



**PACIFIC EDGE**   
CANCER DIAGNOSTICS COMPANY



# ANNUAL REPORT

FOR THE YEAR ENDED 31 MARCH 2023

Pacific Edge Limited is a global cancer diagnostics company leading the way in the development and commercialization of bladder cancer diagnostic and prognostic tests for patients presenting with hematuria or surveillance of recurrent disease.

Headquartered in Dunedin, New Zealand, with shares listed on the NZX and the ASX under the ticker code PEB, the company provides its suite of Cxbladder tests globally through its wholly owned, and CLIA certified, laboratories in New Zealand and the USA.

## CONTENTS

---

Highlights	4
Chairman's Report	6
Chief Executive Officer's Report	10
Pacific Edge Snapshot	16
Clinical Evidence	18
Board and Management	20
Consolidated Financial Statements	24
Independent Auditor's Report	58
Corporate Governance	63
Remuneration	74
Risk Analysis	79
Statutory Information	82
Company Directory	87

This report provides a summary review of Pacific Edge's operational and financial performance for the year to 31 March 2023. It should be read in conjunction with the company's financial statements on pages 24 to 57 of this report.

We consider the information included in this Annual Report to be materially consistent with the information disclosed in the financial statements. However, note that it includes information about the LCD decision that was announced after the financial statements were issued and that is different from the expected outcome as disclosed in Note 25 at the time the financial statements were signed.

Throughout this report we have focused on what we believe matters most to our stakeholders and our business. Our aim is to provide easily understood, transparent and engaging disclosures for our shareholders that describe our business, what we do and why we do it. The information in this report has been compiled in accordance with relevant law, rules, and corporate governance recommendations for investor reporting. Financial information has been prepared in accordance with appropriate accounting standards and has been audited by PwC.

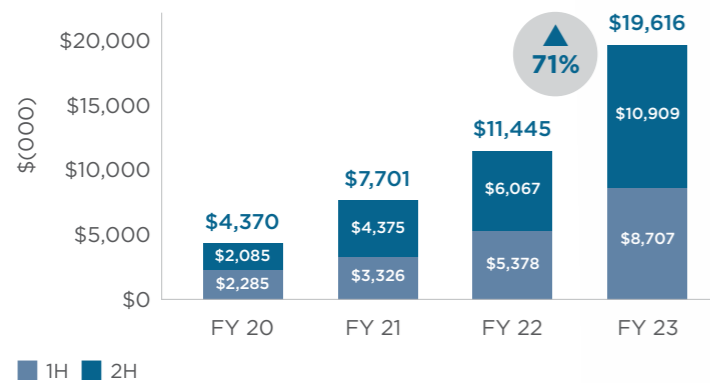
An electronic version of this report is available on the investor section of our website [www.pacificedgedx.com](http://www.pacificedgedx.com)

ANNUAL FINANCIAL AND OPERATING HIGHLIGHTS

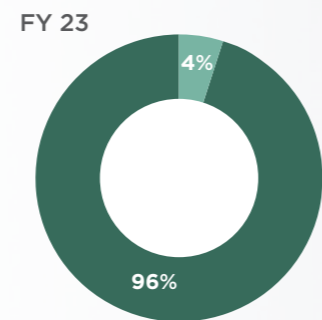
# BUILDING MOMENTUM AHEAD OF ADVERSE MEDICARE DECISION

Pacific Edge delivered strong growth in revenue and the adoption of its suite of Cxbladder tests in the year to 31 March 2023. However, since the year end after the signing of the financial statements and prior to publishing this report, these successes have been significantly overshadowed with an adverse coverage determination that is expected to result in the ceasing of payment for our Cxbladder tests by Medicare, the US national health insurance provider, effective 17 July 2023.

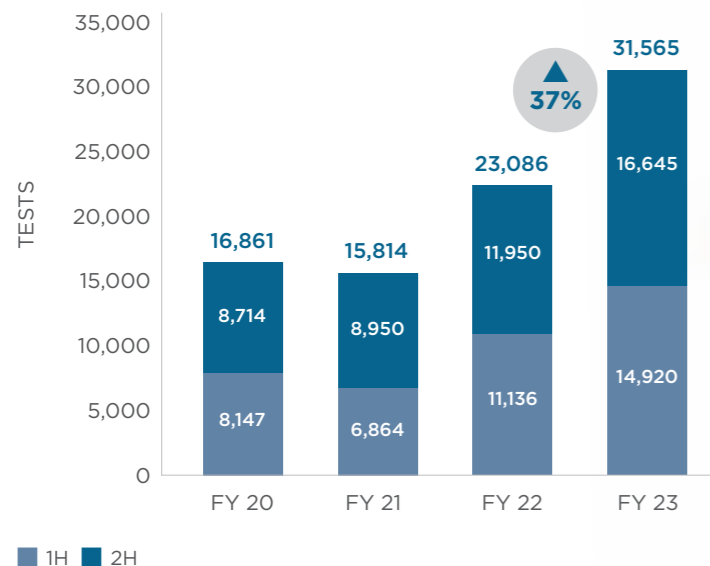
PACIFIC EDGE OPERATING REVENUE



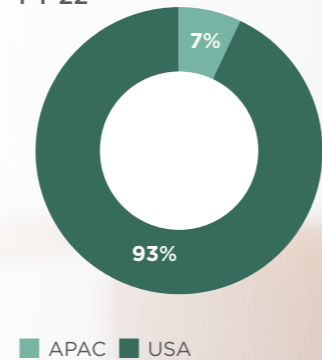
PACIFIC EDGE REGIONAL REVENUE SPLIT



GLOBAL TEST VOLUMES (TLT)



FY 22



**\$26.1M**

TOTAL REVENUE  
▲ 88%

**\$19.6M**

ANNUAL OPERATING REVENUE  
▲ 71%

**31,565**

TOTAL LABORATORY THROUGHPUT  
OF CXBLADDER TESTS  
▲ 37%

**26,691**

COMMERCIAL TESTS  
▲ 39%

**\$27.0M**

NET LOSS AFTER TAX

**\$77.8M**

CASH AND  
CASH EQUIVALENTS





## CHAIRMAN'S REPORT

# MEDICARE DETERMINATION CHANGES THE LANDSCAPE FOR PACIFIC EDGE

Dear Shareholders

At the end of the 2023 financial year, your Board was looking forward to sharing the progress we had made driving the adoption of Cxbladder, increased revenue and shareholder value. However, this report is being written in the days immediately after the release in June 2023 of a regulatory determination that is likely to see coverage of our tests by Medicare, the US national health insurance provider, cease.

This Local Coverage Determination (LCD) by Novitas, the Medicare Administrative Contractor (MAC) with jurisdiction over our US laboratory, is now our principal focus. It is expected to have a significant impact.

In the year to 31 March 2023, tests processed through our laboratory for Medicare and Medicare Advantage patients represented -60% of US commercial test volumes and generated -\$15.3 million, or 77.3%, of Pacific Edge's FY 23 total operating revenue.

The LCD has consequently prompted the Board and Management to advance the scenario planning commenced last year to determine the optimal path forward.

We discuss this program in more detail below, but in light of this review and the significant impact of the LCD on the company, we believe this annual report must focus on explaining to shareholders how we are dealing with the new reality we face. Consequently, we have pared back the content of the report to focus on the LCD and

our response to it. This means a shorter and more succinct document than you have seen from us in the past.

Our aim is to leave you with a good sense for why Directors and Management continue to believe:

- Cxbladder is a world-leading technology that delivers clinically actionable and valuable information that can contribute to meaningful improvements in cancer treatment and improve healthcare equity across populations and healthcare outcomes for patients
- CxBladder continues to be adopted by leading medical institutions, including Kaiser Permanente, our largest US customer, on whom Novitas has no influence
- The clinical evidence supporting the utility of Cxbladder is strong. It has been reviewed by some of the world's leading urologists and published in some of the world's most respected urology journals

- The necessary changes to successfully chart a path forward to guidelines inclusion for standards of care was already a priority for the business and the timelines for those studies to complete is already established in our clinical evidence roadmap
- The company still enjoys market opportunities in the US and around the world

We want to assure you that we are leaving no stone unturned to realize the potential of Cxbladder and we are committed to keeping you informed as we progress.

## FINANCIAL RESULTS

In the year to 31 March 2023, reflecting the growing awareness and adoption of Cxbladder, operating revenue, the income generated from Cxbladder test sales, increased 71% to \$19.6 million from \$11.4 million in the prior financial year. Revenue growth followed a 39% increase in commercial tests to 26,691 from 19,196 tests in the prior year, with US commercial test numbers growing 46% to 23,072 from 15,752 for FY 22.

“Cxbladder is a world-leading technology that delivers clinically actionable and valuable information that can... improve healthcare equity across populations and healthcare outcomes for patients.”

Favorable exchange rate movements also positively impacted FY 23 operating revenue. Without this favorable movement, operating revenue increased 55% on the prior year.

As first reported in our Q4 FY 23 shareholder update in April 2023, total test volumes for FY 23 rose to 31,565, a 37% increase on the 23,086 tests processed in FY 22. Total revenue, which includes government grants and other income, increased 88% to \$26.1 million from \$13.9 million in the prior financial year assisted by higher interest income, up \$2.2 million to \$2.8 million and foreign exchange gains, up \$2.1 million to \$2.3 million.

Our net loss after tax increased to \$27.0 million, from \$19.7 million in the prior financial year. This result followed a 58% increase in net operating expenses to \$53.1 million from \$33.7 million in the prior financial year as the company invested in growth, particularly in the US market.

The investment program we pursued included new hires in direct sales, marketing, and sales support. We also introduced new capability into the business including the creation of a Medical Affairs team, tasked with engaging the key opinion leaders in urology that exert significant influence over the adoption of Cxbladder tests by healthcare providers and payers, and an expanded Market Access team charged with among other things gaining payer coverage.

Critically, we also expanded our investment in the development of high-quality clinical evidence and the communication of that evidence to key opinion leaders, guidelines committee members, and the wider urological community. This approach is expected to be the best offence and defense with respect to gaining initial coverage, regaining lost coverage, appealing coverage denials, and gaining the support of guidelines committees for inclusion of our Cxbladder tests.

The strength of our balance sheet at 31 March 2023 is testament to our prudent approach to this program. Cash, cash equivalents and short-term deposits on 31 March 2023 were \$77.8 million, compared to \$93.5 million at the end of September 2022 and \$105.4 million at the end of March 2022. Pacific Edge has the financial resources and people to determine our path forward to recovery from this setback and continues to seek to drive value for our shareholders.

#### STRATEGIC REVIEW

Chief Executive Officer Dr Peter Meintjes will address the details of the Novitas determination and our response to it in his report to shareholders on the following pages. Instead, I want to focus on the terms of our strategic review and the criteria we are using to determine the best steps forward.

In light of the draft released a year ago, Pacific Edge has worked to ensure resilience in the face of potential regulatory

change in combination with our focus on driving test adoption and revenue growth. These changes were a key rationale for establishing a US-based Medical Affairs team, magnifying our focus on Market Access initiatives, and reconfiguring our clinical evidence generation program in New Zealand.

Now that we have a finalized LCD from Novitas, the Board and Management Team are exploring the full range of alternatives to a) overturn or delay the LCD, including, but not limited to legal challenges or appeals; b) regain coverage through Novitas or through an alternative MAC; c) initiate alternative billing practices that would increase patient responsibility; and d) consider other strategic alternatives, including partnerships with other large biotech businesses with strategic interests aligned with Pacific Edge. We have also moved to contain costs.

It is too early to determine what these alternatives may offer for shareholders, our people, our US clinicians and their patients. At this time, what we can say with confidence is that the options we pursue will be assessed against several key factors including: the potential impact of any strategy on Pacific Edge’s revenue, its expenditure, and its cash reserves. They will also be considered against the time and resources required to regain coverage, the implications on shareholder value, and of course the expected likelihood of success.

Your Board and Management Team are committed to keeping you informed of the outcome of this review and any update in our strategy.

#### OUR PEOPLE

Our rapid expansion through the last year coupled with new leadership under Peter and the recruitment of people into the business has amounted to a year of significant change for the company and our staff. With the Novitas determination we are drawing heavily on the new staff that we have attracted into our business.

Directors are proud of the way our team has risen to the challenge through the year. They have welcomed new colleagues and embraced new ways of doing things. More recently, they have responded to the Novitas determination with pragmatism and resolve. On behalf of the Board we thank Peter, his leadership team, and all our staff for their commitment to, and enthusiasm for, realizing the company’s vision and the significant growth opportunities it enjoys.

#### OUTLOOK

Pacific Edge remains committed to delivering on the significant potential we see for the business.

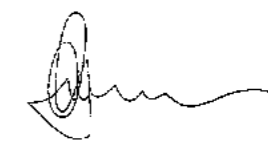
We are facing a company-defining moment. However, your Directors are confident that we can overcome the new hurdles we face, by leveraging our clinical evidence generation program, our strong balance sheet, and of course our talented

teams in New Zealand and the US.

We are looking forward to meeting shareholders at our Annual Meeting in Auckland on 27 July 2023 where we expect to provide more detail on the steps we are taking to move the company forward.

We look forward to seeing you there.

With my warm regards,



**Chris Gallaher**  
Chairman



## CHIEF EXECUTIVE OFFICER'S REPORT

## SETTING A PATH FOR RECOVERY

Dear Shareholders

My first full financial year leading Pacific Edge has been marked by enormous change, including growth in revenue and perhaps most importantly increasing enthusiasm for, and recognition of, the clinical value of Cxbladder. The sense of achievement the Pacific Edge leadership team has felt for the progress we have made has been more recently overshadowed by Novitas finalizing an LCD that is expected to see Medicare coverage of our tests cease.

My aim in this report is to provide details on the Novitas determination, the views we acknowledge and the views we refute, and our approach to overcoming this 'company defining' moment. I am confident about the future for Cxbladder. It is world-leading technology. It is supported by strong clinical evidence and a talented team, and I remain committed to realizing the opportunities it offers.

#### THE NOVITAS DECISION

The uncertainty over Medicare coverage first emerged in June 2022 when Novitas proposed a new approach to Cxbladder coverage in a draft LCD that outsourced clinical evidence decisions to three third party databases<sup>1</sup>. Cxbladder was not mentioned in that initial draft, and we believed our Medicare coverage would be unaffected.

Then in July 2022 Novitas released a revised draft of the LCD that explicitly excluded Cxbladder from Medicare coverage. The advice we received at that time from multiple sources was that the draft LCD had a low chance of succeeding, was unprecedented and potentially

unlawful given the emphasis of the 21st Century Cures Act on innovative diagnostic tools.

With key opinion leading customers, other diagnostic companies, the patient advocacy group BCAN (Bladder Cancer Advocacy Network) and C21 (the Coalition for 21st Century Medicine<sup>2</sup>), we submitted written comments for consideration, supported by in person representations. On 2 June 2023, despite these representations, Novitas finalized the draft LCD noting multiple tests, including Cxbladder Triage, Detect, Monitor, Resolve and Detect\* were 'not considered medically reasonable and necessary' and therefore did not meet the threshold for coverage under the US Social Security Act.

All those with whom we cooperated to seek a revision of the LCD were surprised and disappointed by it. The LCD materially misunderstands the important role that biomarkers can play in 'first line' diagnostics for risk stratifying patients with hematuria into those that would benefit from further potentially more invasive medical attention and those that would not.

Of greater procedural concern, Novitas included in the LCD a technical assessment of our clinical evidence that predominantly emphasized negative comments in early Cxbladder publications, mischaracterizing what are complicated issues or confounding factors with our evidence that were addressed in subsequent publications and routine commercial testing. Finally, and in breach of its own program integrity manual, Novitas gave Pacific Edge no opportunity to comment on the technical assessment.

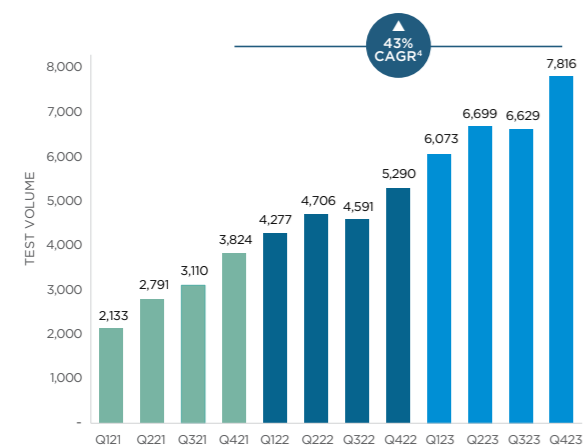
Pacific Edge maintains this determination from Novitas is not in the interest of physicians, as the clinical value of Cxbladder has been repeatedly demonstrated in patient management. Similarly, it is not in the interests of patients who deserve improvements to the standard of care with non-invasive, high-performing tests such as Cxbladder that can give them the peace of mind that blood in their urine is not attributable to bladder cancer or that prior disease has recurred.

<sup>1</sup> Clinical Genome Resource; National Comprehensive Cancer Network; Oncology Knowledge Base.

<sup>2</sup> An industry group representing some of the world's most innovative diagnostic technology companies, clinical laboratories, researchers, physicians, venture capitalists, and patient advocacy groups.

**USA TEST VOLUMES<sup>3</sup>**

Commercial tests represent 85% of FY 23 TLT in the USA

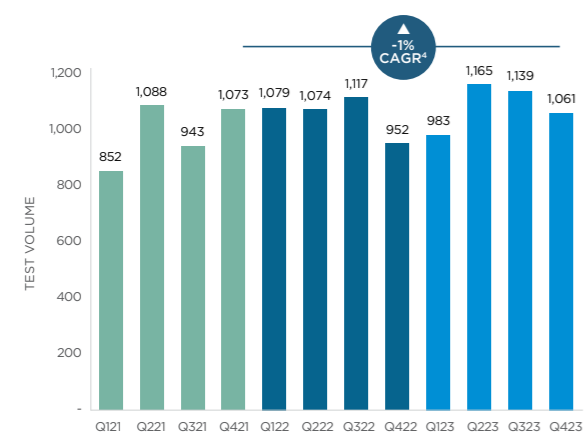


**UNIQUE US CLINICIANS ORDERING CXBLADDER**



**APAC TEST VOLUMES<sup>3</sup>**

Commercial tests represent 83% of TLT in FY 23 for APAC



**OUR CLINICAL EVIDENCE**

As we have consistently noted, our clinical evidence is at the foundation of Pacific Edge’s shareholder value. All our data has been peer reviewed and published in some of the world’s leading urological journals. It provides strong support for our conviction on the clinical value of Cxbladder.

The evidence review in the determination has done a disservice to the company and all the clinical trials and research partners that worked hard to deliver the Cxbladder clinical evidence over the last 15 years. It does not acknowledge the support Cxbladder is attracting from urologists in the US and around the world that is explicitly derived from the clinical value it offers. In Q4 23, 1,150 separate US clinicians ordered Cxbladder because they believed them medically necessary to better manage their patients. Meanwhile, Cxbladder global test volume has risen at a compound annual growth rate of 41% over the last two years to reach 31,565 tests in FY 23.

Molecular diagnostics is a developing field, and this LCD has made an unprecedented move to change the threshold regarding what’s acceptable evidence and what’s not, by relying on third-party databases that do not adequately cover the current standard of care in bladder cancer diagnosis. Consequently, Novitas does not appear to acknowledge that Pacific Edge’s products improve the standard of care.

Specifically, Novitas does not consider hematuria as a substantiated suspicion of bladder cancer. This is not consistent with current American Urological Association (AUA) clinical guidelines,

which require cystoscopy in the event of a presentation of hematuria, except in a minority of cases. It misunderstands the central value proposition of tests like Cxbladder with high NPV (Negative Predictive Value) in that they allow urologists confidently and safely to reduce unnecessary tests and procedures in patients at low risk of having bladder cancer but are required to be investigated by the current standard of care. Similarly, it misunderstands how to interpret a positive Cxbladder result, i.e. that clinicians should continue the evaluation of the patient for any other cause of disease, including upper urinary tract assessment.

**IMMEDIATE RESPONSE**

We see this determination as a delay, albeit significant, to our future commercialization plans.

Now that Novitas has codified its views in a finalized LCD, we are able to consider and assess the potential legal avenues to dispute this determination, while continuing our path of improving our clinical evidence development to ensure guidelines inclusion and regaining Medicare coverage. Over the last 18 months Pacific Edge has consistently sought to enhance and to strengthen its research and evidence base with a particular focus on its clinical evidence generation program. These efforts accelerated with the appointment of urologist Dr Tamer Aboushwareb, first as Vice President of Medical Affairs, and now leading our medical organization as Chief Medical Officer.

The language and framework adopted in this LCD has reinforced our recent decision to develop and commercialize our new test Cxbladder Detect+ as a single test for hematuria evaluation. The clinical evidence for Detect+ has been, and will be, developed in a more structured framework that focuses on analytical validity (AV), clinical validity (CV) and clinical utility (CU) in defined patient populations, with conventional end points and at sufficient sample sizes for future inclusion in guidelines.

By building a solid and focused clinical development plan based on the foundations of AV, CV, and CU (which are requirements for guideline inclusion and coverage), Cxbladder Detect+ will likely be the strongest candidate for future potential inclusion in both the National Comprehensive Cancer Network (NCCN) and AUA guidelines for the stratification of microscopic hematuria patients.

We have an ongoing study with the Veteran’s Administration (DRIVE) which is expected to be ready for publication by early 2024 and another two validation studies (microDRIVE, and AUSSIE) set to start soon with target completion dates at the end of 2024 (further detail on our clinical study program is included on pages 18 - 19 of this report).

For the immediate future, the company will continue to promote Cxbladder and process all tests ordered by US clinicians as we further consider our strategy and future options. This is a short-term measure aimed at capturing the full benefit of

“The LCD materially misunderstands the important role that biomarkers can play in ‘first line’ diagnostics for risk stratifying patients with hematuria.”

<sup>3</sup> Total Laboratory Throughput including commercial, pre-commercial and clinical studies testing

<sup>4</sup> CAGR compares Q4 21 to Q4 23

Medicare reimbursement of our tests that will continue until at least 17 July 2023 and while we explore our legal options for overturning this determination. This approach also gives us time to determine the specifics for alternative payment strategies, including billing patients for tests where the insurance company has denied the claim and maximizes revenue for our shareholders.

We expect to continue to bill and receive reimbursement for our tests from contracted US payers without interruption and from non-contracted private payers in line with historic reimbursement rates. Notably, our largest US customer Kaiser Permanente is expected to continue payment for our Triage and Monitor products, irrespective of the Novitas determination. We also expect continued reimbursement for the small proportion of patients insured by the US Veterans Administration and other direct bill payers.

Finally, to preserve capital we have introduced a range of cost containment initiatives including an immediate hiring freeze, and a halt to discretionary spending and no new capital expenditure.

#### THE FUTURE

Despite this current setback, we believe we can still deliver on the significant opportunities we see for Cxbladder in the US and around the world.

It is too early to determine the outlook for test volumes and revenue for FY 24 as both are linked to the decisions we make over the coming weeks and particularly any changes we make in our approach to the market in

response to the LCD. However, I want to assure you my team and I are working as quickly as we can to provide certainty to our people, our customers, patients and you, our Shareholders.

We will update the market as we gain greater clarity and have determined our strategic path forward. We meanwhile see catalysts that could partially offset this challenge including the 'go live' of the integration of Cxbladder into Kaiser Permanente's electronic medical records system; locally, a national contract with Te Whatu Ora and longer-term the publication of clinical utility evidence from our studies and those conducted independently of Pacific Edge.

In closing, I want to echo Chris' comments regarding the grit and determination of our people in response to the challenges we have faced over the last year. As a leadership group we are maintaining transparency, and in return our team have returned us purpose and focus as we look to address those challenges. It is a privilege to lead and work with such a talented and committed team, and I thank you all for your efforts of the last year, and the last few weeks. I also want to acknowledge and thank the Board for their ongoing support and advice.

I look forward to meeting with shareholders at our Annual Meeting in Auckland at the end of July 2023.

Ngā mihi nui,



Dr Peter Meintjes

“All our data has been peer reviewed and published in some of the world’s leading urological journals.”





PACIFIC EDGE SNAPSHOT

# ANSWERING THE CALL OF A GLOBAL HEALTHCARE CHALLENGE

Pacific Edge is delivering solutions to help with the diagnosis and management of bladder cancer around the world. The disease is a major global healthcare challenge, with nearly 600,000 people diagnosed with the disease each year.<sup>5</sup>

Our tests offer a solution to clinicians, healthcare providers and healthcare funders around the world, improving healthcare outcomes and helping to ease the financial burden of the disease. They are cost-effective and can assist clinicians to safely de-intensify hematuria evaluation in low incidence populations, resolve diagnostic dilemmas, and monitor patients for the recurrence of urothelial carcinoma. Our tests also offer opportunities to reduce the waiting lists for specialist urology care, increase the speed and accuracy of cancer diagnosis for better patient management and drive efficiencies in healthcare spending.

ADDRESSING A GLOBAL MARKET FOR OUR TESTS IS WORTH **US\$7.6 BILLION<sup>5</sup>**



**UNITED STATES**

Annual bladder cancer cases: 80,617<sup>6</sup>  
TAM<sup>7</sup>: US\$3.5B

**Pacific Edge activity:**

- Cxbladder commercial test volumes: 23,072, up 46% on FY 22
- Laboratory, regional sales, marketing, and operational support
- Clinical study partnerships

**AMERICAS**

Annual bladder cancer cases: 43,220<sup>6</sup>  
TAM (ex USA): US\$0.5B<sup>8</sup>

**Pacific Edge activity:**

- Clinical study partnerships in Canada

**ASIA PACIFIC**

Annual bladder cancer cases: 98,689  
TAM (ex China): US\$2.2B<sup>8</sup>

**Pacific Edge activity:**

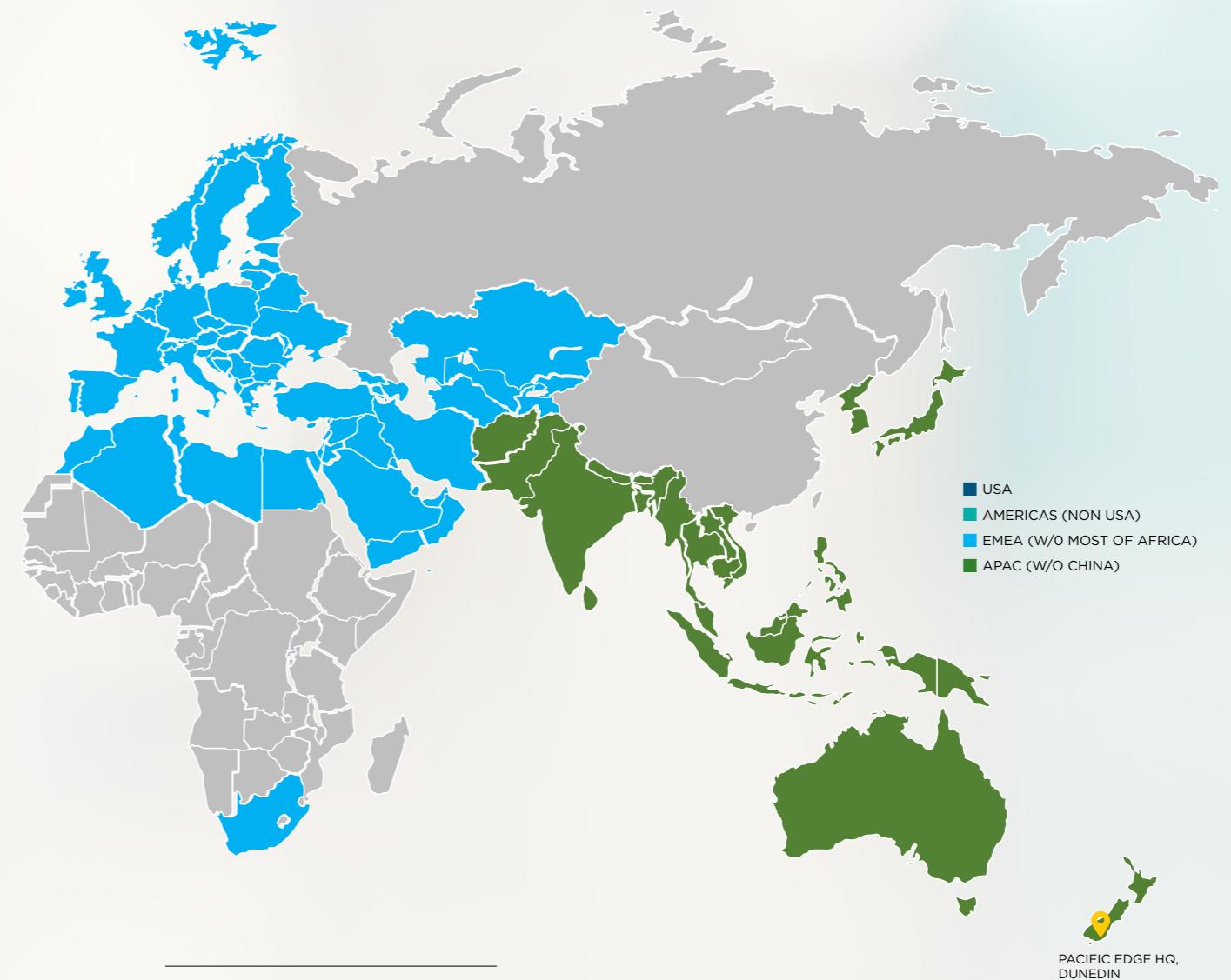
- Cxbladder commercial test volumes: 3,619, up 5% on FY 22
- Laboratory and global sales, marketing, and operational support in New Zealand
- Clinical study partnerships in New Zealand, Australia, and Singapore

**EMEA**

Annual bladder cancer cases: 233,925  
TAM (ex most of Africa): US\$1.4B<sup>8</sup>

**Pacific Edge activity:**

- Distribution in Israel (served from the US)



<sup>5</sup> World Cancer Research Fund Annual case figure for 2020.

<sup>6</sup> Sung et al. Global Cancer Statistics 2020: GLOBOCAN Estimates of Incidence and Mortality Worldwide for 36 Cancers in 185 Countries CA: A Cancer Journal for Clinicians 2021; 71: 209-249

<sup>7</sup> Total Addressable Market

<sup>8</sup> Pacific Edge estimates

CLINICAL EVIDENCE

# DEMONSTRATING THE PATH TO GUIDELINE INCLUSION

Our clinical study program is the foundation of Pacific Edge’s value, delivering evidence to change clinical behavior.

The program has been reconfigured to focus on delivering ‘endpoints’ that guidelines committees agree are appropriate to demonstrate clinical validity and clinical utility in a defined patient population. A key addition to the program this year has been the addition of a new study microDRIVE, which will compare the performance of Cxbladder Detect+ against the current gold-standard for the detection of bladder cancer, diagnostic cystoscopy, and pathology. It will run alongside the existing DRIVE study with the VA and the AUSSIE study in Australia. The data for all three studies will be pooled together for greater statistical power in microhematuria and gross hematuria populations for assessment by guidelines.



CLINICAL EVIDENCE GENERATION TOWARDS GUIDELINE INCLUSION

STUDY	AIM	LOCATIONS	ENROLLED SITES*	STATUS**
<b>STRATA</b>	<p><b>Safe Testing of Risk for Asymptomatic Microhematuria</b></p> <p>Demonstrate the clinical utility (CU) of Cxbladder using a prospective, two-arm randomized design to risk-stratify patients and rule out from cystoscopy</p> <ul style="list-style-type: none"> <li>Establish CU for Cxbladder Triage in MH populations to identify patients at low risk of bladder cancer that can safely avoid cystoscopy</li> <li>Retrospective analysis with Cxbladder Detect+ to show equivalent or greater CU in MH populations with the improved performance characteristics</li> <li>CU evidence supports AUA/NCCN guidelines inclusion using Cxbladder Triage and/or Cxbladder Detect+ to risk stratify MH populations</li> </ul>	USA Canada	12/13	<ul style="list-style-type: none"> <li>Enrolment total is 524</li> <li>Target enrolment: ~600 patients, including 120 low risk subjects randomized to test arm</li> <li>Last patient in: Q3 2023</li> <li>Follow up: until Q3 2024</li> </ul>
<b>DRIVE</b>	<p><b>Detection and Risk Stratification in Veterans Presenting with Hematuria</b></p> <p>Prospective recruitment of patients to a single-arm observational study to demonstrate the CV of Cxbladder tests in risk stratifying Veterans presenting with hematuria</p> <ul style="list-style-type: none"> <li>CV evidence for Cxbladder Triage in MH &amp; GH patients supplementing NZ Studies</li> <li>Demonstrate CV of Cxbladder Detect+ within a Veterans cohort</li> <li>Retrospective analysis with Cxbladder Detect+ to demonstrate CV evidence supporting AUA/NCCN Guidelines inclusion in MH &amp; GH patients</li> <li>Contribute data to pooled-analysis to establish CV for Detect+ in MH patients</li> </ul>	VA Sites (USA)	10/10	<ul style="list-style-type: none"> <li>Enrolment total is 610</li> <li>Target enrolment: ~600 patients</li> <li>Last patient in: Q3 2023</li> <li>Follow up: until Q2 2025</li> </ul>

STUDY	AIM	LOCATIONS	ENROLLED SITES*	STATUS**
<b>AUSSIE</b>	<p><b>Australian Urologic Risk Stratification of Patients with Hematuria</b></p> <p>Prospective recruitment of patients to a single-arm observational study to demonstrate CV in an Australian healthcare setting for patients presenting with hematuria</p> <ul style="list-style-type: none"> <li>Demonstrate CV of Cxbladder Detect+ with an Australian cohort</li> <li>Demonstrate accurate risk stratification of hematuria patients to intensify or de-intensify evaluation</li> <li>Contribute data to pooled-analysis to establish CV for Detect+ in MH patients</li> </ul>	Australia	1/1	<ul style="list-style-type: none"> <li>Enrolment due to start July 2023</li> </ul>
<b>microDRIVE</b>	<p><b>Detection and Risk Stratification in Veterans Presenting with Microhematuria</b></p> <ul style="list-style-type: none"> <li>Demonstrate the clinical validity of Cxbladder Detect+ in detecting urothelial cancer in patients presenting with microhematuria.</li> <li>MicroDRIVE will compare the performance of Detect+ against the current gold-standard for the detection of urothelial cancer, diagnostic cystoscopy and pathology</li> </ul>	USA	0/1	<ul style="list-style-type: none"> <li>Projected to start recruitment Sep/Oct 2023</li> <li>Target is 1000 patients and 50 tumour confirmed</li> <li>Last patient in: March/April 2024</li> </ul>
<b>Micro-hematuria Pooled-analysis</b>	<p>Pooled-analysis of Cxbladder Detect+ performance from multiple studies involving prospectively recruited patients from single-arm observational studies including eligible microhematuria patients</p> <ul style="list-style-type: none"> <li>CV of Cxbladder Detect+ with microhematuria (MH) patients</li> <li>Combines data from DRIVE, AUSSIE and a future MH-focused clinical trial</li> <li>CV evidence supports AUA/NCCN guidelines inclusion using Cxbladder Detect+ to risk stratify MH populations</li> </ul>	USA Australia	N/A	<ul style="list-style-type: none"> <li>DRIVE underway, AUSSIE and microDRIVE projected to start in 2023</li> </ul>
<b>LOBSTER</b>	<p><b>Longitudinal Bladder Cancer Study for Tumor Recurrence</b></p> <p>Prospective recruitment of patients to a single-arm observational study to evaluate the clinical validity of Cxbladder Monitor</p> <ul style="list-style-type: none"> <li>To safely risk stratify patients under surveillance for recurrence of UC</li> <li>To demonstrate that it is safe to alternate Cxbladder Monitor with cystoscopy for intermediate and high-risk patients under surveillance for recurrence of UC</li> <li>Targeting AUA/NCCN guidelines inclusion for biomarkers as an alternative to cystoscopy in a surveillance setting</li> </ul>	USA (including some VA sites) Australia	5/10	<ul style="list-style-type: none"> <li>Enrolment is now 79 with 125 samples collected</li> <li>Each site will enroll 100 patients within 12 months and follow up for another 12 months</li> </ul>

\*Estimated number of enrolled sites \*\*All dates are best-case estimates and subject to change

## BOARD AND MANAGEMENT

## PACIFIC EDGE BOARD



**Chris Gallaher,**  
Chairman and Independent  
Director  
(Appointed 2016)

Chris joined the Board in 2016 and was appointed as Chairman in August 2016. A New Zealand citizen resident in Melbourne, Chris has held senior positions in both CEO and CFO roles with a number of large international companies and was a partner in Arthur Young, Chartered Accountants. Prior to retiring from full time corporate life, he was CFO of Fulton Hogan, a large NZ resources based civil contractor. Chris holds a BCom from Otago University, is a Chartered Accountant, a member of the Australian Institute of Company Directors and is Chairman of Vinlink (Marlborough) Ltd and Mariposa Holdings Ltd.



**Sarah Park**  
Independent Director and  
Chair of Audit  
and Risk Committee  
(Appointed 2018)

Sarah is the co-founder of Even Capital, a VC fund 100% focused on investing in female entrepreneurs in New Zealand and Australia. Sarah brings 20+ years international corporate finance and capital markets experience to Pacific Edge after a professional career with PwC in NZ and HSBC Investment Bank in London. During her executive career, Sarah held a wide variety of roles including being involved in numerous M&A and capital market transactions, managing family office investment arms and as an Equity Research Analyst. Sarah is Deputy Chair of National Provident Fund and a Director of Orbis Diagnostics. Sarah has a MA(Hons) in Economics from the University of Edinburgh.



**Anna Stove**  
Independent Director  
(Appointed 2021)

Anna has a successful track record in leading and driving transformational change within the pharmaceutical sector. She has significant Global business experience having held a variety of senior executive roles within NZ, Asia Pacific and Europe. Prior to stepping down from corporate life, Anna was the NZ General Manager of GlaxoSmithKline. She is now committed to growing businesses through best practice governance. Anna is also Chair of Rua Bioscience and Deputy Chair of TAB NZ.



**Tony Barclay**  
Independent Director  
(Appointed 2022)

Tony brings over 30 years experience in business and 22 years healthcare experience. Tony was CFO at medical device company Fisher & Paykel Healthcare from the time of separation from Fisher & Paykel Appliances in 2001 until retiring from full-time employment in 2018. Prior to Fisher & Paykel Healthcare Tony worked for PriceWaterhouse and Arnott's Biscuits in finance roles. Tony holds a number of directorships in private companies, all in MedTech. Tony holds a BCom from the University of Otago and is a Chartered Accountant and a member of the New Zealand Institute of Directors and INFINZ.



**Anatole Masfen,**  
Independent Director  
(Appointed 2008)

Anatole is the co-founder of Artemis Capital, a private equity investment firm based in Auckland. He graduated from the University of Auckland with an MCom (Hons) in Finance and Economics. Following that he spent eight years with Air New Zealand (and later the merged entity with Ansett Australia) holding senior positions in Pricing, Revenue Management and Systems implementation. He holds directorships in numerous private companies and has significant knowledge of financial capital markets. As a long standing director of PEB and investor in numerous medical and tech companies, Anatole has an a detailed knowledge of the medical sector and future trends. In particular human sciences and disruptive technologies.



**Bryan Williams**  
Independent Director  
(Appointed 2013)

Bryan is an internationally recognised cancer researcher and research administrator, with significant business experience. He has held a number of governance roles, including with a NASDAQ listed biotech company. Presently, he serves on the board of two privately held Australian biotechnology companies. Bryan was Director and CEO of the Hudson Institute of Medical Research. He is currently Emeritus Director and Distinguished Scientist at the Hudson Institute in Melbourne. He has a BSc (Hons) and PhD in Microbiology from the University of Otago.



**Mark Green**  
Independent Director  
(Appointed 2021)

Mark is an experienced corporate finance professional, with approximately 25 years of experience in the Australasian capital, corporate and financial markets. He was an Executive Director for Investment Banking at Goldman Sachs where he worked for nearly 20 years and has been involved in many large prominent New Zealand transactions including the IPOs of Meridian, Mighty River Power and Vector. Mark is a Director of a number of entities including being Chair of The Better Product Group Limited and a Director of Mariposa Holdings (a large charitable organisation). Mark has a Bachelor of Commerce and a Bachelor of Law degrees from the University of Auckland.

## BOARD AND MANAGEMENT

## PACIFIC EDGE MANAGEMENT



**Dr Peter Meintjes, CEO**

Peter is a molecular diagnostics and genomics leader focused on nascent market development of disruptive innovations to drive commercial success. Prior to joining Pacific Edge, he was based in Boston, USA

for a number of molecular diagnostic leadership roles. Most recently the Chief Commercial Officer at Eurofins Transplant Genomics (TGI), a transplant diagnostics company focused on revolutionizing post-transplant care for kidney transplant recipients with non-invasive biomarkers he was responsible for scaling the commercial team behind TruGraf (now OmniGraf), the only CMS-reimbursed test for subclinical organ rejection. Prior to TGI, Peter was CEO at Omixon Inc, a molecular diagnostics company focused on the pre-transplant market, world leader in HLA typing by NGS, and recipient of the Innovation Grand Prize among all companies in Hungary in 2018. Prior to his US career, Peter worked at Auckland-based Biomatters, the creators of Geneious – software specializing in translating genetic and genomic data into biological insights for researchers and medical insights for clinicians. Biomatters was acquired by GraphPad in 2019.



**Grant Gibson, Chief Financial Officer, Pacific Edge**

Grant is an experienced financial executive and chartered accountant, who brings significant financial experience to the role. Prior to joining Pacific Edge in late 2019, Grant was Chief

Financial and Operating Officer for Dunedin-based company, TracMap, where he was responsible for leading the financial management and operations across the company. Prior to that, Grant worked in executive finance roles at Westpac, including as Head of Finance for Westpac New Zealand. During his time with Westpac, he headed the finance team for New Zealand's largest financial transaction, the local incorporation of Westpac New Zealand.



**David Levison, President, Pacific Edge Diagnostics USA**

David has spent more than 25 years in the healthcare industry, working across a range of sectors from pharmaceuticals to services and diagnostics. He has been the founder and CEO

of a number of high growth medical and medical technology businesses (Oncology Therapeutics Network/Bristol Myers/McKesson, Xdx/CareDx) in the US as well as working in private equity. David stepped down from the Pacific Edge Board in November 2020, after four years as a director, to take up the role of Executive Chairman of PED USA and now leads the organization operationally and strategically as President from September 1, 2022.



**Dr Tamer Aboushwareb, Chief Medical Officer, Pacific Edge Diagnostics USA**

Tamer joined Pacific Edge in June 2022 and brings to the company a depth of experience in clinical, medical research, and commercial roles in urological medicine in Egypt and the USA. Prior

to joining the company, he was Senior Director of Oncology Clinical Development at colorectal, breast and prostate cancer detection company Exact Sciences and prior to that he was Global Therapy Area Head, Urology, Medical Affairs at the global pharmaceutical company Allergan. He is a graduate of the Ain Shams University Medical School in Cairo. He also holds a Master's degree in Urology, a Doctoral degree in Molecular medicine, and has held residency, post-doctoral and research roles in Egypt and the US.



**Glen Costin, President APAC, Pacific Edge**

Glen joined Pacific Edge in April 2023 having spent decades in Asia Pacific markets with life science/diagnostic companies such as BD (Becton Dickinson), Bio-Rad Laboratories and others,

in senior management roles to deliver significant revenue growth. Glen has had extensive hands-on commercial and go-to-market experience in China, Korea, Taiwan, SE Asian countries, Australia and New Zealand and established direct offices. His sales and marketing experience has spanned, life science research, diagnostic instrumentation, as well as launching a new Oncology test for Cervical Cancer Screening generating over US\$38M pa in revenues within APAC. Glen has sold at the executive level for many years and developed Key Opinion Leader networks to support innovative technology introduction in the medical diagnostics sector, including his former role as Global Private Pathology Director at BD Diagnostics. Glen's qualifications include: Bachelor of Science (Genomics), Masters of Management (Marketing Management & Finance) from Macquarie Graduate School of Management.



**Professor 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 is to bring his world class skills and experience on the step change in biotechnology for the Company's next generation of products.



**Dr Justin Harvey, Chief Technology Officer, Pacific Edge**

Justin has been with Pacific Edge since 2004 and came on board with a background in medical laboratory testing, diagnostics and cancer genetics. Justin has been involved in the development

and commercialisation of the Cxbladder suite of products and is now leading Pacific Edge's scientific Research and Development program to develop novel products to help improve people's lives and patient outcomes by providing leading solutions for the early detection and management of cancer.



**Andy McIntosh, Chief Digital Officer, Pacific Edge**

Andy is an experienced executive leader with strengths across digital transformation, strategy development and delivery, product management and people leadership. His

focus is on creating a more sustainable future for business through digital technology, and in developing technology capability and services. Andy has worked in several senior roles including General Manager Technology, Strategic Partnering and Fleet at Citycare Group in Christchurch, Global Commercial Manager for Tait Communications in New Zealand, UK and Houston, and for Vodafone New Zealand. Andy was a lawyer in the Digital Sector in a mixture of in house and private practice roles for 25 years.



**Darrell Morgan, Chief Operating Officer, Pacific Edge**

Darrell has extensive experience in senior leadership and executive roles in large, mid-sized and virtual pharmaceutical companies in the UK, Europe and New Zealand. He has

more than 37 years' experience in pharmaceutical R&D, immunodiagnostics, and device development for drug delivery across human and animal health, in R&D, technical operations and customer-facing roles. Since 2013, Darrell has been a senior leader with animal health company Argenta Research where his roles have included Global Head of Pharmaceutical Sciences, VP Customer Relationships – Pharmaceutical Sciences, and Product Development Director – Technical Operations. Prior to Argenta Research, he worked for global biopharmaceutical company UCB in the UK for eight years in senior roles with a focus on sterile drug product and medical device development.



## CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2023

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2023

	Notes	2023 (\$'000)	2022 (\$'000)
<b>REVENUE</b>			
Operating Revenue	5	19,616	11,445
<b>Total Operating Revenue</b>		<b>19,616</b>	<b>11,445</b>
Other Income	5	1,417	1,691
Interest Income	9	2,761	549
Foreign Exchange Gain		2,330	193
<b>Total Revenue and Other Income</b>		<b>26,124</b>	<b>13,878</b>
<b>OPERATING EXPENSES</b>			
Laboratory Operations		9,349	6,498
Research	6	8,484	5,135
Sales and Marketing		25,123	14,277
General and Administration	7	10,133	7,756
<b>Total Operating Expenses</b>		<b>53,089</b>	<b>33,666</b>
<b>NET LOSS BEFORE TAX</b>		<b>(26,965)</b>	<b>(19,788)</b>
Income Tax Expense	16	-	-
<b>LOSS FOR THE YEAR AFTER TAX</b>		<b>(26,965)</b>	<b>(19,788)</b>
Items that may be reclassified to profit or loss:			
Translation of Foreign Operations		(99)	114
<b>TOTAL COMPREHENSIVE LOSS attributable to equity holders of the Company</b>		<b>(27,064)</b>	<b>(19,674)</b>
<b>Earnings per share for loss attributable to the equity holders of the Company during the year</b>			
Basic and Diluted Earnings per share	3	(0.033)	(0.026)

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

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2023

	Notes	Share Capital (\$000)	Accumulated Losses (\$000)	Share Based Payments Reserve (\$000)	Foreign Currency Translation Reserve (\$000)	Total Equity (\$000)
<b>Balance as at 31 March 2021</b>		<b>190,305</b>	<b>(170,061)</b>	<b>4,038</b>	<b>827</b>	<b>25,109</b>
Loss after tax		-	(19,788)	-	-	(19,788)
Other Comprehensive Income		-	-	-	114	114
<b>TOTAL COMPREHENSIVE LOSS attributable to equity holders of the Company</b>		<b>-</b>	<b>(19,788)</b>	<b>-</b>	<b>114</b>	<b>(19,674)</b>
<i>Transactions with owners in their capacity as owners:</i>						
Issue of Share Capital	18	99,622	-	-	-	99,622
Share Based Payments- Employee Remuneration	8	172	-	-	-	172
Share Based Payment- Employee Share Options	8	4,040	-	(893)	-	3,147
<b>Balance as at 31 March 2022</b>		<b>294,139</b>	<b>(189,849)</b>	<b>3,145</b>	<b>941</b>	<b>108,376</b>
<b>Balance as at 31 March 2022</b>		<b>294,139</b>	<b>(189,849)</b>	<b>3,145</b>	<b>941</b>	<b>108,376</b>
Loss after tax		-	(26,965)	-	-	(26,965)
Other Comprehensive Income		-	-	-	(99)	(99)
<b>TOTAL COMPREHENSIVE LOSS attributable to equity holders of the Company</b>		<b>-</b>	<b>(26,965)</b>	<b>-</b>	<b>(99)</b>	<b>(27,064)</b>
<i>Transactions with owners in their capacity as owners:</i>						
Issue of Share Capital	18	(4)	-	-	-	(4)
Share Based Payments- Employee Remuneration	8	182	-	-	-	182
Share Based Payment- Employee Share Options	8	-	-	1,273	-	1,273
<b>Balance as at 31 March 2023</b>		<b>294,317</b>	<b>(216,814)</b>	<b>4,418</b>	<b>842</b>	<b>82,763</b>

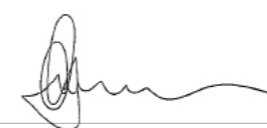
Note: These Financial Statements are to be read in conjunction with the Notes to the Financial Statements

## CONSOLIDATED BALANCE SHEET

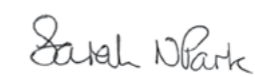
As at 31 March 2023

	Notes	2023 (\$000)	2022 (\$000)
<b>CURRENT ASSETS</b>			
Cash and Cash Equivalents	9	33,229	35,412
Short Term Deposits	9	44,562	70,000
Receivables	10	5,493	4,012
Inventory	11	1,287	1,007
Other Assets	12	1,400	1,183
<b>Total Current Assets</b>		<b>85,971</b>	<b>111,614</b>
<b>NON-CURRENT ASSETS</b>			
Property, Plant and Equipment	13	2,768	1,404
Right of Use Assets	23	1,143	1,830
Intangible Assets	14	1,031	434
<b>Total Non-Current Assets</b>		<b>4,942</b>	<b>3,668</b>
<b>TOTAL ASSETS</b>		<b>90,913</b>	<b>115,282</b>
<b>CURRENT LIABILITIES</b>			
Payables and Accruals	17	6,928	4,983
Lease Liabilities	23	811	1,072
<b>Total Current Liabilities</b>		<b>7,739</b>	<b>6,055</b>
<b>NON-CURRENT LIABILITIES</b>			
Lease Liabilities	23	411	851
<b>Total Non-Current Liabilities</b>		<b>411</b>	<b>851</b>
<b>TOTAL LIABILITIES</b>		<b>8,150</b>	<b>6,906</b>
<b>NET ASSETS</b>		<b>82,763</b>	<b>108,376</b>
Represented by:			
<b>EQUITY</b>			
Share Capital	18	294,317	294,139
Accumulated Losses		(216,814)	(189,849)
Share Based Payments Reserve		4,418	3,145
Foreign Translation Reserve		842	941
<b>TOTAL EQUITY</b>		<b>82,763</b>	<b>108,376</b>
<b>FURTHER INFORMATION</b>			
Net Tangible Assets per share (\$)		0.101	0.133

For and on behalf of the Board of Directors dated the 24th day of May 2023:



Director



Director

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

## CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2023

	Notes	2023 (\$'000)	2022 (\$'000)
<b>CASH FLOWS TO OPERATING ACTIVITIES</b>			
Cash was provided from:			
Receipts from Customers		18,468	10,942
Receipts from Grant Providers		1,066	1,413
Interest Received		2,716	365
		22,250	12,720
Cash was disbursed to:			
Payments to Suppliers and Employees		47,869	30,198
Net GST (inflow) cash outflow		(44)	74
		47,825	30,272
<b>Net Cash Flows To Operating Activities</b>	20	<b>(25,575)</b>	<b>(17,552)</b>
<b>CASH FLOWS FROM (TO) INVESTING ACTIVITIES:</b>			
Cash was provided from:			
Proceeds from Short Term Deposits		143,490	51,837
		143,490	51,837
Cash was disbursed to:			
Purchase of Short Term Deposits		118,107	102,837
Capital Expenditure on Plant and Equipment		1,870	713
Capital Expenditure on Intangible Assets		1,039	413
		121,016	103,963
<b>Net Cash Flows From (To) Investing Activities</b>		<b>22,474</b>	<b>(52,126)</b>
<b>CASH FLOWS (TO) FROM FINANCING ACTIVITIES:</b>			
Cash was received from:			
Ordinary Shares Issued	18	(4)	103,488
Exercising of Share Options		-	2,306
		(4)	105,794
Cash was disbursed to:			
Repayment of Leases- Principal	23	1,195	1,147
Repayment of Leases- Interest	23	83	126
Issue Expenses	18	-	3,865
		1,278	5,138
<b>Net Cash Flows (To) From Financing Activities</b>		<b>(1,282)</b>	<b>100,656</b>
<b>Net (Decrease) increase in Cash Held</b>		<b>(4,383)</b>	<b>30,978</b>
Add Opening Cash Brought Forward		35,412	4,129
Effect of exchange rate changes on net cash		2,200	305
<b>Ending Cash Carried Forward</b>	9	<b>33,229</b>	<b>35,412</b>

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

## Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

### 1. ACCOUNTING POLICIES

#### SUMMARY OF ACCOUNTING POLICIES

##### Reporting Entity

The consolidated financial statements (hereafter referred to as the 'financial statements') presented for the year ended 31 March 2023 are for Pacific Edge Limited (the 'Company') and its subsidiaries (collectively referred to as the 'Group'). The Group's purpose is to research, develop and commercialise new diagnostic and prognostic tools for the early detection and management of cancers.

Pacific Edge Limited is registered in New Zealand 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 the Financial Markets Conduct Act 2013 and the NZX Listing Rules. The financial statements presented are those of the Group, consisting of the Parent entity, Pacific Edge Limited and its subsidiaries. The Company is dual listed, with its primary listing of ordinary shares quoted in New Zealand on the NZX Main Board, and a secondary listing in Australia as a Foreign Exempt Entity on the ASX.

These financial statements have been approved for issue by the Board of Directors on the 24th May 2023.

##### Basis of Preparation

These 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 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 financial statements also comply with International Financial Reporting Standards.

The financial statements are presented in New Zealand Dollars, which is the Company's functional currency and Group's presentation currency, and all values are rounded to the nearest thousand dollars (\$'000). The accounting principles recognised as appropriate for the measurement and reporting of earnings, cash flows and financial position on a historical cost basis have been used.

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

##### Management of Capital

The capital structure of the Group consists of equity raised by the issue of ordinary shares in the Company. The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders, provide benefit for other stakeholders and to maintain an optimal capital structure to support the development of its business. The Company meets these objectives through closely managing revenue and expenditure, and where required issues new shares.

## Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

### 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	
			31 March 2023 %	31 March 2022 %
Pacific Edge Diagnostics New Zealand Limited	New Zealand	Commercial Sales and Diagnostic Laboratory Operation	100	100
Pacific Edge (Australia) Pty Limited	Australia	Commercial Sales and Biotechnology Research & Development	100	100
Pacific Edge Diagnostics USA Limited	USA	Commercial Sales and Diagnostic Laboratory Operation	100	100
Pacific Edge Diagnostics Singapore Pte Limited	Singapore	Commercial Sales and Biotechnology Research & Development	100	100
Pacific Edge Analytical Services Limited	New Zealand	Dormant Company	100	100

The financial statements incorporate the assets, liabilities and results of all subsidiaries of Pacific Edge Limited as at 31 March 2023 and for the year then ended. All subsidiaries have the same balance date as the Company of 31 March.

Pacific Edge Limited consolidates all entities over which Pacific Edge Limited has control. Control is achieved when the Group:

- has power to direct the activities of the entity;
- is exposed, or has rights, to variable returns from involvement with the entity; 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 Group. 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. 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.

### 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.

There has been a change in a Critical Accounting Estimate for commercial test revenue recognised in the US, which has resulted in Operating Revenue increasing by \$418,000 for the reporting period ended 31 March 2023. This is detailed in Note 5.

## Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

The Group has performed an initial assessment of potential climate related risks and considered the location of laboratories and other key operations in each region that it operates in and concluded that there is no material impact on the current financial statements.

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

### 2. NEW STANDARDS

#### New and Amended Standards Adopted by the Group

There are no new standards or interpretations material to the Group to be applied during the year.

#### New Standards and Interpretations Not Yet Adopted by the Group

Certain new accounting standards and interpretations have been published that are not mandatory for 31 March 2023 reporting periods and have not been early adopted by the Group. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

### 3. EARNINGS PER SHARE

#### (a) Basic

Basic earnings per share is calculated by dividing the profit (or loss) 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	
	2023 (\$000)	2022 (\$000)
Loss attributable to equity holders of the Company	(26,965)	(19,788)
Weighted average number of ordinary shares on issue	810,226	767,924
Earnings per share	(0.033)	(0.026)

#### (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.

### 4. LABORATORY THROUGHPUT AND COMMERCIAL TESTS - NON-GAAP REPORTING

**Laboratory Throughput is a key metric for the Group:** Laboratory Throughput provides evidence of the usage of Cxbladder products globally and the rates of adoption between different customer segments. The inclusion of this non-GAAP reporting is considered helpful to readers of these consolidated financial statements, as it allows readers to compare the current period to prior periods and assess usage trends on a consistent basis. Total laboratory throughput includes commercial tests, which are invoiced to customers (including tests for patients covered by the US government's medical program through the Centers for Medicare and Medicaid Services (CMS)), and tests which are not considered to be commercial as these tests relate to Research Tests or other non-chargeable activities.

**Commercial Test numbers are also a key metric for the Group:** Commercial Tests are those tests for which the Company is actively seeking reimbursement and cash receipts, and tests performed at no charge in order to gain new customers. The inclusion of this non-GAAP reporting is considered helpful to readers of these consolidated financial statements as it allows readers to compare the current period to prior periods and assess trends on a consistent basis.



## Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

Laboratory Throughput and Commercial Tests per financial year are shown below.

	FY23	FY22
Total Laboratory Throughput (tests)	31,565	23,086
Change in Total Laboratory Throughput (%)	37%	46%
Change in Throughput from previous year (tests)	8,479	7,272
Total Commercial Tests (tests)	26,691	19,196
Change in Commercial Tests from previous year (%)	39%	48%
Change in Commercial Tests from previous year (tests)	7,495	6,220
Commercial Tests as a percentage of Total Laboratory Throughput (%)	85%	83%

### 5. REVENUE

#### Background information on US customers and the payment process

A physician orders a Cxbladder test when a patient presents to their clinic with symptoms that indicate the possibility of bladder cancer. The most common and significant symptom is haematuria or blood in their urine. A urine sample is collected from the patient and sent in the Cxbladder Urine Sampling System to the Group's laboratory in the US or in New Zealand. The Group receives and processes the urine sample and returns the results of the test back to the ordering physician. The individual patient is the Group's customer, however typically in the US market, the patient's insurer may pay the Group for some or all of the cost of the test.

When a physician orders a Cxbladder test, the Group has an obligation to perform the test and report the results to the ordering physician irrespective of the patient's insurance contract. A patient may have private insurance cover, be covered by the US government's medical program through CMS, self cover or have no insurance cover.

Once the Cxbladder test has been completed, all information required for insurance purposes is sent to the Group's billing and reimbursement agent to begin the process to collect reimbursement from any applicable insurance company/ies for the Cxbladder test performed.

For patients with private insurance cover, the relevant patient and test order information will be sent to their insurance provider. When the Group does not have an individual agreement with that insurance provider to pay for Cxbladder tests ("out of network"), the insurance provider will assess that individual patient's test for medical necessity and the level of insurance cover (if any) available to cover the cost of the test. This process of assessment can take many months to work through before the Group receives payments (if any) from the insurance company. The Group does have agreements with some insurance providers but these currently cover a small proportion of the Group's customers.

For patients covered by CMS, invoices are sent to CMS. Prior to 3 July 2020, Pacific Edge was not included in the Local Coverage Determination (LCD) and as a result, did not normally receive any amounts for tests performed for patients covered by CMS. On 3 July 2020, Pacific Edge received notice of inclusion in the LCD, resulting in the Company receiving reimbursement for Cxbladder Monitor and Detect tests performed after 1 July 2020 for patients covered by the CMS across the US that are deemed medically necessary.

For uninsured patients, the Group has no certainty of when or if the patient will pay.

#### Rest of World Customers

Revenue from Rest of World customers is primarily from Te Whatu Ora Health New Zealand. In all Rest Of World locations, there is a clearly defined contract with the customer meeting the requirements of NZ IFRS 15. Pacific Edge Diagnostics New Zealand Limited has individual contracts with regions across New Zealand and revenue is recognised as described on the following pages.

## Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

#### Critical Accounting Estimate

The application of NZ IFRS 15: Revenue from contracts with customers (NZ IFRS 15) requires the application of significant judgement in determining whether the Group meets the five key criteria identified in NZ IFRS 15, which must be met before revenue may be recognised as performance obligations are satisfied. For the Group this would result in some revenue recognised in advance of the receipt of cash.

The significant judgements adopted by the Group relate to :

- determining if a contract with the customer exists;
- identifying the rights of each party;
- identifying the payment terms;
- ensuring the contract has commercial substance; and
- determining whether it is probable that the Group will collect the consideration to which it is entitled.

While there has been significant judgement applied to all five criteria, there are two criteria that have higher levels of uncertainty, requiring increased levels of judgement. The significant judgements applied to determine the Transaction Price and determining the probability of collecting consideration are detailed in the Accounting Policy relating to Revenue from Cxbladder Tests.

#### ACCOUNTING POLICY

##### Revenue from Cxbladder tests - USA

The Group performs Cxbladder tests when requested by a patient's physician. At the point the test results are returned to the physician, the Group has satisfied its performance obligation and has the right to issue an invoice. The Group has determined a contract exists, and payment terms are identified, the contract has commercial substance and the rights of each party have been identified.

On 3 July 2020, Pacific Edge received notice of inclusion in the LCD, resulting in the Company receiving reimbursement for Cxbladder Monitor and Detect tests performed after 1 July 2020 for patients covered by the CMS across the US that are deemed medically necessary. Reimbursement for these tests is at the already determined national CMS price for Cxbladder of US\$760 per test, less a 2% sequestration fee.

Since Cxbladder's inclusion in the LCD, based on historical data, the Group has been able to reliably estimate both the probability and size of payment received from the CMS. The inclusion within the LCD combined with the growing support for the use of Cxbladder within the US has also allowed the Group to reliably estimate both the probability and size of payment received from customers covered by Medicare Advantage policies provided by private insurers and for the year ended 31 March 2023 for customers covered by Kaiser Permanente. The change relating to Kaiser Permanente in the year ended 31 March 2023 has resulted in an increase to operating revenue and receivables of \$418,000.

Tests performed for patients covered by other private policies, or tests performed for those with no insurance cover continue to be recognised as revenue when cash is received due to not being able to reliably estimate both probability and size of payment received.

The Group have concluded that the contracts with the CMS and customers covered by Medicare Advantage and Kaiser Permanente include variable consideration because the amounts paid by Medicare or the commercial health insurance carriers that provide Medicare Advantage and Kaiser Permanente may be paid at less than our standard rates or not paid at all, with such differences considered implicit price concessions. Variable consideration attributable to these price concessions is measured at the expected value, and are determined by historical average collection rates by test type and payor category taking into consideration the range of possible outcomes, and the predictive value of our past experiences. Such variable consideration is included in the transaction price only to the extent it is probable that a significant reversal in the amount of cumulative revenue recognised will not occur.

As a result of the Significant Judgements applied, the Group have determined the criteria under NZ IFRS 15 which allows revenue to be recognised in advance of the receipt of cash have been met, and the Group has recognised revenue for tests which were performed from 1 October 2022 to 31 March 2023 (6 months prior to balance date) for which payment has not been received by 31 March 2023 for CMS, Medicare Advantage and Kaiser Permanente. Kaiser Permanente revenue was recognised on receipt of cash in the prior year.

## Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

### Rest of World revenue recognition from tests performed

There has been no change in accounting policy or estimates for Operating Revenue for the Rest of World.

The Group performs Cxbladder tests when requested by a patient's physician in New Zealand, Australia and Singapore. At the point the test results are returned to the physician, the Group has satisfied its performance obligations have been met. At the end of the month an invoice is issued to the customer based on the number of tests performed. Revenue is recognised when the invoice is issued.

### OTHER INCOME

#### Grant Income

Government Grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attached to them and that the grants will be received. Government Grants are recognised in Other Income in the consolidated statement of comprehensive income, on a systematic basis over the periods in which the Group recognises the related costs as expenses for which the grants are intended to compensate.

The Company receives grants from Callaghan Innovation for postgraduate internships and summer students.

All conditions of the grants have been complied with.

#### Research Rebates and Tax Incentives

##### - New Zealand R&D Tax Incentive (RDTI)

The New Zealand RDTI is a 15% tax credit on the money invested in eligible research and development (R&D) that has occurred in New Zealand. As the New Zealand companies are in a tax loss position, the Group is eligible for the Tax Incentive to be refunded.

The RDTI is recognised at its fair value where there is a reasonable assurance that the credit will be received and the Group will comply with all attached conditions.

All conditions of the New Zealand RDTI have been complied with. Payment will be received after submission of each annual research and development tax claim.

##### - Australia Cxbladder Research Rebate

A Cxbladder research programme is administered by Pacific Edge (Australia) Pty Limited and tax rebates are received as a result of this programme.

The 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.

All conditions of the research rebate have been complied with. Payment will be received after submission of each annual research and development tax claim.

### REVENUE AND OTHER INCOME

	2023 (\$000)	2022 (\$000)
<b>Cxbladder Sales</b>		
- US- Accrual Accounting	16,362	9,687
- US- Cash Accounting	2,388	953
- Total US Sales	18,750	10,640
- Rest Of World	866	805
<b>Total Operating Revenue</b>	<b>19,616</b>	<b>11,445</b>
<b>Other Income</b>		
Grant Revenue	44	321
Research Rebates and Tax Incentives	1,373	1,370
<b>Total Other Income</b>	<b>1,417</b>	<b>1,691</b>

## Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

### 6. RESEARCH AND DEVELOPMENT COSTS

#### ACCOUNTING POLICY

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 probable 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 within intangible assets. 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.

	Notes	GROUP	
		2023 (\$000)	2022 (\$000)
Research Expenses		8,484	5,135
Includes:			
Employee Benefits	8	4,930	2,664

### 7. GENERAL AND ADMINISTRATION EXPENSES

	Notes	GROUP	
		2023 (\$000)	2022 (\$000)
Amortisation	14	213	78
Auditors Remuneration: PricewaterhouseCoopers New Zealand			
- Group year end financial statements		184	172
- Half year review of financial statements		30	28
- Singapore Statutory financial statements		12	12
Auditors Remuneration: PricewaterhouseCoopers Singapore			
- Statutory financial statements		15	12
Depreciation	13	263	132
Depreciation on Right of Use Assets	23	187	176
Directors Fees	22	495	413
Employee Benefits	8	4,990	3,216
Insurance		501	418
Interest on Lease Liabilities	23	13	23
NZX, ASX and Registry Fees		305	901
Other Operating Expenses		2,925	2,175
		<b>10,133</b>	<b>7,756</b>

Note: Amounts displayed for Amortisation, Depreciation, Employee Benefits are only the General and Administration Expenses component of the total expenses. Refer to relevant notes for full expense disclosure.

#### Other Operating Expenses

The major categories of expenditure which make up General and Administration Expenses, but are not disclosed separately above are Information Technology costs, Compliance and Regulatory costs, Investor Relations costs, Consultants and Contractors.

## Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

### 8. EMPLOYEE BENEFITS

	Notes	GROUP	
		2023 (\$000)	2022 (\$000)
<b>Represented by:</b>			
<b>Employee Benefits:</b>			
Employee Benefits in Lab Operations		2,480	2,145
Employee Benefits in Research	6	4,930	2,664
Employee Benefits in Sales and Marketing		15,155	9,848
Employee Benefits in General and Administration	7	4,990	3,216
<b>Total Employee Benefits</b>		<b>27,555</b>	<b>17,873</b>

#### Employee Share Scheme

The Company has an Employee Share Scheme where ordinary shares in the Company may be issued to selected employees to recognise performance or a significant contribution to the Company. These shares may be issued in lieu of a cash bonus or in addition to the employee's remuneration. The ordinary shares are issued directly to the employee and the Company accounts for the cost of the shares. The shares are allocated to the employee on the date that the Board approves the issue of the share capital. All employees who hold ordinary shares in the Company must comply with the Company's Share Trading Policy.

The issuance of ordinary shares to employees is treated as equity settled share-based payments. Equity-settled share-based payments to employees are measured at the fair value of the equity instruments at the grant date based on the market price at the time of issuance. The fair value of shares granted is recognised as an employee expense in the Consolidated Statement of Comprehensive Income when the shares are issued. During the 2023 financial year, 278,000 (2022: 123,000) ordinary shares were issued to employees as part of the Employee Share Scheme. The associated non-cash cost of these shares was \$182,000 (2022: \$172,000). Refer to Note 18 for further details on the shares issued during the financial year.

#### Attract and Retain Options

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.

Attract and retain options are issued to selected employees as a long-term component of remuneration in accordance with the Group's remuneration policy. Incentive Options entitle the holder, on payment of the exercise price, to one ordinary share 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.

Incentive Options issued prior to 31 March 2022 generally vest over three years and contain the requirement to remain as an employee of the Company in order for the options to vest. 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.

Options issued after 1 April 2022 generally vest equally in three tranches over a four year period, with 1/3 on the second, third and fourth anniversary of the issue. The Options are exercisable up to four years after vesting date. Option holders are required to remain as an employee of the Company in order for options to vest. No options can be exercised later than the fourth anniversary of the final vesting date. The exercise price increases annually for each vested tranche at the equity cost of capital.

## Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

### ACCOUNTING POLICY

All options are accounted for as equity settled share based payments as the Group has no legal or constructive obligation to repurchase or settle in cash. The fair value of all options granted is recognised as an expense in the Consolidated Statement of Comprehensive Income over their vesting period, with a corresponding increase in the employee share option reserve.

The fair value is determined at the grant date of the options and 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 the Consolidated Statement of Comprehensive Income such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share based payments reserve. The options expense for the year ended 31 March 2023 was \$1,273,000 (2022: \$839,000).

During the financial year ended 31 March 2023, there were no share options exercised (2022: 5,527,000). There was no resulting increase in share capital (2022: \$4,040,000). Refer to note 18 for further details on the share options that were exercised in the year ended 31 March 2022.

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

	GROUP			
	2023		2022	
	Weighted average exercise price \$	Options #	Weighted average exercise price \$	Options #
Outstanding at 1 April	0.60	13,861,319	0.42	15,952,289
Granted	0.60	4,293,215	1.23	3,682,500
Forfeited	1.04	(389,496)	0.32	(246,076)
Exercised*	-	-	0.42	(5,527,394)
Expired	-	-	-	-
<b>Outstanding at 31 March</b>	<b>0.59</b>	<b>17,765,038</b>	<b>0.60</b>	<b>13,861,319</b>
Exercisable at 31 March	0.40	10,792,501	0.27	9,908,171

\* There were no options exercised for the financial year ended 31 March 2023. The weighted average share price at the date of options exercised during the year ended 31 March 2022 was NZ\$1.35.

The Group used the Black-Scholes valuation model to determine the fair value of the equity instruments granted. The Black-Scholes valuation model has been determined as the most appropriate method as it estimates the theoretical value of options taking into account the impact of time and other risk factors. 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 50-70%, a dividend yield of 0%, an expected option life of between one and ten years and an annual risk-free interest rate of between 0.65% and 4.94%.

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 Consolidated Financial Statements

For the year ended 31 March 2023

Share options outstanding at the end of the reporting periods have the following expiry dates, vesting dates, exercise prices and movements for the year ended 31 March 2023:

Issued	Expiry	Low Exercise Price (\$)	High Exercise Price (\$)	Weighted Average Exercise Price (\$)	Opening Options as at 1 April 2022	Issued	Forfeited	Exercised	Expired	Closing Options 31 March 2023	Exercisable as at 31 March 2023
Apr 2014- Mar 2015	Sept 2024- Jan 2028	0.69	0.72	0.71	528,441	-	-	-	-	528,441	528,441
Apr 2015- Mar 2016	Sept 2025- Mar 2029	0.50	0.60	0.51	332,399	-	-	-	-	332,399	332,399
Apr 2016- Mar 2017	Nov 2026- Jan 2030	0.48	0.60	0.57	327,607	-	-	-	-	327,607	327,607
Apr 2017- Mar 2018	May 2028- Feb 2031	0.28	0.51	0.50	2,770,899	-	-	-	-	2,770,899	2,770,899
Apr 2018- Mar 2019	Jun 2029- Nov 2031	0.23	0.28	0.24	69,098	-	-	-	-	69,098	69,098
Apr 2019- Mar 2020	Aug 2030- Aug 2032	0.23	0.23	0.23	4,037,267	-	-	-	-	4,037,267	4,037,264
Apr 2020- Mar 2021	Jun 2031- Jun 2033	0.22	0.80	0.31	2,163,112	-	(21,004)	-	-	2,142,108	1,478,052
Apr 2021- Mar 2022	Aug 2032- Aug 2034	1.23	1.23	1.23	632,496	-	(278,881)	-	-	353,615	165,278
Apr 2021- Mar 2022	Feb 2027- Feb 2031	1.15	1.25	1.23	3,000,000	-	-	-	-	3,000,000	600,000
Apr 2022- Mar 2023	Dec 2026- Dec 2030	0.48	0.70	0.60	-	4,293,215	(89,611)	-	-	4,203,604	483,463
<b>TOTALS</b>				<b>0.59</b>	<b>13,861,319</b>	<b>4,293,215</b>	<b>(389,496)</b>	<b>-</b>	<b>-</b>	<b>17,765,038</b>	<b>10,792,501</b>

## Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

### 9. CASH, CASH EQUIVALENTS AND SHORT TERM DEPOSITS

#### ACCOUNTING POLICY

Cash and cash equivalents includes cash in hand and deposits held on call with banks, and bank overdrafts. Term deposits are also presented as cash equivalents if they have a maturity of three months or less from acquisition date.

Short Term Deposits and Cash Equivalents include investments with ANZ, BNZ, Kiwibank and Westpac (2022: ANZ, BNZ, Kiwibank and Westpac), with periods ranging up to 365 days. Funds held on term deposit with ANZ, BNZ Westpac and Kiwibank can be accessed with one month's notice at the request of the authorised bank signatories of Pacific Edge Limited, but may incur fees and/or charges for early access.

	GROUP	
	2023 (\$000)	2022 (\$000)
Cash and Cash Equivalents	33,229	35,412
Short Term Deposits	44,562	70,000
<b>Total Cash, Cash Equivalents and Short Term Deposits</b>	<b>77,791</b>	<b>105,412</b>
NZD	55,954	84,517
USD	20,399	18,601
AUD	1,429	2,284
EUR	2	1
SGD	7	9
<b>Total Cash, Cash Equivalents and Short Term Deposits</b>	<b>77,791</b>	<b>105,412</b>

### INTEREST INCOME

#### ACCOUNTING POLICY

Interest income is recognised using the effective interest method.

Interest on the bank balances ranges from 0% to 5.99% (2022: 0% to 1.89%) per annum.

### 10. RECEIVABLES

#### ACCOUNTING POLICY

Receivables are initially measured at fair value and subsequently measured at amortised cost using the effective interest rate method, less any provision for impairment. An allowance for impairment is made up of expected credit losses based on the assessment of the trade receivables debt at the individual level for impairment, plus an additional allowance on the remaining balance for potential credit losses not yet identified.

	GROUP	
	2023 (\$000)	2022 (\$000)
Trade Receivables	2,780	1,633
Sundry Debtors	2,257	1,925
Accrued Interest	383	337
GST Refund Due	73	117
<b>Total Receivables</b>	<b>5,493</b>	<b>4,012</b>

## Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

There is no provision for impairment relating to the revenue from Cxbladder sales in New Zealand. All outstanding sales are current and there are no expected credit losses on the amounts outstanding at balance date.

US Trade Receivables includes a provision for future refunds of \$271,000 (2022: \$143,000).

Sundry Debtors include accruals for grants and rebates that have not yet been paid. These are expected to be paid once the relevant claims have been submitted. The Company has met all conditions of the claims and there is no indication that there is impairment of these balances.

Included in trade receivables are the below amounts which were past due but not impaired. These relate to a number of customers for whom there is no history of default.

	GROUP	
	2023 (\$000)	2022 (\$000)
3 to 6 Months	436	109
<b>Total Overdue Trade Receivables</b>	<b>436</b>	<b>109</b>

The foreign currency split of Receivables is:

	GROUP	
	2023 (\$000)	2022 (\$000)
NZD	2,375	1,579
USD	2,685	1,550
AUD	433	883
<b>Total Receivables</b>	<b>5,493</b>	<b>4,012</b>

### 11. INVENTORY

#### ACCOUNTING POLICY

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

	GROUP	
	2023 (\$000)	2022 (\$000)
Laboratory Supplies	1,287	1,007
<b>Total Inventory</b>	<b>1,287</b>	<b>1,007</b>

The major items of Inventory are laboratory reagents, chemicals and Cxbladder urine sampling systems.

Laboratory supplies used during the year of \$2,540,000 (2022: \$1,569,000) are included within the Consolidated Statement of Comprehensive Income in Laboratory Operations and Research.

## Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

### 12. OTHER ASSETS

	GROUP	
	2023 (\$000)	2022 (\$000)
Prepayments	1,156	1,014
Security Deposits	244	169
<b>Total Other Assets</b>	<b>1,400</b>	<b>1,183</b>

Prepayments are largely made up of insurance, industry conferences, subscriptions and travel not used. Security deposits are paid to secure properties for lease in the US and Singapore and to secure credit cards in the US.

### 13. PROPERTY, PLANT AND EQUIPMENT

#### ACCOUNTING POLICY

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 Consolidated Statement of Comprehensive Income when they occur.

#### 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:

Plant and Laboratory Equipment	5% to 40%	DV
Computer Equipment	5% to 67%	DV
Leasehold Improvements	6% to 10%	SL
Furniture and Fittings	5% to 25%	DV

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

## Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

	Plant & Laboratory Equipment (\$000)	Computer Equipment (\$000)	Leasehold Improvements (\$000)	Furniture & Fittings (\$000)	Total (\$000)
<b>Cost</b>					
Balance at 1 April 2021	2,193	512	337	299	3,341
Additions	511	232	213	33	989
Disposals	(788)	(362)	(159)	(7)	(1,316)
Translation Difference	1	2	1	1	5
<b>Balance at 31 March 2022</b>	<b>1,917</b>	<b>384</b>	<b>392</b>	<b>326</b>	<b>3,019</b>
Balance at 1 April 2022	1,917	384	392	326	3,019
Additions	1,535	259	12	67	1,873
Disposals	(48)	(64)	(23)	(123)	(258)
Translation Difference	37	18	15	1	71
<b>Balance at 31 March 2023</b>	<b>3,441</b>	<b>597</b>	<b>396</b>	<b>271</b>	<b>4,705</b>
<b>Accumulated Depreciation</b>					
Balance at 1 April 2021	1,824	439	155	235	2,653
Depreciation Expense	150	89	14	10	263
Disposals	(787)	(355)	(71)	(91)	(1,304)
Translation Difference	2	1	-	-	3
<b>Balance at 31 March 2022</b>	<b>1,189</b>	<b>174</b>	<b>98</b>	<b>154</b>	<b>1,615</b>
Balance at 1 April 2022	1,189	174	98	154	1,615
Depreciation Expense	332	136	33	26	527
Disposals	(177)	(69)	57	(58)	(247)
Translation Difference	23	8	9	2	42
<b>Balance at 31 March 2023</b>	<b>1,367</b>	<b>249</b>	<b>197</b>	<b>124</b>	<b>1,937</b>
<b>Carrying Amounts</b>					
At 1 April 2021	369	73	182	64	688
At 31 March 2022	728	210	294	172	1,404
<b>At 31 March 2023</b>	<b>2,074</b>	<b>348</b>	<b>199</b>	<b>147</b>	<b>2,768</b>

## Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

### 14. INTANGIBLE ASSETS

#### ACCOUNTING POLICY

##### Intellectual Property

The costs of acquired Intellectual Property are recognised at cost. All Intellectual Property has a finite life. The carrying value of Intellectual Property is reviewed for impairment, where indicators of impairment exist. Amortisation is charged on a diminishing value 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.

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 the development of software are held at cost. Amortisation is charged on a diminishing value basis over the estimated useful life of the intangible assets (2-10 years). The estimated useful life and amortisation method is reviewed at the end of each reporting period.

##### Cxbladder Development Costs

Costs associated with the development of Cxbladder products have been removed as an Intangible Asset during the financial year with the \$13,000 remaining value expensed in the Consolidated Statement of Comprehensive Income for the year ended 31 March 2023.

	Software Development Costs (\$000)	Patents (\$000)	Cxbladder Development Costs (\$000)	Total (\$000)
<b>Cost</b>				
Balance at 1 April 2021	921	415	33	1,369
Additions	278	135	-	413
Foreign Translation Difference	-	-	-	-
<b>Balance at 31 March 2022</b>	<b>1,199</b>	<b>550</b>	<b>33</b>	<b>1,782</b>
Balance at 1 April 2022	1,199	550	33	1,782
Additions	977	73	-	1,050
Disposals	(12)	-	(33)	(45)
Foreign Translation Difference	4	-	-	4
<b>Balance at 31 March 2023</b>	<b>2,168</b>	<b>623</b>	<b>-</b>	<b>2,791</b>
<b>Accumulated Amortisation</b>				
Balance at 1 April 2021	846	328	18	1,192
Amortisation Expense	87	67	2	156
Foreign Translation Difference	-	-	-	-
<b>Balance at 31 March 2022</b>	<b>933</b>	<b>395</b>	<b>20</b>	<b>1,348</b>
Balance at 1 April 2022	933	395	20	1,348
Amortisation Expense	359	68	-	427
Disposals	-	-	(20)	(20)
Foreign Translation Difference	5	-	-	5
<b>Balance at 31 March 2023</b>	<b>1,297</b>	<b>463</b>	<b>-</b>	<b>1,760</b>
<b>Carrying Amounts</b>				
At 31 March 2021	75	87	15	177
At 31 March 2022	266	155	13	434
<b>At 31 March 2023</b>	<b>871</b>	<b>160</b>	<b>-</b>	<b>1,031</b>

## Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

### 15. SEGMENT INFORMATION

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

There are two operating segments at balance date:

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

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

Segment income, expenses and profitability are presented on a gross basis excluding inter-segment eliminations to best represent the performance of each segment operating as independent business units. The segment information provided to the Chief Executive Officer for the reportable segment described above, for the year ended 31 March 2023, is shown below.

2023	Commercial (\$000)	Research (\$000)	Less: Eliminations (\$000)	Total External Income (\$000)
<b>Income</b>				
Operating Revenue - External	19,616	-	-	19,616
Other Income	467	2,245	(1,295)	1,417
Interest Income	18	2,743	-	2,761
Foreign Exchange Gain	5	2,325	-	2,330
<b>Total Income</b>	<b>20,106</b>	<b>7,313</b>	<b>(1,295)</b>	<b>26,124</b>
<b>Expenses</b>				
Expenses	35,891	16,360	(1,295)	50,956
Depreciation & Amortisation	1,311	822	-	2,133
<b>Total Operating Expenses</b>	<b>37,202</b>	<b>17,182</b>	<b>(1,295)</b>	<b>53,089</b>
<b>Loss Before Tax</b>	<b>(17,096)</b>	<b>(9,869)</b>	-	<b>(26,965)</b>
Income Tax Expense	-	-	-	-
<b>Loss After Tax</b>	<b>(17,096)</b>	<b>(9,869)</b>	-	<b>(26,965)</b>
<b>Net Cash Flow to Operating Activities</b>	<b>(15,908)</b>	<b>(9,667)</b>	-	<b>(25,575)</b>

## Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

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

### Eliminations

These are the intercompany transactions between the subsidiaries and the Parent. These are eliminated on consolidation of Group results. The Research segment of the business utilise consumables and other components that are purchased by the Commercial segments of the business, with the costs of these components allocated to Research segment, and the Commercial segment recognising revenue from the sale.

### Segment Assets and Liabilities Information

2023	Commercial (\$000)	Research (\$000)	Total (\$000)
Total Assets	9,375	81,538	90,913
Total Liabilities	5,853	2,297	8,150
<b>2022</b>	<b>Commercial (\$000)</b>	<b>Research (\$000)</b>	<b>Total (\$000)</b>
Total Assets	6,031	109,251	115,282
Total Liabilities	4,571	2,335	6,906

### Additions to Non Current Assets for the period include:

	Commercial (\$000)	Research (\$000)	Total (\$000)
Property, Plant and Equipment	1,785	88	1,873
Right of Use Assets	337	-	337
Intangible Assets	966	73	1,039
<b>Total Additions to Non Current Assets</b>	<b>3,088</b>	<b>161</b>	<b>3,249</b>

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

There are no unallocated assets or liabilities.

## Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

### Geographic Split of Revenue and Non-Current Assets

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

	2023 (\$000)	2022 (\$000)
<b>Operating and Grant Revenue</b>		
US	18,750	10,640
New Zealand	1,611	1,729
Rest of World	672	767
<b>Total Operating and Grant Revenue</b>	<b>21,033</b>	<b>13,136</b>

	2023 (\$000)	2022 (\$000)
<b>Non-Current Assets</b>		
US	1,907	1,611
New Zealand	3,035	2,057
Rest of World	-	-
<b>Total Non-Current Assets</b>	<b>4,942</b>	<b>3,668</b>

## 16. INCOME TAX

### ACCOUNTING POLICY

The tax expense for the period comprises current and deferred tax. Tax is recognised in the Consolidated 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.

The Company and Group has incurred an operating loss for the 2023 financial year and no income tax is payable.

## Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

	GROUP	
	2023 (\$000)	2022 (\$000)
<b>Income tax recognised in the Statement of Comprehensive income</b>		
Current tax expense	-	-
Deferred Tax in respect of the Current Year	(3,748)	(4,258)
Adjustments to deferred tax in respect to Prior Years	137	94
Deferred Tax Assets not recognised	3,611	4,164
<b>Income tax expense</b>	<b>-</b>	<b>-</b>
<b>The prima facie income tax on Pre-Tax Accounting Profit from operations reconciles to:</b>		
Accounting loss before income tax	(26,965)	(19,788)
At the statutory Income Tax rate of 28%	(7,550)	(5,541)
Non-deductible Expenses	5,007	626
Difference in US, Singapore and Australian Income Tax Rates	1,211	657
Prior Period Adjustment	138	94
Tax Losses Utilised	(2,417)	-
Deferred Tax Assets not recognised	3,611	4,164
<b>Income tax expense reported in the Statement of Comprehensive income</b>	<b>-</b>	<b>-</b>

### Tax Losses

The group has losses to carry forward of approximately \$130,444,000 (2022: \$112,330,000) with a potential tax benefit of \$28,913,000 (2022: \$25,694,000). The tax losses are split between the following jurisdictions:

	Tax Losses (\$000)	Tax Effect (\$000)	Rate
New Zealand	20,800	5,800	28%
Australia	1,500	500	30%
Singapore	2,000	300	17%
United States	106,000	22,300	21%

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 Tax Expenditure:

The Group also has deferred research and development tax expenditure of \$51,462,000 (2022: \$45,846,000) to carry forward and claim for income tax purposes in New Zealand in the future. This has a tax effect of \$14,409,000 (2022: \$12,889,000). 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 Consolidated Balance Sheet.

### Imputation Credit Account

The Group has imputation credits of Nil (2022: Nil).



## Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

### 17. PAYABLES AND ACCRUALS

#### ACCOUNTING POLICY

##### Trade and Other Payables Due Within One Year

Trade payables are recognised at the value of the invoice received from a supplier. The carrying value of trade payables is considered to approximate fair value as amounts are unsecured and are usually paid by the 30th of the month following recognition.

	GROUP	
	2023 (\$000)	2022 (\$000)
Trade Creditors	2,178	1,906
Accrued Expenses	1,087	659
Employee Entitlements (refer below)	3,663	2,418
<b>Total Payables and Accruals</b>	<b>6,928</b>	<b>4,983</b>

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

The foreign currency split for Payables and Accruals is:

	GROUP	
	2023 (\$000)	2022 (\$000)
NZD	2,067	2,161
AUD	299	131
USD	4,521	2,656
SGD	41	35
	<b>6,928</b>	<b>4,983</b>

#### Employee Entitlements

Employee entitlements are measured at values based on accrued entitlements at current rates of pay. These include salaries and wages accrued up to balance date and annual leave earned to, but not yet taken at balance date.

	GROUP	
	2023 (\$000)	2022 (\$000)
Income Tax	291	214
Holiday Pay	565	360
Accrued Wages	2,807	1,844
<b>Total Employee Entitlements</b>	<b>3,663</b>	<b>2,418</b>

## Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

### 18. SHARE CAPITAL

#### ACCOUNTING POLICY

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 Consolidated 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.

	GROUP	
	2023 (\$000)	2022 (\$000)
Ordinary Shares Authorised	294,317	294,139
<b>Total Share Capital</b>	<b>294,317</b>	<b>294,139</b>

All fully paid shares in the Group are Authorised and have equal voting rights and equal rights to dividends. All Ordinary Shares are fully paid and have no par value.

#### Share Capital Group

	2023 Shares (000)	2023 (\$000)	2022 Shares (000)	2022 (\$000)
Opening Balance	810,087	294,139	727,779	190,305
Issue of Ordinary Shares				
- Placement <sup>1</sup>	-	-	76,657	103,487
- Exercise of Share Options <sup>2</sup>	-	-	5,528	4,040
- Employee Remuneration <sup>3</sup>	278	182	123	172
Less: Issue Expenses	-	(4)	-	(3,865)
Movement	278	178	82,308	103,834
<b>Closing Balance</b>	<b>810,365</b>	<b>294,317</b>	<b>810,087</b>	<b>294,139</b>

1) During the period no shares were issued under placements (2022: 76,657,358 at \$1.35 per share)

2) During the period no share options were exercised (2022: 5,527,391 at an average price of \$0.42)

3) During the period 277,985 shares were issued as part of employees remuneration in lieu of cash payments at an average price of \$0.65 per share. (2022: 123,086 at \$1.40)

## Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

### 19. FOREIGN CURRENCY

#### ACCOUNTING POLICIES

##### Foreign Currency Transactions

The individual financial statements of the Group 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 the 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. Non monetary items denominated in foreign currencies are translated at the rates prevailing on the date the transaction occurs.

Exchange differences are recognised in the Consolidated 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.

##### 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.

### 20. RECONCILIATION OF CASH FLOWS TO OPERATING ACTIVITIES WITH OPERATING NET LOSS

	GROUP	
	2023 (\$000)	2022 \$000
Net Loss for the Period	(26,965)	(19,788)
<b>Add Non Cash Items:</b>		
Depreciation	527	263
Loss on disposal of Property, Plant and Equipment	24	11
Amortisation	427	156
Employee Share Options	1,273	839
Employee Bonuses paid in shares in lieu of cash	182	172
Depreciation on Right of Use Assets	1,179	1,064
Interest on finance leases shown in lease repayments	83	126
<b>Total Non Cash Items</b>	<b>3,695</b>	<b>2,631</b>
<b>Add Movements in Other Working Capital items:</b>		
(Increase) in Receivables and Other Assets	(1,641)	(1,772)
Decrease in Inventory	(280)	(217)
Increase in Payables and Accruals	1,946	1,786
Effect of exchange rates on net cash	(2,330)	(192)
<b>Total Movement in Other Working Capital</b>	<b>(2,305)</b>	<b>(395)</b>
<b>Net Cash Flows to Operating Activities</b>	<b>(25,575)</b>	<b>(17,552)</b>

## Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

### 21. FINANCIAL INSTRUMENTS

#### ACCOUNTING POLICY

##### Foreign Currency Transactions

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

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

Risk Factor	Description
(i) Currency Risk	Financial assets and financial liabilities are denominated in NZD, USD, AUD, SGD and EUR currencies
(ii) Interest Rate Risk	Exposure to changes in Bank interest rates resulting in cash flow interest rate risk
(iii) Credit Risk	Risk of financial loss if counterparty fails to meet contractual obligations
(iv) Liquidity Risk	Risk the Group may not be able to meet its commitments as they fall due
(v) Other Price Risk	Not applicable as no securities are bought, sold or traded

##### (i) Foreign Currency Risk

The Group faces the risk of movements in foreign currency exchange rates in relation to the New Zealand dollar. The Group has significant operations in United States Dollars and less significant operations in Australian dollars, Euros and Singapore dollars. As a result of this, the financial performance and financial position are impacted by movements in exchange rates.

The Group manages foreign currency risk by purchasing overseas goods only when necessary and in line with the approved treasury policy. It will also purchase foreign currency to fund overseas operations based on cash flow forecasts in line with the approved treasury policy. There are no formal foreign currency hedges entered into.

A 10% increase or decrease in the foreign currency against the NZD will reduce/increase the loss reported by approximately \$337,000 (2022: \$167,000) and increase/reduce equity by the same amount.

##### (ii) Interest Rate Risk

The Group's interest rate risk arises from its cash and equivalents, and short term deposits. Cash and equivalents comprise cash on hand and deposits at call with banks. Short term deposits comprise of term deposits placed with New Zealand banks on fixed rates for different periods of time.

Management regularly review its banking arrangements to ensure it achieves the best returns on its funds while maintaining access to necessary liquidity levels to service the Group's day-to-day activities. The mixture of bank deposits at floating interest rates and short term deposits at different rates over various periods of time mitigate the risk of interest rates being received at less than market rates. The Group does not enter into interest rate hedges.

A 1% increase or decrease in bank deposit interest rates will reduce/increase the loss reported by approximately \$764,000 and increase/reduce equity by the same amount (2022: \$1,041,000).

##### (iii) Credit Risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

The Group incurs credit risk from:

- cash and short term deposits;
- receivables in the normal course of its business; and
- other assets.

## Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

The Group has no significant concentration of credit risk other than bank deposits, with the exposure as at 31 March 2023 expressed as a percentage of total assets: 24.0% at ANZ, 22.1% at BNZ, 20.3% at Westpac, 18% at Kiwibank and 1.2% at Wells Fargo. The Group's cash and short term deposits are placed with high credit quality financial institutions including major banks who have at least a A+ credit rating and concentrations are managed within the approved treasury policy.

Regular monitoring of receivables is undertaken to ensure that the credit exposure remains within the Group's normal terms of trade. These receivables balances mainly relate to New Zealand customers, and the New Zealand and Australian Government. Refer to note 10 for further details on expected credit losses for receivables.

The Group continues to invoice for every billable test completed in the US, and the billing and reimbursement process continues to maximise the cash that is received by the Group. The Group has included an accrual for tests performed from 1 October 2022 to 31 March 2023 for which payment has not been received by 31 March 2023.

Regular monitoring of other assets is undertaken to ensure that the credit exposure is limited.

The carrying values of financial assets represent the maximum exposure to credit risk as represented below:

	Notes	GROUP	
		2023 (\$000)	2022 (\$000)
Cash and Cash Equivalents	9	33,229	35,412
Short Term Deposits	9	44,562	70,000
Trade and Other Receivables (excludes GST)	10	5,420	3,895
Other Assets (excludes prepayments)	12	244	169
		<b>83,455</b>	<b>109,476</b>

### (iv) 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 balances and uses cash flow forecasts to determine future cash flow requirements. Liquidity risk is managed within the approved treasury policy. The Group does not have any external loans but does have four finance leases.

Payables and Accruals totaling \$6,928,000 are due within 3 months of balance date (2022: \$4,983,000).

### Fair Values

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

## Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

### 22. RELATED PARTIES

A shareholder, the University of Otago, provided services, including rental space, car parking and use of University Equipment, to the Group to the value of \$407,000 (2022: \$361,000). The Group has commitments totaling \$344,000 (2022: \$269,000) with the University of Otago in the next financial year.

### Key Management Compensation

Key management personnel comprise of Directors and the Chief Executive Officer of Pacific Edge Limited, and the Chief Executive Officer and Executive Chairman of Pacific Edge Diagnostics USA Limited.

Refer to Note 8 for details of the Incentive Plan that includes key management remuneration.

	GROUP	
	2023 (\$000)	2022 (\$000)
Salaries and Other Short Term Employee Benefits	2,483	2,207
Consulting Fees	-	105
Share Options Benefits	907	445
<b>Total Employee Entitlements</b>	<b>3,390</b>	<b>2,757</b>

### Directors' Fees

The current total Directors' fee pool for non-executive Directors of Pacific Edge Limited, approved by the shareholders at the Annual Shareholders Meeting on the 29th July 2021 was \$465,000 per annum and was based on six Directors. With the addition of Tony Barclay on 21 March 2022, the number of Directors increased to seven. In accordance with NZX Listing Rule 2.11.3 which permits an issuer to increase the aggregate amount payable to the Directors to take into account an additional Director without shareholder approval, the pool for non-executive Directors of Pacific Edge increased to \$529,000. The total amount of fees paid to Directors for the year ended 31 March 2023 was \$495,000.

The table below sets out the total fees approved for non-executive Directors of Pacific Edge Limited for the year ended 31 March 2023 based on the positions held:

Position	Quantity 2023	Fee per Director 2023 (\$)	Total Directors Fees Paid 2023 (\$)	Quantity 2022	Fee per Director 2022 (\$)	Total Directors Fees Paid 2022 (\$)
Deputy Chair	1	70,000	70,000	1	70,000	70,000
Non-executive Directors	5	60,000	300,000	4	60,000	240,000
Chair Audit & Risk Committee	1	10,000	10,000	1	10,000	10,000
Special Governance Allocation	-	-	-	1	30,000	30,000
<b>Total Fee Pool</b>			<b>495,000</b>			<b>465,000</b>

## Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

### 23. FINANCE AND OPERATING LEASE COMMITMENTS

#### ACCOUNTING POLICY

The group leases various properties and equipment. Rental contracts vary depending on the type of asset being leased. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices.

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the Consolidated Statement of Comprehensive Income over the lease period to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

#### (i) Measurement basis

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

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

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the group, the lessee's incremental borrowing rate is used. The incremental borrowing rate is the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third-party financing was received;
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by Pacific Edge Limited, which does not have recent third-party financing; and
- makes adjustments specific to the lease, e.g. term, country, currency and security.

The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are allocated between principal and finance cost. The finance cost is charged to the Consolidated Statement of Comprehensive Income over the lease period to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date;
- any initial direct costs; and
- restoration costs.

Right-of-Use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the Right-of-Use asset is depreciated over the underlying asset's useful life.

## Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets include IT equipment and small items of office furniture.

#### Right of Use Assets

	GROUP	
	2023 (\$'000)	2022 (\$'000)
<b>Cost</b>		
<b>Opening Balance</b>	<b>3,605</b>	<b>3,914</b>
Additions	337	179
Removals (Leases Completed)	-	(366)
Foreign Currency Translation	249	(122)
<b>Closing Balance</b>	<b>4,191</b>	<b>3,605</b>
<b>Accumulated Depreciation</b>		
<b>Opening Balance</b>	<b>1,775</b>	<b>937</b>
Depreciation	1,179	1,064
Reversal of Accumulated Depreciation (Leases Completed)	-	(153)
Foreign Currency Translation	94	(73)
<b>Closing Balance</b>	<b>3,048</b>	<b>1,775</b>
<b>Net Right of Use Assets Balance</b>	<b>1,143</b>	<b>1,830</b>
<b>Right of Use Assets Net Book Value</b>		
Buildings	1,128	1,792
Computer Equipment	15	38
Plant and Equipment	-	-
	<b>1,143</b>	<b>1,830</b>
<b>Depreciation</b>		
Buildings	1,152	1,018
Computer Equipment	27	24
Plant and Equipment	-	22
	<b>1,179</b>	<b>1,064</b>
Expenses relating to Short Term and Low Value Leases	115	74
<b>Total Cash Outflow relating to Leases</b>	<b>1,278</b>	<b>1,273</b>

## Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

Lease Liability	GROUP	
	2023 (\$000)	2022 (\$000)
<b>Opening Balance</b>	<b>1,923</b>	<b>2,878</b>
Additions	337	148
Lease Terminated- Liability Reversed	-	-
Lease Repayments	(1,286)	(1,230)
Interest Charged	83	126
Foreign Currency Translation	165	1
<b>Closing Balance</b>	<b>1,222</b>	<b>1,923</b>
<b>Split by:</b>		
Current Liability	811	1,072
Non-Current Liability	411	851
	<b>1,222</b>	<b>1,923</b>
<b>The maturity of the Lease Liabilities is as follows:</b>		
Less than one year	811	1,072
One to two years	116	671
Two to three years	122	51
More than three years	173	129
	<b>1,222</b>	<b>1,923</b>

### 24. OTHER COMMITMENTS AND CONTINGENT LIABILITIES

#### a) Contingent Liabilities

There were no known contingent liabilities at 31 March 2023 (March 2022: Nil). The Group has not granted any securities in respect of liabilities payable by any other party whatsoever.

#### b) Capital Commitments

There are no capital commitments at 31 March 2023 (March 2022: Nil).

### 25. PROPOSED LOCAL COVERAGE DETERMINATION (LCD) AND LOCAL COVERAGE ARTICLE (LCA) CHANGES - POTENTIAL IMPACT ON REVENUE

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

If the proposed LCD (DL39365) and LCA (DA59125) were approved unchanged, Cxbladder would not qualify for coverage from Novitas for tests reimbursed by the CMS. These tests represent a significant portion of current Cxbladder testing revenue. Multiple companies that have existing coverage, or are seeking coverage, are similarly impacted by this proposal.

## Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

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

Novitas closed the period for public comments on the proposals on 6 September 2022. Novitas has not provided a specific date for a decision, however Pacific Edge understands Novitas must either publish or withdraw the draft LCD/LCA within a year of the date of proposal, being 28 July 2023. When publishing, Novitas is required to address all comments from Pacific Edge and other companies, and at their discretion may elect to alter the text of the draft LCD/LCA in response to those comments when publishing. Pacific Edge understands CMS is required to give at least 45 days' notice of the effective determination date.

Pacific Edge received payment in line with the existing LCD/LCA for the financial year ended 31 March 2023, and to the date of approval of these Consolidated Financial Statements. However, the Company is unable to determine the future impact, if any, at the date of approval of these Consolidated Financial Statements.

### 26. SUBSEQUENT EVENTS

There are no subsequent events.



## Independent auditor's report

To the shareholders of Pacific Edge Limited

### Our opinion

In our opinion, the accompanying consolidated financial statements of Pacific Edge Limited (the Company), including its subsidiaries (the Group), present fairly, in all material respects, the financial position of the Group as at 31 March 2023, its financial performance and its cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS) and International Financial Reporting Standards (IFRS).

### What we have audited

The Group's consolidated financial statements comprise:

- the consolidated balance sheet as at 31 March 2023;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) (ISAs (NZ)) and International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

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

### Independence

We are independent of the Group in accordance with Professional and Ethical Standard 1 *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)* (PES 1) issued by the New Zealand Auditing and Assurance Standards Board and the *International Code of Ethics for Professional Accountants (including International Independence Standards)* issued by the International Ethics Standards Board for Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Our firm carries out other services for the Group in the areas of half year review procedures and with providing other assurance services. The provision of these other services have not impaired our independence as auditor of the Group.

### Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.



### Description of the key audit matter

#### Determining the timing of revenue recognition for US revenue

As disclosed in Note 5 of the consolidated financial statements, the timing of revenue recognition for US based revenue varies by revenue stream between completion of the Cxbladder test and receipt of cash.

The Company has three material United States (US) revenue streams:

1. Coverage via Centers for Medicare and Medicaid Services (CMS) and Medicare Advantage;
2. Tests performed for Kaiser Permanente; and
3. Other private insurance.

In July 2020, the Company received Local Coverage Determination ("LCD") and Local Coverage Article (LCA) for CMS. This determination created a set price for the Company's tests of US\$760 per test from July 2020, and established a clear transaction price for the tests. This transaction price, along with a history of payment, satisfies the NZ IFRS requirement for revenue recognition. On 29 July 2022, the company became aware of the proposed changes to the LCD/LCA by Novitas. This has the potential to significantly change the reimbursement of Cxbladder tests in the US as the tests represent a significant portion of current Cxbladder testing revenue. The LCD/LCA is still in place and the Company continues to receive reimbursement in line with the existing LCD/LCA. The uncertainty in respect of future operations is disclosed in Note 25.

In the year ended 31 March 2023, the basis of revenue recognition for Kaiser Permanente changed to an accrual basis, in line with Medicare and Medicare Advantage, from the cash basis in the prior year. This is a change in accounting estimate and has been disclosed in Note 5.

Accordingly, in the US derived revenue for tests performed for CMS, Medicare Advantage and Kaiser Permanente has been recognised in advance of cash being received. Revenue for these customers is recognised when the tests are performed.

All other US derived revenue is accounted for on a cash receipt basis as disclosed in Note 5.

We determined this to be a key audit matter due to the significance of the judgments applied by Directors for revenue recognition and the potential impact of changes in the proposed LCD/LCA.

### How our audit addressed the key audit matter

Our audit procedures included the following:

We obtained an understanding of management's processes and controls for the CMS, Medicare Advantage, Kaiser Permanente and Private Insurance US revenue streams, including the relevant controls at the external billing reimbursements service organisation.

We obtained the SOC1 System and Organisation Controls Report for the external billing reimbursement service organisation, and evaluated the evidence provided over the design and operating effectiveness of the relevant controls.

We evaluated management's determination of the timing of revenue recognition by:

- Assessing the data supporting revenue recognition for CMS and Medicare Advantage to confirm that the transaction price can be determined and collectability is probable;
- Obtaining management's latest assessment, correspondence and other information in relation to the status of the proposed LCD/LCA;
- Assessing the data supporting the change in accounting estimate for revenue recognition for Kaiser Permanente;
- Assessing the data supporting revenue recognition for other private insurance to confirm that the transaction price and collectability is only probable when cash is received;
- Performing subsequent receipt testing to validate the probability of collection of the year end receivables and performing look back procedures over the prior year receivable to test collection rates; and
- Evaluated whether revenue has been recognised appropriately in accordance with NZ IFRS 15.

We have no matters to report from the procedures performed above.



## Our audit approach

### Overview



Overall group materiality: approximately \$718,000, which represents 2.5% of (loss)/earnings before interest, tax, depreciation and amortisation (EBITDA).

We chose (loss)/earnings before interest, tax, depreciation and amortisation (EBITDA) as the benchmark because, in our view, it is the benchmark against which the performance of the Group is most commonly measured by users, and is a generally accepted benchmark.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

As reported above, we have one key audit matter, being:

- Determining the timing of revenue recognition for US revenue.

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

#### Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall Group materiality for the consolidated financial statements as a whole as set out above. These, together with qualitative considerations, helped us to determine the scope of our audit, the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate, on the consolidated financial statements as a whole.

#### How we tailored our group audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

We selected transactions and balances to audit based on their materiality to the Group rather than determining the scope of procedures to perform by auditing only specific subsidiaries or business units.



### Other information

The Directors are responsible for the other information. The other information comprises the information included in the Annual report, but does not include the consolidated financial statements and our auditor's report thereon. The Annual report is expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of audit opinion or assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the other information not yet received, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the Directors and use our professional judgement to determine the appropriate action to take.

### Responsibilities of the Directors for the consolidated financial statements

The Directors are responsible, on behalf of the Company, for the preparation and fair presentation of the consolidated financial statements in accordance with NZ IFRS and IFRS, and for such internal control as the Directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

### Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements, as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (NZ) and ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of our responsibilities for the audit of the consolidated financial statements is located at the External Reporting Board's website at:

<https://www.xrb.govt.nz/assurance-standards/auditors-responsibilities/audit-report-1/>

This description forms part of our auditor's report.

### Who we report to

This report is made solely to the Company's shareholders, as a body. Our audit work has been undertaken so that we might state those matters which we are required to state to them in an auditor's 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.



The engagement partner on the audit resulting in this independent auditor's report is Maxwell John Dixon.

For and on behalf of:

Chartered Accountants  
24 May 2023

Christchurch

## CORPORATE GOVERNANCE

Strong governance is fundamental to the performance of Pacific Edge Limited (the Company) and Pacific Edge's Board is ultimately responsible for ensuring that the Company and its subsidiaries (the Group) maintain high ethical standards and corporate governance practices.

Pacific Edge is committed to maintaining the highest standards of governance. It does this by ensuring that its corporate governance practices are in line with best practice and the NZX Corporate Governance Code issued 17 June 2022 (NZX Code). The Board believes that for FY 23, Pacific Edge's governance practices are appropriately aligned with the NZX Code.

The key corporate governance documents referred to in this report are available on Pacific Edge's website <https://www.pacificedgedx.com/investors/governance/>.

### PRINCIPLE 1: CODE OF ETHICAL BEHAVIOUR

*"Directors should set high standards of ethical behaviour, model this behaviour and hold management accountable for these standards being followed throughout the organisation."*

#### CODE OF ETHICS

Pacific Edge maintains high standards of ethical behaviour and has both a Directors' Code of Ethics and an Ethical Behaviour Policy for employees of the Company, setting out the standards that each Director or employee must adhere to whilst conducting their duties. The Code and Policy are reviewed every two years.

General principles within both Policies include (but are not limited to) requiring all Directors and employees to:

- act honestly and with personal integrity in all actions;
- in the case of Directors, give proper attention to the matters before them and exercise their powers and duties with a due degree of care and diligence;
- not make improper use of information acquired as a Director or employee, or of assets or resources of the Company; and
- comply with Company policies at all times.

In particular, the Code and Policy cover conflicts of interest, gifts, confidentiality, behaviour and proper use of assets and information. Pacific Edge's policy is that donations are not made to any political parties.

Employees are encouraged to report any breaches. Pacific Edge has a Speak Up Policy that is designed to ensure its employees and contractors are aware and encouraged to raise concerns regarding actual or suspected wrong doing with regards to ethical, clinical, professional and legal standards in a safe, supported and protected environment. Alongside the Speak Up Policy, Pacific Edge has a Protected Disclosures Policy that is designed to promote the public interest by facilitating the disclosure and investigation of matters of serious wrongdoing whilst protecting complainants who make disclosures of serious wrongdoing in good faith in an organisation from victimisation or reprisals.

Processes have been established to ensure all employees are aware of and understand these Policies.

#### SHARE TRADING POLICY

Pacific Edge's Board and management are committed to ensuring compliance with all regulatory and market requirements. Pacific Edge's Share Trading Policy, which applies to all employees and Directors but has additional trading restrictions applying to Directors and Senior Managers is a core component of this commitment. Details of Directors' share dealings are set out on page 83 of this report.

These policies were most recently reviewed and updated in June 2020, and are in the process of being refreshed in accordance with the NZX Corporate Governance Code dated 1 April 2023 that applies to Pacific Edge for FY 24.



**PRINCIPLE 2: BOARD COMPOSITION & PERFORMANCE**

“To ensure an effective Board, there should be a balance of independence, skills, knowledge, experience and perspectives.”

Pacific Edge’s Board operates under a written Board of Directors’ Charter (Charter) which sets out the roles and responsibilities of the Board (and clearly distinguishes and discloses the respective roles and responsibilities of the Board and management). The focus of the Board is the creation of company and shareholder value and ensuring the Company is committed to best practice. The Charter was most recently reviewed and updated in June 2020, and is in the process of being refreshed in accordance with the NZX Corporate Governance Code dated 1 April 2023 that applies to Pacific Edge for FY 24.

Responsibility for the day-to-day management of Pacific Edge has been delegated to the Chief Executive Officer (CEO) and other Senior Management. Management is responsible for implementing the objectives and strategies approved by the Board, through a set of delegated authorities.

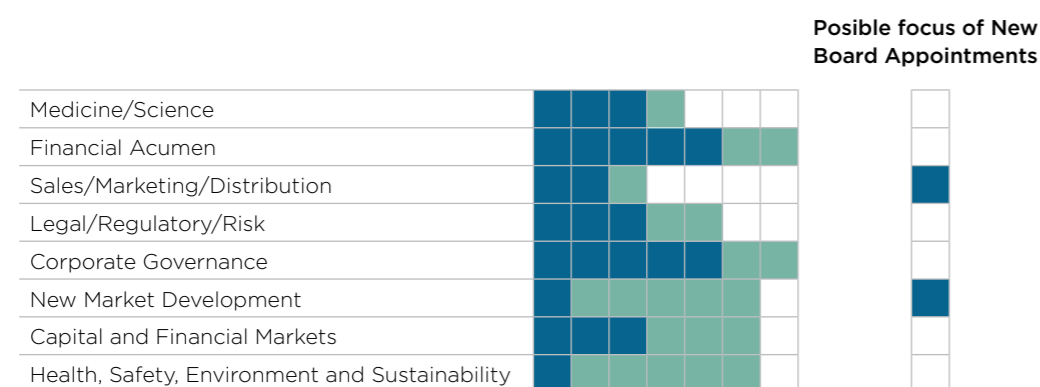
The primary responsibilities of the Board include:

- Overall governance and providing strategic leadership
- Ensuring compliance with the Company’s constitution
- Setting clear goals for the Company, ensuring that there are appropriate strategies in place for achieving those goals
- Monitoring the Company’s performance against its approved strategic, business and financial plans
- Appointment of the Chair and CEO
- Ensuring that the Company follows high standards of ethical and corporate behaviour
- Ensuring that the Company has appropriate risk management policies in place
- Appointing the Company auditors and setting the annual auditors fees

As at 31 March 2023, the Board was comprised of seven non-executive independent Directors. There were no changes to the Board during the year ended 31 March 2023.

The Chairman is an independent Director who is elected by the Directors. The Chairman and the CEO roles are not executed by the same individual.

Directors are selected based on the diversity of skills needed as defined by the Company’s skills matrix taking into account the composition of the Board in relation to the Company’s needs and operating environment. The Board considers that its members currently have the appropriate balance of independence, skills, knowledge, experience and perspectives necessary to lead Pacific Edge.



■ High Capability ■ Moderate Capability

Details of each Director, along with their experience, length of service, independence and ownership interests and attendance at Board meetings is included in this Annual Report. Director Profiles are available on the Company’s website.

**NOMINATION AND APPOINTMENT OF DIRECTORS**

The procedure for the nomination and appointment of Directors to the Board is set out in the Charter. While the nomination process for new Director appointments is the responsibility of the Board as a whole, the Nomination Committee is responsible for identifying, reviewing and recommending candidates to the full Board. The Board may engage consultants to assist in the identification, recruitment and appointment of suitable candidates. The Company undertakes proper checks before appointing a Director and putting forward a candidate for election as a Director. Key information is provided to shareholders when a Director stands for election or re-election.

Directors will retire and may stand for re-election by shareholders at least every three years, in accordance with the NZX Listing Rules. 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.

The Board asks for Director nominations each year prior to the Annual Shareholders Meeting, in accordance with the constitution of the Company and the NZX Listing Rules.

**INDUCTION AND PROFESSIONAL DEVELOPMENT**

Newly elected Directors undergo a formal induction programme to ensure they have working knowledge of our business. This includes one-on-one meetings with management and a tour of the laboratory and R&D facilities. They are expected to familiarise themselves with their obligations under the constitution, Board Charter and the NZX Listing Rules. Training is also provided to new and existing Directors where required to enable Directors to understand their obligations.

The Company encourages all Directors to undertake appropriate training and education so that they may best perform their duties. This includes attending presentations on changes in governance, legal and regulatory frameworks; attending technical and professional development courses; and attending presentations from industry experts and key advisers. Additional industry related training is provided by Pacific Edge on a regular basis.

**BOARD PERFORMANCE**

The performance of the Board is reviewed periodically to assess the performance of each Director, each Committee and the Board as a whole. The most recent evaluation of Board performance was undertaken in September 2022. The Chair of the Board also regularly engages with individual Directors to evaluate and discuss performance and professional development.

**DIVERSITY**

Pacific Edge is committed to bringing diversity to life in its employment practices and across all aspects of the business.

The Board and Company believe in creating a flexible workplace that values difference and enhances business outcomes. We follow equal employment practices, ensuring that our recruitment and selection, development and talent management approaches enable inclusion and diversity at all levels.

The Diversity Policy outlines Pacific Edge’s approach towards diversity. While no measurable targets have been set for diversity, the People and Culture Committee provides oversight of employment practices and HR processes and practices and the Board is comfortable that these are in line with the intent of the Diversity Policy.

Pacific Edge’s workforce demonstrates balance between genders across the business, but a skew to males is evident in the leadership teams and on the Board. We recognize opportunities to increase diversity at all levels of the workforce.

Pacific Edge will always hire the best person for the job based on capability, acceptance and best fit for the business. We actively seek out those with a variety of thinking styles, backgrounds, and abilities. Where two candidates applying for a role possess equivalent capability, competence and fit, then diversity becomes the final criteria for appointment. We actively monitor for bias in both our recruitment process and our remuneration practices.

The Officers of the Company (as defined by the NZX Listing Rules) are the CEO and specific direct reports of the CEO having key functional responsibility. As at 31 March 2023, females represented 28% of Directors and Officers of the Company (FY 22: 38%).

	31 March 2023 Male (FTE)	31 March 2023 Female (FTE)	31 March 2022 Male (FTE)	31 March 2022 Female (FTE)
Directors	5 (71.4%)	2 (28.6%)	5 (71.4%)	2 (28.6%)
Officers*	8 (100%)	0 (0%)	7 (78%)	2 (22%)
Extended leadership team including Officers	14.5 (78.4%)	4 (21.6%)	11 (68.8%)	5 (31.2%)
Total team	58.5 (50.7%)	56.8 (49.3%)	45.6 (52.7%)	41 (47.3%)

\*Includes the CEO

### PRINCIPLE 3: BOARD COMMITTEES

“The Board should use Committees where this will enhance its effectiveness in key areas, while still retaining Board responsibility.”

The Board has delegated a number of its responsibilities to Committees to assist in the execution of the Board’s responsibilities. These Committees review and analyse policies and strategies which are within their terms of reference.

Committee members are appointed from members of the Board with membership reviewed on an annual basis. Committees examine proposals and, where appropriate, make recommendations to the full Board. Committees do not take action or make decisions on behalf of the Board unless specifically mandated by prior Board authority to do so.

Management may only attend committee meetings at the invitation of the Committee.

The current Committees of the Board are the Audit & Risk Committee, People and Culture Committee, Nominations Committee and Capital and M&A Committee.

The Committees have terms of reference (Charters), which are reviewed and approved by the Board. All charters are reviewed at least every two years. These are available on the Company’s website.

#### Committee Membership as at 31 March 2023

Audit & Risk Committee	People and Culture Committee	Nomination Committee	Capital and M&A Committee
Sarah Park (Chair)	Anna Stove (Chair)	Chris Gallaher (Chair)	Mark Green (Chair)
Mark Green	Bryan Williams	Bryan Williams	Anatole Masfen
Chris Gallaher	Anatole Masfen	Anna Stove	Chris Gallaher
Tony Barclay	Tony Barclay		Sarah Park
			Peter Meintjes

#### DIRECTOR MEETING ATTENDANCE

The Board meets as often as it deems appropriate including sessions to consider the strategic direction of Pacific Edge and forward-looking business plans. Video and/or phone conferences are also used as required.

The table below sets out Director attendance at Board and Committee meetings during FY 23.

	Board	Audit & Risk Committee	Nomination Committee	People and Culture Committee	Capital and M&A Committee
Tony Barclay	12/13	5/5	-	3/3	-
Chris Gallaher	13/13	5/5	-	-	-
Mark Green	13/13	5/5	-	-	-
Anatole Masfen	13/13	3*	-	1/3	-
Sarah Park	11/13	5/5	-	-	-
Anna Stove	12/13	1*	-	3/3	-
Bryan Williams	12/13	2*	-	2/3	-

\*Indicates optional attendance

## AUDIT & RISK COMMITTEE

Pacific Edge's Audit & Risk Committee is comprised solely of Directors of the Company, with all members being independent Directors. As at 31 March 2023, there were four members of the Audit & Risk Committee with all having an accounting or financial background. The Chair of the Audit and Risk Committee is not the Chair of the Board.

As per the Board Charter, the responsibilities of the Audit & Risk Committee include providing oversight in five distinct areas (Governance, Financial Reporting, Audit Functions, Treasury Functions and Risk Management Functions) and include as a minimum:

- Ensuring that management has established a risk management framework which includes policies and procedures to effectively identify, treat, monitor and report key business risks;
- Ensuring that the processes are in place and monitoring of those processes so that the Board is properly and regularly informed and updated on corporate financial matters;
- Recommending annually to the Board the appointment 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;
- Ensuring that the external auditor or lead audit partner is changed at least every five years;
- Periodic review of the Company's Treasury Policy including review of any breaches of the Policy;
- Overseeing compliance of the Company's Treasury activities including periodic review of performance against the Policy; and
- Ensuring Treasury issues raised by auditors (both internal and external) are resolved and/or a plan to resolve is agreed immediately.

Directors who are not members of the Committee are able to attend Audit & Risk Committee meetings as they wish. Employees may only attend those meetings at the invitation of the Audit & Risk Committee.

## NOMINATION COMMITTEE

The Board has established a Nomination Committee to recommend Director appointments to the Board. The Nomination committee operates under a written Charter. All members of the Nomination Committee are independent Directors.

## PEOPLE AND CULTURE COMMITTEE

The Board has a People and Culture Committee to recommend the remuneration for Directors to the shareholders and to oversee the remuneration of the Officers/senior managers of the Company. The People and Culture Committee operates under a written Charter. All members of the People and Culture Committee are independent Directors. The CEO does not participate in any discussions concerning the CEO's remuneration.

The People and Culture Committee is responsible for ensuring that the Company has a sound Remuneration Policy to attract and retain high performing individuals. The Remuneration Policy is available on the Company's website.

Directors' remuneration is also considered by the People and Culture Committee, within the limits that have been approved by the shareholders of the Company.

The Committee makes recommendations to the Board on remuneration packages for the CEO. Any recommendations to shareholders regarding Director remuneration are provided for approval in a transparent manner.

## OTHER COMMITTEES

The Board establishes other Committees as required. In the case of a takeover offer, Pacific Edge will form an Independent Takeover Committee to oversee disclosure and response, and engage expert legal and financial advisors to provide advice on procedure. The Board has established appropriate processes and protocols that set out the procedures to be followed if there was to be a takeover offer made for the Company.

## PRINCIPLE 4: REPORTING & DISCLOSURE

"The Board should demand integrity in financial and non-financial reporting, and in the timeliness and balance of corporate disclosures."

### CONTINUOUS DISCLOSURE

The Board focuses on providing accurate, adequate and timely information both to its shareholders and to the market generally. This enables all investors to make informed decisions about the Company. All significant announcements made to NZX and ASX, and reports issued, are posted on the Company's website.

The Company has procedures in place to ensure that it complies with its continuous disclosure requirements under the NZX and ASX Listing Rules. The Continuous Disclosure Policy governs the release to the market of all material information that may affect the value of the Company.

### COMPANY POLICIES

Copies of the key governance documents, including the Continuous Disclosure Policy, Ethical Behaviour Policy, Share Trading Policy, Board and Committee Charters and Diversity Policy are available on the Company's website.

<https://www.pacificedgedx.com/investors/governance>

### FINANCIAL REPORTING

Pacific Edge's management team is responsible for implementing and maintaining appropriate accounting and financial reporting principles, policies, and internal controls. These are designed to ensure compliance with accounting standards and applicable laws and regulations.

The Audit & Risk Committee oversees the quality and integrity of external financial reporting, including the accuracy, completeness, balance and timeliness of financial statements. It reviews Pacific Edge's full and half year financial statements and makes recommendations to the Board concerning accounting policies, areas of judgement, compliance with accounting standards, stock exchange and legal requirements, and the results of the external audit.

All matters required to be addressed, and for which the Committee has responsibility, were addressed during the reporting period.

Chief Executive Officer (CEO) and Chief Financial Officer (CFO) have confirmed in writing to the Board that Pacific Edge's external financial reports present a true and fair view in all material aspects. Pacific Edge's full and half year financial statements are available on the Company's website.

The CFO holds the role of Company Secretary. In all accounting and secretarial matters, the Board ensures that the Secretary's reports are objective and that the Secretary has unfettered access to the chair and the audit committee, without reference to the CEO.

### NON-FINANCIAL REPORTING

Non-financial information is provided on a regular basis to shareholders to allow them to measure the progress of the company. Pacific Edge's Board and management are focused on identifying areas which are of primary importance to creating a sustainable business, achieving strategic goals and meeting the expectations of key stakeholders.

Pacific Edge discusses its strategic objectives and its progress against these in the Chair and CEO's commentary in shareholder reports. Key non-financial metrics used by Pacific Edge to demonstrate its progress are Laboratory Test Throughput and Commercial Tests.

## PRINCIPLE 5: REMUNERATION

“The remuneration of Directors and Executives should be transparent, fair and reasonable.”

The Company has a Remuneration Policy which outlines the processes and framework for remuneration of the Chairperson, the Directors, the CEO and management. The People and Culture Committee is responsible for recommending to the Board the remuneration for the Chair, Directors and the CEO, and consulting and approval, on the recommendation of the CEO for the appointment and employment terms of all Executive (other than the CEO).

Shareholders fix the total remuneration available for directors. Approval is sought for any increase in the pool available to pay Directors’ fees, and any recommendations to shareholders regarding Director remuneration are provided for approval in a transparent manner.

External advice is sought on a regular basis to ensure remuneration is benchmarked to the market for senior management positions, Directors and Board positions. The last review of Director remuneration was undertaken in June 2021.

Further details on remuneration are included in the Remuneration Section of this Annual Report, including the remuneration arrangements in place for the CEO, on page 75.

While there is no formal requirement, the majority of Pacific Edge’s Directors own shares in the Company either directly or through related entities. There is a provision for the Company to make a retirement payment to a Director if approved by shareholders; however, no retirement payments were made in FY 23.

## PRINCIPLE 6: RISK MANAGEMENT

“Directors should have a sound understanding of the material risks faced by the issuer and how to manage them. The Board should regularly verify that the issuer has appropriate processes that identify and manage potential and material risks.”

The Board is responsible for ensuring that appropriate policies and procedures are in place to identify and manage the key risks of the Company, which is managed through the Audit & Risk Committee. The Audit & Risk Committee operates in line with its Charter, which sets out its responsibilities for identifying, monitoring, treating and reporting on key business risks.

The executive team and senior management are required to regularly identify the major risks affecting the business, record them in the risk register and develop structures, practices and processes to manage and monitor these risks.

A comprehensive review of the risk register was completed in November 2022, and incorporates risk mitigation strategies, processes and policies. Management continue to monitor individual risks, as do the Board, with the risk register discussed at scheduled Board meetings, with a focus on any changes and emerging risks and opportunities.

Pacific Edge maintains insurance policies that it considers adequate to meet its insurable risks.

The Board is satisfied that Pacific Edge has in place a risk management framework to effectively identify, manage and monitor Pacific Edge’s principal risks, to the extent practicable.

Pacific Edge’s material risks and how these are being managed are outlined and discussed in the Risk Analysis on pages 79 to 81.

## HEALTH AND SAFETY

The Company takes responsibility, so far as is reasonably practicable, at all its sites to protect the health, safety and welfare of all staff and people on Company sites, and acts in compliance with all of its legal and ethical obligations.

Pacific Edge aims to proactively identify and manage all identified hazards across the company. The Company’s health and safety performance is monitored and reviewed regularly by management, the Board and is audited externally. The Company’s goal is to maintain a safe and effective operating environment and takes its duty of care to staff, contractors and visitors very seriously.

There were no serious harm incidents reported during FY 23 and no days lost to workplace incidents at any Company site. In addition, there were no serious hazards identified across the Group.

## PRINCIPLE 7: AUDITORS

“The Board should ensure the quality and independence of the external audit process.”

### EXTERNAL AUDITORS

The Board's relationship with its external auditors is governed by the Audit & Risk Committee Charter. The Charter sets out the Audit & Risk Committee's responsibilities in relation to corporate accounting and reporting practices of the Company, along with the quality and integrity of financial reports. It is the responsibility of the Audit & Risk Committee to maintain free and open communication between the Directors and external auditors and to approve any non-audit engagements performed by the audit firm.

For FY 23, PricewaterhouseCoopers (PwC) was the external auditor for Pacific Edge Limited. PwC was re-appointed under the Companies Act 1993 at the 2022 Annual Shareholders Meeting. The last audit partner rotation was in FY 21 with rotation due no later than FY 26.

All audit work at Pacific Edge is separated from non-audit services, to ensure that appropriate independence is maintained. The Audit and Risk Committee review and approve the nature and scope of other professional services (if any) provided to the Company by the external auditor and consider the relationship to the auditor's independence. The amount of fees paid to PwC during FY 23 are identified on page 35.

PwC has provided the Audit & Risk Committee with written confirmation that, in their view, it was able to operate independently during the year.

PwC attends each Annual Shareholders Meeting of the Company, and the lead audit partner is available to answer questions from shareholders at that Meeting. PwC attended the 2022 Annual Shareholders Meeting.

### INTERNAL AUDITS

Internal audits are used as a tool for the systematic and independent examination of Pacific Edge's operational processes as they relate to product and service provision.

Pacific Edge conducts internal audits of its manufacturing, clinical diagnostic laboratories and Quality Operations at planned intervals to verify that its Quality Management System is effectively implemented and maintained and provides continuous improvement opportunities in system processes. In addition, audits by external Notified Bodies take place to ensure compliance with the requirements of multiple International Standards, such as ISO9001:2015 and ISO15189:2006. The latest external audits took place in October 2022 and in April 2023 and both were completed satisfactorily.

## PRINCIPLE 8: SHAREHOLDER RIGHTS & RELATIONS

“The Board should respect the rights of shareholders and foster constructive relationships with shareholders that encourage them to engage with the issuer.”

### SHAREHOLDER COMMUNICATIONS

Pacific Edge is committed to ensuring that its shareholders are kept up to date with key activities and are provided with relevant information about the Company and its performance.

The Company communicates with shareholders during the financial year through shareholder newsletters, annual and half year reports and at the Annual Shareholders Meeting. All written communications and reports are available on the Company's website, as well as emailed to shareholders who elect to be emailed. All shareholders are given the option to elect to receive electronic communications from the Company.

In addition to shareholders, Pacific Edge has a wide range of stakeholders and maintains open channels of communication for all audiences, including brokers, the investing community and the New Zealand Shareholders' Association, as well as its staff, suppliers and customers.

### SHAREHOLDER MEETINGS

In accordance with the NZX Listing Rules, shareholders have the right to vote on major decisions which may change the nature of the Company. Each shareholder has one vote per share and voting is conducted by polls.

The notice of the Annual Shareholders Meeting is announced on the NZX, sent to shareholders and posted on to the Company's website at least 20 working days prior to the Meeting each year.

### DIRECTORS' REMUNERATION

Remuneration of Directors and senior executives is the key responsibility of the People and Culture Committee. Pacific Edge's policy is to offer competitive Director fees to attract and retain high quality, appropriately skilled Directors, who will best add value to the Company.

## REMUNERATION

The Pacific Edge Limited People and Culture Committee operates as a sub-committee under the guidance of the Board of Directors, to ensure the remuneration framework that is in place is appropriate to attract, retain and reward current and future employees of the Pacific Edge Group. The People and Culture Committee ensures that individual employee performance is aligned to the strategy and performance of the Company along with the interests of the shareholders.

The current total Directors' fee pool for non-executive Directors of Pacific Edge Limited, approved by the shareholders at the Annual Shareholders Meeting on the 29th July 2021 was \$465,000 per annum and was based on six Directors. With the addition of Tony Barclay on 21 March 2022, the number of Directors increased to seven. In accordance with NZX Listing Rule 2.11.3 which permits an issuer to increase the aggregate amount payable to the Directors to take into account an additional Director without shareholder approval, the pool for non-executive Directors of Pacific Edge increased to \$529,000.

The total amount of fees paid to Directors for the year ended 31 March 2023 was \$495,000.

Position	Quantity 2023	Fee per Director 2023	Total Directors Fees Paid 2023	Quantity 2022	Fee per Director 2022	Total Directors Fees Paid 2022
Chair	1	\$115,000	\$115,000	1	\$115,000	\$115,000
Deputy Chair	1	\$70,000	\$70,000	1	\$70,000	\$70,000
Non-executive Directors	5	\$60,000	\$300,000	4	\$60,000	\$240,000
Chair Audit & Risk Committee	1	\$10,000	\$10,000	1	\$10,000	\$10,000
Special Governance Allocation				1	\$30,000	\$30,000
<b>Total Fee Pool</b>			<b>\$495,000</b>		<b>\$465,000</b>	<b>\$465,000</b>

Any proposed increases in non-executive Director fees and remuneration will be put to shareholders for approval at the Annual Shareholders Meeting by way of ordinary resolution. If independent advice is sought by the Board, it will be disclosed to shareholders as part of the approval process.

Directors also receive reimbursement for reasonable travelling, accommodation and other expenses incurred in the course of performing their duties. Other than as Chair of the Audit and Risk Committee, and any potential fees received from the Special Governance Allocation, Directors do not receive any additional fees for positions on Committees of the Board or subsidiary companies. Directors fees exclude GST, where applicable.

As at 1 April 2022, there were seven non-executive Directors of Pacific Edge. During the year, there was no change to the composition of these non-executive Directors.

Non-executive Directors received the following Directors' fees from the Company in the year ended 31 March 2023:

DIRECTORS' FEES	FY 23 (NZ\$000)	FY 22 (NZ\$000)
Pacific Edge Limited Board		
C. Gallaher (Chair)	115	103
B. Williams (Deputy Chair)	70	68
S. Park	70	70*
A. Masfen	60	60*
A. Stove	60	55
M. Green	60	55*
A. Barclay	60	2
<b>TOTAL</b>	<b>495</b>	<b>413</b>

\*Includes payments made to Directors out of the Special Governance Allocation relating to the performance of duties that are considered additional to the expected duties of the Board. These additional duties related to the Company's capital raise and dual listing on the Australian Stock Exchange and recruitment of Peter Meintjes as CEO of the Company.

### CHIEF EXECUTIVE OFFICER REMUNERATION

The review and approval of the Chief Executive Officer's (CEO) remuneration is the responsibility of the Board. The remuneration of the CEO for the year ended 31 March 2023 is detailed below.

#### Structure

The CEO's remuneration comprised:

- A fixed base salary, including Kiwisaver contributions by the Group;
- An at risk short term incentive (STI) payable annually of up to 40% of the base salary subject to the Board's assessment of performance; and
- A long term incentive (LTI) which includes non-cash share options granted by the Company that will vest, based on vesting criteria, over five years after the grant date (further detail provided below).

#### Cash Remuneration

	Fixed remuneration (salary and Kiwisaver) (NZ\$000)	Payments as an Independent Contractor pre Employment	STI Cash (NZ\$000)	STI % achieved	Total cash remuneration (NZ\$000)
<b>Peter Meintjes</b>					
FY 23	693	-	-	-	<b>693</b>
FY 22	109	105	-	-	<b>214</b>

#### Non-cash Remuneration

During FY 23, Peter Meintjes, was granted 185,000 ordinary shares as non-cash consideration in recognition of his performance as an employee of the Company in lieu of bonus and in addition to salary. These shares had a present value of \$88,800 being \$0.48 per share. These shares relate to the STI payable annually subject to the Board's assessment of performance.

#### Long Term Incentives

There were no new long term incentives granted in FY 23.

The first tranche of 600,000 options from the 3,000,000 options issued during FY 22 vested 18th February 2023 with an exercise price of \$1.15. The options expire four years after vesting if not exercised.

**EMPLOYEE REMUNERATION**

Employee Remuneration consists of a fixed salary and on an employee-by-employee basis may also include variable or “at-risk” remuneration.

Fixed remuneration includes: an individual’s base salary, for core responsibilities, capability and performance, along with any superannuation scheme contributions by the Group and any other health or disability benefits provided by the Group. The base salary is benchmarked to the market.

Variable remuneration includes:

- short term incentives that are linked directly to the Company’s performance and designed to reward permanent employees for Company successes and high performance across any given year. Short term incentives may be paid out in either cash, and/or ordinary shares in the Company at the discretion of the Company.
- long term incentives for selected employees consist of share options, allowing the employee to obtain ordinary shares in the Company. Incentive options typically vest equally in three tranches over a four year period, with 1/3 on the second, third and fourth anniversary of the issue. The options are exercisable up to four years after vesting date. Option holders are required to remain as an employee of the Company in order for options to vest. No options can be exercised later than the fourth anniversary of the final vesting date. The exercise price increases annually for each vested tranche at the equity cost of capital.

The table on page 77 shows the number of employees and former employees of the Group, not being Directors of the Group, who, in their capacity as employees, received remuneration and other benefits during the period ended 31 March 2023 totalling at least NZ\$100,000.

This includes cash remuneration and expenditure related to ordinary shares paid in lieu of cash bonuses and excludes the value of share options that have vested but have not been exercised.

The Group operates in New Zealand, Australia, Singapore and the United States where market remuneration levels differ. Of the employees noted in the table below, 70% are employed by the Group outside New Zealand. The offshore remuneration amounts are converted into New Zealand dollars.

During the year, 74 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:

<b>Employee Remuneration (NZ\$)</b>	<b>2023</b>	<b>2022</b>
740,000 - 750,000	1	-
690,000 - 700,000	1	-
600,000 - 610,000	1	-
580,000 - 590,000	-	1
550,000 - 560,000	1	-
540,000 - 550,000	1	-
530,000 - 540,000	-	1
470,000 - 480,000	-	1
460,000 - 470,000	-	1
430,000 - 440,000	1	-
420,000 - 430,000	1	1
410,000 - 420,000	2	-
390,000 - 400,000	1	1
370,000 - 380,000	2	1
360,000 - 370,000	-	1
350,000 - 360,000	1	1
330,000 - 340,000	4	-
320,000 - 330,000	1	1
310,000 - 320,000	3	1
300,000 - 310,000	5	1
290,000 - 300,000	3	1
280,000 - 290,000	-	2
270,000 - 280,000	5	1
260,000 - 270,000	2	4
250,000 - 260,000	2	3
240,000 - 250,000	1	1
230,000 - 240,000	-	3
220,000 - 230,000	2	1
210,000 - 220,000	-	3
200,000 - 210,000	2	3
190,000 - 200,000	-	1
180,000 - 190,000	3	2
170,000 - 180,000	2	1
160,000 - 170,000	1	1
150,000 - 160,000	3	-
140,000 - 150,000	2	1
130,000 - 140,000	2	-
120,000 - 130,000	4	1
110,000 - 120,000	6	1
100,000 - 110,000	8	10
	<b>74</b>	<b>52</b>

The table on the previous page includes both fixed and variable cash remuneration as described above, including base salaries, superannuation contributions, contributions to health and disability plans and cash-based short-term incentives. The table above excludes any non-cash long-term incentives that have vested but have not been exercised.

#### DIRECTORS AND OFFICERS INSURANCE

In accordance with the Companies Act 1993 and the constitution of the Company, Pacific Edge indemnifies and insures its Directors and Officers, including Directors and Officers of subsidiary companies within the Group, in respect of liability incurred for any act or omission in their capacity as a Director or Officer of the Company. This insurance includes defence costs. If an act or omission was to occur that was covered by this insurance, the Company would pay the liability of the act or omission and be reimbursed by the insurer.

## RISK ANALYSIS

As a growth company, there are a number of risks which could impact Pacific Edge. As highlighted in both the Chairman's and Chief Executive's Report, one of our highest potential risks has materialized shortly after the end of FY 23, in June 2023. We believe it is important for our shareholders to have an understanding of these risks and the processes the Board and management have put in place to mitigate these risks.

The Board provides oversight of the senior leadership's management of key risks. Every departmental leader is expected to report on risks to the CEO/CFO/COO in every board meeting cycle with an assessment of those risks incorporated into the risk register provided to the Board. The Audit & Risk Committee reports to and assists the Board by identifying and reviewing the key risks, assessing their materiality, ensuring the risk management processes are adequate, the Board has reliable information and future events that may create uncertainty or pose a risk are identified and considered.

The Group has Cash, Cash Equivalents and Short Term Deposits of \$77,791,000 as at 31 March 2023 which enables the Group to continue to operate and navigate the current setback from the Novitas decision and deliver on the significant opportunities we see for Cxbladder in the US and around the world.

Risk	Mitigation
Market disruption caused by an adverse event negatively impacts sales volumes and / or reimbursement	<p>The Board acknowledge the risks associated with the high concentration of revenue generated from the US Market and within the US market at this point in time, the high concentration of that revenue derived from reimbursement by CMS. This risk has manifested with the Novitas decision announced June 2023 which is expected to reduce revenue substantially from FY 23 levels until Cxbladder tests regain coverage. In the year ended March 2023 (FY 23), tests for Medicare and Medicare Advantage generated -\$15.3 million, or 77.3%, of FY 23 total operating revenue. Post 17 July 2023, reimbursement of any new tests performed and attributable to Medicare and Medicare Advantage is expected to generate no or minimal revenue after this determination by Novitas.</p> <p>Mitigation of market disruption risk can come from multiple payor, geographic and product exposures, increased clinical evidence generation supporting the ongoing adoption of Cxbladder and clinical guidelines inclusion, seeking adoption and reimbursement from new healthcare providers and the adoption of alternate payment methods (such as patient pay) for tests performed. As we introduce additional products in new areas, we will continue to reduce our exposure to any potential payor, geographic or product market disruption.</p> <p>These mitigations are not expected to fully offset any reduction in revenue attributable to the determination from Novitas in the short term.</p> <p>Being closer to the market by having an in-market presence, with key senior Pacific Edge executives and decision makers, who have local expertise, knowledge and can act swiftly to counter the negative impact in the event of a market disruption. E.g Pacific Edge Diagnostics USA.</p> <p>Addition of in-home-sampling service enables continuation of tests during disruption caused by inability of patients to visit clinics.</p> <p>Strengthened balance sheet with strong cash reserves provides ability to continue to operate during disruption.</p>
Manufacturing disruption negatively impacts our ability to operate and /or meet our User Experience standards	<p>The PEDUSA and PEDNZ laboratories are CLIA certified, with each laboratory operating identical equipment and validated processes to run the suite of Cxbladder assays. The PEDNZ laboratory is able to provide backup for PEDUSA for the majority of tests if needed.</p> <p>Dedicated supply chain logistics manager and alternative suppliers validated which maintained consumables' supplies during the COVID-19 pandemic and the ongoing supply-chain challenges globally.</p> <p>Increased stock held on hand in market to mitigate the risk of delays in supply.</p> <p>Insurance policies in place and reviewed regularly including business continuity.</p>



Risk	Mitigation
Key person risk - loss of key capability at short notice	<p>We have cross training for key roles and Employment Agreements generally include 3 month notice periods in NZ.</p> <p>PEB has developed remuneration policies that position it well to retain key staff in NZ and USA.</p> <p>Focus on retaining key staff to provide the best opportunity to regaining CMS coverage in the United States.</p> <p>Key person insurance for CEO in place.</p>
Regulatory or policy changes impact our ability to operate in the US Market	<p>Completed clinical studies published in peer-reviewed journals have validated our test performance.</p> <p>Clinical studies in progress targeted to provide additional clinical utility data supporting wider adoption by the medical community and wider reimbursement by funders and third party payers.</p> <p>We have dedicated specialists working in Market Access and Payer Relations</p> <p>We have negotiated agreements in place with major medical insurers in the USA.</p> <p>We continue to invest in Research and Development for Cxbladder products, focused on providing ongoing improvements in test performance.</p> <p>In the USA we have a established a highly-credible Medical Affairs team to promote the adoption in the medical community by:</p> <ul style="list-style-type: none"> <li>- Reviewing clinical practice to ensure that Cxbladder products are utilized compliantly in accordance with established medical necessity</li> <li>- Communicating our clinical evidence portfolio as scientific peers to our clinician customers in support of the sales process</li> <li>- Serving as scientific and medical experts to internal colleagues at Pacific Edge</li> <li>- Establishing Key Opinion Leader (KOL) engagement programs, such as Speakers' Bureau and Advisory Boards to foster greater understanding of our products and medical credibility in our community</li> <li>- Tightly monitoring clinical study sites to enroll eligible patients quickly into our clinical studies</li> </ul> <p>We are targeting modest opportunities outside the USA through our PEDUSA Team and APAC markets from our PEDNZ Team.</p>
Competitor activity	<p>We have yet to observe any competing bladder cancer diagnostic product that has developed clinical evidence in a robust AV, CV, CU framework required for coverage and guidelines inclusion.</p> <p>Matching or improving upon the existing AV, CV, CU and real world evidence for Cxbladder would take substantial time and money and is the most significant barrier to entry.</p> <p>We continue to invest in Research and Development for Cxbladder products, to improve test performance and value for clinical decision making. During the FY 23 year we announced Cxbladder Detect* , a new test enhanced with DNA biomarkers that we are now advancing as a single product for hematuria evaluation.</p> <p>We are focused on building a strong and loyal customer base with recurrent and frequent ordering of our tests through an excellent customer experience.</p>
Know-how and Intellectual property are jeopardised	We have an intellectual property portfolio, supplemented by trade secrets.

Risk	Mitigation
Maintaining regulatory compliance in order to market and sell product and maintain market confidence	<p>The PEDNZ lab operates under ISO:15189, IANZ and CLIA. The PEDUSA lab operates under CAP, CLIA and NYS. We have SOPs developed with expert consultants that adhere to the highest standard and regularly perform internal audits.</p> <p>We continuously monitor the regulatory environment for changes that may affect our business.</p> <p>We have a successful history of regulatory review in both operating laboratories in New Zealand and the USA.</p> <p>PEL operates a Quality Management System (QMS) ISO9001 which is assessed for compliance by Telarc. This QMS provides systems and processes which control the quality of reagents, standards and controls manufactured and supplied to PEDNZ and PEDUSA.</p>
Financial failure due to lack of capital and high cash burn	<p>The Company closely manages its existing capital base. It had \$77.8m of cash and cash equivalents as at 31 March 2023.</p> <p>The Company's strategy and annual business plans are milestone focused and operating expenditure is closely linked to achievements of those milestones to ensure cash burn is managed within the capital available and aligned with success.</p>
FX Risk, counterparty risk, liquidity risk and interest rate risk	A comprehensive Treasury Policy is in place to manage liquidity risk, FX risk, counterparty credit risk, cash management and interest rate risk. The Treasury Policy is reviewed at regular meetings of the board and compliance with policy is monitored by the Audit and Risk committee.
Health and safety- work-related injuries or illness	<p>We report our health and safety metrics and progress in implementing new initiatives regularly to the Board of Directors.</p> <p>The Group is engaging external consultants to conduct a complete review of the Health and Safety policies and framework within the Group.</p>
Cyber security and data protection - cyber attack results in disruption to operations and/or data breach	Regular monitoring and reporting of network security, including the use of independent reviews and audits to test and identify potential risks.
Listed company related risks including lack of liquidity in the Company's shares, misleading disclosures or a breach of our continuous disclosure obligations	<p>We are aware of the risks associated with our shares, such as low levels of liquidity, a number of large investors, high volatility in share price and external influences from investor confidence. The dual listing on the ASX in September 2021 provided some mitigation to this risk.</p> <p>We have an investor relations activity programme that seeks to inform both existing and potential investors about the Group.</p> <p>Disclosures are approved prior to release by members of the Board and Management, who actively consider the need, timing, form and content of disclosures to the market to ensure we comply with NZX/ASX and the FMA rules and requirements.</p>

# STAUTORY INFORMATION

For the year ended 31 March 2023

## DIRECTORS' INTERESTS

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

Directors disclosed interests, or cessation of interest, in the following entities pursuant to section 140 of the Companies Act 1993 during the year ended 31 March 2023.

Director/Entity	Relationship
<b>C. Gallaher</b>	
Ashdown Group Pty Ltd	Director
Mariposa Ltd	Chairman
VinLink Marlborough Ltd	Chairman
<b>S. Park</b>	
National Provident Fund	Trustee
Orbis Diagnostics Limited	Director
Waiapu Anglican Social Services Trust	Chair of Audit and Risk Committee
Rapid Response Nursing Limited	Director and Shareholder
Even Capital GP Limited	Director and Shareholder
Scotch and Sparkles Limited	Director and Shareholder
<b>B. Williams</b>	
Cartherics Pty Ltd	Director and Shareholder
Pacifik Biopharma Ltd	Director and Shareholder
Cleveland Clinic	Consultant & Advisor
EngeneIC Pty Ltd	Director
Zehna Therapeutics (wholly owned subsidiary of the Cleveland Clinic)	Director
<b>A. Masfen</b>	
Albert Nominees Limited	Director
Artemis Capital Limited	Director
Masfen Securities Limited	Director
Mill Creek Limited	Director
Pure Food Limited	Director and Shareholder
TBL Trustees Limited	Director
TBL Holdings Limited	Director
TecTrax Limited	Director
Windfarm Group W2 Limited	Director
<b>A. Stove</b>	
Rua Bioscience Limited	Chair and Shareholder
TAB NZ	Deputy Chair
Progressive Farms Ltd	Director and Shareholder
<b>M. Green</b>	
Obsidian Capital & Advisory Limited	Director and Shareholder
Mariposa Holdings Limited	Director
Obsidian Capital Trust Limited	Director and Shareholder
The Better Product Group	Chair and Shareholder
<b>A. Barclay</b>	
Baymatob Pty Limited	Chair and Shareholder
Veriphi Limited	Director and Shareholder

## DIRECTOR APPOINTMENT DATES

The dates below are the first appointment dates for all current Directors. Directors have been re-appointed at Annual Shareholder Meetings, when retiring by rotation.

A. Barclay	21 March 2022
C. Gallaher	1 July 2016
M. Green	10 May 2021
A. Masfen	1 April 2008
S. Park	5 December 2018
A. Stove	15 March 2021
B. Williams	1 June 2013

## DIRECTORS' SECURITY HOLDINGS

Securities in the Company in which each Director and associated person of each Director, has a relevant interest, are specified in the table below as at 31 March 2023.

Number of Equity Securities	2023	2022
A. Barclay	20,000	20,000
C. Gallaher	602,058	602,058
M. Green	-	-
A. Masfen	-	-
S. Park	58,591	58,591
A. Stove	5,000	5,000
B. Williams	237,427	237,427

## 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.

## 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 2023:

A. Barclay, C. Gallaher, M. Green, A. Masfen, S. Park, A. Stove, and B. Williams.

**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 2023.

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 2023 are included in the relevant bandings for remuneration above.

No remuneration is paid to any Director of a subsidiary company for their position as Director of that subsidiary company.

The persons who held office as Directors of subsidiary companies at 31 March 2023 are as follows:

Pacific Edge Diagnostics New Zealand Limited	S. Park, A. Masfen, M. Green
Pacific Edge Analytical Services Limited	S. Park, A. Masfen, M. Green
Pacific Edge Diagnostics USA Ltd	B. Williams, D. Levison, C. Gallaher , P. Meintjes
Pacific Edge Pty Ltd	B. Williams, C. Gallaher, P. Meintjes
Pacific Edge Diagnostics Singapore Pte Ltd	A. Stove, B. Williams, G. Gibson, Singaporean Nominee Director

**TWENTY LARGEST EQUITY SECURITY SHAREHOLDERS AS AT 31 MAY 2023**

Rank	Registered Shareholder	Number of Shares	% of Total Shares
1	New Zealand Central Securities Depository Limited	331,053,251	40.85
2	FNZ Custodians Limited	48,730,286	6.01
3	Forsyth Barr Custodians Limited	47,203,270	5.82
4	New Zealand Depository Nominee	27,389,208	3.38
5	Masfen Securities Limited	22,121,378	2.73
6	K One W One Limited	21,091,520	2.60
7	Pt Booster Investments Nominees Limited	11,440,693	1.41
8	Custodial Services Limited	9,975,735	1.23
9	JBWERE (Nz) Nominees Limited	8,112,418	1.00
10	Leveraged Equities Finance Limited	8,050,344	0.99
11	FNZ Custodians Limited	6,990,116	0.86
12	Forsyth Barr Custodians Limited	6,246,632	0.77
13	Carol Anne Edwards & Graeme Brent Ramsey	5,537,037	0.68
14	Kevin Glen Douglas & Michelle Mckenney Douglas	3,425,000	0.42
15	Steven Cyril Hancock & Bronwyn Hilda Hancock	3,140,000	0.39
16	Minggang Chen	3,000,000	0.37
17	Ballynagarrick Investments Limited	2,615,671	0.32
18	National Nominees Limited	2,059,491	0.25
19	Hao Zeng & Qunhui Wu	2,008,002	0.25
20	HSBC Custody Nominees (Australia) Limited	1,945,710	0.24
	<b>Total</b>	<b>572,135,762</b>	<b>70.57</b>

**SHAREHOLDERS HELD THROUGH NZCSD AS AT 31 MAY 2023**

New Zealand Central Securities Depository Limited (NZCSD) provides a custodian depository service that allows electronic trading of securities to its members and does not have a beneficial interest in these shares. As at 31 May 2023, the ten largest shareholdings in the company held through NZCSD were:

Rank	Registered Shareholder	Number of Shares	% of Total Shares in the Company
1	HSBC NOMINEES (NEW ZEALAND) LIMITED	57,385,640	7.08
2	BNP PARIBAS NOMINEES NZ LIMITED	53,553,396	6.61
3	TEA CUSTODIANS LIMITED	41,413,417	5.11
4	PREMIER NOMINEES LIMITED	32,924,993	4.06
5	ACCIDENT COMPENSATION CORPORATION	29,912,075	3.69
6	JPMORGAN CHASE BANK	23,986,868	2.96
7	CITIBANK NOMINEES (NZ) LTD	23,452,656	2.89
8	PRIVATE NOMINEES LIMITED	17,814,333	2.20
9	COGENT NOMINEES (NZ) LIMITED	10,469,588	1.29
10	HSBC NOMINEES (NEW ZEALAND) LIMITED	8,397,313	1.04
	<b>TOTAL</b>	<b>299,310,279</b>	<b>36.93</b>

**SPREAD OF SECURITY HOLDERS AS AT 31 MAY 2023**

	No. of Ordinary Security Holders	% of Issued Capital
1 - 1,000	892	0.06%
1,001 - 5,000	2,084	0.73%
5,001 - 10,000	1,230	1.16%
10,001 - 50,000	2,128	6.00%
50,001 - 100,000	440	3.90%
Greater than 100,001	519	88.15%
<b>Total Security Holders</b>	<b>7,293</b>	<b>100.00%</b>

**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 2023, 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 2023	% of Issued Capital
ANZ New Zealand Investments Limited, ANZ Bank New Zealand Limited and ANZ Custodial Services NZ Ltd	45,015,065	5.555%
Westpac Banking Corporation	52,810,384	6.517%
Salt Funds Management Limited	48,114,089	5.937%
Harbour Asset Management Limited and Jarden Securities Limited	127,988,137	15.794%

**DONATIONS**

The Group made no donations during the year.

**CREDIT RATING**

The Company currently does not have a credit rating.

**WAIVERS FROM NZX LISTING RULES**

No waivers were granted by NZX during the year ended 31 March 2023.

**EXERCISE OF NZX POWERS (LISTING RULE 9.9.3)**

NZX did not exercise its powers during the year under Listing Rule 9.9.3.

**COMPANY DIRECTORY**

As at 31 March 2023

**Issued Capital**

810,365,218 Ordinary Shares

**Registered Office**

Anderson Lloyd  
Level 12, Otago House  
Cnr Moray Place and Princes Street  
Dunedin

**Directors**

C. Gallaher – Chairman  
B. Williams – Deputy Chairman  
A. Masfen  
S. Park  
A. Stove  
M. Green  
A. Barclay

**Chief Executive Officer**

Peter Meintjies

**Chief Financial Officer**

Grant Gibson

**Nature of Business**

Research, develop and commercialize new diagnostic and prognostic tools for the early detection and management of cancers.

**Auditors**

PricewaterhouseCoopers  
Christchurch

**Bankers**

Bank of New Zealand  
Dunedin

ANZ  
Dunedin

Kiwibank  
Dunedin

Westpac  
Dunedin

Wells Fargo  
San Francisco

**Solicitors**

Anderson Lloyd  
Level 12, Otago House  
Cnr Moray Place and Princes Street  
Dunedin

**Securities Registrar**

Link Market Services Limited  
138 Tancred Street  
Ashburton

**Company Number**

1119032

**Date of Incorporation**

27th February 2001

**PACIFIC EDGE COMMUNICATIONS****Websites**

[www.pacificedgedx.com](http://www.pacificedgedx.com)  
[www.cxbladder.com](http://www.cxbladder.com)

**Facebook**

[www.facebook.com/PacificEdgeLtd](https://www.facebook.com/PacificEdgeLtd)  
[www.facebook.com/Cxbladder](https://www.facebook.com/Cxbladder)

**Twitter**

@PacificEdgeLtd  
@Cxbladder

**LinkedIn**

[www.linkedin.com/company/pacific-edge-ltd](https://www.linkedin.com/company/pacific-edge-ltd)



**PACIFIC EDGE**   
CANCER DIAGNOSTICS COMPANY

Centre for Innovation, 87 St David Street, PO Box 56, Dunedin, New Zealand

P 0800 555-563 (NZ, toll free), +64 3 577-6733

F +64 3 974-9393

[www.pacificedgedx.com](http://www.pacificedgedx.com)