

**Annual Meeting of Shareholders**  
**Thursday 21st August 2014**

Addresses by Chairman and CEO

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## Pacific Edge 2014 Annual Meeting of Shareholders

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Good afternoon and welcome to the 2014 Pacific Edge Annual Meeting of Shareholders. My name is Chris Swann and I am the chairman of the Pacific Edge Board.

I am pleased to welcome you all to the beautiful Dunedin Art Gallery as our venue for today's Annual Meeting. Today, we are webcasting this meeting live ... "Welcome to all of you joining the meeting online." We also have a number of our senior managers here with us today as well as other members of our staff and the company's professional advisers – welcome to you all.

I declare that a quorum is present and the meeting has been duly convened.

The Notice of Meeting, which includes the explanatory notes, has been circulated to all shareholders and I intend to take it as read.

The audited financial statements for the year ended 31 March 2014 were released on the 28 May 2014 and are set out in the Company's Annual Report which was made available to shareholders on the 30 June 2014.

The minutes of the 2013 Annual Shareholders Meeting, held on 26 August 2013 have been approved by Directors and are available for inspection.

### **DIRECTORS**

Before we begin the meeting, I would like to introduce you to your Directors.

**Colin Dawson** is our longest standing Director. As recently announced, Colin will be stepping down from the Board at the end of today's meeting. I would like to take this opportunity to thank Colin for the valuable contribution he has made in guiding the Company through its formative and early stages of growth. His expertise in health sciences has been of great value as we have grown the Company to the point where it is today with the development and commercial launch of our cancer diagnostic system, Cxbladder. Colin, on behalf of the Board, management and shareholders, thank you for your contributions.

**David Band** was appointed to the Board in 2007 and brings his excellent management consulting skills to the Board.

**Anatole Masfen** is a co-founder of Artemis Capital, a private equity investment firm which has a 2.5% shareholding in Pacific Edge. Anatole was appointed to the Board in 2008 and brings strong commercial and investment experience;

**Bryan Williams**, our most recently appointed Director in 2013. Bryan has significant business and US governance experience which is of value to the Company as we focus on the US market. He is also an internationally recognised cancer researcher and research administrator with significant business experience.

All Directors are independent, except for Anatole Masfen.

Both David Band and myself are retiring by rotation and putting ourselves forward for re-election today.

There are further details on each of the Directors up for re-election in the explanatory notes in the Notice of Meeting.

David Darling our CEO, with the support of the board, is putting himself forward as an Executive Director.

The Board continually reviews the skills and capabilities we believe are needed to take the Company forward. Over the last 12 months, the Board has appointed Bryan Williams, with his noted experience as the Chairman of a US based NASDAQ listed company, as a Director. In addition, Bruce Nogales with his experience and capability in medical technology commercialisation, has been appointed to the Board of the Company's US subsidiary.

In line with our commercial expansion, we are looking to add further commercial and international expertise to the Board. We are in discussions with several candidates whose commercialisation skills and capabilities would be of value to the Company and we hope to make an announcement on the appointment of new Directors in the near future.

## **MEETING AGENDA**

The first item on the agenda is the Chair's address, followed by an address from our CEO, David Darling, on the past year's activities and our plans for the current financial year.

Following these addresses, we are happy to take questions from shareholders, relating to the presentations. Please note that the only persons entitled to speak at the meeting are shareholders, proxy holders or corporate representatives of a shareholder.

We will then move to the resolutions contained in the Notice of Meeting.

Following voting on resolutions, we will be happy to take any general questions you may have in regards to our Company and operations.

Following the close of the meeting, I invite you all to stay and share some light refreshments with the management team and your Board.

A copy of the speeches and slide presentation will be available in the investor section of the Company's website at [www.pacificedgedx.com](http://www.pacificedgedx.com).

## **VOTING**

Shareholders have received the Notice of Meeting which details the five ordinary resolutions to be put to the meeting.

- The first two resolutions ask shareholders to vote on the re-election of Directors – David Band and myself.
- The next resolution addresses the election of David Darling to the Board as an Executive Director.
- The fourth resolution records the re-appointment of the auditors and deals with their remuneration; and

- The final resolution asks shareholders to approve an increase in the total aggregate amount of Directors' Fees payable per annum by \$26,000 to a total of \$198,000.

There will be the opportunity to ask questions on each resolution before it is put to the vote.

Voting at today's meeting will be by postal votes and proxies received at the due cut-off of 4pm on Tuesday 19 August 2014.

I wish to advise that proxies have been received in respect of a total of 105,726,049 million shares, representing 33.18% of the total shares on issue.

I would now like to move to my address.

#### **CHAIRMAN'S ADDRESS : CHRIS SWANN, CHAIRMAN**

##### OUR STRATEGY

Our strategy is to develop and commercialise novel diagnostic tests for the early detection and management of cancer.

We have been building our business for the past thirteen years. This has taken us from the initial development of the genetic databases for five cancers - bladder, gastric, colorectal and endometrial cancers and melanoma - through to the creation of our first commercially viable product and establishing a presence in targeted geographical markets.

FY14 marked a milestone for our Company as we celebrated the commercial launch of our flagship product for bladder cancer, Cxbladder, and generated our first revenue from sales in the US.

##### FY14 FINANCIAL PERFORMANCE

We reported our first real trading revenue in FY14 and whilst only a small number, we expect to see this grow as we expand our US presence.

We have continued to invest into the growth of our business, with the set up and rollout of our presence in the US, investment into clinical trials and User Programmes, further product development, and management of our portfolio of intellectual property.

This ongoing investment into our business, particularly into the rollout in the US market, was the primary driver for the \$9.4 million loss reported for the 2014 financial year. This was in line with budgeted expectations.

##### FUNDING FOR GROWTH AND CAPITAL STRUCTURE

In October 2013, we successfully completed a \$20 million capital raising. My thanks go to all our shareholders who participated and continue to support us, as well as new shareholders who invested in our Company.

Over the years, we have received a number of technology development grants to help us develop our products. These have been a very important funding line for us. In February 2014, we were delighted to receive a Callaghan Innovation Growth Grant that will provide up to \$4.5 million, spread over three years, with an additional two years available on review.

The Board is comfortable that sufficient funds are in place to support the Company's planned development and growth strategy.

As at 31 March 2014, Pacific Edge held cash and equivalents of \$20.4 million, up from \$10.7 million the year earlier. The Company is debt free.

#### BALANCING RISK AND GROWTH

Pacific Edge is a high growth Company, and as such, it is a relatively high risk investment. The Board's objective is to manage these risks as much as possible while developing and growing our Company and building long term value for our shareholders. However, we also need to have the courage to continue our investment so we can achieve our vision of being a world leading cancer molecular diagnostics Company.

While we classify our Company as Bio-Medical and more recently a Cancer Diagnostics Company, Pacific Edge is often grouped by the financial markets with the Biotech companies. In the US, biotech companies are more commonly therapeutic development companies. These have a very different risk profile to Bio-medical and medical device companies.

Fast growing small cap, technology and biotech companies have forward looking revenue and as such can often be highly volatile compared to other industries. These companies are often higher risk and many operate at a loss as they develop commercial products and business models. This is also true of Pacific Edge.

Often there is no particular justification or news leading to a jump or reduction in share price value as we have seen over the last year in our trading position. This year, however, we have seen American investors start to question the valuations of some of pharmaceutical companies in the Biotech sector who are developing complex and often expensive medicines, and this has led to significant swings in overall share prices within the sector globally.

#### LOOKING FORWARD

Building acceptance and sales of our Cxbladder test and developing new bladder cancer diagnostic tests for the American market is the primary opportunity for our Company in the short to medium term.

Whilst Pacific Edge is still operating at a loss, we have a well thought-out strategy and have successfully executed the launch of our flagship Cxbladder product into the US market. The Company is well cashed up and the capital available to us has been earmarked to accelerate our sales force rollout in the US. It will also allow us to continue our research and development of new products for urologist customers.

It will take time to build our business in the US market, and we have made the first important steps. We have now started on our commercial journey following the commissioning of our laboratory and launch of Cxbladder in America in July last year.

Our business growth is progressing to plan and we expect revenue to grow solidly over the coming year as we expand our footprint in the US.

Our employees are dedicated, focused and working smarter to get our lead product used by more urologists and my thanks go to all the Pacific Edge staff around the world who have worked tirelessly to get us to this stage of our Company's development.

Our target is to achieve gross revenues of over \$100 million after five full years of trading and the Board remains confident that this is readily achievable under our current strategy and growth plans.

I would now ask David Darling to talk to you in more detail about our achievements during FY14 and our focus for the current 2015 financial year.

## **CEO'S ADDRESS DAVID DARLING**

### OUR BUSINESS AND CXBLADDER

The 2014 financial year has been a great year for us and marked the start of a new era for our Company.

We have met all of our milestones and generated our first real trading revenue from sales of our Cxbladder product in the US.

As many of you will already know, Cxbladder is a novel, non-invasive, urine test for the detection of bladder cancer. It is used to define the probability of having bladder cancer for patients presenting with haematuria, which is blood in the urine.

Cxbladder-detect is the first of our pipeline of products targeted to provide urologists with a one-stop-shop. Cxbladder-detect is currently commercially available in New Zealand and Australia and, since July 2013, in the US and we plan to launch another new test for bladder cancer later this year. Cxbladder-triage rules out patients from having to have a full urological work-up.

### THE US OPPORTUNITY

America is the world's largest and most comprehensive biomedical market and it offers a massive opportunity for our Company. There are approximately 1 million patients per year presenting with haematuria that require a full urological work-up costing the US healthcare system in excess of 1 billion dollars per year, compared to the 50,000 people presenting with haematuria in the New Zealand and Australia markets combined. Based on these numbers, In the US we believe there could be 2 million Cxbladder test opportunities every year compared to 85,000 in New Zealand and Australia.

So, whilst the New Zealand and Australian markets are important to us from a product development and commercialisation perspective, it is the scale and accessibility of the American market that is paramount to the success of the Company.

### BUILDING OUR US BUSINESS

The launch of Cxbladder into the US market and the initial revenue generated has been a fantastic achievement for all involved and I would like to recognise the entire Pacific Edge team for this achievement. To get to this stage, we have attained a number of important milestones.

The first was completing the build and fitout of the US laboratory in Hershey, Pennsylvania, which we did in 2012. This laboratory currently has the capacity to process up to 260,000 tests per annum.

We have several options open to us once demand exceeds capacity, including expanding the current laboratory or building a further laboratory.

The second milestone was receiving regulatory approval for our product and laboratory, which was achieved in 2013. This opened the way for us to start planning for a commercial rollout in the US, with recruitment and training of our initial sales force from July 2013.

The final step and the one we are now working towards is the commercial rollout of Cxbladder-detect. This was an important focus for the management team in FY14 and one which is ongoing. We are building our sales and marketing strength in the market and expanding our reach.

#### OUR SALES MODEL

We have determined that the most successful way to build awareness and generate sales is through 'User Programmes' where targeted clinicians are provided with the opportunity to trial and use our Cxbladder test in their practices. We have found that once urologists have the opportunity to trial Cxbladder with their patients, they can see its positive benefits as a quick, cost effective, non-invasive and highly accurate cancer detection test.

There are approximately 10,500 urologists in the US. We target high volume clinicians or clinical groups for our 'User Programmes'. In some cases, these clinical groups can be very large, with up to 100 urologists seeing thousands of patients every year. Many of the customers we target have in excess of 40 practicing urologists within the group. To put this in perspective, this is more than the entire number of urologists practising in New Zealand.

Our focus for FY15 is to increase the number of 'User Programmes' and continue to translate existing 'User Programmes' into paying commercial relationships.

#### THE US HEALTHCARE SYSTEM

The American healthcare system is quite different to New Zealand, with payment primarily through insurance, either private or public.

National and Regional Provider Networks, or NPNs and RPNs, are key components of our reimbursement in the US healthcare system. They comprise networks of clinicians, hospitals, laboratories, other specialists, private insurers and large employers.

Providers, such as Pacific Edge, negotiate agreements with these National Provider Networks to provide their products and services at agreed prices to patients who are insured by insurance companies that are part of that Network.

The benefits of these agreements are two fold – firstly, the agreements allow access to Cxbladder, at an agreed price, to insurers, urologists and their patients. Secondly, the endorsement provided by the agreement encourages the use of Cxbladder as an accepted test for bladder cancer. The Pacific Edge sales team are still required to sell to the urologist or clinician.

Since October 2013, we have signed four agreements with National Provider Networks – FedMed, America's Choice Provider Network (ACPN), Stratos and MultiPlan. These agreements give millions of Americans access to our product.



We are also advancing commercial relationships with private insurance companies, Integrated Healthcare Providers, Veterans Administration, and the Centre for Medicare and Medicaid Services, which provides healthcare insurance for 100 million people or nearly a third of the American population.

#### TIMELINE OF ACTIVITY FOR DEVELOPMENT OF US SALES

It is important to understand the timing involved in generating sales in the US and that the signing of an NPN agreement is one step in the sales process, which can take a number of months.

For example, we signed an agreement with FedMed in October 2013 and our first sales request originating from that Provider Network was received in April 2014. Reimbursement takes yet more time and the revenue for this test was not collected until one month later in May 2014, a significantly faster time because of the network.

Altogether, in this example, seven months elapsed between the agreement being signed and the first revenue being received.

As awareness and acceptance of our product grows, we would expect the time to reduce between the signing of agreements, the ordering of the first tests and the consequential reimbursement.

#### OUR OTHER MARKETS

While the US is our biggest opportunity and our primary focus, we also have franchise partnerships in New Zealand, Australia and Spain.

In New Zealand, all tests are analysed in Pacific Edge's laboratory in Dunedin. We have had excellent acceptance of our product from DHBs and healthcare providers and expect to see increasing revenue from this small market.

In Australia, we have partnered with Healthscope, a large Australian pathology company and healthcare provider which was necessary to help us access public funding for our products. Our Cxbladder technology is fully integrated into their Melbourne-based business which is the commercial hub for all Australian tests. We are expecting to see an increasing number of tests being driven out of Australia in the next year.

In Spain, we have an agreement with Oryzon. They have chosen to launch Cxbladder in Spain to support secondary detection of bladder cancer and we are working with them to build this specific dataset and are hoping to see Oryzon underway within the next 12 months.

#### USING INNOVATION FOR COMMERCIAL DEVELOPMENT

New Zealand is also an important market for us to innovate, trial and polish new products and alternative methods of getting our product to the market. We did this successfully with our 'User Programmes', which were first trialled in New Zealand, and we have just announced an ecommerce site for online ordering of Cxbladder tests by New Zealand residents and healthcare professional such as rural GPs.

Online purchasers of the Urine Testing Service in New Zealand will be sent the proprietary Urine Sampling System (U.S.S) developed by Pacific Edge. This allows them to collect a urine sample in

their own home, without the need to visit their doctor or specialist. A detailed test report will be sent directly to the purchaser's GP or their nominated healthcare professional.

Providing patients with direct access to Cxbladder through this online platform is a key part of our commercial strategy in New Zealand.

The e-commerce platform offers significant utility for patients and GPs and would appear to be quite a 'sweet spot'. We had our first e-sale in about an hour after launching the site. We will continue to progress this site in each of our key markets where possible.

#### THE OPPORTUNITY

As we have outlined, the opportunity in the American market alone is huge with up to 2 million potential test opportunities for Cxbladder each year.

Our product is specifically targeted to test people presenting with haematuria – blood in their urine - to determine their probability of having bladder cancer. With its great accuracy it is seen as a more effective and accurate replacement for other tests currently in use and it is expected Cxbladder will be used alongside other diagnostic tools such as ultrasound and cystoscopy to enhance a urologists effectiveness in their clinical work-up.

Over the past three years, we have worked closely with urologists to understand the value Cxbladder can offer them in a clinical environment. While our flagship product has been developed for use by urologists when patients present for a full urological workup, we have also identified a number of other potential uses of this technology, at different stages of the detection and management of bladder cancer.

We are currently developing our next product, which can be used by primary physicians to triage out patients who do not require a referral for a full urological work-up. This could dramatically reduce the number of patients requiring a full work-up, significantly reducing the cost and pressure on the healthcare system and offering peace of mind and better care for patients.

We already have growing brand and product awareness amongst urologists and believe that focusing on developing these new products for bladder cancer is the fastest and surest way for our Company to grow its revenue.

Therefore, this will be our focus for the short to medium term.

#### OUR FOCUS GOING FORWARD

We have six key initiatives for FY15.

1. Expanding our sales presence in the United States and driving revenue
2. Continuing to rollout our 'User Programmes' to targeted clinical groups and urologists, particularly in the US
3. Continuing to negotiate agreements with large customers, National and Regional Provider Networks in the US and other business enabling organisations
4. Focusing on developing new bladder cancer products where we have identified an opportunity

5. Successfully launching our new product Cxbladder-triage in New Zealand as a pre-cursor for the US market.
6. And an ongoing focus on the rollout of Cxbladder in other targeted markets.

Our primary goal will be to strengthen and grow our footprint in the US market.

To carry out these growth initiatives, we will continue to invest into our Company, particularly in our people, new products and in the protection of our intellectual property. In the US specifically, into expanding our sales and marketing team and consequentially the technical team in the laboratory to grow with the inflow of customers tests.

It is our vision to have a suite of products for urologists and GPs that enables them to obtain a complete clinical evaluation using our Cx products and to provide the patient, physician and clinician with ease of access to our technology. We have a vision of making Cxbladder products easily available to our customers when and as they need them.

Pacific Edge is a unique New Zealand business and our products can make a difference in healthcare globally. We are well managed with a strong Board overseeing our growth.

We have expert scientific and clinical advisory boards, with experienced members who provide valuable advice and guidance to us on our journey.

This is an exciting time for our Company as we start to build the commercial side of our business. We expect to see cashflow from sales offsetting our losses as we increase the acceptance and use of our Cxbladder technology in our targeted markets, particularly the US.

We will continue to evaluate other markets where we can leverage our products and franchised business model.