SIENNA CANCER DIAGNOSTICS LIMITED
ABN 74 099 803 460

AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

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FINANCIAL REPORT

MESSAGE FROM THE CHAIRMAN AND MANAGING DIRECTOR

Dr. Geoff Cumming and Dr. Kerry Hegarty

Dear Sienna Member,

Activities over the last six months at Sienna have been strongly focussed on partnering activities, made possible by key technical outcomes in late 2010. In this past year, Sienna:

- confirmed a new test format (for telomerase) which met the prerequisites of speed to market and clinical utility
- negotiated access to intellectual property required for the new Sienna test
- completed a 60-sample clinical study (bladder cancer) which demonstrated the test was capable of performing to the level required for clinical adoption (i.e. >90% in sensitivity)
- generated a marketing data package aimed at engaging prospective co-development partners
- secured interest from several prospective global partners

The success in moving the re-formatted Sienna technology from the whiteboard to the negotiating table of prospective partners is a credit to the Sienna team and network of clinicians and advisors. We are grateful for their support of our activities, which aim to bring high-performing cancer diagnostic tools to the clinic. Our mission over the next 12 months is to license this technology to a manufacturing partner, and collaborate with them in delivering the Sienna test to the global market. Our progress toward achieving traction, and ultimately a licence, with a co-development partner is encouraging.

Nevertheless, several risks remain. The performance of the Sienna test (based on 60 samples) has been shown to be high in a manual format, but if this level of performance cannot be re-produced on an automated platform, the commercial significance of the Sienna test may be limited. The Sienna team has been built over the last six months specifically to meet technical and commercial challenges expected in executing a partnership. In this period, we have welcomed exceptional new talent to Sienna – Dr. Fabio Turatti (Chief Scientific Officer) and Dr. Ian Macfarlane (Business Development) – and acknowledge their direct influence on the progress reported above.

If we are successful in maintaining the momentum achieved over the last year, we believe FY11-12 will be a year of expansion and new opportunities. Importantly, your Board is determined to maximise shareholder value. Successful partnering is believed to be the catalyst for an exit opportunity for Sienna shareholders, which may be in the form of a trade sale or listing.

Financial accounts continue to reflect our culture of prudent spending, with monthly operating costs less than $80,000. We expect to receive ~$200,000 from the FY10-11 federal R&D tax concession scheme, and have applied for additional grant funding ($250,000) from Commercialisation Australia. Our current cash is sufficient to support activities to 4QCY2012.

Our behalf of all Sienna Directors, we thank you for your ongoing interest and support. We hope to see you at this year's Annual General Meeting (10am on November 18 at Graduate House, University of Melbourne) to share additional information and updates.

Sincerely,

Geoff Cumming
Chairman

Kerry Hegarty
Managing Director/CEO

DIRECTORS' REPORT

The Directors of Sienna Cancer Diagnostics Limited (Sienna or the Company) present their report for the financial year ended 30 June 2011.

Directors
The names of the Directors of the Company in office at any time during or since the end of the financial year are:

Geoff Cumming	Chairman
Ross Dobinson	Director (resigned 27 May 2011)
Kerry Hegarty	Managing Director
David Neate	Director
Donald Robertson	Director

Principal Activities
Sienna is in the business of identifying and developing highly sensitive *in-vitro* diagnostic (IVD) tests for the early detection and monitoring of cancer, as well as for assistance in drug development in oncology. Sienna's primary efforts are in developing technology which measures for telomerase, an extraordinary protein characterising 85-90% of all cancers. The first product opportunity based on telomerase is aimed at monitoring of bladder cancer via tumour cells exfoliated from the bladder wall and excreted in urine. Clinical studies have been completed in-house using the Sienna test in a manual format. The test is expected to be adapted to an automated platform, suitable for use in global pathology laboratories. Sienna's core strengths lie in identifying sophisticated diagnostic technology targeting an unmet clinical need, and in assembling clinical experts and networks to demonstrate test performance.

Corporate Information
Corporate Structure
Sienna, a company limited by shares, is incorporated and domiciled in Australia. Sienna has prepared a consolidated financial report incorporating the entities that it controlled during the financial year.

The registered office of Sienna is located at:
Deloitte Touche Tohmatsu
Level 9, 550 Bourke Street, Melbourne, VIC 3000

The principal place of business of Sienna is located at:
c/o Bio21 Institute
30 Flemington Rd, University of Melbourne, VIC 3010
Phone: 03 9347 0622
www.siennadiagnostics.com.au

Sienna owns 100% of Melbourne Diagnostics Pty Ltd. The parent company, Sienna Cancer Diagnostics Limited is an unlisted public company with 103 shareholders.

Directors' and Company Secretary's Particulars
Geoff Cumming serves as Chairman of Sienna, appointed on 9 June 2006.

Kerry Hegarty was appointed: Chief Executive Officer on 13 September 2004, Managing Director on 15 October 2004, and Company Secretary on 29 June 2005.

None of Sienna's officers are former partners or directors of Sienna's auditor, Walker Wayland NSW (formerly, BKR Walker Wayland (NSW Partnership)), Chartered Accountants.

Director	Background
G.J. Cumming	BSc (Hons), BAppSc, MAICD, MBA, PhD, Chairman of Sienna, was appointed to the Sienna Board in 2006. Geoff has held senior roles in the global healthcare and biotechnology sector for more than 20 years. As Managing Director, Roche Diagnostic Systems (Oceania) Geoff transformed the loss-making entity the Swiss parent was intending to divest, into the fastest growing and most profitable affiliate in the Roche group. In his prior role as Managing Director/CEO of Biosceptre International Ltd, Geoff was successful in designing and securing key funding arrangements through a skilful range of capital raising initiatives, including large government grants, partnering and co-development deals. He is currently Managing Director/CEO of Anteo Diagnostics Ltd and non-executive Director of BMDi Tuta, both ASX-listed healthcare companies.

DIRECTORS' REPORT

Director	Background
K. A. Hegarty	BSc, MA, PhD joined Sienna as Managing Director/CEO in 2004. Kerry has more than 25 years experience in management, technology development, sales and marketing in competitive international environments. Her background and experience have largely focused on developing high-technology services, identifying international opportunities and delivering on complex technical projects. Following receipt of her PhD at Columbia University (NYC) and a fellowship at the University of Melbourne, Kerry co-founded Geotrack International Pty Ltd, where novel university research was commercialised and delivered globally to the oil and gas sector.
D. W. Neate	BCom, is Sienna's largest shareholder and was appointed to the Board in 2005. David has extensive commercial expertise and experience in understanding and managing the needs of growing businesses. With a background in financial markets and commercial and residential property development, David owns and manages a successful and expanding business in the fashion import industry and a broad and diverse portfolio of international investments. He has a strong focus on corporate governance and accountability.
D. B. Robertson	MBBS, Grad Dip Diagnostic Radiology, FRANZCR, joined the Sienna Board in 2003. Donald brings extensive clinical experience to Sienna, with more than 30 years as a Consultant Radiologist in both the Private and Public Sector. Donald is currently Senior Interventional Radiologist at Barwon Health at the Geelong Hospital and also conducts an active Private Practice in vascular intervention. His management experience includes CEO, Medical Imaging (East), St John of God Healthcare and Federal Councillor, Royal Australian and New Zealand College of Radiologists. Whilst Chairman of the Victorian Branch and Federal Councillor of the College, Donald chaired the Structural Review and Implementation Committee, overseeing renewal of the College's structure and operation. Donald has been awarded Life Membership of the FRANZCR.
Secretary	**Background**
K. A. Hegarty	Kerry Hegarty has served as Sienna's Company Secretary since 29 June 2005.

Review of Operations

Operating results
The operating costs for the financial period of $943,624 increased by 4.3% in comparison with the previous year (2010; $904,766).

The net loss of the Group for the financial period was $1,791,647 (2010; $878,866). This result is after allowing for impairment, depreciation and amortisation expense of $1,238,787 (2010: $365,350) and the non-cash revenue reflecting the movement in fair value of options of $Nil (2010: $Nil). The loss for the year excluding these non-cash amounts was $552,860 (2010: $513,516).

Future Developments
At the date of this report Sienna does not foresee any unusual future event that may significantly impact on the Group's operations, results or state of affairs.

Sienna's intention to develop diagnostic products in the global market will always bear some considerable risk given the nature of technological development, changes in global trends and capital requirements. The Sienna test remains an early-stage technology and may not return significant value to shareholders.

Dividends
No dividends were paid or declared since the start of the financial year. No recommendation for payment has been made.

After Balance Date Events
Apart from matters referred to above as Future Developments, no matters or circumstance have arisen since the end of the financial year which are considered to significantly affect or may significantly affect the operations of the Company.

Environmental Issues
Sienna's operations are not regulated by any significant environmental regulation under a law of the Commonwealth, State or Territory.

Significant Changes in State of Affairs
Apart from matters referred to throughout the Directors' Report, there have been no significant changes in the state of affairs of the company.

DIRECTORS' REPORT

Meetings of Directors and Committee Meetings
The number of meetings of the Company's Board of Directors held during the 12-month period ended 30 June 2011, and the number attended by Directors were:

Director	Meetings of Directors
Geoff Cumming	8/8
Kerry Hegarty	8/8
David Neate	4/8
Donald Robertson	7/8
Ross Dobinson	5/7

Corporate Governance
In line with good corporate governance, the Board continues to adhere to Company policies with regard to Values and Principles, Anti-Harassment (including Bullying), Equal Opportunity and Unlawful Discrimination, Electronic Communications, Employee/Director reimbursements and Travel and Subsistence.

The Board utilises the following committees to make recommendations on governance and strategic matters. The Audit and Remuneration Committees make recommendations to the Board, while the scientific and commercial advisors provide their views directly to Management. During FY11, the committees operating were:

- *Audit Committee*

  Chaired by David Neate and comprising Donald Robertson, Geoff Cumming and Kerry Hegarty.
- *Remuneration Committee*

  Chaired by Donald Robertson and comprising David Neate, and Geoff Cumming.
- *Scientific Advisory and Commercialisation Committees*

  Managed by Fabio Turatti and Kerry Hegarty. Scientific direction and strategy are decided by the Board, based on recommendations from Management. In FY11, significant technical advice was received from: Dr. Scott Cohen (Children's Medical Research Institute, Sydney), Mr. Ross Barrow, and Dr. Adam Williams (University of Melbourne). Valuable advice was also sought during the year from Dr. Merilyn Sleigh (formerly CEO, Evogenix), Mr. Andrew Hall (Stone Ridge Ventures) and Dr. David Earp (Geron Corporation).

Indemnifying and insurance of Directors and other Officers
The Company has paid a premium for Directors' and Officers' Liability Insurance.

Under the Company's constitution:

i. To the extent permitted by law and subject to the restrictions in sections 199A and 199B of the Corporations Act 2001, the Company indemnifies every person who is or has been an officer of the Company against any liability (other than for legal costs) incurred by that person as an officer of the Company.
ii. To the extent permitted by law and subject to the restrictions in sections 199A and 199B of the Corporations Act 2001, the Company indemnifies every person who is or has been an officer of the Company against reasonable legal costs incurred in defending an action for a liability incurred by that person as an officer of the Company.

The Company has insured its Directors, Company Secretary and executive officers for the financial year ended 30 June 2011. Under the Company's Directors' and Officers' Liability Insurance Policy, the Company cannot release to any third party or otherwise publish details of the nature of the liabilities insured by the policy or the amount of the premium. Accordingly, the Company relies on section 300(9) of the Corporations Act 2001 to exempt it from the requirement to disclose the nature of the liability insured against and the premium amount of the relevant policy.

Proceedings on Behalf of the Company
No person has applied for leave of court to bring proceedings on behalf of the Company to intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of these proceedings.

Auditors' Independence Declaration
The Auditors' independence declaration for the year ended 30 June 2011 has been received and can be found on page 6 of the financial report.

This report is made in accordance with a resolution of the Directors and dated this 16th day of September 2011.

G Cumming

Geoff Cumming
Chairman

Walker Wayland NSW
Chartered Accountants

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AUDITORS' INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001 TO THE DIRECTORS OF SIENNA CANCER DIAGNOSTICS LIMITED

We declare that, to the best of our knowledge and belief, during the year ended 30 June 2011 there have been:

(i) no contraventions of the auditors' independence requirements as set out in the *Corporations Act 2001* in relation to the audit/review; and

(ii) no contraventions of any applicable code of professional conduct in relation to the audit.

Walker Wayland NSW

Richard Woods

Walker Wayland NSW
Chartered Accountants
Dated this 16th day of September 2011

Richard Woods
Partner

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2011

	Note	2011 $	2010 $
REVENUE FROM ORDINARY ACTIVITIES	3	390,764	391,250
EXPENSES			
Employee and contractor costs		(672,307)	(630,717)
Administration		(80,826)	(89,703)
Research and development		(135,296)	(132,142)
Insurance		(33,314)	(33,948)
Travel and meetings		(21,599)	(17,908)
Other expenses from ordinary activities		(282)	(348)
		(943,624)	(904,766)
Loss before impairment, depreciation and amortisation		(552,860)	(513,516)
Impairment of intangibles	4	(1,208,683)	-
Depreciation and amortisation	4	(30,104)	(365,350)
LOSS BEFORE INCOME TAX		(1,791,647)	(878,866)
Income tax expense	5	-	-
LOSS FOR THE YEAR		(1,791,647)	(878,866)
Other comprehensive income		-	-
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		(1,791,647)	(878,866)

The accompanying notes form part of these financial statements

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2011

	Note	2011 $	2010 $
CURRENT ASSETS			
Cash assets	7	1,436,078	2,025,979
Receivables	8	15,541	14,770
Other assets	9	-	2,268
TOTAL CURRENT ASSETS		1,451,619	2,043,017
NON-CURRENT ASSETS			
Intangibles	11	1,009,979	2,208,428
Property, plant and equipment	12	57,512	55,077
TOTAL NON-CURRENT ASSETS		1,067,491	2,263,505
TOTAL ASSETS		2,519,110	4,306,522
CURRENT LIABILITIES			
Payables	13	53,451	53,532
Provisions	14	36,328	32,012
TOTAL CURRENT LIABILITIES		89,779	85,544
TOTAL LIABILITIES		89,779	85,544
NET ASSETS		2,429,331	4,220,978
EQUITY			
Contributed equity	15	11,475,330	11,475,330
Reserves	16	130,400	130,400
Accumulated losses		(9,176,399)	(7,384,752)
TOTAL EQUITY		2,429,331	4,220,978

The accompanying notes form part of these financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2011

	Note	Contributed Equity $	Reserves $	Accumulated Losses $	Total $
BALANCE AT 1 JULY 2009		10,562,823	130,400	(6,505,886)	4,187,337
Fully-paid shares at $0.15 each		912,507	-	-	912,507
Loss attributable to members		-	-	(878,866)	(878,866)
BALANCE AT 30 JUNE 2010		11,475,330	130,400	(7,384,752)	4,220,978
Loss attributable to members		-	-	(1,791,647)	(1,791,647)
BALANCE AT 30 JUNE 2011		11,475,330	130,400	(9,176,399)	2,429,331

CONSOLIDATED STATEMENT OF CASH FLOW
FOR THE YEAR ENDED 30 JUNE 2011

	Note	2011 $	2010 $
CASH FLOW FROM OPERATING ACTIVITIES			
Receipts from operating activities		330,090	267,128
Interest received		89,981	124,122
Payments to suppliers and employees		(967,197)	(879,800)
Net cash used in operating activities	24b	(547,126)	(488,550)
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of intangibles		(10,236)	(4,250)
Purchase of plant and equipment		(32,539)	(14,610)
Net cash used in investing activities		(42,775)	(18,860)
CASH FLOW FROM FINANCING ACTIVITIES			
Net proceeds from issue of partly paid shares		-	912,507
Net cash provided by financing activities		-	912,507
NET INCREASE (DECREASE) IN CASH HELD		(589,901)	405,097
Cash and cash equivalent at beginning of financial year		2,025,979	1,620,882
CASH AND CASH EQUIVALENT AT END OF FINANCIAL YEAR	24a	1,436,078	2,025,979

The accompanying notes form part of these financial statements

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

The consolidated financial statements and notes represent those of Sienna Cancer Diagnostics Limited and Controlled Entities (the 'consolidated group' or 'group').

The separate financial statements of the parent entity, Sienna Cancer Diagnostics Limited have not been presented within this financial report as permitted by amendments made to the Corporations Act 2001 effective as at 28 June 2010.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The financial report covers the economic entities of Sienna Cancer Diagnostics Limited and its controlled entities as an economic entity.

Basis of Preparation

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board (AASB), and the Corporations Act 2001.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions to which they apply. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards. Material accounting policies adopted in the preparation of this financial report are presented below. They have been consistently applied unless otherwise stated.

The financial report has been prepared on an accruals basis and is based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets, and financial liabilities.

Accounting Policies

a. **Principles of Consolidation**

A controlled entity is any entity of which Sienna Cancer Diagnostics Limited has the power to control the financial and operating policies.

A list of controlled entities is contained in Note 10 to the financial statements. All controlled entities have a 30 June financial year end.

All inter-company balances and transactions between entities in the Group, including any unrealised profits or losses, have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with those policies applied by the parent entity.

b. **Income Tax**

The Group adopts the liability method of tax-effect accounting whereby the income tax expense is based on the profit from ordinary activities adjusted for any permanent differences.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the asset is realised or liability is settled. Deferred tax is credited in the income statement except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the Group will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

c. **Revenue Recognition**

Revenue is recognised at the fair value of the consideration received net of the amount of goods and services tax (GST) payable to the taxation authority. Exchanges of goods or services of the same nature and value without any cash consideration are not recognised as revenue.

Interest Income

Interest income is recognised as it accrues, taking into account the effective yield on the financial asset.

d. **Goods and services tax**

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of expense.

Receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as a current asset or liability in the statement of financial position.

Cash flow is included in the statement of cash flow on a gross basis. The GST components of cash flow arising from investing and financing activities, which are recoverable from, or payable to, the taxation authority, are classified as operating cash flow.

e **Property, Plant and Equipment**

Each class of property, plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation.

Plant & Equipment

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the assets' employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred. The carrying amount of plant and equipment is reviewed annually by Officers of the Group to ensure it is not in excess of the recoverable amount from those assets.

Depreciation

The depreciable amount of all fixed assets including building and capitalised lease assets, but excluding freehold land, is depreciated on a straight line basis over their useful lives to the Group commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements. Items of property, plant and equipment, are depreciated over their estimated useful lives. The diminishing value method is used.

The depreciation rates for each class of asset are:

Class of Non Current Asset	Depreciation Rate
Office Furniture and Equipment	25% - 50% straight line

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains or losses are included in the income statement. When revalued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

f. **Impairment of Assets**

At each reporting date, the Group reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the statement of comprehensive income.

Impairment testing is performed annually for goodwill and intangible assets with indefinite lives.

Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

g. **Cash and Cash Equivalents**

Cash and cash equivalents include cash on hand and deposits held at call with banks.

h. **Investments**

Non-current investments are measured on the cost basis. The carrying amount of non-current investments is reviewed annually by Officers of the Group to ensure it is not in excess of the recoverable amount of these investments. The recoverable amount is assessed from the underlying net assets of the investment. The expected net cash flows from investments have not been discounted to their present value in determining the recoverable amounts.

i. **Intangibles**

Licences

Licences are valued in the accounts at cost of acquisition. Licences have a finite life and are amortised over the period in which their benefits are expected to be realised.

Patents

Patents are recognised at cost of acquisition. Patents have a finite life and are carried at cost less any accumulated amortisation and any impairment losses.

The amortisable amount of patents is amortised on a straight line basis over the term of the patent commencing from the time the patent is registered.

j. **Payables**

Liabilities are recognised for amounts to be paid in the future for goods or services received. Trade accounts payable are normally settled within 60 days.

k. **Employee Entitlements**

Provision is made for the Group's liability for employee entitlements arising from services rendered by employees to balance date. Employee entitlements expected to be settled within one year together with entitlements arising from wages and salaries, annual leave and sick leave which will be settled after one year have been measured at their nominal amount. Other employee entitlements payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those entitlements.

Contributions are made by the Group to employee superannuation funds and are charged as expenses when incurred.

Equity-settled compensation

The Group operates a share-based compensation plan. This consists of an employee share option plan. The total amount to be expensed over the vesting period is determined by reference to the fair value of the shares of the options granted.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

l. **Financial Instruments**

Recognition

Financial instruments are initially measured at cost on transaction date, which includes transaction costs, when the related contractual rights or obligations exist. Subsequent to initial recognition these instruments are measured as set out below.

Financial assets at fair value through profit and loss

A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management and within the requirements of AASB 139: Recognition and Measurement of Financial Instruments. Realised and unrealised gains and losses arising from changes in the fair value of these assets are included in the income statement in the period in which they arise.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are stated at amortised cost using the effective interest rate method.

Financial liabilities

Non-derivative financial liabilities are recognised at amortised cost, comprising original debt less principal payments and amortisation.

Fair value

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

Impairment

At each reporting date, the Group assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether impairment has arisen. Impairment losses are recognised in the statement of comprehensive income.

m. **Comparative Figures**

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

n. **Critical Accounting Estimates and Judgments**

The directors evaluate estimates and judgments incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Group.

Key Estimates – Impairment

The Group assesses impairment at each reporting date by evaluating conditions specific to the Group that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates.

An impairment expense totaling $1,208,683 (2010: $nil) has been recognised in respect of intellectual property, including patents for the year ended 30 June 2011.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

o. **Adoption of New and Revised Accounting Standards**

During the current year, the Group has adopted all of the new and revised Australian Accounting Standards and Interpretations applicable to its operations which became mandatory.

The adoption of these Standards has not impacted the financial statements.

p. **New Accounting Standards for Application in Future Periods**

The AASB has issued new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods and which the Group has decided not to early adopt. A discussion of those future requirements and their impact on the Group is as follows:

— AASB 9: Financial Instruments and AASB 2009–11: Amendments to Australian Accounting Standards arising from AASB 9 [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 121, 127, 128, 131, 132, 136, 139, 1023 & 1038 and Interpretations 10 & 12] (applicable for annual reporting periods commencing on or after 1 January 2013).

These Standards are applicable retrospectively and amend the classification and measurement of financial assets. The Group has not yet determined any potential impact on the financial statements.

The changes made to accounting requirements include:

- simplifying the classifications of financial assets into those carried at amortised cost and those carried at fair value;
- simplifying the requirements for embedded derivatives;
- removing the tainting rules associated with held-to-maturity assets;
- removing the requirements to separate and fair value embedded derivatives for financial assets carried at amortised cost;
- allowing an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument; and
- requiring financial assets to be reclassified where there is a change in an entity's business model as they are initially classified based on: (a) the objective of the entity's business model for managing the financial assets; and (b) the characteristics of the contractual cash flows.

— AASB 124: Related Party Disclosures (applicable for annual reporting periods commencing on or after 1 January 2011).

This Standard removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities, and clarifies the definition of a 'related party' to remove inconsistencies and simplify the structure of the Standard. No changes are expected to materially affect the Group.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

p. **New Accounting Standards for Application in Future Periods (Continued)**

— AASB 1053: Application of Tiers of Australian Accounting Standards and AASB 2010–2: Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements [AASB 1, 2, 3, 5, 7, 8, 101, 102, 107, 108, 110, 111, 112, 116, 117, 119, 121, 123, 124, 127, 128, 131, 133, 134, 136, 137, 138, 140, 141, 1050 & 1052 and Interpretations 2, 4, 5, 15, 17, 127, 129 & 1052] (applicable for annual reporting periods commencing on or after 1 July 2013).

AASB 1053 establishes a revised differential financial reporting framework consisting of two tiers of financial reporting requirements for those entities preparing general purpose financial statements:

- Tier 1: Australian Accounting Standards; and
- Tier 2: Australian Accounting Standards — Reduced Disclosure Requirements.

Tier 2 of the framework comprises the recognition, measurement and presentation requirements of Tier 1, but contains significantly fewer disclosure requirements.

The following entities are required to apply Tier 1 reporting requirements (i.e. full IFRS):

- for-profit private sector entities that have public accountability; and
- the Australian Government and state, territory and local governments.

Subject to AASB 1049, general government sectors of the Australian Government and state and territory governments would also apply Tier 1 reporting requirements.

The following entities can elect to apply Tier 2 of the framework when preparing general purpose financial statements:

- for-profit private sector entities that do not have public accountability;
- not-for-profit private sector entities; and
- public sector entities, whether for-profit or not-for-profit, other than the Australian Government and state, territory and local governments.

AASB 2010–2 makes amendments to Australian Accounting Standards and Interpretations to give effect to the reduced disclosure requirements for Tier 2 entities. It achieves this by specifying the disclosure paragraphs that a Tier 2 entity need not comply with as well as adding specific 'RDR' disclosures.

— AASB 2009–10: Amendments to Australian Accounting Standards — Classification of Rights Issues [AASB 132] (applicable for annual reporting periods commencing on or after 1 February 2010).

This Standard clarifies that rights, options or warrants to acquire a fixed number of an entity's own equity instruments for a fixed amount in any currency are equity instruments if the entity offers the rights, options or warrants pro rata to all existing owners of the same class of its own non-derivative equity instruments. The amendments are not expected to have significant impact on the Group.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

p. **New Accounting Standards for Application in Future Periods (Continued)**

— AASB 2009–12: Amendments to Australian Accounting Standards [AASBs 5, 8, 108, 110, 112, 119, 133, 137, 139, 1023 & 1031 and Interpretations 2, 4, 16, 1039 & 1052] (applicable for annual reporting periods commencing on or after 1 January 2011).

This Standard makes a number of editorial amendments to a range of Australian Accounting Standards and Interpretations, including amendments to reflect changes made to the text of IFRSs by the IASB. The Standard also amends AASB 8 to require entities to exercise judgment in assessing whether a government and entities known to be under the control of that government are considered a single customer for the purposes of certain operating segment disclosures. The amendments are not expected to impact the Group.

— AASB 2009–13: Amendments to Australian Accounting Standards arising from Interpretation 19 [AASB 1] (applicable for annual reporting periods commencing on or after 1 July 2010).

This Standard makes amendments to AASB 1 arising from the issue of Interpretation 19. The amendments allow a first-time adopter to apply the transitional provisions in Interpretation 19. This Standard is not expected to impact the Group.

— AASB 2009–14: Amendments to Australian Interpretation — Prepayments of a Minimum Funding Requirement [AASB Interpretation 14] (applicable for annual reporting periods commencing on or after 1 January 2011).

This Standard amends Interpretation 14 to address unintended consequences that can arise from the previous accounting requirements when an entity prepays future contributions into a defined benefit pension plan. This Standard is not expected to impact the Group.

— AASB 2010–3: Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 3, AASB 7, AASB 121, AASB 128, AASB 131, AASB 132 & AASB 139] (applicable for annual reporting periods commencing on or after 1 July 2010).

This Standard details numerous non-urgent but necessary changes to Accounting Standards arising from the IASB's annual improvements project. Key changes include:

- requiring that recognition and/or adjustment of contingent consideration for acquisitions preceding 1 July 2009 be recognised against the cost of acquisition;
- clarifying the accounting for replacement share-based payments awarded to the acquiree's employees as part of the cost of the combination service, or in the case of non-replaced and unvested share-based payments of the acquiree that do not form part of the exchange, an allocation to both the cost of acquisition and post-combination services on the basis of a market-based measure; and
- making sundry transitional amendments to various Standards.

This Standard is not expected to impact the Group.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

p. **New Accounting Standards for Application in Future Periods (Continued)**

— AASB 2010–4: Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 1, AASB 7, AASB 101 & AASB 134 and Interpretation 13] (applicable for annual reporting periods commencing on or after 1 January 2011).

This Standard details numerous non-urgent but necessary changes to Accounting Standards arising from the IASB's annual improvements project. Key changes include:

- clarifying the application of AASB 108 prior to an entity's first Australian-Accounting-Standards financial statements;
- adding an explicit statement to AASB 7 that qualitative disclosures should be made in the context of the quantitative disclosures to better enable users to evaluate an entity's exposure to risks arising from financial instruments;
- amending AASB 101 to the effect that disaggregation of changes in each component of equity arising from transactions recognised in other comprehensive income is required to be presented, but is permitted to be presented in the statement of changes in equity or in the notes;
- adding a number of examples to the list of events or transactions that require disclosure under AASB 134; and
- making sundry editorial amendments to various Standards and Interpretations.

This Standard is not expected to impact the Group.

— AASB Interpretation 19: Extinguishing Financial Liabilities with Equity Instruments (applicable for annual reporting periods commencing from 1 July 2010).

This Interpretation deals with how a debtor would account for the extinguishment of a liability through the issue of equity instruments. The Interpretation states that the issue of equity should be treated as the consideration paid to extinguish the liability, and the equity instruments issued should be recognised at their fair value unless fair value cannot be measured reliably, in which case they shall be measured at the fair value of the liability extinguished. The Interpretation deals with situations where either partial or full settlement of the liability has occurred. This Interpretation is not expected to impact the Group.

The Group does not anticipate early adoption of any of the above Australian Accounting Standards or Interpretations.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

NOTE 2: PARENT INFORMATION

STATEMENT OF FINANCIAL POSITION

	2011 $	2010 $
The following information has been extracted from the books and records of the parent entity and has been prepared in accordance with Accounting Standards.		
ASSETS		
Current assets	1,431,579	2,022,977
Non current assets	1,067,531	2,263,545
TOTAL ASSETS	2,499,110	4,286,522
LIABILITIES		
Current liabilities	89,779	85,544
TOTAL LIABILITIES	89,779	85,544
EQUITY		
Contributed equity	11,475,330	11,475,330
Reserves	130,400	130,400
Accumulated losses	(9,196,399)	(7,404,752)
TOTAL EQUITY	2,409,331	4,200,978
STATEMENT OF COMPREHENSIVE INCOME		
Total loss	(1,791,647)	(878,866)
Total comprehensive income	(1,791,647)	(878,866)

Guarantees

The Parent Company has not entered into any guarantees, in the current or previous financial year, in relation to the debts of its subsidiaries.

Contingent liabilities

At 30 June 2011, the Parent Company has contingent liabilities of $219,866 (2010: $86,173) relating to non-executive director fees and $10,000 (2010:$nil) relating to managing director salary as disclosed in note 19.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

	2011 $	2010 $
NOTE 3: REVENUE FROM ORDINARY ACTIVITIES		
Revenue from operating activities:		
- Research and development tax concession	243,819	242,128
- Grants	52,364	25,000
- Other	4,600	-
	300,783	267,128
Other revenue from operating activities:		
- Interest: Other third parties	89,981	124,122
Total revenue from ordinary activities	390,764	391,250

NOTE 4: LOSS FROM ORDINARY ACTIVITIES BEFORE INCOME TAX BENEFIT

Loss from ordinary activities before income tax benefit has been determined after charging the following items:

	2011 $	2010 $
Expenses:		
Rental expense on operating leases	17,865	21,963
Depreciation expense	30,104	21,490
Amortisation expense – intangibles	-	343,860
Impairment expense – intangibles	1,208,683	-

NOTE 5: INCOME TAX RELATING TO ORDINARY ACTIVITIES

	2011 $	2010 $
a. Prima facie income tax benefit from ordinary activities after significant item and before income tax at 30% (2010: 30%)	(537,494)	(263,660)
Add tax effect of:		
Timing and permanent differences	-	-
	(537,494)	(263,660)
Deferred tax assets not brought to account	537,494	263,660
Income tax benefit attributable to loss from ordinary activities after significant item and before income tax	-	-

NOTE 6: AUDITORS' REMUNERATION

	2011 $	2010 $
Remuneration of the auditor of the parent entity for:		
- Auditing or reviewing the financial report	10,500	10,500
- Other services	-	-

NOTE 7: CASH ASSETS

	2011 $	2010 $
Cash on hand	232	507
Cash at bank	1,435,846	2,025,472
	1,436,078	2,025,979

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

NOTE 8: RECEIVABLES	**2011 $**	**2010 $**
Other debtors	15,541	14,770

Credit Risk – Other receivables

The Group does not have any material credit risk exposure to any single receivable or group of receivables. There are no balances within other receivables that contain assets that are impaired and are past due. It is expected these balances will be received when due.

NOTE 9: OTHER ASSETS

Prepayments - Insurances	-	2,268

NOTE 10: CONTROLLED ENTITIES

Controlled Entities Consolidated	Country of Incorporation	Percentage Owned (%)*	
		2011	**2010**
Melbourne Diagnostic Pty Limited	Australia	100%	100%

* *Percentage of voting power in proportion to ownership*

NOTE 11: INTANGIBLE ASSETS	$	$
Licences – at cost	116,491	116,491
Accumulated amortisation / impairment	(116,491)	-
	-	116,491
Patents – at cost	148,906	138,671
Accumulated amortisation / impairment	(138,672)	(46,224)
	10,234	92,447
Licence Agreement with Geron	2,768,525	2,768,525
Accumulated amortisation / impairment	(1,768,780)	(769,035)
	999,745	1,999,490
	1,009,979	2,208,428

Movement in Carrying Amounts

	Patents Amplified Protein Luminescence	Patents Telomerase Biosensing Technology	Patents Other	LICR Licence	Geron Licence	Total
Balance at the beginning of the year	44,519	45,095	2,833	116,491	1,999,490	2,208,428
Additions	-	-	10,234	-	-	10,234
Amortisation	-	-	-	-	-	-
Impairment losses	(44,519)	(45,095)	(2,833)	(116,491)	(999,745)	(1,208,683)
Balance at the end of the year	-	-	10,234	-	999,745	1,009,979

Impairment losses

An impairment expense totalling $1,208,683 (2010: $nil) has been recognised in respect of intellectual property, including patents for the year ended 30 June 2011. The impairment event was the identification of the diagnostic products which would receive ongoing development. Items of intellectual property which will not be used in these products have been impaired to $nil carrying value. The majority of the expense ($999,745) relates to impairment of the original Geron licence, which is not required for development of the current Sienna test.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

NOTE 12: PROPERTY, PLANT AND EQUIPMENT	2011 $	2010 $
Office equipment – at cost	45,407	45,407
Accumulated depreciation	(43,334)	(39,579)
	2,073	5,828
Research equipment – at cost	174,228	141,689
Accumulated depreciation	(118,789)	(92,440)
	55,439	49,249
	57,512	55,077

Movement in Carrying Amounts

	Office Equipment	Research Equipment	Total
Balance at the beginning of the year	5,828	49,249	55,077
Additions	-	32,539	32,539
Depreciation	(3,755)	(26,349)	(30,104)
Balance at the end of the year	2,073	55,439	57,512

NOTE 13: PAYABLES	2011 $	2010 $
Trade creditors, other creditors and accruals	53,451	53,532

NOTE 14: PROVISIONS

Current		
Employee entitlements	36,328	32,012

NOTE 15: CONTRIBUTED EQUITY (NET)

121,146,717 (2010:121,146,717) ordinary shares	11,475,330	11,475,330

During the year partly paid shares were converted to fully paid shares upon collection of remaining monies.

	Number	Number
Ordinary shares	121,146,717	121,146,717

NOTE 16: RESERVES	$	$
Options reserve (refer note 21)	130,400	130,400

NOTE 17: EVENTS SUBSEQUENT TO REPORTING DATE

To the Directors' knowledge, no events have occurred subsequent to reporting date, which have or are likely to have a material effect on the operations of the Group.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

NOTE 18: CAPITAL AND INVESTMENT COMMITMENTS

To the Directors' knowledge, the Group had no capital or investment commitments as at 30 June 2011 not otherwise disclosed in these financial statements.

NOTE 19: CONTINGENT LIABILITY	**2011 $**	**2010 $**
Estimates of the potential financial effect of contingent liabilities that may become payable:		
Non-executive director fees:		
Non-executive Directors have agreed to defer payment of this amount until the first to occur of:		
The Company enters into a licensing agreement or assignment agreement for one of its products; and the Board reasonably determines that the payment of these amounts will not impact on the operational viability of the Company; or		
The Company commences product sales with income derived either directly or as royalty payments; and the Board reasonably determines that the payment of these amounts will not impact on the operational viability of the Company; or		
The Company cash-at-bank figure exceeds 3-year projections of expenditure; or		
There is a change in ownership of more than 50% of the issued shares of the Company, or other significant events.		
In the event that the above is not accomplished, they will release the Company from these obligations.	219,866	86,173
Managing Director Salary increase: The Managing Director has agreed to defer payment of her base salary increase that was due to commence on 1 April 2011 until the first to occur of:		
The Company enters into a licensing agreement or assignment agreement for one of its products; and the Board reasonably determines that the payment of these amounts will not impact on the operational viability of the Company; or		
The Company commences product sales with income derived either directly or as royalty payments; and the Board reasonably determines that the payment of these amounts will not impact on the operational viability of the Company; or		
The Company cash-at-bank figure exceeds 3-year projections of expenditure; or		
There is a change in ownership of more than 50% of the issued shares of the Company, or other significant events.		
In the event that the above is not accomplished, the MD will release the Company from these obligations.	10,000	-

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

NOTE 20: RELATED PARTY TRANSACTIONS

Directors

The names of each person holding the position of director of Sienna Cancer Diagnostics Limited during the year are G J Cumming, R Dobinson, K A Hegarty, D W Neate, and D B Robertson.

No director has entered into a material contract with the Group since the end of the previous financial year and there were no material contracts involving directors' interests subsisting at year-end.

Directors' transactions with the Economic Entity

	2011 $	2010 $
Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.		
Transactions with related parties:		
i. Share Transactions of Directors		
Directors and director-related entities hold directly, indirectly or beneficially as at the reporting date the following number of shares		
- ordinary shares	17,972,686	17,972,686

ii. Related party option transactions

Refer to Note 21: Share Based Payments

NOTE 21: SHARE BASED PAYMENTS

The following share-based payment arrangements existed at 30 June 2011:

Name / Position	# Options	Exercise Price ($)	Granted Date	Status	Vested Date	Exercise Date / Period	Conditions	Note
Kerry Hegarty	2,000,000	$0.12	14-Mar-08	Vested	14-Mar-08	22-Dec-11	No	1 & 4
MD / CEO	2,000,000	$0.20	14-Mar-08	Granted		31-Dec-12	Yes	1 & 5
	3,000,000	$0.20	14-Mar-08	Granted		48 Months After Exit to Shareholders	Yes	1 & 6
Capital Raising Agent	100,000	ASX Listing Price	28-Apr-05	Granted		36 Months After ASX Listing	Yes	2
George Morstyn Scientific Advisor	50,000	$0.30	03-Jun-06	Granted		60 Months After ASX Listing	Yes	3

Notes:

1. Issued under the terms of the Sienna Cancer Diagnostics Employee Share Options Program (ESOP).
2. Options to be vested upon Sienna Cancer Diagnostics Ltd being listed on the ASX, which has not occurred to date. The Exercise Price is equal to that of the price that Sienna Cancer Diagnostics lists on the ASX and is not currently quantifiable.
3. Options to be vested upon Sienna Cancer Diagnostics Ltd being listed on the ASX, which has not occurred to date.
4. Vested as at the later of the date of signing Geron Agreement and Grant date.
5. Vesting to occur at the date of signing an agreement with an S&D partner.
6. Vesting basis; exit to shareholders includes IPO or other liquidity event, eg takeover, trade sale, scheme of arrangement or full/partial sale of Sienna.

All options granted are ordinary shares in Sienna Cancer Diagnostics Limited, which confer a right of one ordinary share for every option held.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

NOTE 21: SHARE BASED PAYMENTS (continued)

	2011		2010		
	# Options	Weighted Average Exercise Price ($)	# Options	Weighted Average Exercise Price ($)	Notes
Employee / Advisor Related Options					
Outstanding at the beginning of the year	7,150,000	$0.180	7,150,000	$0.180	i
Granted	-	-	-	-	
Forfeited	-	-	-	-	
Exercised	-	-	-	-	
Expired	-	-	-	-	
Outstanding at year-end	7,150,000	$0.180	7,150,000	$0.180	
Exercisable at year-end	2,000,000	$0.120	2,000,000	$0.120	
TOTAL					
Outstanding at the beginning of the year	7,150,000	$0.180	7,150,000	$0.180	
Granted	-	-	-	-	
Forfeited	-	-	-	-	
Exercised	-	-	-	-	
Expired	-	-	-	-	
Outstanding at year-end	7,150,000	$0.180	7,150,000	$0.180	
Exercisable at year-end	2,000,000	$0.120	2,000,000	$0.120	

Notes:

i. The Exercise Price of 100,000 of the Options granted prior to FY06 is equal to that of the price that Sienna Cancer Diagnostics lists on the ASX. As this price is not currently quantifiable, an indicative exercise price of $0.30 has been utilised for the purpose of calculating the weighted average exercise price.

Options Reserve

The fair value of options is $130,400 (2010; $130,400). There were no new options granted in the year.

The value of the Option Reserve has been calculated by using a modified binomial option pricing model applying the following inputs:

Exercise price	$0.12 to $0.20
Underlying share price	$0.15
Days to expiration	905 to 1,280
Expected share price volatility	8.4%
Risk free interest rate	6.50%

We have used the historical volatility of the shares for a company listed on the ASX which operates in the same industry group as Sienna Cancer Diagnostics Limited (SCD) as a basis for determining expected share price volatility for SCD. However this may not eventuate.

Historical volatility is assumed to be indicative of future volatility which may not eventuate.

The life of the options is based on the contracted expiry date.

Included under employees and contractor costs in the income statement is a credit of $Nil (2010: $Nil). This relates, in full, to fair value of options. Options issued prior to the current year have a fair value of nil, or have an interminable expiry date which precludes a fair value being calculated.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

NOTE 22: FINANCIAL RISK MANAGEMENT

The Group's financial instruments consist mainly of deposits with banks and accounts receivable and payable.

The totals for each category of financial instruments, measured in accordance with AASB 139 as detailed in the accounting policies to these financial statements, are as follows:

	Note	2011 $	2010 $
Financial Assets			
Cash assets	7	1,436,078	2,025,979
Receivables	8	15,541	14,770
		1,451,619	2,040,749
Financial Liabilities			
Payables	13	53,451	53,532

Financial Risk Management Policies

The Board of Directors' ("BoD") are responsible for, among other issues, monitoring and managing financial risk exposures of the Group. The BoD monitors the Group's transactions and reviews the effectiveness of controls relating to credit risk, financial risk, and interest rate risk. Discussions on monitoring and managing financial risk exposures are held regularly by the BoD.

The BoD's overall risk management strategy seeks to ensure that the Group meets its financial targets, while minimising potential adverse effects of cash flow shortfalls**.**

The Group does not have any derivative instruments at 30 June 2011.

Specific Financial Risk Exposures and Management

The main risk the Group is exposed to through its financial instruments is liquidity risk.

a. **Credit risk**

Exposure to credit risk relating to financial assets arises from the potential non-performance by counterparties of contract obligations that could lead to a financial loss to the association.

Credit risk is managed through maintaining procedures ensuring, to the extent possible, that members and counterparties to transactions are of sound credit worthiness.

Credit risk exposures

The Group is not exposed to any material credit risk.

b. **Liquidity risk**

Liquidity risk arises from the possibility that the Group might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities. The Group manages this risk through the following mechanisms:

— preparing forward-looking cash flow analysis in relation to its operational, investing and financing activities;

— only investing surplus cash with major financial institutions; and

c. **Market risk**

(i) *Interest rate risk*

Exposure to interest rate risk arises on interest earned on cash equivalents only.

(ii) *Price risk*

The Group is not exposed to price risk.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

NOTE 22: FINANCIAL RISK MANAGEMENT (CONTINUED)

	Within 1 Year		1 to 5 Years		Over 5 Years		Total	
	2011	**2010**	**2011**	**2010**	**2011**	**2010**	**2011**	**2010**
	$	**$**	**$**	**$**	**$**	**$**	**$**	**$**
Financial liabilities due for payment								
Trade and other payables (excluding est. annual leave)	53,451	53,532	-	-	-	-	53,451	53,532
Total contractual outflows	53,451	53,532	-	-	-	-	53,451	53,532
Total expected outflows	53,451	53,532	-	-	-	-	53,451	53,532
Financial assets — cash flows realisable								
Cash assets	1,436,078	2,025,979	-	-	-	-	1,436,078	2,025,979
Receivables	15,541	14,770	-	-	-	-	15,541	14,770
Total anticipated inflows	1,451,619	2,040,749	-	-	-	-	1,451,619	2,040,749
Net (outflow)/inflow on financial instruments	1,398,168	1,987,217		-		-	1,398,168	1,987,217

Financial assets pledged as collateral

No financial assets have been pledged as security for any financial liability.

Net Fair Values

Fair value estimation

The fair values of financial assets and financial liabilities are equal to their carrying value in the statement of financial position.

The fair values have been determined based on the following methodologies:

(i) Cash and cash equivalents, trade and other receivables and trade and other payables are short term instruments in nature whose carrying value is equivalent to fair value. Trade and other payables excludes amounts provided for / relating to annual leave which is not considered a financial instrument.

Sensitivity analysis

The BoD considers that there are no material market risks requiring sensitivity analysis to be performed.

NOTE 23: SEGMENT REPORTING

The Group operates predominantly in one business and geographical segment being the research and development of cancer diagnostics in Victoria, Australia.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

NOTE 24: CASH FLOW INFORMATION

	2011 $	2010 $
a. Cash at the end of the financial year as shown in the cash flow statement is reconciled to the related items in the balance sheet as follows:		
Cash on hand	232	507
Cash at bank	1,435,846	2,025,472
	1,436,078	2,025,979
b. Reconciliation of cash flow from operating activities with loss from ordinary activities after income tax benefit		
Loss from ordinary activities after significant item and income tax	(1,791,647)	(878,866)
Non-cash flows in loss from ordinary activities:		
- Depreciation and amortisation	30,104	365,350
- Impairment of intangibles	1,208,683	-
- Movement in provision for employee entitlements	4,317	3,172
Changes in assets and liabilities:		
- (Increase) decrease in trade and other debtors	(771)	1,514
- (Increase) decrease in prepayments	2,268	(2,067)
- Increase (decrease) in payables	(80)	22,347
Net cash used in operating activities	(547,126)	(488,550)

NOTE 25: KEY MANAGEMENT PERSONNEL COMPENSATION

The following responsible positions were key management personnel of the entity at any time during the reporting period:

Chief Executive Officer: Kerry Hegarty

Chief Scientific Officer: Fabio Turatti

Head of Business Development: Ian Macfarlane

Technical Advisor: Ross Barrow

Transactions with key management personnel

The key management personnel compensation included in employee expenses are as follows:

	Short-term benefits $	Post employment benefit $	Total $
2011			
Total compensation	334,732	61,774	396,506
2010			
Total compensation	275,976	87,504	363,480

NOTE 26: COMPANY DETAILS

The registered office of the Company is:

Level 9, 550 Bourke Street, Melbourne, VIC, 3000

The principal place of business of the Company is:

Bio21 Institute, Building 404, 30 Flemington Road, University of Melbourne, VIC, 3010

DIRECTORS' DECLARATION

The Directors of the company declare that:

1. The financial statements and notes, as set out on pages 7 to 27 are in accordance with the Corporations Act 2001:
    a. comply with Accounting Standards as detailed in Note 1 to the financial statements and the Corporations Regulations 2001; and
    b. give a true and fair view of the Company's financial position as at 30 June 2011 and of the performance for the year ended on that date in accordance with the accounting policies described in Note 1 to the financial statements.
2. In the Directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Directors.

Geoffrey J. Cumming	Kerry A. Hegarty
Chairman	**Managing Director/CEO**

Dated this 16th day of September 2011

walkerwayland

Walker Wayland NSW
Chartered Accountants

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INDEPENDENT AUDIT REPORT TO THE MEMBERS OF SIENNA CANCER DIAGNOSTICS LIMITED

Report on the Financial Report

We have audited the accompanying financial report of Sienna Cancer Diagnostics Limited ("the Company") which comprises the statement of financial position as at 30 June 2011, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the consolidated entity comprising the Company and the entity it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101: Presentation of Financial Statements, that compliance with the Australian equivalents to International Financial Reporting Standards (IFRS) ensures that the financial report, comprising the financial statements and notes, complies with IFRS.

Audit Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Independence

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001.

Walker Wayland NSW
Chartered Accountants

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Audit Opinion

In our opinion:

a. The financial report of Sienna Cancer Diagnostics Limited and Sienna Cancer Diagnostics Limited and Controlled Entities is in accordance with the Corporations Act 2001, including:

   i. giving a true and fair view of the Company's and Consolidated Entity's financial position as at 30 June 2011 and of their performance for the year ended on that date ; and

   ii. complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and

b. the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Walker Wayland NSW

Richard Woods

Walker Wayland NSW **Richard Woods**

Chartered Accountants **Partner**

Signed in Sydney on this 16th day of September 2011