PACIFIC EDGE
Cancer Diagnostic Company

FY18 Results Presentation
For the twelve months to 31 March 2018

29 May 2018

FY18 OVERVIEW

Our aim is to change long standing clinical practices and encourage adoption of Cxbladder:

- ✓ **More Customers**: Continued focus on building customer base, specifically in the US, the world's largest healthcare market. Singapore first commercial customer of scale
- ✓ **Transformational Customers**: Progressed commercial negotiations with targeted large scale healthcare organisations including Kaiser Permanente and the Centers for Medicare and Medicaid. Global first Cxbladder enters guidelines with large public healthcare provider in NZ
- ✓ **Increasing Throughput**: Increasing adoption of Cxbladder by urologists in the private and public sectors, resulting in growing sales and revenue
- ✓ **More Products**: Rollout of Cxbladder Monitor in the US and launch of Cxbladder Resolve in New Zealand and Australia
- ✓ **Growing Clinical Recognition**: Growing clinical recognition and validation. Mid-Central DHB signs up for all four Cxbladder products. CPT codes issued in the USA for Cxbladder products provide national recognition and precursor to product price setting.

MARKETS

USA remains the primary focus; New Zealand is moving quickly

United States:

- Growing number of urologists transitioning from User Programmes to commercial customers
- Granted CPT Codes by American Medical Association precedes price setting
- Signed contract with MediNcrease HealthPlan provides access to Cxbladder for more US customers

New Zealand: Addition of Cxbladder to the guidelines at CDHB . Mid Central DHB signs up for all four Cxbladder products. Waitemata DHB signs up for Cxbladder replacing the gold standard cystoscopy. Majority of NZ's large DHBs now actively using Cxbladder

Australia: Disappointing uptake to date. Working with distribution partner to drive trial and adoption focus is on the large institutions to drive uptake

Singapore: Signed commercial agreement with Raffles Medical Group Singapore. Four key hospitals underway with User Programmes

TRANSFORMATIONAL CUSTOMERS

Continue to be primary focus and opportunity for Pacific Edge

➢ **Kaiser Permanente**: Continuing commercial discussions. Working with Kaiser's staff on necessary business elements to ensure that the start-up of commercial tests can occur shortly after an agreement is reached	IN PROGRESS
✓ **Veterans Administration**: Federal supply schedule contract completed, sets price, now targeting 14 larger VA centres, early sales from two of the initial five centres targeted. Gaining traction at a slower pace than anticipated. User Programmes will be necessary to grow adoption. Approx 330 VA centres with similar clinical and financial needs as we see in NZ's DHB's	COMPLETED
✓ **TRICARE**: TRICARE provide healthcare to the active military and some veterans with a total of 9.4 million lives under coverage. The completed agreements with TRICARE and the Federal Supply Schedule contract provide a contracted price for all active and retired military.	COMPLETED
➢ **Centers for Medicare and Medicaid (CMS):** Continuing to work through the process required to gain the LCD, which will enable timely and consistent payments patients covered by Medicare.	IN PROGRESS
✓ **Canterbury District Health Board (CDHB)**: In a global first, CDHB have added Cxbladder Triage into their guidelines and replaced cytology and the gold standard cystoscopy in the initial work-up of all haematuria patients	COMPLETED

SUITE OF PRODUCTS DRIVING COMMERCIAL ADOPTION

Increasing availability of full product suite in target markets driving uptake

- Mid-central DHB sign-up for all four Cxbladder products
- Cxbladder Resolve now available in Australia; soft launch commenced in the US in December 2017 - commercial launch will follow peer reviewed science publication
- Rollout of Cxbladder Monitor across the US continues… adoption steadily increasing
- Publication of multiple clinical papers highlighting the continued high performance, clinical utility and cost benefits of Cxbladder. These key factors underpin clinical and budgetary decision making
- Global first: Canterbury DHB 'commercial lookback' on 12 months of successful commercial use:
  - Leads to broader use
  - Cxbladder replaces gold-standard cystoscopy
  - Highlights very successful performance of Cxbladder, driving ongoing positive adoption by other large healthcare providers and physician led discussions to have Cxbladder accepted into their Standard of Care

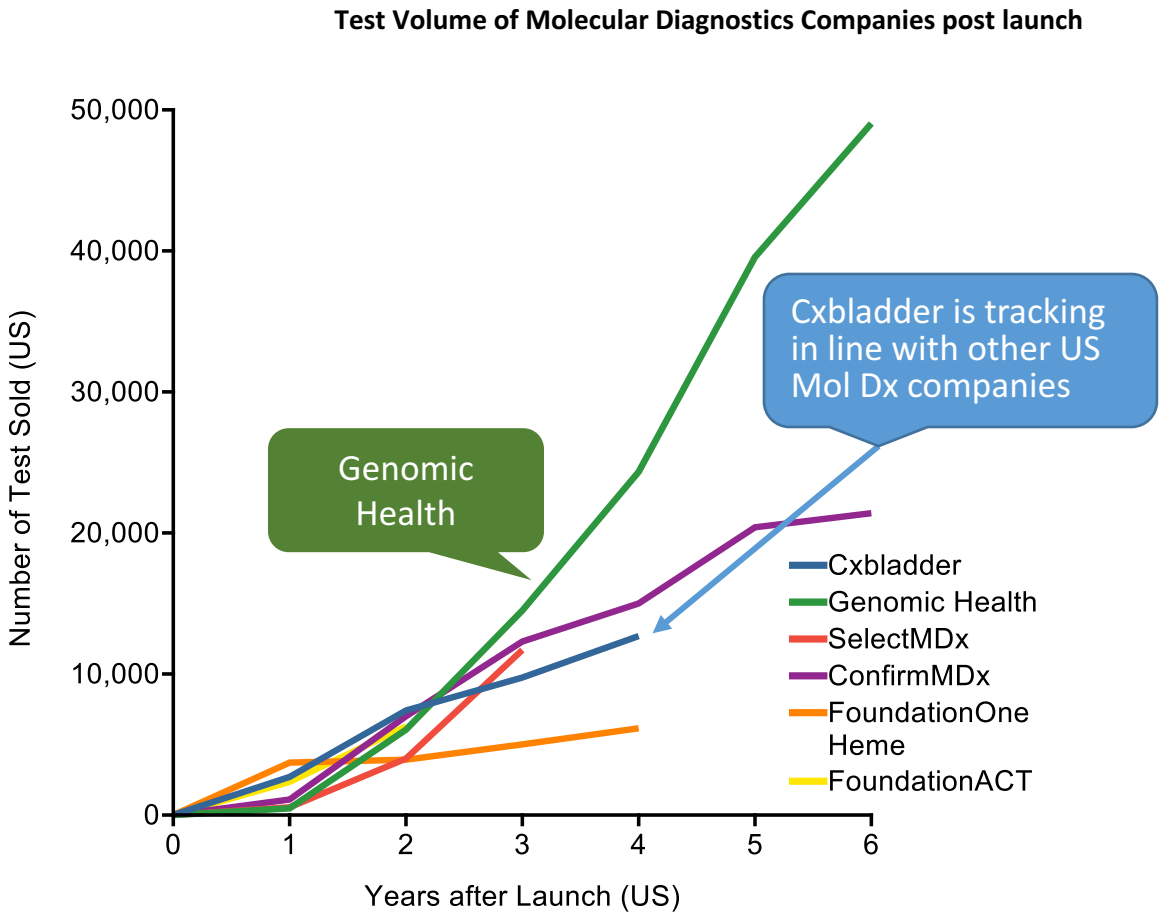
SALES CHANNELS

Shifted focus to large healthcare institutions

- Sales focus on large healthcare institutions has increased in all target markets following the success achieved in NZ
- Dedicated US sales team - additional resource focused on institutions
- User Programmes remain the primary driver for encouraging trial and adoption
- Focus on digital marketing with specific campaigns around key period – Bladder Cancer Awareness Month, Men's Health
- Working with academic centres and hospitals to gain acceptance of Cxbladder into their care pathways
- Recognition in a number of high profile business reports – TIN Top Ten Hot Emerging Companies, Deloitte Fast50 New Zealand, Deloitte Asia Pacific Technology Fast500, FT 1000 High Growth Companies Asia Pacific

PERFORMANCE IN LINE WITH PEERS

Cxbladder sales tracking well; in line with other leading molecular diagnostic companies in the US



*Cxbladder Pacific Edge Year 3 estimate from October 2017 Forecast

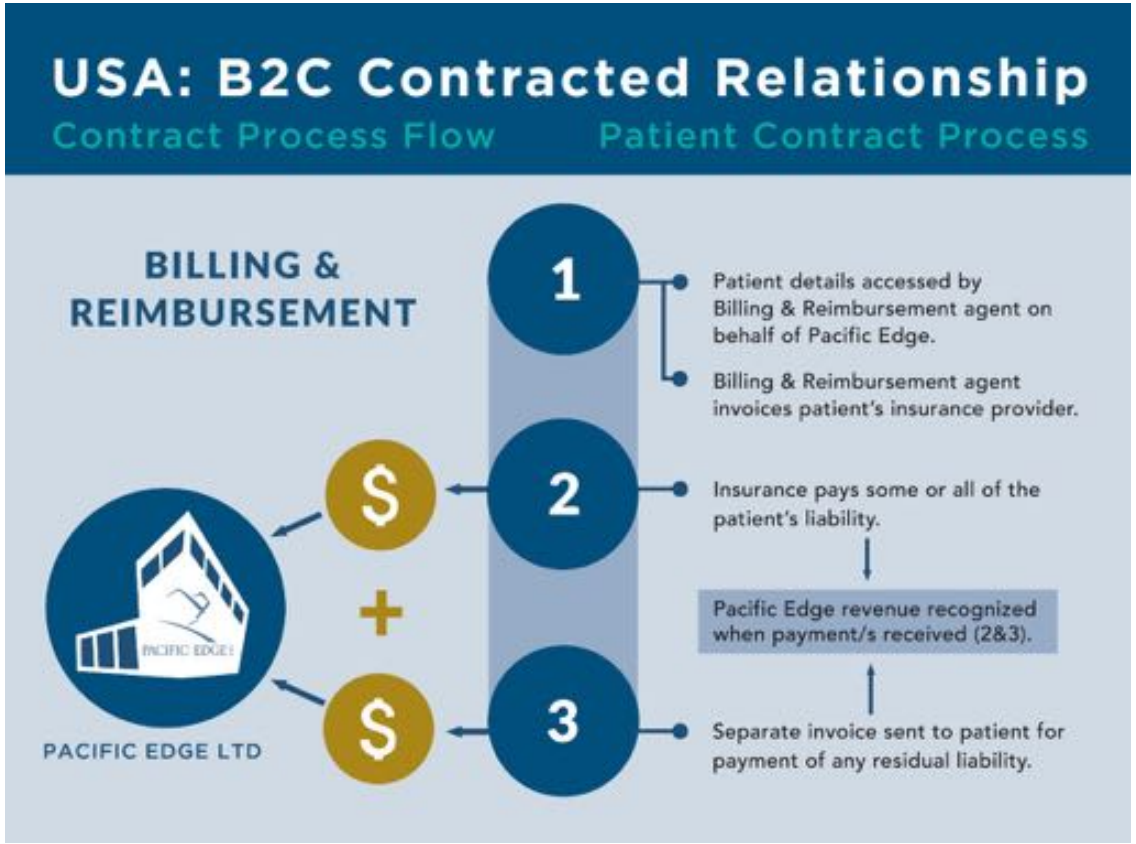
Gaining coverage and reimbursement decisions will be key to driving volume

- Sales of Cxbladder are currently in line with those of Genomic Health's Oncotype Dx and MDx Health's ConfirmMDx at the time of their launch
- Continuing to gain coverage and positive reimbursement decisions will be crucial to help accelerate test volume
- Guideline inclusion has also served as a key catalyst for sales volume and physician adoption for other diagnostic peers

PRELIMINARY FINANCIAL PERFORMANCE FOR FY18

USA B2C REIMBURSEMENT PROCESS

- The US reimbursement system is complex
- Currently, approx. 60% of Pacific Edge customers are directly with the patient (B2C relationship)
- Payment can take anywhere from 1 to 24 months to be received as the majority involves payment by either private or public insurance, with the bulk of cash receipts coming within 7 to 12 month period
- Commercial agreements with large institutions and private insurance companies will increase collectability of revenue
- The Centers for Medicare and Medicaid are seen as reimbursement leaders. attaining a Local Coverage Determination and price will provide payment for tests provided to patients covered by the CMS and faster collection times
- LCD and price setting for the CMS tests facilitate Pacific Edge's commercial negotiations with other insurance payers
- Pacific Edge sales teams increase focus on institutional healthcare organisations



NEW REVENUE REPORTING MODEL

Adoption of IFRS 15 – US cash based revenue recognition

As previously advised, Pacific Edge has adopted the new revenue accounting standard, NZ IFRS 15, for the 2018 financial year. This means that Pacific Edge now only recognises, in its financial statements, revenue for its US customers when cash payment is received. All other US tests sold in that financial period will remain active in the billing and reimbursement process until the cash is received.

Previously the revenue statements in the financial accounts included both cash received and accrued revenue for tests that had been billed in the financial year but where the revenue had yet to be received. See Chart on next page.

As Pacific Edge signs new agreements with insurance payers in the US and payment terms are guaranteed, it is likely that revenue will be accrued again, in advance of the payment being received.

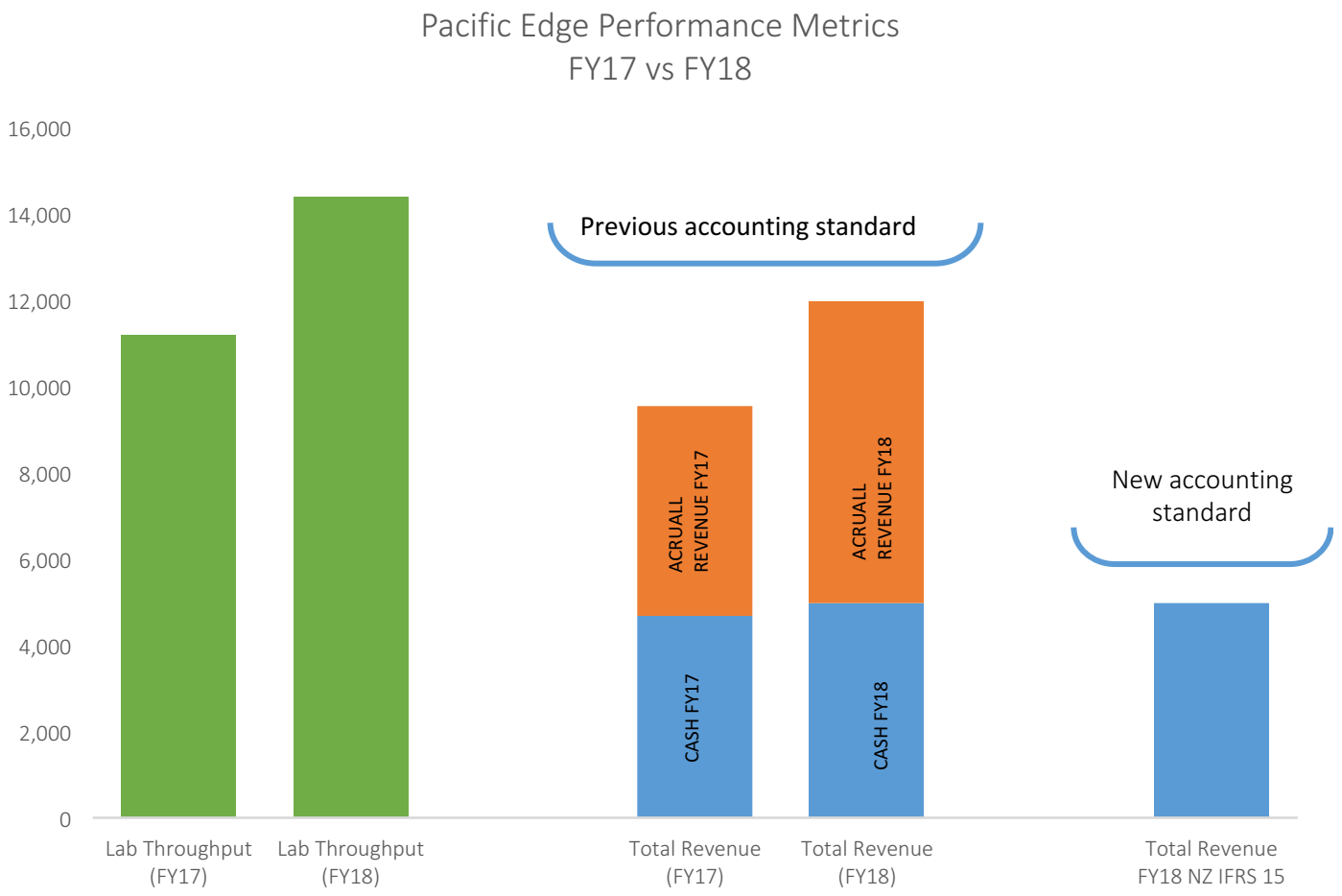
The Board believes this new reporting model provides a more representative view of Pacific Edge's cash revenues, particularly from the US.

FY17 financials have been restated under NZ IFRS 15 to provide meaningful analysis. A reconciliation will be available in Pacific Edge's 2018 full Financial Statements when they are released to NZX by the end of June.

- New revenue standards (NZ IFRS 15) results in only the cash component of the revenue being recognised for US patients in FY18
- US revenue that was previously reported as accrued revenue is now not recognised until the cash for those sales is received
- All tests sold and billed will continue on in the Pacific Edge billing and reimbursement process and actively chased for collection and booked as the cash is received

PERFORMANCE AGAINST FORECAST

Test throughput grows by 29%



1. All financial results reported in this graph are unaudited

- October 2017 forecast based on the assumptions that the commercial agreement with Kaiser Permanente would be in place from February 2018 and faster traction with sales to the Veterans Administration would occur. Both have taken longer than anticipated

✓ Despite this not yet having occurred, Pacific Edge achieved 95% of revenue target, 96% of billable test target and 91% of Laboratory Throughput target.

See slide 21 for numerical breakdown of forecast performance

FY18 SNAPSHOT

Using the new revenue reporting model: US revenue on cash basis

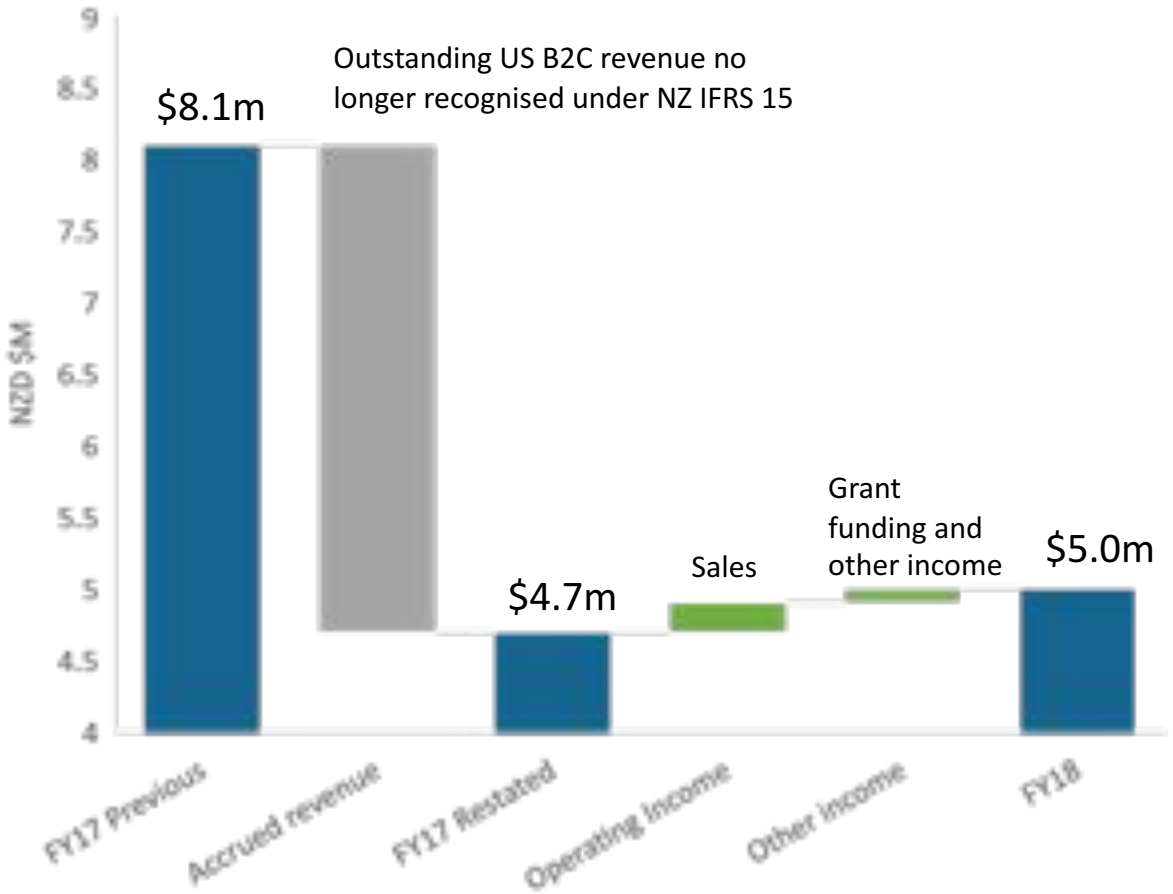
Performance ($ millions)	FY18 NZ IFRS[1] (Unaudited)	FY17 Restated[1] (NZ IFRS 15)	% Change	FY17 (Previously Reported)
Operating Revenue	**3.4**	**3.2**	**6%**	**8.1**
Other Revenue	**1.6**	1.5	7%	1.4
Total Revenue	**5.0**	4.7	6%	9.5
Operating Expenses	**24.6**	27.3	-10%	30.5
Net Loss	**(19.7)**	**(22.6)**	**-13%**	**(21.0)**
Net Operating Cashflow	**(18.1)**	(17.8)	1%	(17.8)
Cash on hand as at 31 March	**16.2**	14.6	11%	14.6

FY17 financials have been restated under NZ IFRS 15 to provide meaningful analysis. A reconciliation will be available in Pacific Edge's 2018 full Financial Statements which will be released to NZX by 30 June.

1. All financials reported in this table as calculated under the new accounting standard NZ IFRS 15 and are unaudited

FY17: FY18 REVENUE BRIDGE

Sales revenue increased +6% to $3.4m



REVENUE GROWTH

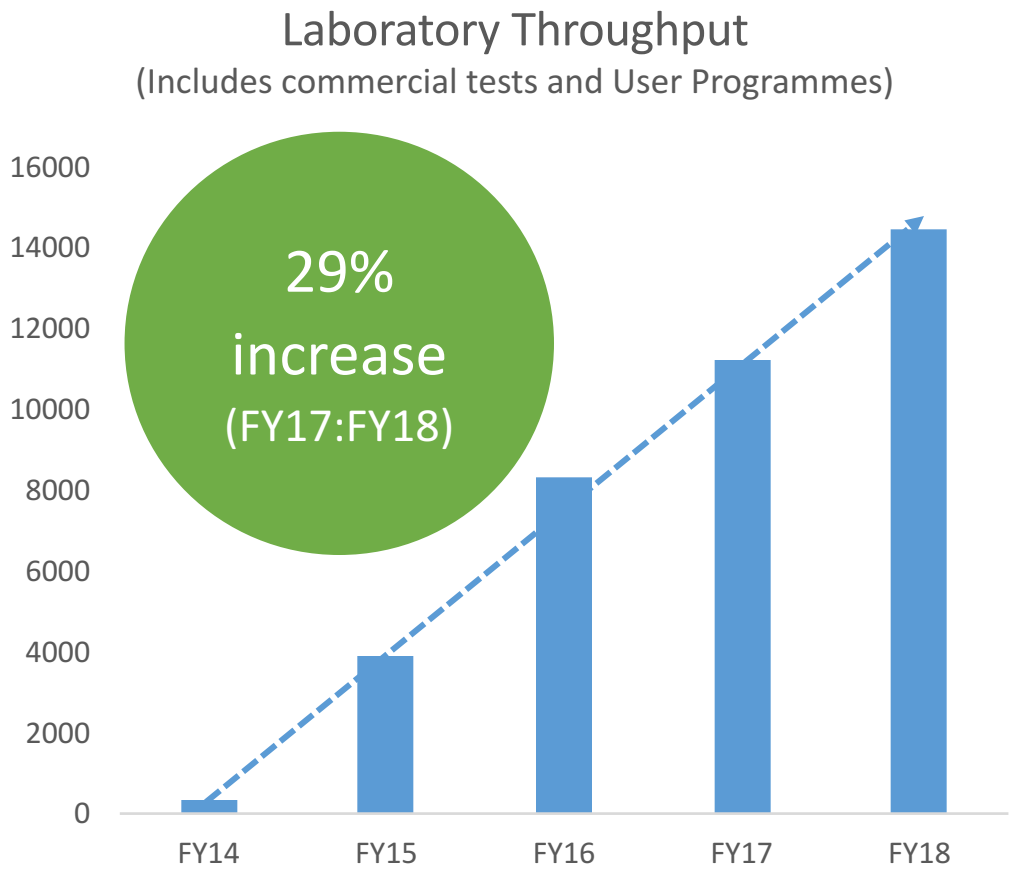
- ✓ 6% increase in revenue received for test sales to $3.4 million
- ✓ Positive growth in product sales, predominantly in the USA:
  - Increasing sales from existing and new customers
  - Initial sales from VA

Adoption of NZ IFRS 15:

- Smaller headline revenue number
- FY17 restated under new reporting standard
- US B2C revenue only recognised when cash payment received

LABORATORY THROUGHPUT

Cornerstone measure of the growth of the business



- ✓ **14,400 tests processed** in FY18 including commercial tests and User Programmes
- ✓ **Approx. 82% of tests were billable** in FY18 compared to 78% in FY17
- ➢ Approx. 23,000 tests estimated to be undertaken in FY19 (includes an estimate of throughput for both Kaiser Permanente and the CMS)

PROFIT AND LOSS

Revenue outgrows expenses by a net 13%

($ millions)	FY18 (NZ IFRS 15) [1]	FY17 Restated[1]	Change
TOTAL REVENUE	5.0	4.7	7%
Laboratory Expenses	2.1	1.4	42%
Research	4.9	6.6	(25%)
Sales and Marketing	2.2	1.9	15%
Employee Incentive Scheme	-	2.9	
Bad Debts	-	-	
Doubtful Debts	-	-	
Other	15.5	14.4	7%
TOTAL EXPENSES	24.6	27.3	(10%)
Total Loss	(19.7)	(22.6)	(13%)

- ✓ **Revenue outgrowing expenses by a net 13%** (FY18 on FY17): Total Revenue +7%; Op Expenses -10%
- ➢ Continued investment into four strategic areas: People, Products, Market Expansion and Intellectual Property
- ➢ Bad and Doubtful Debts relating to US accrued revenue no longer recognised under NZ IFRS 15
- ➢ Employee Incentive Scheme concluded in FY17 and incentive dispersed – non-cash item
- ➢ Overall, Pacific Edge reported a Net Loss of $(19.7)m for the year, in line with management expectations, and a 13% improvement on FY17

1. All financials reported in this table as calculated under the new accounting standard NZ IFRS 15 and are unaudited

OPERATING CASHFLOW

In line with previous year and management expectations

NET OPERATING CASHFLOWS ($ millions)	FY18 (NZ IFRS 15)[1]	FY17 Restated[1]
Receipts from:		
- customers	3.4	3.2
- grant providers	0.9	1.4
Interest received	0.1	0.7
Payments to suppliers and employees	22.6	23.2
Net Cash Flows To Operating Activities	(18.1)	(17.8)

- Payment terms currently average seven to 12 months lag between completion of test and payment by relevant US payer (insurer). Improvement expected as commercial agreements with US insurers, large institutions and CMS are achieved
- Completed $21.3 million rights issue in November 2017
- Cash and cash equivalents $16.2 million as at 31 March 2018.
- Debt free with funding from capital and technology grants for new product development, commercialisation, USA rollout and South East Asian market initiation

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OUTLOOK

FY19 Revenue Uplift Expected In Line With Annual Trends

- Focus on concluding contract with Kaiser Permanente and attaining LCD for CMS patients, which will ensure cash uplift and timely reimbursement from CMS
- Continuing uplift in commercial sales expected from existing and new customers
- Build on initial sales from targeted VA centres and expand number of centres being targeted
- Given the adoption of the new reporting standard and the longer time than anticipated to finalise commercial agreements with Kaiser and attain inclusion in the LCD for CMS patients, the company expects to provide updated guidance for FY19 later in the calendar year.

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APPENDIX: OUR PURPOSE AND STRATEGY

Delivering Innovative Solutions for the Early Detection and Management of Cancer

- Focus on haematuria and urothelial cancer; commercialising a suite of Cxbladder tests (one-stop-shop)
- The United States is the world's largest healthcare market and our primary focus.
- Have commercial partnerships in New Zealand and Australia and are establishing a presence in Singapore.
- Estimate that there are up to 5 million test opportunities for Cxbladder on patients with urothelial cancer in these markets every year, with an estimated total market size of up to US$7.5 billion.
- Targeting high growth. Four main areas of investment: People, Intellectual Property, Market Expansion and Product Development

PERFORMANCE AGAINST FORECAST

Numerical breakdown

	FY18 Forecast (Unaudited)	FY18 on 'like for like' basis (Unaudited)	% of Forecast Achieved	FY17 Previously Audited and Reported
Total Revenue ($m)	12.6	12.0	95%	9.5
Operating cashflow ($m)	(18.0)	(18.1)	101%	17.8
Laboratory Throughput	15,800	14,400	91%	11.2
Billable Tests	12,400	11,900	96%	8.4

Like for like basis using same accounting assumptions as for the October 2017 forecast

APPENDIX: NOTES TO THE FORECAST

US Revenue makes up approximately 90% of Pacific Edge's total revenue and remains our focus

US revenue makes up approximately 90% of Pacific Edge's total revenue with two significant contributors: Centers For Medicare and Medicaid services (CMS) and private insurance companies (Private Payers)

Pacific Edge's revenue model is common in the US while companies build commercial volume and apply for their Local Coverage Determination.

REIMBURSEMENT AND PAYMENT PROCESS FOR CMS AND PP

Centres For Medicare and Medicaid Services (CMS): Currently accounts for 50% of the US tests. Proportion will decrease as PPs enter into contract

Application for Local Coverage Determination (LCD): All companies seeking reimbursement from CMS must obtain an LCD, which is a long, iterative process

Process Cxbladder test for CMS patient

Invoice CMS and held on account until LCD received

Receive LCD which enables reimbursement for CMS patients

Negotiate contract price – based on commercial transactions in past 30 to 90 days ie tests for PP funded patients

Seek reimbursement for CMS tests previously processed and invoiced

Normal terms of trade for all future CMS transactions

Private Payers: Many different types of cover; will provide the majority of Pacific Edge's revenue in future

Out of contract: Higher price per test is achieved but but slow payment terms anywhere between 1 to 12 months

Process Cxbladder test for PP funded patient

Invoicing and collection of revenue managed by Pacific Edge's billing and reimbursement contractor, Quadax

Time lag between processing of test and payment creates distortion between matching of revenue accruals to cash receipts

Negotiate contract and highest possible price

Normal terms of trade for all future PP transactions

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