6.6	**TOTAL NON-CURRENT LIABILITIES**	**153**		
6.7	**TOTAL LIABILITIES**	**1,190**	**1,078**	**1,423**
6.8	**NET ASSETS**	**6,898**	**11,145**	**14,412**
6.9	**SHAREHOLDERS' EQUITY**			
	a Share capital (optional)	47,108	46,599	46,154
	b Reserves (optional) (i) Revaluation reserve			
	(ii) Other reserves	186	(30)	(22)
	c Retained Surplus (accumulated Deficit) (optional)	(40,396)	(35,424)	(31,720)
6.10	**SHAREHOLDERS' EQUITY ATTRIBUTABLE TO MEMBERS OF THE LISTED ISSUER**	**6,898**	**11,145**	**14,412**
	a Minority equity interests in subsidiaries			
6.11	**TOTAL SHAREHOLDERS' EQUITY**	**6,898**	**11,145**	**14,412**
	a Returns on Assets (%) (EBIT divided by Total Assets)	(61%)	(33%)	(20%)
	b Return on Equity (%) (Net Income divided by Shareholders' Equity)	(72%)	(37%)	(22%)
	c Debt to Equity Ratio (%) (Total Liabilities divided by Shareholders' Equity)	17%	10%	10%

		Consolidated Statement of cashflows for half year	
7	**CASH FLOWS RELATING TO OPERATING ACTIVITIES**	Current Half Year $NZ'000	Corresponding Half Year $NZ'000
	a Receipts from customers	31	134
	b Interest received	89	154
	c Dividends received		
	d Payments to suppliers and employees	4,347	3,050
	e Interest paid		
	f Income taxes paid		
	g Other cash flows relating to operating activities		
	NET OPERATING FLOWS	**(4,227)**	**(2,762)**

8	**CASH FLOWS RELATING TO INVESTING ACTIVITIES**		
	a Cash proceeds from sale of property, plant and equipment		
	b Cash proceeds from sale of equity investments		
	c Loans repaid by other entities		
	d Cash paid for purchases of property, plant and equipment	68	690
	e Interest paid – capitalised		
	f Cash paid for purchases of equity investments		
	g Loans to other entities		
	h Other cash flows relating to operating activities		
	NET INVESTING CASH FLOWS	**(68)**	**(690)**

9	**CASH FLOWS RELATED TO FINANCING ACTIVITIES**		
	a Cash proceeds from issue of shares, options, etc.		
	b Borrowings		
	c Repayment of borrowings		
	d Dividends paid		
	e Other cash flows relating to financing activities		
	NET FINANCING CASH FLOWS		

10	**NET INCREASE (DECREASE IN CASH HELD)**	**(4,295)**	**(3,452)**
	a Cash at beginning of half year	10,676	17,959
	b Exchange rate adjustments to Item 10(a) above		
	c CASH AT END OF HALF YEAR	**6,381**	**14,507**

11	**RECONCILIATION OF CASH**	Current Half Year $NZ'000	Corresponding Half Year $NZ'000
	For the purposes of the above Statement of cash flows, cash includes:		
	Cash at the end of the *half year/full year as shown in the statement of cash flows is reconciled to the related items in the financial statements as follows:		
	Cash on hand and at bank	6,381	14,507
	Deposits at call		
	Bank overdraft		
	Other (provide details, e.g., Term Deposits)		
	Total = Cash at End of Half Year (Item 10(c) above)	**6,381**	**14,507**

12 COMMENTS BY DIRECTORS

a Material factors affecting the revenues and expenses of the group for the current half year

The continuation of research work is expensed.

b Changes in accounting policies since last Annual Report and/or last Half Yearly to be disclosed

NZ IFRS requires the following disclosures:

- **Net Tangible Assets equal $6,831,893 (Sept 12 $14,412, 313). The net tangible assets per share is $0.02 (Sept 2012 $0.05)**
- **The financial statements for the half-year ended 30 September 2013 were not audited.**

The financial statements for the year ended 31 March 2013 were audited by PricewaterhouseCoopers.

c **The Company has recorded a net loss, from investment in its research and product development of $4,971,183 for the half year ended 30 September 2013 compared to a budgeted loss of $4,730,945 for the half year end. This compares to a recorded net loss of $3,240,412 for the half year ended 30 September 2012. The majority of this net loss is the investment in the Company's business rollout in the US, clinical trials, product development and intellectual property as it is expensed. The Company is now investing significant funds in the set up and running of the commercial laboratory and the development of the US strategy in this financial year.**

d **This preliminary report is prepared for the Group which includes Pacific Edge Limited subsidiaries Pacific Edge Diagnostics New Zealand Limited, Pacific Edge Diagnostics USA Limited and Pacific Edge Pty Limited.**

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