



**INTERIM
FINANCIAL
STATEMENTS**

FOR THE SIX MONTHS
ENDED 30 SEPTEMBER 2018



PACIFIC EDGE LTD
CANCER DIAGNOSTICS COMPANY

Interim Financial Statements

Statement of Comprehensive Income	3
Statement of Changes in Equity	4
Balance Sheet	6
Statement of Cash Flows	7

Notes to the Financial Statements

1. Summary of Accounting Policies	8
2. Investment and Advances in Subsidiaries	9
3. Dividends	9
4. Restatement	10
5. Revenue	12
6. Operating Expenses	13
7. Segment Information	14
8. Share Capital	17
9. Reconciliation of Cash used from Operating Activities with Operating Net Loss	18
10. Contingent Liabilities	18
11. Capital Commitments	18
12. Subsequent Events	18
13. Going Concern	19

STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2018

		UNAUDITED SEPT 2018 6 MONTHS (\$'000)	UNAUDITED SEPT 2017 6 MONTHS (\$'000) RESTATED	AUDITED MARCH 2018 12 MONTHS (\$'000)
	NOTES			
REVENUE				
Operating Revenue	5	2,033	1,425	3,400
Total Operating Revenue		2,033	1,425	3,400
Other Income	5	442	538	1,242
Interest Income		169	81	231
Foreign Exchange (Loss)/Gain		(5)	8	129
Total Revenue and Other Income		2,639	2,052	5,002
OPERATING EXPENSES				
Laboratory Operations		2,356	2,289	4,619
Research		1,666	2,156	4,384
Sales and Marketing		4,434	4,401	9,436
General & Administration		2,902	3,245	6,207
Total Operating Expenses	6	11,358	12,091	24,646
NET (LOSS) BEFORE TAX		(8,719)	(10,039)	(19,644)
Income Tax Expense		-	-	-
(LOSS) FOR THE YEAR AFTER TAX		(8,719)	(10,039)	(19,644)
Translation of Foreign Operations		1	(26)	(83)
TOTAL COMPREHENSIVE (LOSS) attributable to equity holders of the Company		(8,718)	(10,065)	(19,727)
Earnings per share for (loss) attributable to the equity holders of the Company during the year				
Basic and Diluted Earnings per share		(0.019)	(0.024)	(0.045)

Note: These 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 2018

	NOTES	SHARE CAPITAL (\$'000)	RETAINED EARNINGS (\$'000) RESTATED	SHARE BASED PAYMENTS RESERVE (\$'000)	FOREIGN CURRENCY TRANSLATION RESERVE (\$'000) RESTATED	TOTAL EQUITY (\$'000) RESTATED
UNAUDITED 6 MONTHS TO SEPT 2017						
Balance as at 31 March 2017		111,596	(94,507)	2,889	851	20,829
Adjustment on adoption of NZ IFRS 15 (net of tax)	4	-	(5,968)	-	112	(5,856)
Restated Balance as at 31 March 2017	4	111,596	(100,475)	2,889	963	14,973
Loss After Tax (as restated)		-	(10,039)	-	-	(10,039)
Other Comprehensive Income (as restated)		-	-	-	(26)	(26)
TOTAL COMPREHENSIVE (LOSS) attributable to equity holders of the Company		-	(10,039)	-	(26)	(10,065)
<i>Transactions with owners in their capacity as owners:</i>						
Issue of Share Capital (net of expenses)		-	-	-	-	-
Exercise of Employee Share Options		112	-	(18)	-	94
Share Based Payments-Employee Remuneration		80	-	-	-	80
Share Based Payment-Employee Share Options		-	-	140	-	140
Balance as at 30 September 2017		111,788	(110,515)	3,011	937	5,222
AUDITED 12 MONTHS TO 31 MARCH 2018						
Balance as at 31 March 2017		111,596	(100,475)	2,889	963	14,973
Loss after tax		-	(19,644)	-	-	(19,644)
Other Comprehensive Income		-	-	-	(83)	(83)
TOTAL COMPREHENSIVE (LOSS) attributable to equity holders of the Company		-	(19,644)	-	(83)	(19,727)
<i>Transactions with owners in their capacity as owners:</i>						
Issue of Share Capital (net of expenses)	8	20,020	-	-	-	20,020
Exercise of Employee Share Options		112	-	(18)	-	94
Share Based Payments-Employee Remuneration		96	-	-	-	96
Share Based Payment-Employee Share Options		-	-	1,184	-	1,184
Balance as at 31 March 2018		131,824	(120,119)	4,055	880	16,640
UNAUDITED 6 MONTHS TO SEPT 2018						
Balance as at 31 March 2018		131,824	(120,119)	4,055	880	16,640
Loss after tax		-	(8,719)	-	-	(8,719)
Other Comprehensive Income		-	-	-	1	1
TOTAL COMPREHENSIVE (LOSS) attributable to equity holders of the Company		-	(8,719)	-	1	(8,718)
<i>Transactions with owners in their capacity as owners:</i>						
Issue of Share Capital (net of expenses)	8	2,600	-	-	-	2,600
Share Based Payment-Employee Remuneration		88	-	-	-	88
Share Based Payment-Employee Share Options		-	-	284	-	284
Balance as at 30 September 2018		134,512	(128,838)	4,339	881	10,894

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

BALANCE SHEET

AS AT 30 SEPTEMBER 2018

NOTES	UNAUDITED SEPT 2018 6 MONTHS (\$'000)	UNAUDITED SEPT 2017 6 MONTHS (\$'000) RESTATED	AUDITED MARCH 2018 12 MONTHS (\$'000)
CURRENT ASSETS			
Cash and Cash Equivalents	4,560	3,997	5,242
Short Term Deposits	5,500	-	11,000
Receivables	836	991	1,064
Inventory	846	1,014	752
Other Assets	912	643	472
Total Current Assets	12,654	6,645	18,530
NON-CURRENT ASSETS			
Property, Plant & Equipment	876	942	854
Intangible Assets	273	346	281
Total Non-Current Assets	1,149	1,288	1,135
TOTAL ASSETS	13,803	7,933	19,665
CURRENT LIABILITIES			
Payables and Accruals	2,771	2,589	2,926
Finance Leases	90	69	73
Total Current Liabilities	2,861	2,658	2,999
NON-CURRENT LIABILITIES			
Finance Leases	48	54	26
Total Non-Current Liabilities	48	54	26
TOTAL LIABILITIES	2,909	2,712	3,025
NET ASSETS	10,894	5,221	16,640
Represented by:			
EQUITY			
Share Capital	8	134,512	111,788
Accumulated Losses	(128,838)	(110,515)	(120,119)
Share Based Payments Reserve	4,339	3,011	4,055
Foreign Translation Reserve	881	937	880
TOTAL EQUITY	10,894	5,221	16,640
FURTHER INFORMATION:			
Return on Assets (%)	(63%)	(127%)	(100%)
Return on Equity (%)	(80%)	(192%)	(119%)
Debt to Equity Ratio (%)	27%	52%	18%
Net Tangible Assets Per Share (\$)	0.022	0.012	0.035

Director

Director

Dated 29th day of November 2018

For and on behalf of the Board of Directors

Note: These 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 2018

NOTES	UNAUDITED SEPT 2018 6 MONTHS (\$'000)	UNAUDITED SEPT 2017 6 MONTHS (\$'000)	AUDITED MARCH 2018 12 MONTHS (\$'000)
CASH FLOWS TO OPERATING ACTIVITIES			
Cash was provided from:			
Receipts from Customers	2,026	1,655	3,420
Receipts from Grant Providers	663	225	944
Interest Received	250	82	115
	2,939	1,962	4,479
Cash was disbursed to:			
Payments to Suppliers & Employees	11,610	12,101	22,575
Net GST change	(59)	46	4
	11,551	12,147	22,579
Net Cash Flows To Operating Activities	9	(8,612)	(18,100)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Cash was provided from:			
Proceeds from Short Term Deposits	5,500	8,000	8,000
	5,500	8,000	8,000
Cash was disbursed to:			
Purchase of Short Term Deposits	-	-	11,000
Capital Expenditure on Plant and Equipment	19	153	195
Capital Expenditure on Intangible Assets	71	106	140
	90	259	11,335
Net Cash Flows From Investing Activities	5,410	7,741	(3,335)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Cash was received from:			
Ordinary Shares Issued	2,623	94	21,414
	2,623	94	21,414
Cash was disbursed to:			
Repayment of Finance Leases	43	17	59
Issue Expenses	23	-	1,298
	66	17	1,357
Net Cash Flows From Financing Activities	2,557	77	20,057
Net (Decrease) in Cash Held	(645)	(2,367)	(1,378)
Add Opening Cash Brought Forward	5,242	6,564	6,564
Effect of Exchange Rate Changes on Net Cash	(37)	(200)	56
Ending Cash Carried Forward	4,560	3,997	5,242

Note: These 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 2018

1. SUMMARY OF ACCOUNTING POLICIES

The unaudited interim financial statements (“Interim Financial Statements”) presented are those of Pacific Edge Limited (“the Company”) and its subsidiaries (“the 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 are sales and marketing entities which also 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 product and other prognostic tools. Pacific Edge Diagnostics Singapore Pte Limited is a sales and marketing entity and Pacific Edge Analytical Services Limited is a dormant entity.

The Company is a for-profit entity for the purposes of complying with Generally Accepted Accounting Practices, 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 with NZX Limited with its ordinary shares quoted on the NZX Main Board.

(a) Basis of Preparation of Financial Statements

The Interim Financial Statements for the six months ended 30 September 2018 have been prepared in accordance with the requirements of the NZX Main Board Listing Rules.

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 2018 Annual Report.

The Interim Financial Statements are prepared on the basis of historical cost, except where otherwise identified. The presentation 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

The Group has adopted NZ IFRS 9 Financial Instruments in the 2019 financial year. This has not had a material impact on the financial statements.

All other 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 2018.

(c) Restatement of Comparatives

The Group made the decision to adopt NZ IFRS 15 (Revenue from Contracts with Customers) at the end of the 2018 financial year. This has impacted previously reported revenue and receivables balances and resulted in a restatement of comparatives in these interim financial statements. Please refer to note 4 for further details or note 2 in the 2018 Annual Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2018

(d) Authorisation

The Interim Financial Statements were authorised by the Board of Directors on 29 November 2018.

(e) Audit

The Interim Financial Statements for 2017 and 2018 have not been audited. The comparative full year financial results for the year ended 31 March 2018 have been audited.

(f) 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 2018 (%)	30 Sept 2017 (%)
Pacific Edge Diagnostics New Zealand Limited	New Zealand	Sales, Marketing, Commercial Laboratory	100	100
Pacific Edge Pty Limited	Australia	Biotechnology Research & Development	100	100
Pacific Edge Diagnostics USA Limited	USA	Sales, Marketing, Commercial Laboratory	100	100
Pacific Edge Analytical Services Limited	New Zealand	Dormant Company	100	100
Pacific Edge Diagnostics Singapore Pte Limited	Singapore	Sales & Marketing	100	100

2. INVESTMENT AND ADVANCES IN SUBSIDIARIES

The 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2018

4. RESTATEMENT

NZ IFRS 15: Revenue from contracts with customers (NZ IFRS 15)

The Group previously reported in the Financial Statements for the year ended 31 March 2018 it had early adopted NZ IFRS 15 from 1 April 2017 which resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. In accordance with the transition provisions in NZ IFRS 15, the Group adopted the new rules retrospectively and has restated comparatives for the 2017 financial year. None of the available practical expedients have been applied.

Following its initial assessment of NZ IFRS 15 in 2017, the Group previously indicated that there would not be a significant impact on the financial statements from the adoption of this standard. This assessment was based on the expected completion of large customer agreements during FY18, in particular inclusion in the Local Coverage Determination (LCD) with the Centers for Medicare and Medicaid (CMS) and signing a commercial contract with Kaiser Permanente. As these agreements were not concluded during FY18, the Group reassessed the impact of NZ IFRS 15 and decided that the adoption of this standard would have a significant impact on the recognition of revenue relating to Cxbladder tests undertaken for US customers. There is no material impact for contracts with customers not based in the US.

The Group presented the FY18 Interim Financial Statements on the basis it was not intending to adopt NZ IFRS 15 from 1 April 2017. Due to this significant impact on the Group's reported financial results, the Group subsequently decided it was appropriate to early adopt NZ IFRS 15. An explanation of the change in revenue recognition can be found in Note 2 of the 2018 Annual Financial Statements. The tables below outline the changes required to the previously reported comparative Interim Financial Statements from 30 September 2017.

Impact of NZ IFRS 15 on Previously Reported Financial Results

The specific financial statement line items affected by the change to the accounting policy for revenue recognition are shown below. The 31 March 2017 balance sheet adjustments were disclosed in the 31 March 2018 financial statements. These have been included again here for transparency of movements.

Opening Balance Sheet 31 March 2017	2017 Previously Reported (\$000)	Adjustment (\$000) (i)	Transition Adjustment (\$000)	2017 (\$000) RESTATED	
Balance Sheet					
Accounts Receivable	6,519	(290)	(5,566)	663	a
Total Current Assets	22,397	(290)	(5,566)	16,541	a
Total Assets	23,563	(290)	(5,566)	17,707	a
Net Assets	20,829	(290)	(5,566)	14,973	a
Accumulated Losses	(94,507)	(284)	(5,684)	(100,475)	c
Foreign Translation Reserve	851	6	106	963	b
Total Equity	20,829	(290)	(5,566)	14,973	a

NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2018

(i) This adjustment represents the correction of the FY15 incorrect application of the accounting policy and the restated foreign currency impact.

a) The transition adjustments reduce accounts receivable at 31 March 2017 to remove all previously recognised Cxbladder tests trade receivables from the period that cannot be recognised under NZ IFRS 15.

b) Represents the foreign currency translation adjustment relating to adjustments a) above.

c) Reflects the net of adjustments a) and b) above.

Statement of Comprehensive Income for the six months ended 30 September 2017

The specific financial statement line items affected by the change to the accounting policy for revenue recognition are as follows:

For the 6 months ended 30 September 2017	2017 Previously Reported (\$000)	Adjustment (\$000) (ii)	Transition Adjustment (\$000)	2017 (\$000) RESTATED	
Operating Revenue	4,225	-	(2,800)	1,425	a
Total Operating Revenue	4,225	-	(2,800)	1,425	a
Total Revenue	4,852	-	(2,800)	2,052	a
General & Administration	4,671	-	(1,426)	3,245	b
- Bad Debts	674	(277)	(397)	-	b
- Doubtful Debts	752	-	(752)	-	b
Total Operating Expenses	13,517	(277)	(1,149)	12,091	b
Net Loss Before Tax	(8,665)	(277)	(1,097)	(10,039)	c
Loss for the year after Tax	(8,665)	(277)	(1,097)	(10,039)	c
Translation of Foreign Operations	(220)	4	190	(26)	d
Total Comprehensive Loss	(8,885)	(273)	(907)	(10,065)	e
Basic and Diluted Earnings per Share (\$)	(0.022)	(0.000)	(0.002)	(0.024)	e

(ii) This adjustment represents the correction of the previously recognised FY15 revenue that was written off in FY17 including the related foreign currency impact.

a) US Cxbladder test revenue has reduced with the change in policy to a cash receipts basis.

b) The bad and doubtful debts expense recognised for trade receivables relating to US Cxbladder tests has been reversed.

c) Reflects the net of adjustments a) and b) above.

d) Represents the foreign currency translation adjustment relating to adjustments a) and b) above.

e) The adjustment to total comprehensive loss and included in the calculation for basic and diluted earnings per share is the net of adjustments c) and d) above.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2018

Reclassification of Expenditure

Expenses within the Statement of Comprehensive Income have been reclassified from the previously reported Interim Financial Statements for the six months ended 30 September 2017. The expenses from the six months ended 30 September 2018 have been prepared on this new basis. The expenses for the year ended 31 March 2018 are consistent with what was previously reported in the 31 March 2018 financial statements. The reclassification has been made to better represent the nature of the costs as the business evolves to allow for improved comparability.

These reclassifications do not change the total expenses recognised for the six months ended 30 September 2017. However, total expenses for the 2017 half year have changed as a result of the implementation of NZ IFRS 15, which is further explained in Note 4 above.

The following reclassifications have been made for the six months ended 30 September 2017:

- Employee benefits, including salaries, wages, superannuation and health and disability plans, previously included in other expenditure and totalling \$3,262,000, have been re-allocated to the functional areas as follows:
 - Laboratory Operations: \$700,000
 - Sales and Marketing: \$2,562,000
- Overhead expenditure, previously included in Other Expenses, totalling \$2,195,000 has been re-allocated to the functional areas as follows:
 - Laboratory Operations: \$971,000
 - Research: \$397,000
 - Sales and Marketing: \$827,000

5. REVENUE

	Unaudited Sept 2018 6 Months (\$000)	Unaudited Sept 2017 6 Months (\$000)	Audited March 2018 12 Months (\$000)
Cxbladder Sales			
- US	1,837	1,274	3,188
- Rest of World	196	151	212
Total Operating Revenue	2,033	1,425	3,400
Other Income			
Grant Income	352	417	853
Research Rebate Received	90	121	389
Total Other Income	442	538	1,242

NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2018

6. OPERATING EXPENSES

	Unaudited Sept 2018 6 Months (\$000)	Unaudited Sept 2017 6 Months (\$000) RESTATED	Audited March 2018 12 Months (\$000)
Operating Expenses			
Amortisation	79	90	188
Auditors Remuneration - Audit Fees	118	56	89
- Other Assurance Services (refer below)	3	9	26
Depreciation	116	179	316
Directors Fees	136	137	275
Employee Benefits	5,184	5,773	11,129
Employee Share Scheme Expenses	88	80	96
Employee Share Options	284	141	1,184
Rental and Lease Expense	594	544	1,136
Other Operating Expenses	4,756	5,082	10,207
Total Operating Expenses	11,358	12,091	24,646

Other Assurance Services

Other assurance services performed by the auditor includes; agreed upon procedures, review procedures and a review of the Callaghan Innovation Growth Grant claim.

Employee Share Scheme Expenses

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

Employee Share Options

Employee Share Options are a non-cash expense. Refer to Note 10 of the annual report for details of the accounting policy for Employee Share Schemes.

Other Operating Expenses

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2018

7. 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 detection 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 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 period ended 30 September 2018, is shown below.

Unaudited 6 Months to 30 September 2018	Commercial (\$'000)	Research (\$'000)	Less: Eliminations (\$'000)	Total External Income (\$'000)
Income				
Operating Revenue - External	2,033	-	-	2,033
- Internal	76	-	(76)	-
Other Income	41	577	(176)	442
Interest Income	2	167	-	169
Foreign Exchange Gain	-	(4)	(1)	(5)
Total Income	2,152	740	(253)	2,639
Expenses				
Expenses	7,348	4,068	(253)	11,163
Depreciation & Amortisation	66	129	-	195
Total Operating Expenses	7,414	4,197	(253)	11,358
Loss Before Tax	(5,262)	(3,457)	-	(8,719)
Net Cash Flow to Operating Activities	(5,506)	(3,106)	-	(8,612)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2018

Audited 12 Months 31 March 2018	Commercial (\$'000)	Research (\$'000)	Less: Eliminations (\$'000)	Total External Income (\$'000)
Income				
Operating Revenue - External	3,400	-	-	3,400
- Internal	154	-	(154)	-
Other Income	127	2,137	(1,022)	1,242
Interest Income	2	3,158	(2,929)	231
Foreign Exchange Gain	-	129	-	129
Total Income	3,683	5,424	(4,105)	5,002
Expenses				
Expenses	18,834	9,413	(4,105)	24,142
Depreciation & Amortisation	191	313	-	504
Total Operating Expenses	19,025	9,726	(4,105)	24,646
Loss Before Tax	(15,342)	(4,302)	-	(19,644)
Net Cash Flow to Operating Activities	(14,072)	(4,028)	-	(18,100)

Unaudited 6 Months 30 September 2017 (RESTATED)	Commercial (\$'000)	Research (\$'000)	Less: Eliminations (\$'000)	Total External Income (\$'000)
Income				
Operating Revenue - External	1,425	-	-	1,425
- Internal	47	-	(47)	-
Other Income	94	745	(301)	538
Interest Income	-	81	-	81
Foreign Exchange Gain	-	8	-	8
Total Income	1,566	834	(348)	2,052
Expenses				
Expenses	7,810	4,360	(348)	11,822
Depreciation & Amortisation	122	147	-	269
Total Operating Expenses	7,932	4,507	(348)	12,091
Loss Before Tax	(6,366)	(3,673)	-	(10,039)
Net Cash Flow to Operating Activities	(6,362)	(3,823)	-	(10,185)

Eliminations

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2018

Segment Assets and Liabilities Information:

As at 30 September 2018	Commercial (\$000)	Research (\$000)	Total (\$000)
Total Assets	2,493	11,310	13,803
Total Liabilities	2,100	809	2,909

As at 31 March 2018	Commercial (\$000)	Research (\$000)	Total (\$000)
Total Assets	1,977	17,688	19,665
Total Liabilities	1,917	1,108	3,025

As at 30 September 2017 (RESTATED)	Commercial (\$000)	Research (\$000)	Total (\$000)
Total Assets	2,070	5,863	7,933
Total Liabilities	1,570	1,142	2,712

Sales between segments are carried out at arm's length. Post adoption of NZ IFRS 15, the revenue from external parties reported to the Chief Executive Officer is measured in a manner consistent with that in the Statement of Comprehensive Income.

Total Laboratory Throughput:

	Commercial (#tests)	Research (#tests)	Total (#tests)
Six months to 30 September 2018	6,078	1,319	7,397
Twelve months to 31 March 2018	11,866	2,582	14,448
Six months to 30 September 2017	5,439	1,680	7,119

Laboratory Throughput is a key metric for the Group: Laboratory Throughput provides evidence of the increasing usage of Cxbladder products globally and the rates of adoption between different customer segments. Total laboratory throughput includes billable/commercial tests, which are invoiced to customers (including CMS tests), and tests which are not considered to be billable as these tests relate to user programs or other non-chargeable activities.

Billable/commercial test numbers are also a key metric for the Group: the tests are those for which the Company is actively seeking reimbursement and cash receipts. Given the time lag in the US between processing a Cxbladder test and receiving the associated cash receipts, reported revenue based on the application of our accounting policy and billable tests do not correlate in the same time period with one another. Billable test numbers also include tests for CMS patients, which are all invoiced to CMS but for which revenue is not being recognised.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2018

Note that the Commercial and Research split shown above is reflective of the Billable/Non-Billable split of laboratory throughput. Therefore the total of the Commercial tests equals the total of the billable tests and all Research tests shown above are non-billable. Non-billable tests may however be commercial in nature (ie. will lead to a commercial relationship).

Additions to non-current assets for the period include:

	Commercial (\$000)	Research (\$000)	Total (\$000)
Property, Plant & Equipment	80	25	105
Intangible Assets	-	71	71
Total Additions to Non Current Assets	80	96	176

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.

8. SHARE CAPITAL

	Sept 2018 6 Months Shares (000)	Unaudited Sept 2018 6 Months (\$000)	Unaudited Sept 2017 6 Months (\$000)	Audited March 2018 12 Months (\$000)
Opening Balance	466,322	131,824	111,596	111,596
Issue of Ordinary Shares - Rights Issue and Direct Offers	8,195	2,623	-	21,318
Issue of Ordinary Shares - Exercise of Share Options	-	-	112	112
Issue of Ordinary Shares - Employee Remuneration	275	88	80	96
Less: Issue Expenses	-	(23)	-	(1,298)
Movement	8,470	2,688	192	20,228
Closing Balance	474,792	134,512	111,788	131,824

There are 474,792,378 (March 2018: 466,321,801 and September 2017: 399,704,401) 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2018

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

	Sept 2018 6 Months (\$000)	Sept 2017 6 Months (\$000) RESTATED	March 2018 12 Months (\$000)
Net Loss for the Period	(8,719)	(10,039)	(19,644)
Add Non Cash Items:			
Depreciation	116	179	316
Loss on Disposal of Property, Plant and Equipment	-	-	10
Amortisation	79	90	188
Employee Share Options	284	141	1,184
Employee Bonuses Paid in Shares in Lieu of Cash	88	80	96
Effect of Exchange Rates on Net Cash	6	(9)	(131)
Total Non Cash Items	573	481	1,663
Add Movements in Other Working Capital items:			
(Increase) in Receivables and Other Assets	(80)	(292)	(383)
(Increase)/Decrease in Inventory	(94)	(190)	72
(Decrease)/Increase in Payables and Accruals	(292)	(145)	192
Total Movement in Other Working Capital	(466)	(627)	(119)
Net Cash Flows to Operating Activities	(8,612)	(10,185)	(18,100)

10. CONTINGENT LIABILITIES

There were no known contingent liabilities at 30 September 2018 (March 2018: Nil and September 2017: Nil). The Company and Group have not granted any securities in respect of liabilities payable by any other party whatsoever.

11. CAPITAL COMMITMENTS

There are no capital commitments at 30 September 2018 (March 2018: Nil and September 2017: Nil).

12. SUBSEQUENT EVENTS**New Capital**

The Company announced on the 29th of November 2018 that it is completing a private placement to new and existing shareholders. This private placement is expected to result in additional capital for the Company of up to \$7m. The Company also announced on the same day a Share Purchase Plan to raise up to \$5m of capital from existing shareholders. The Share Purchase Plan has not been underwritten and is expected to open in December 2018 and close in January 2019.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2018

National Pricing for CMS

On the 12th of October 2018, the Company announced that the preliminary national CMS reimbursement rate of US\$760 per Cxbladder test had been publicly notified. This pricing was finalised during November 2018 and takes effect from 1 January 2019. Obtaining the pricing is the second of three steps to enable the Company to be reimbursed by CMS for Cxbladder tests performed for CMS patients. The third and final step is the inclusion of Cxbladder in the Local Coverage Determination (LCD) which the Company continues to work towards achieving.

13. 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 2018, the Company had \$10.060m of cash and cash equivalents on hand (2017: \$3.997m) and net assets of \$10.894m (2017: \$5.221m). Cash receipts totalling \$2.939m were received in the six month period to 30 September 2018 (2017: \$1.962m) along with additional capital of \$2.623m (2017: \$94k). Net cash out flows from operating activities for the six month period to 30 September 2018 were \$8.612m (2017: \$10.185m).

While the Company continues to incur operating losses, the Company remains solvent and continues to pay its debts as they fall due. The Company continues to progress commercial negotiations with targeted large scale health organisations in the USA and whilst these negotiations are taking longer than expected to complete, the Company continues to make good progress with these negotiations. The new contracts that will result from these commercial negotiations will have a significant positive impact on the Company's financial position once they are concluded.

The Company has prepared cash flow forecasts which indicates that if these commercial negotiations continue to be delayed, the Company may not have sufficient cash to meet its minimum expenditure commitments and support its current levels of activity. The Company may therefore need to raise additional funds to continue as a going concern.

To address the future additional funding requirements of the Company, the Directors have:

- Entered into discussions to secure additional equity funding from current or new shareholders,
- Continued to monitor the Company's ongoing working capital requirements and minimum expenditure commitments, and
- Continued to focus on maintaining an appropriate level of expenditure in line with the Company's available cash resources.

The Directors are confident that they will be able to obtain additional equity funding to enable the Company to meet its minimum expenditure requirements and support its planned level of expenditure. However, in the event that the Company is not able to successfully complete the fundraising, a material uncertainty may exist which may cast significant doubt on the Company's ability to continue as a going concern with the current capital and cost structures.



PACIFIC EDGE LTD
CANCER DIAGNOSTICS COMPANY

87 St David Street, PO Box 56, Dunedin, New Zealand
P +64 3 479 5800 F +64 3 479 5801

www.pacificedgedx.com