



INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS
ENDED 30 SEPTEMBER 2020



PACIFIC EDGE PLC
CANCER DIAGNOSTICS COMPANY

Interim Financial Statements

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STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2020

	NOTES	UNAUDITED SEPT 2020 6 MONTHS (\$'000)	UNAUDITED SEPT 2019 6 MONTHS (\$'000)	AUDITED MARCH 2020 12 MONTHS (\$'000)
REVENUE				
Operating Revenue	4	3,326	2,285	4,370
Total Operating Revenue		3,326	2,285	4,370
Other Income	4	558	282	584
Interest Income		173	115	249
Foreign Exchange Gain (Loss)		3	19	(5)
Total Revenue and Other Income		4,060	2,701	5,198
OPERATING EXPENSES				
Laboratory Operations		2,540	2,656	5,181
Research		2,339	1,974	3,916
Sales and Marketing		3,366	4,102	8,571
General and Administration		2,908	3,358	6,416
Total Operating Expenses	5	11,153	12,090	24,084
NET (LOSS) BEFORE TAX		(7,093)	(9,389)	(18,886)
Income Tax Expense		-	-	-
(LOSS) FOR THE PERIOD AFTER TAX		(7,093)	(9,389)	(18,886)
<i>Items that may be reclassified to profit or loss:</i>				
Translation of Foreign Operations		14	(17)	(96)
TOTAL COMPREHENSIVE (LOSS) attributable to equity holders of the Company		(7,079)	(9,406)	(18,982)
Earnings per share for profit attributable to the equity holders of the Company during the period				
Basic and Diluted Earnings per share		(0.010)	(0.018)	(0.032)

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

STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2020

	NOTES	SHARE CAPITAL (\$000)	RETAINED EARNINGS (\$000)	SHARE BASED PAYMENTS RESERVE (\$000)	FOREIGN CURRENCY TRANSLATION RESERVE (\$000)	TOTAL EQUITY (\$000)
UNAUDITED 6 MONTHS TO 30 SEPT 2019						
Balance as at 31 March 2019		146,403	(137,877)	4,507	877	13,910
(Loss) After Tax		-	(9,389)	-	-	(9,389)
Other Comprehensive Income		-	-	-	(17)	(17)
TOTAL COMPREHENSIVE (LOSS) attributable to equity holders of the Company		-	(9,389)	-	(17)	(9,406)
<i>Transactions with owners in their capacity as owners:</i>						
Issue of Share Capital	7	-	-	-	-	-
Share Based Payments - Employee Remuneration	7	112	-	-	-	112
Share Based Payments - Employee Share Options	7	-	435	(115)	-	320
Balance as at 30 September 2019		146,515	(146,831)	4,392	860	4,936
AUDITED 12 MONTHS TO 31 MARCH 2020						
Balance as at 31 March 2019		146,403	(137,877)	4,507	877	13,910
(Loss) After Tax		-	(18,886)	-	-	(18,886)
Other Comprehensive Income		-	-	-	(96)	(96)
TOTAL COMPREHENSIVE (LOSS) attributable to equity holders of the Company		-	(18,886)	-	(96)	(18,982)
<i>Transactions with owners in their capacity as owners:</i>						
Issue of Share Capital	7	18,857	-	-	-	18,857
Share Based Payments - Employee Remuneration	7	163	-	-	-	163
Share Based Payments - Employee Share Options	7	-	521	35	-	556
Balance as at 31 March 2020		165,423	(156,242)	4,542	781	14,504
UNAUDITED 6 MONTHS TO 30 SEPT 2020						
Balance as at 31 March 2020		165,423	(156,242)	4,542	781	14,504
(Loss) After Tax		-	(7,093)	-	-	(7,093)
Other Comprehensive Income		-	-	-	14	14
TOTAL COMPREHENSIVE (LOSS) attributable to equity holders of the Company		-	(7,093)	-	14	(7,079)
<i>Transactions with owners in their capacity as owners:</i>						
Issue of Share Capital	7	21,968	-	-	-	21,968
Share Based Payments - Employee Remuneration	7	284	-	-	-	284
Share Based Payments - Employee Share Options	7	348	404	38	-	790
Balance as at 30 September 2020		188,023	(162,931)	4,580	795	30,467

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

BALANCE SHEET

AS AT 30 SEPTEMBER 2020

	NOTES	UNAUDITED SEPT 2020 6 MONTHS (\$000)	UNAUDITED SEPT 2019 6 MONTHS (\$000)	AUDITED MARCH 2020 12 MONTHS (\$000)
CURRENT ASSETS				
Cash and Cash Equivalents		6,283	2,737	1,755
Short Term Deposits		23,000	2,000	13,029
Receivables		1,656	952	642
Inventory		791	828	796
Other Assets		760	923	694
Total Current Assets		32,490	7,440	16,916
NON-CURRENT ASSETS				
Property, Plant and Equipment		664	661	652
Right of Use Assets	12	3,652	1,500	1,581
Intangible Assets		176	208	179
Total Non-Current Assets		4,492	2,369	2,412
TOTAL ASSETS		36,982	9,809	19,328
CURRENT LIABILITIES				
Payables and Accruals		2,136	3,372	3,270
Borrowings	14	803	-	-
Lease Liabilities	12	1,264	1,149	983
Total Current Liabilities		4,203	4,521	4,253
NON-CURRENT LIABILITIES				
Lease Liabilities	12	2,312	352	571
Total Non-Current Liabilities		2,312	352	571
TOTAL LIABILITIES		6,515	4,873	4,824
NET ASSETS		30,467	4,936	14,504
Represented by:				
EQUITY				
Share Capital	7	188,023	146,515	165,423
Accumulated Losses		(162,931)	(146,831)	(156,242)
Share Based Payments Reserve		4,580	4,392	4,542
Foreign Translation Reserve		795	860	781
TOTAL EQUITY		30,467	4,936	14,504



Director

For and on behalf of the Board of Directors

Dated 25th day of November 2020



Director

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

STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2020

	NOTES	UNAUDITED SEPT 2020 6 MONTHS (\$000)	UNAUDITED SEPT 2019 6 MONTHS (\$000)	AUDITED MARCH 2020 12 MONTHS (\$000)
CASH FLOWS TO OPERATING ACTIVITIES				
Cash was provided from:				
Receipts from Customers		2,553	2,350	4,431
Receipts from Grant Providers		277	641	1,184
Interest Received		183	161	241
		3,013	3,152	5,856
Cash was disbursed to:				
Payments to Suppliers and Employees		10,739	10,511	21,190
Net GST cash outflow (inflow)		(47)	46	51
		10,692	10,557	21,241
Net Cash Flows To Operating Activities	8	(7,679)	(7,405)	(15,385)
CASH FLOWS TO INVESTING ACTIVITIES:				
Cash was provided from:				
Proceeds from Short Term Deposits		13,029	8,000	8,000
		13,029	8,000	8,000
Cash was disbursed to:				
Purchase of Short Term Deposits		23,000	2,000	13,029
Capital Expenditure on Plant and Equipment		140	41	116
Capital Expenditure on Intangible Assets		42	30	67
		23,182	2,071	13,212
Net Cash Flows To Investing Activities		(10,153)	5,929	(5,212)
CASH FLOWS FROM FINANCING ACTIVITIES:				
Cash was received from:				
Proceeds from Borrowings	14	803	-	-
Ordinary Shares Issued	7	22,204	-	20,136
		23,007	-	20,136
Cash was disbursed to:				
Repayment of Leases		654	609	1,211
Issue Expenses	7	32	3	1,280
		686	612	2,491
Net Cash Flows From Financing Activities		22,321	(612)	17,645
Net Increase (Decrease) in Cash Held		4,489	(2,088)	(2,952)
Add Opening Cash Brought Forward		1,755	4,847	4,847
Effect of exchange rate changes on net cash		39	(22)	(140)
Ending Cash Carried Forward		6,283	2,737	1,755

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2020

1. SUMMARY OF ACCOUNTING POLICIES

The unaudited interim financial statements (“Interim Financial Statements”) presented are those of Pacific Edge Limited (“Company”) and its subsidiaries (“Group”). The Company is registered and domiciled in New Zealand for the purpose of developing and commercialising new diagnostic and prognostic tools for the early detection and management of cancers. Pacific Edge Diagnostics New Zealand Limited and Pacific Edge Diagnostics USA Limited manage and operate the laboratories used for the detection of bladder cancer. Pacific Edge Pty Limited’s purpose is to research and develop the Cxbladder products and other prognostic tools. Pacific Edge Diagnostics Singapore Pte Limited’s purpose is the sales and marketing of bladder cancer products and assisting with research and development and Pacific Edge Analytical Services Limited is a dormant entity.

The Company is a for profit entity, registered in New Zealand under the Companies Act 1993 and is a reporting entity for the purposes of the Financial Markets Conduct Act 2013. The Company is listed on the New Zealand Stock Exchange (NZX).

a) Basis of Preparation of Financial Statements

The Interim Financial Statements for the six months ended 30 September 2020 have been prepared in accordance with New Zealand Generally Accepted Accounting Practice (GAAP) and the Financial Markets Conduct Act 2013. The Group is designated as a profit-oriented entity for financial reporting purposes.

The Interim Financial Statements have been prepared in accordance with NZ IAS 34 - Interim Financial Reporting. In complying with NZ IAS 34, these consolidated Interim Financial Statements also comply with IAS 34 - Interim Financial Reporting and should be read in conjunction with the Company’s 2020 Annual Report. The Interim Financial Statements for the six months ended 30 September 2020 are unaudited. Comparative balances for 30 September 2019 are unaudited, whilst the comparative balances for 31 March 2020 are audited.

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

b) Accounting Policies and Accounting Estimates

All significant accounting policies have been applied on a basis consistent with those used in the audited financial statements of Pacific Edge Limited for the year ended 31 March 2020.

There has been a change in a Critical Accounting Estimate for commercial test revenue recognised in the US. This has resulted in Operating Revenue increasing by \$769,835 for the reporting period ended 30 September 2020.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2020

US revenue recognition from tests performed

NZ IFRS 15: Revenue from contracts with customers requires Directors to apply significant judgement to determine whether revenue can be recognised in advance of the receipt of cash.

The significant judgements adopted by the Group in applying NZ IFRS 15 criteria include:

- Determining if a contract with the customer exists;
- The rights of each party are identified;
- Payment terms are identified;
- The contract has commercial substance; and
- Determining whether it is probable that the entity will collect the consideration to which it is entitled.

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.

For the prior comparative periods (31 March 2020 and 30 September 2019) the Group had judged it is not probable that any consideration will be received from Centers for Medicare and Medicaid Services (CMS) as inclusion in the Local Coverage Determination (LCD) with the CMS had not yet been obtained, and that for customers covered by private insurance, or with no insurance cover, the Group could not reliably estimate both the probability and size of payment received. The Group therefore recognised Operating Revenue from the US when cash was received, with no revenue accrual for tests performed but unpaid at balance date.

On the 3rd 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 Centers for Medicare and Medicaid Services (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. The CMS provides healthcare coverage for all US citizens over 65 years. CMS tests currently make up approximately 40% of Pacific Edge’s current Commercial Tests in the US.

Since Cxbladder’s inclusion in the LCD, the Group has been able to reliably estimate both the probability and size of payment received from the CMS. The inclusion within 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.

The remaining tests covered by private insurance, or with no insurance cover, have not been included in the revenue accrual until further history provides the basis on which a reliable estimate of both the probability and size of payment received can be made.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2020

The Group has included in Operating Revenue recognition of revenue for tests performed for both Medicare and Medicare Advantage from 1 July 2020 (date at which Cxbladder was included within the LCD and reimbursement commenced) to 30 September 2020 for which payment has not been received by 30 September 2020. The amount included in both Operating Revenue in the Statement of Comprehensive Income and in Receivables in the Balance Sheet is US\$493,310 (NZ\$769,835).

Strong subsequent cash receipt from 1 October 2020 until the 25th November 2020 supports the accrual of revenue for the period ending 30 September 2020.

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 obligation and an invoice is issued to the customer, therefore revenue is recognised when the invoice is issued.

c) Authorisation

The Interim Financial Statements were authorised by the Board of Directors on 25th November 2020. The Annual Financial Statements for the year ended 31 March 2020 were authorised by the Board of Directors on 28th May 2020.

d) Audit

The Interim Financial Statements have not been audited. The comparative full year financial results for the year ended 31 March 2020 have been audited.

e) Basis of Consolidation

The following entities and the basis of their inclusion for consolidation in these Interim Financial Statements are as follows:

Name of Subsidiary	Place of Incorporation (or registration) and Operation	Principal Activity	Ownership Interests & Voting Rights	
			30 Sept 2020 (%)	30 Sept 2019 (%)
Pacific Edge Diagnostics New Zealand Limited	New Zealand	Commercial Laboratory Operation	100	100
Pacific Edge Pty Limited	Australia	Biotechnology Research & Development	100	100
Pacific Edge Diagnostics USA Limited	USA	Commercial Laboratory Operation	100	100
Pacific Edge Diagnostics Singapore Pte Limited	Singapore	Commercial Sales and Biotechnology Research & Development	100	100
Pacific Edge Analytical Services Limited	New Zealand	Dormant Company	100	100

NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2020

2. INVESTMENT AND ADVANCES IN SUBSIDIARIES

The consolidated Interim Financial Statements incorporate the assets and liabilities and results of Pacific Edge Diagnostics New Zealand Limited, Pacific Edge Diagnostics USA Limited, Pacific Edge Diagnostics Singapore Pte Limited, Pacific Edge Analytical Services Limited and Pacific Edge Pty Limited, all of which are 100% owned by the Company.

Subsidiaries have a 31 March balance date. The investments in and advances to subsidiaries are eliminated on consolidation in the Group financial statements.

3. DIVIDENDS

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

4. REVENUE AND OTHER INCOME

	Unaudited Sept 2020 6 Months (\$'000)	Unaudited Sept 2019 6 Months (\$'000)	Audited March 2020 12 Months (\$'000)
Cxbladder Sales - Recognised at a point in time			
- US	2,906	1,984	3,778
- Rest of World	420	301	592
Total Operating Revenue	3,326	2,285	4,370
Other Income			
Grant Revenue	303	49	98
Research Rebate Received	255	233	486
Total Other Income	558	282	584

NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2020

5. OPERATING EXPENSES

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

	Notes	Unaudited Sept 2020 6 Months (\$000)	Unaudited Sept 2019 6 Months (\$000)	Audited March 2020 12 Months (\$000)
Operating Expenses				
Amortisation		44	58	122
Auditors Remuneration				
- Group year end financial statements		68	73	129
- Half year review of financial statements		29	21	21
- R&D review of Callaghan Innovation		-	4	-
- Foreign statutory financial statements		6	-	21
		103	98	171
Depreciation		106	79	173
Depreciation on Right of Use Assets		569	571	1,132
Directors Fees		151	169	321
Employee Benefits		4,376	5,558	11,228
Employee Share Scheme Expenses		284	115	163
Employee Share Options		585	318	556
Interest on Lease Liabilities		37	48	65
Rental and Lease Expense*		19	20	22
Other Operating Expenses		4,879	5,056	10,131
Total Operating Expenses		11,153	12,090	24,084

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2020

Employee Share Options

Employee Share Options are a non-cash expense. Refer to Note 8 of the Annual Report for details of the accounting policy for Employee Share Schemes.

Employee Share Scheme

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

Other Operating Expenses

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

6. 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:

- Commercial:** The sales, marketing, laboratory and support operations to run the commercial businesses worldwide.
- 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 Revenue. The Chief Executive Officer assesses the performance of the operating segments based on net (loss) for the period.

Segment income, expenses and profitability are presented on a gross basis excluding inter-segment eliminations to best represent the performance of each segment operating as independent business units. The segment information provided to the Chief Executive Officer for the reportable segment described above, for the six months ended 30 September 2020, is shown on the following page.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2020

Unaudited 6 Months to 30 September 2020	Commercial (\$000)	Research (\$000)	Less: Eliminations (\$000)	Total External Income (\$000)
Income				
Operating Revenue - External	3,326	-	-	3,326
- Internal	-	-	-	-
Other Income	151	806	(399)	558
Interest Income	-	173	-	173
Foreign Exchange Gain	2	1	-	3
Total Income	3,479	980	(399)	4,060
Expenses				
Expenses	5,866	4,967	(399)	10,434
Depreciation & Amortisation	503	216	-	719
Total Operating Expenses	6,369	5,183	(399)	11,153
Loss Before Tax	(2,890)	(4,203)	-	(7,093)
Income Tax Expense	-	-	-	-
Loss After Tax	(2,890)	(4,203)	-	(7,093)
Net Cash Flow to Operating Activities	(4,053)	(3,626)	-	(7,679)

Audited 12 Months to 31 March 2020	Commercial (\$000)	Research (\$000)	Less: Eliminations (\$000)	Total External Income (\$000)
Income				
Operating Revenue - External	4,370	-	-	4,370
- Internal	-	-	-	-
Other Income	376	1,381	(1,173)	584
Interest Income	6	245	(2)	249
Foreign Exchange Gain	-	(5)	-	(5)
Total Income	4,752	1,621	(1,175)	5,198
Expenses				
Expenses	15,093	8,740	(1,175)	22,658
Depreciation & Amortisation	1,015	411	-	1,426
Total Operating Expenses	16,108	9,151	(1,175)	24,084
Loss Before Tax	(11,356)	(7,530)	-	(18,886)
Income Tax Expense	-	-	-	-
Loss After Tax	(11,356)	(7,530)	-	(18,886)
Net Cash Flow to Operating Activities	(9,910)	(5,475)	-	(15,385)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2020

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

Eliminations

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

Total Laboratory Throughput: (unaudited)

	Commercial (#tests)	Research (#tests)	Total (#tests)
Six months ended 30 September 2020	5,591*	1,273*	6,864*
Twelve months ended 31 March 2020	13,627	3,234	16,861
Six months ended 30 September 2019	6,573	1,574	8,147

* Refer to note 14 for further details of the impact of Covid-19 on test numbers.

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. Total Laboratory Throughput includes Commercial Tests, which are invoiced to customers and Research Tests which are not considered to be billable as these tests relate to user programs 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2020

Segment Assets and Liabilities Information:

As at 30 September 2020	Commercial (\$000)	Research (\$000)	Total (\$000)
Total Assets	5,805	31,177	36,982
Total Liabilities	4,895	1,620	6,515

As at 31 March 2020	Commercial (\$000)	Research (\$000)	Total (\$000)
Total Assets	2,374	16,954	19,328
Total Liabilities	2,842	1,982	4,824

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

Additions to non-current assets for the period include:

	Commercial (\$000)	Research (\$000)	Total (\$000)
Property, Plant & Equipment	80	91	171
Right of Use Assets	2,694	16	2,710
Intangible Assets	22	30	52
Total Additions to Non-Current Assets	2,796	137	2,933

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

There are no unallocated assets or liabilities.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2020

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 the US, Australia and New Zealand. Rest of World consists of Revenue from Australia and Singapore.

	Unaudited Sept 2020 6 Months (\$000)	Unaudited Sept 2019 6 Months (\$000)	Audited March 2020 12 Months (\$000)
Operating and Grant Revenue			
US	2,906*	1,987	3,778
New Zealand	584	341	675
Rest of World	394	239	501
Total Operating and Grant Revenue	3,884	2,567	4,954

* US Operating and Grant Revenue for the 6 months to September 2020 includes Accrual Revenue, not included in prior reported periods. Refer to note 1(b) for details.

The US accounted for 60% of non-current assets (March 2020: 37% and September 2019: 54%). Non-current assets located in New Zealand accounted for 39% of the Group's total (March 2020: 61% and September 2019: 45%), with Rest of World consisting of non-current assets in Australia and Singapore, holding 1% of the Group's total (March 2020: 2%, September 2019: 1%).

	Unaudited Sept 2020 6 Months (\$000)	Unaudited Sept 2019 6 Months (\$000)	Audited March 2020 12 Months (\$000)
Non-Current Assets			
US	2,702*	1,284	885
New Zealand	1,736	1,062	1,478
Rest of World	54	23	49
Total Non-Current Assets	4,492	2,369	2,412

* Increase in Non-Current Assets for the 6 months to September 2020 is impacted by Right of Use Asset increase from resigning of Lease. Refer to Note 12.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2020

7. SHARE CAPITAL

	Sept 2020 6 Months Shares (000)	Unaudited Sept 2020 6 Months (\$000)	Unaudited Sept 2019 6 Months (\$000)	Audited March 2020 12 Months (\$000)
Opening Balance	689,652	165,423	146,403	146,403
Issue of Ordinary Shares - Rights Issue and Direct Offers ¹	33,847	22,000	-	20,136
Issue of Ordinary Shares - Exercise of Share Options ²	620	348	-	-
Issue of Ordinary Shares - Employee Remuneration ³	645	284	115	163
Less: Issue Expenses	-	(32)	(3)	(1,279)
Movement	35,112	22,600	112	19,020
Closing Balance	724,764	188,023	146,515	165,423

There are 724,763,562 (March 2020: 689,652,227 and September 2019: 511,381,538) Ordinary Shares on issue.

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

¹ During the period 33,846,154 shares were issued under private placements at an average price of \$0.65 per share. (2020: 178,026,769, \$0.11)

² During the period 619,999 share options were exercised at an average price of \$0.33 per share (2020: Nil)

³ During the period 645,182 shares were issued as part of employees remuneration in lieu of cash payments at an average price of \$0.44 per share. (2020: 753,994, \$0.22)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2020

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

	Unaudited Sept 2020 6 Months (\$000)	Unaudited Sept 2019 6 Months (\$000)	Audited March 2020 12 Months (\$000)
Net Loss for the Period	(7,093)	(9,389)	(18,886)
Add Non Cash Items:			
Depreciation	106	79	173
Amortisation	44	58	123
Employee Share Options	585	318	556
Employee bonuses paid in shares in lieu of cash	284	115	163
Depreciation on right of use assets	569	571	1,131
Interest on finance leases shown in lease repayments	37	48	65
Total Non Cash Items	1,625	1,189	2,211
Add Movements in Other Working Capital items:			
(Increase) in Receivables and Other Assets	(1,081)	-	539
(Increase) in Inventory	6	14	46
Increase/(Decrease) in Payables and Accruals	(1,133)	799	698
Effect of exchange rates on net cash	(3)	(18)	7
Total Movement in Other Working Capital	(2,211)	795	1,290
Net Cash Flows to Operating Activities	(7,679)	(7,405)	(15,385)

9. CONTINGENT LIABILITIES

There were no known contingent liabilities at 30 September 2020 (March 2020: Nil and September 2019: Nil). The Company and Group have not granted any securities in respect of liabilities payable by any other party whatsoever.

10. CONTINGENT ASSETS

Approximately 40% of Cxbladder tests performed by the Group in the US up to 30th June 2020 relate to patients covered by the Centers for Medicare and Medicaid Services (CMS). The Group invoiced CMS for test performed for all patients with CMS coverage, however no revenue from these tests has been recognised.

On 3rd July 2020 the Company received a positive coverage decision from CMS, which results in the Company receiving reimbursement from CMS for all 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2020

The Company has commenced discussions with Novitas Solutions Inc who administer the health insurance for the Centers for Medicare & Medicaid CMS seeking reimbursement for tests performed prior to 30 June 2020 for patients covered by the CMS.

Tests performed prior to 30 June 2020 for CMS total 22,634.

No revenue has been recognised for these tests as they do not meet the definition of revenue as per IFRS 15 - Revenue from Contracts with Customers, as there is no certainty of any reimbursement on any of these tests performed prior to 30 June 2020, and there is no ability to reliably estimate the level of consideration that would be received if agreement can be reached with Novitas Solutions Inc over these previously performed tests.

11. CAPITAL COMMITMENTS

There are no capital commitments at 30 September 2020 (March 2020: Nil and September 2019: Nil).

12. RIGHT OF USE ASSET AND LEASE LIABILITY

During the six months to 30 September 2020, Pacific Edge Diagnostics USA Limited resigned the lease on the offices and laboratory in Hershey, Pennsylvania, for a further three years commencing 1 December 2020. The lease, including embedded operating costs related to the property have resulted in an increase in the Right of Use Asset and Lease Liability of US \$1.500m (NZ \$2.272m).

13. SUBSEQUENT EVENTS

There have been no subsequent events.

14. THE IMPACT OF COVID-19

In the markets the Group operates in, measures have been employed by Governments in an attempt to limit the spread of the Covid-19 virus. This restricted the ability for people to visit clinics and have tests performed for the occurrence of bladder cancer. This has resulted in reduced Test Throughput quantities seen by the Group in the six months to 30 September 2020 with Test Throughput of 6,864. This is 84% of the Test Throughput for the six months ended 30 September 2019 (8,147), and 79% of the Test Throughput for the six months ended 31 March 2020 (8,714).

The Company has seen Test Throughput increase from the lows seen April and May 2020 (average of 854 tests per month, down 41% on the average for April and May 2019), to Test Throughput of 1,431 for the month of September 2020 (up 8% on the Test Throughput for September 2019).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2020

As a result of the reduced throughput from patients visiting clinics, the Company has seen increased adoption of the unique in-home sampling system which allows patients to perform tests at home, with the results provided to their urologists. The Group has also seen increased sales activity with institutions as they seek alternative methods to treat their patients remotely.

The Group has also been able to reduce costs to offset reduced Test Throughput, with Operating Expenses for the six months to 30 September 2020 down 8% on the expenses for the six months to 30 September 2019, and down 7% on the six months to 31 March 2020. The Group has also received support in the form of Covid-19 relief packages from the Governments in New Zealand, Australia, Singapore and the US.

During the six months ending 30 September 2020, Pacific Edge Diagnostics USA Limited received US \$530,242 (NZ \$803,034) via the Paycheck Protection Program. The funds were provided as a loan to companies to support the retention of US staff during the Covid pandemic. Based on meeting criteria relating to staff retention, companies can apply to have this loan and accrued interest forgiven. The amount of loan forgiven will be reduced if the borrower terminates employees or reduces salaries during the forgiveness period. Pacific Edge Diagnostics USA Limited has applied for the loan to be forgiven, but at reporting date is yet to receive confirmation that this has occurred, resulting in the funds received being classified as Borrowings. Successful confirmation of loan forgiveness will result in the Borrowings stated in the 30 September 2020 Balance Sheet being recorded as Grant Revenue in the Statement of Comprehensive Income. Should the loan not be forgiven, Pacific Edge Diagnostics USA Limited will be required to repay the loan within a two year period from issue (April 2020) and pay interest at 1%.

Due to the unpredictability in test quantities from Covid-19, the Directors continue to closely monitor movements in test quantities for the Group and continue to take action where appropriate.

15. GOING CONCERN

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

As at 30 September 2020, the Company had \$29.283m of cash and cash equivalents on hand (March 2020: \$14.784m and September 2019: \$4.737m). The Company had net assets of \$30.467m at 30 September 2020 (March 2020: \$14.504m and September 2019: \$4.936m) and cash receipts totalling \$3.013m were received in the six month period to 30 September 2020 (twelve months ending 31 March 2020: \$5.856m and six months ending 30 September 2019: \$3.152m). Net cash out flows from operating activities for the six month period to 30 September 2020 were \$7.679m (twelve months ending 31 March 2020: \$15.385m and six months ending 30 September 2019: \$7.405m).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2020

While the Company continues to incur operating losses, the Company remains solvent, has \$29.383m in cash as at 30 September 2020 and continues to pay its debts as they fall due.

The Company obtained two significant commercial milestones in the six months to 30 September 2020, which have increased Cash Receipts from Customers for the six months to 30 September, and will have a positive impact on future revenues for the Company.

The first of these announced on 17th June 2020 was that the Company and US healthcare provider, Kaiser Permanente, have reached agreement for the commercial use of Pacific Edge's Cxbladder tests. Kaiser Permanente is one of the largest non-profit healthcare providers in the US, with over 12 million members. It operates 39 hospitals and employs approximately 23,000 physicians, and is expected to drive increased test numbers from November 2020 on completion of systems integration work.

The second of these announced on 3rd July 2020 was the positive LCD decision, resulting in the Company receiving reimbursement for all Cxbladder Monitor and Detect tests performed after 1 July 2020 for patients covered by the Centers for Medicare and Medicaid Services (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. The CMS provides healthcare coverage for all US citizens over 65 years. CMS tests currently make up approximately 40% of Pacific Edge's current Commercial Tests in the US.

The obtainment of these commercial milestones have had, and will continue to have a significant positive impact on the Company's financial position. The Company also continues to progress commercial negotiations with targeted large scale health organisations in the US and whilst these negotiations are taking longer than expected to complete, the Company continues to make good progress with these negotiations.

The Board of Directors has reviewed the forecasts of the Group and are satisfied that based on their review, there will be adequate cash flows generated from operating and financing activities to meet the obligations of the Group for at least twelve months from signing the financial statements.

16. RELATED PARTIES

Details of all related party relationships have been disclosed in the annual report for the year ended 31 March 2020. No new transactions with directors occurred that would be considered a related party.

For the period ended 30 September 2020, the CEO received incentive payments totalling \$286,582, consisting of cash (\$230,791) and shares (\$55,791). These incentive payments include payment of the FY20 incentives due, plus an additional incentive payment for the achievement of two significant commercial milestones - the agreement with Kaiser Permanente and the positive LCD decision.

The CEO was granted 750,000 share options in June 2020 under the Long-Term Incentive component of their remuneration package.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2020

17. NET TANGIBLE ASSETS

Net Tangible Assets per share is a non-GAAP measure that is required to be disclosed by the NZX Listing Rules. The calculation of the Group's Net Tangible Assets per share and its reconciliation to the consolidated balance sheet is presented below.

	Unaudited Sept 2020 6 Months (\$000)	Unaudited Sept 2019 6 Months (\$000)	Audited March 2020 12 Months (\$000)
Total Assets	36,982	9,809	19,328
Less Intangible Assets	176	208	179
Less Total Liabilities	6,515	4,873	4,824
Net Tangible Assets	30,291	4,728	14,325
Number of Shares Issued (000's)	724,764	511,382	689,652
Net Tangible Assets per share	\$0.042	\$0.009	\$0.021



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