

INVESTOR UPDATE

APRIL 2017



PACIFIC EDGE LTD



EXECUTIVE UPDATE

David Darling, Chief Executive Officer

Pacific Edge is progressing well as we continue to focus on driving growth through building sales in our targeted markets and expanding our suite of Cxbladder products.

Working with transformational customers in the US

In the last year we have made good progress with the US organisations that we have identified as transformational customers with the potential for large scale use of Cxbladder. We are now in contract with the Veterans Administration (VA) and TRICARE; have completed the Kaiser Permanente User Programme with positive and compelling results; and are continuing to progress our discussions with the Centers for Medicare and Medicaid (CMS). Our revenue growth is dependent on the rate at which these scale customers adopt Cxbladder, however, together they could offer a significant volume of tests and revenue.

Signing a Federal Supply Schedule agreement last year allowed us to start marketing our product to healthcare providers within the Veterans Administration network. We have identified five large VA clinics as our initial focus and our US sales team has been actively marketing Cxbladder to these clinics.

Each clinic has a degree of autonomy to elect to use our products, and gaining the support of both clinicians and the administration teams within each individual clinic is underway. We are making good progress and expect to see several of these clinics begin to incorporate Cxbladder into their clinical practice in the near future. We expect a snowball effect as we gain momentum within this organisation.

Along with the VA, Pacific Edge is also an approved provider as part of the TRICARE Health Plan Network. Between them, these two organisations provide cover to all US veterans, active military personnel and their families.

Kaiser Permanente has now completed their analysis of the data from the large scale User Programme. Their results concur with the positive and compelling results documented in [Pacific Edge's own analysis](#).

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www.cxbladder.com



PACIFIC EDGE LTD

We are currently in discussions with Kaiser Permanente regarding where in their clinical pathway they will deploy Cxbladder to enhance their healthcare offering to their 11 million members. Their decision will dictate just how many Cxbladder tests will be used annually, and we are working hard to progress this as quickly as possible.

We are also focused on completing the CMS process to gain our Local Coverage Decision. This is a lengthy and regulated process, which everyone must follow, and it can take some time. Pleasingly, we are well down the track on this.

[Adding to the Cxbladder suite of products](#)

In December 2016, we released our fourth product – Cxbladder Resolve – into the New Zealand market, further strengthening our Cxbladder offer. Cxbladder Resolve has been developed as a front line tool for urologists targeting the identification of patients with high grade and late stage disease, and will allow those high risk patients to be fast-tracked for further clinical investigation and treatment.

A clinical evaluation has confirmed Cxbladder Resolve's effectiveness in accurately identifying high grade cancer in haematuria (blood in the urine) patients with 96% sensitivity and 93% specificity. As with our other products, Cxbladder Resolve will be progressively launched into other markets, including the US following the publication of the Cxbladder Resolve paper.

In addition, in December last year, we commenced the official US launch of our third product, Cxbladder Monitor. This product has been 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.

[Superior performance of Cxbladder confirmed in clinical studies](#)

Peer reviewed clinical and scientific papers are an important part of our commercial strategy. They are essential in validating our products with major healthcare providers and funders, particularly in the United States, and

encouraging adoption and changes to the standard of care.

In the last few months, we have seen three papers published in medical and clinical journals, confirming the superior performance of our Cxbladder products. Concurrently we have also seen the adoption of two of our Cxbladder products into the standard of care by two separate District Health Boards in New Zealand.

The [most recent international study](#), published in 'Advances in Therapy', demonstrated the compelling impact of changes to clinical decision making by urologists when provided with Cxbladder results for patients presenting with haematuria.

In this study, the introduction of Cxbladder resulted in a reduction of 25% in the total number of diagnostic procedures for patients, and a 31% reduction in invasive tests. This not only makes for a better diagnostic experience and outcome for patients, but also implies the potential for a significant reduction in the total cost to healthcare funders and payers.

[Funding for growth](#)

We are now starting to see some real progress in our commercial journey, with a number of milestone achievements in the last year. The opportunities ahead of us are exciting and we recently completed a successful capital raising which will help to strengthen our balance sheet, and progress and expedite our commercial goal of getting to a cash flow positive position as fast as possible.

We were also very pleased to receive an additional grant of up to \$3 million from Callaghan Innovation, to be spread over two years, which will further support Pacific Edge's R&D programme.

[Looking forward](#)

The 2017 financial year has now ended and we will be reporting on our performance and financial results in late May 2017.

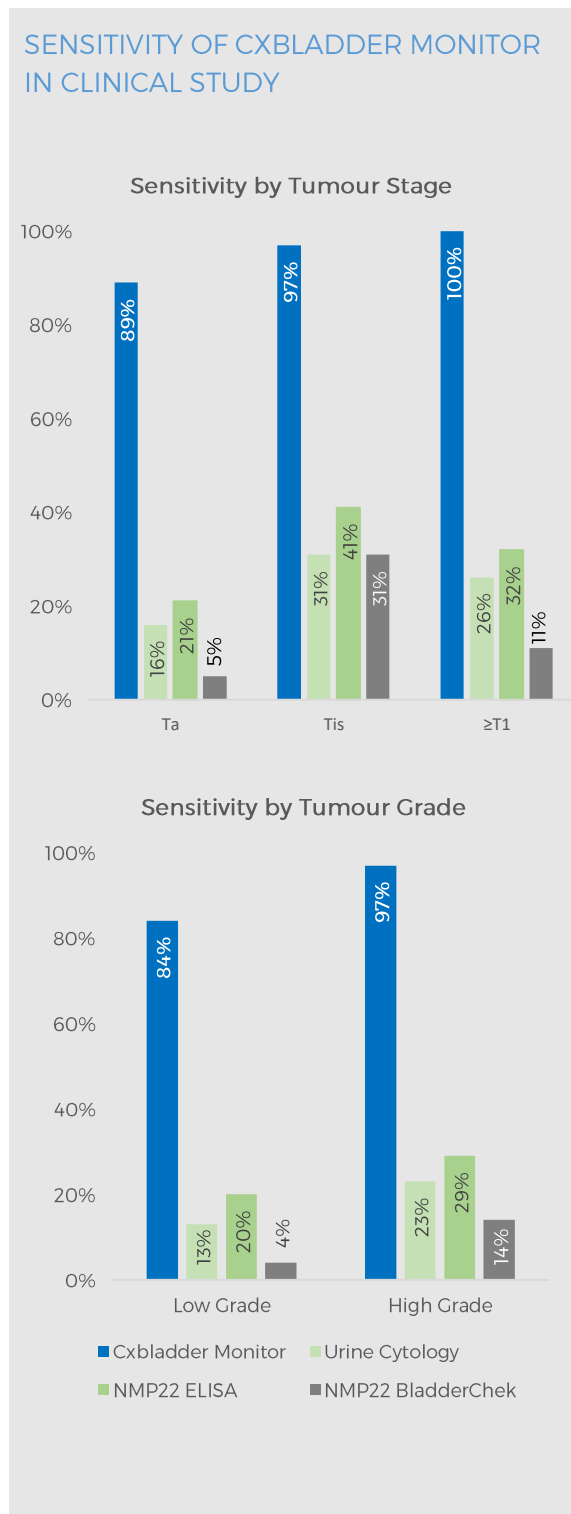
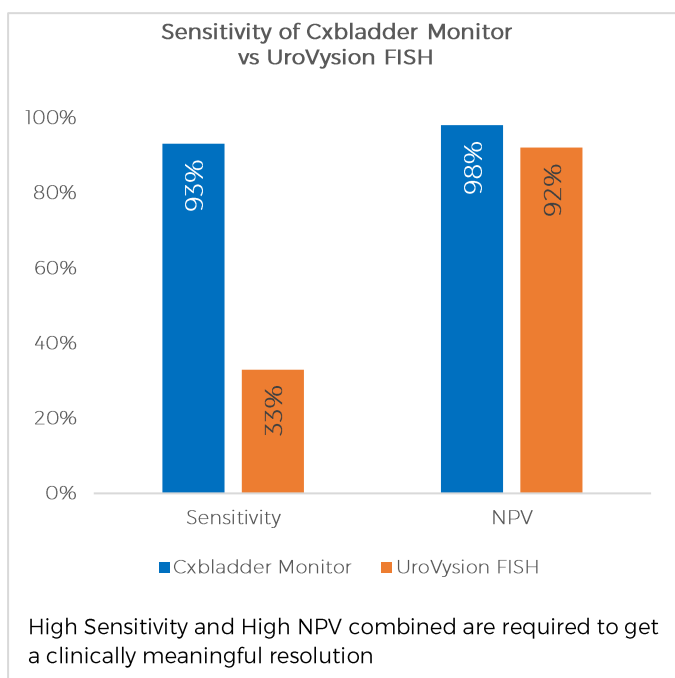
I hope you find this update of interest. As always, we welcome your feedback and questions. Our contact details are on the back of this newsletter.

CXBLADDER MONITOR DELIVERS SUPERIOR PERFORMANCE

Bladder cancer is the ninth most prevalent cancer in the world. While it is highly treatable if caught early, it also has a very high recurrence rate. That means patients live in a world of ongoing monitoring and clinical intervention. Until now, this meant an onerous regime of invasive testing up to five times per year which can often result in poor compliance by the patient.

Pacific Edge's non-invasive Cxbladder Monitor test provides the solution, replacing traditional monitoring cystoscopies several times per year, with a quick and easy-to-use urine based test. This is great news for cancer patients undergoing surveillance, providing an accurate non-invasive alternative to cystoscopy and offering a significant improvement to their quality of life.

The [latest clinical paper](#) to be published on Cxbladder Monitor shows that it is significantly more accurate than all other compared, FDA-approved urine tests for monitoring of recurrent bladder cancer. Cxbladder Monitor has recently been adopted by a large public healthcare provider in New Zealand to replace cystoscopies in all low-risk patients as part of their ongoing surveillance.



Lotan et al: Clinical comparison of non-invasive urine test for ruling out recurrent urothelial carcinoma. Urologic Oncology (2017)

HIGH STAKES GAME OF HIDE AND SEEK: PATIENT STORY

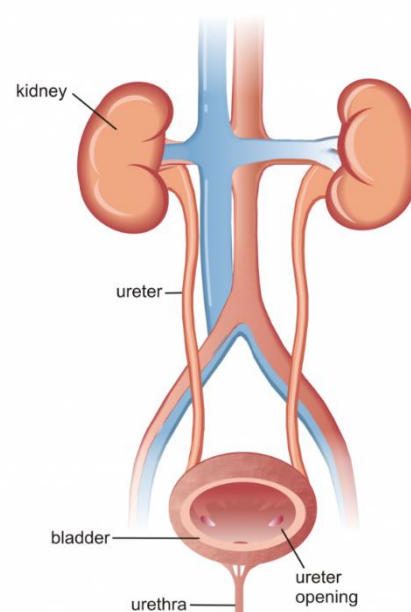
At fifty-eight years old, Laura* was diagnosed with high grade, invasive bladder cancer and underwent surgery and treatment. As with all bladder cancer patients, she then entered into a regime of ongoing monitoring for recurrence of the disease.

In the first of her many pre-programmed clinical evaluations, Laura was administered a number of diagnostic tests, including urine cytology, UroVysion FISH, cystoscopy and Cxbladder, which all came back negative.

In her second evaluation, however, while all the other tests came back negative, the Cxbladder test was positive, indicating the presence of a tumour. Based on this, Laura's physicians carried out a cystoscopy but were unable to identify a tumour. However, because of the positive Cxbladder result, they extended the scoping range to the upper urinary tract, revealing a high grade tumour tucked away in the folds of the urinary tract underneath the kidney. After two sessions of laser surgery, Laura was again diagnosed tumour-free.

Nine months later, in yet another evaluation as part of her monitoring regime, Cxbladder once again returned a positive result while all other tests were negative. Another upper tract scoping was undertaken and again, a small recurrent tumour was found and removed.

Bladder cancer has a very high recurrence rate and can often progress quickly to a later stage disease. However, it is highly treatable, especially if caught early. For Laura, Cxbladder made a significant difference in her outcome, by leading clinicians to the presence of a tumour when all other tests and procedures were negative.



Reference: Tan WP, Teclé N, Whelan P, Strong A, Deane LA (2016) Upper tract urothelial carcinoma in the genetically predisposed patient: role of urinary markers in predicting recurrence. *Journal of Endourology Case Reports* 2:1, 235-237. DOI: 10.1089/cren.2016.0124.

*Not her real name

REGIONAL FOCUS: SOUTH EAST ASIA

Pacific Edge first announced South East Asia as a potential market for the company in 2015. Since that time, an extensive and ongoing investigation of the opportunity has been undertaken with two distinct customer segments of interest identified.

Firstly, as in our other markets, are patients requiring testing and management for bladder cancer. Secondly, and more unique to South East Asia, is the rapidly growing number of medical tourists who come to the region for regular wellness and medical checkups. In 2013, medical expenditure generated from medical tourists was S\$832 million. Health screenings make up part of this expenditure and are popular with tourists and locals alike. It is expected that the Cxbladder suite of products will appeal to people seeking these workups.

Logistically and commercially, Singapore is a great gateway to the markets of South East Asia. It offers a number of benefits, including the widespread use of English, internationally certified hospitals and a significant and growing population of medical tourists supported by a strong commercial drive in these countries to build businesses of scale to meet their needs.

Pacific Edge has now established a base in Singapore and has validated two-way supply chain logistics to collect and send samples for analysis at Pacific Edge's New Zealand laboratory.

User Programmes are an important part of building awareness and encouraging trial of Cxbladder tests. An initial User Programme with a leading hospital was announced in June 2015 and a second User Programme with Singapore General Hospital commenced at the end of 2016. A third large hospital has recently embarked on their User Programme, with several more currently being developed for other large institutions.

In 2015, the company received a three-year, \$600,000 grant from New Zealand Trade and Enterprise to aid in the evaluation of the South East Asia market opportunity, as well as commercialisation and rollout into the region.

INTRODUCING OUR TEAM

JACKIE WALKER: CEO PACIFIC EDGE DIAGNOSTICS USA

Jackie Walker joined Pacific Edge five years ago, as the CEO of its then newly established US subsidiary. Her previous roles across the healthcare sector and with start-up medical technology companies, as well as large scale global commercial operations, provided her with the expertise and in-depth knowledge required to launch Pacific Edge into the world's largest and most challenging healthcare market, the United States.

Jackie oversees a dedicated team focused on successful commercial growth and clinical adoption of Pacific Edge's diagnostic tests in the US market. Highlights for Jackie in the past five years have been the successful development of the commercial operating programme; building a strong, talented, experienced team; launching the Cxbladder family of products in the US; and creating strong brand awareness. She says the signing of the Federal Supply Schedule agreement and TRICARE coverage have been particular achievements in the last year.

Next up for the PEDUSA team is successfully progressing the other scale customers which Pacific Edge is targeting – CMS (Medicare) coverage, commercial launch with Kaiser Permanente and adoption by targeted VA centres across the US – as well as continuing to significantly grow the US business.

When not at work, Jackie takes time out with family and relaxes by running, biking, swimming, fly fishing and playing golf. She and her husband are currently getting used to being "empty nesters" and have a new black lab puppy, Lexi, to keep them busy.



TAKING INNOVATION TO THE NEXT LEVEL

CallaghanInnovation

BUSINESSTECHNOLOGYSUCCESS

Callaghan Innovation is a government agency supporting high-tech businesses in New Zealand. Named after one of New Zealand's greatest scientists, Sir Paul Callaghan (a world leading Kiwi physicist specialising in nano technology and magnetic resonance), Callaghan Innovation provides support and grants for businesses at all stages of their innovation journey, from start-up to the most experienced R&D performers.

Pacific Edge is one of many New Zealand businesses benefitting from this support, with an initial grant of \$4.5 million received in February 2014, with funding spread over three years. This grant has been successfully utilised by Pacific Edge to underwrite the development of its suite of Cxbladder products.

A recent review by Callaghan Innovation has resulted in the allocation of up to a further \$3 million to be spread over two years. The Growth Grant supplements Pacific Edge's own investment into R&D and will enable the development of new products and product innovation, for the benefit of both clinicians and patients.

PEACE OF MIND WITH TRIAGE



PATIENT STORY:

Thousands of people around the world are now starting to benefit from the use of Cxbladder, which is providing them with an improved patient experience and diagnostic outcome.

Errol loves making people look and feel better. That's why, at seventy years old, he's still trimming hair in his Dunedin barber shop. Late in 2016, Errol noticed blood in his urine and was anxious about what that meant. He started on the road of investigation with his GP and the local hospital and, while he was waiting for his urology workup to be completed, he ordered the Cxbladder Triage test online. It arrived promptly and the result was with his clinician within a few days of him returning it for analysis. The test provided Errol with early assurance that he did not have bladder cancer, a diagnosis which was subsequently upheld after a complete workup.

"Cxbladder gave me peace of mind while I was waiting for my urology workup to be completed. It wasn't overly expensive, and the peace of mind it gave me was worth a lot to me."

BUILDING A ONE STOP SHOP OF CXBLADDER PRODUCTS

LAUNCH OF FOURTH PRODUCT - CXBLADDER RESOLVE

Pacific Edge's goal is to offer a suite of tests that provide physicians with more accurate and effective detection and management options at all stages of the bladder cancer pathway.

The [recent launch of Cxbladder Resolve](#) further strengthens Pacific Edge's product offering for physicians.

Pacific Edge is the only company in the world to have a suite of molecular diagnostic tests in bladder cancer that address different needs throughout the detection and management pathway - from investigation of haematuria through to ongoing management of patients who have had the disease.

Each of the Cxbladder tests has a specific role - Cxbladder Triage is the first test used to rule out cancer in patients who have a low probability of having bladder cancer; Cxbladder Detect is used specifically to detect bladder cancer as part of the urology workup; while the new Cxbladder Resolve test segregates out those who have high grade or late stage cancer. All of these three tests can be carried out on a single, non-invasive, urine sample.

In addition, Cxbladder Monitor, which officially launched in the US in December last year, has been 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 bladder cancer.

STAY IN TOUCH

We welcome contact from our shareholders and have provided a number of ways that you can follow our company and stay in touch.

ENEWS

We encourage our shareholders to sign up to receive email notification of news and announcements from Pacific Edge.

[Sign up here](#) or visit the Investor Centre on our website www.pacificedgedx.com.

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www.bladdercancer.me

KEY DATES

Balance Date: End FY17 Financial Year:
31 March 2017

2017 Results Announcement:
May 2017

2017 Annual Report:
By end-June 2017

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This Investor Update has been provided to keep our shareholders informed of our progress, and complements our formal communications such as our shareholder reports, results announcements and annual meeting. Further information on our products and on bladder cancer can be found on the websites listed above.