

SIENNA CANCER DIAGNOSTICS LIMITED  
ABN 74 099 803 460

AUDITED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2014

**CONTENTS**

**FINANCIAL REPORT**

|  |           |
|--|-----------|
| <b>MESSAGE FROM THE CHAIRMAN AND MANAGING DIRECTOR</b>                             | <b>2</b>  |
| <b>DIRECTORS' REPORT</b>   | <b>3</b>  |
| <b>AUDITORS' INDEPENDENCE DECLARATION</b>  | <b>8</b>  |
| <b>CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER<br/>COMPREHENSIVE INCOME</b> | <b>9</b>  |
| <b>CONSOLIDATED STATEMENT OF FINANCIAL POSITION</b>                                | <b>10</b> |
| <b>CONSOLIDATED STATEMENT OF CHANGES IN EQUITY</b>                                 | <b>11</b> |
| <b>CONSOLIDATED STATEMENT OF CASH FLOW</b>   | <b>11</b> |
| <b>NOTES TO THE FINANCIAL STATEMENTS</b>   | <b>12</b> |
| <b>DIRECTORS' DECLARATION</b>  | <b>28</b> |
| <b>AUDIT REPORT</b>  | <b>29</b> |

# SIENNA CANCER DIAGNOSTICS LIMITED

A.B.N 74 099 803 460

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## MESSAGE FROM THE CHAIRMAN AND MANAGING DIRECTOR

Dr. Geoff Cumming and Dr. Kerry Hegarty

Dear Sienna Member,

Strong and sustainable product revenue is a rare and definitive marker of success for an emerging biotechnology company. It has consistently been Sienna's stated goal. Getting there requires a reliable technology platform, a resilient team, well-constructed commercial agreements and a certain tenacity to stay on course. We are delighted to report this year that all the key ingredients are in place to facilitate Sienna's first sales in the US. The exciting challenge we now face is to deliver that first product launch in 2014 and expand our market penetration and revenues in CY2015. These are the parameters against which Sienna's value will be assessed by the capital markets.

Over the last two years, your Board has focussed on the following activities to build value, and this year, tangible results are evident: executing transformational commercial agreements, attracting new experienced staff to the Sienna team, engaging leading medical research institutions in collaborative studies, obtaining relevant licenses, creating new intellectual property, establishing Quality Systems and manufacturing product (now ready for sale). You will be aware of our achievements from announcements and newsletters sent to you during the year. An overview of highlights in FY14 includes:

1. Entry into our first commercial licensing agreement with a leading U.S. urologic pathology company. We expect to formally announce this partnership to the general public once our partner has established its launch date for the Sienna-stain bladder cancer test.
2. Successful manufacturing and production of our first lead product (Sienna antibody against telomerase, SCD-A7) with our California-based contract manufacturer.
3. FDA registration of the SCD-A7 product (to be used in bladder cancer tests).
4. New clinical relationships both in Australia and overseas (in the urological and broader anatomical pathology departments). Our study with one of the leading medical research institutions in the world, Johns Hopkins Medical Institute in Baltimore, is now in its second stage.
5. Award of more than \$800,000 in non-dilutive grant funding through Commercialisation Australia (CA). Sienna is the only company in Australia to have successfully participated in all three levels of CA funding, attracting more than \$1.3M. CA grants are highly competitive and represent the leading source of government funding for commercialisation of innovation in Australia. Over the last five years, Sienna has leveraged each shareholder dollar by about 40-cents as part of our aim to maximise non-dilutive funding in support of our product development activities.
6. More than \$750,000 capital raised from the exercise of options.

In summary, we believe the commercial platform for Sienna is now established. Further uplift in value will depend on a number of factors, some of which are out of our control: performance of our partners and related technology risk, sales launch timing, market uptake, and our ability to raise funds to support expansion into additional markets and new product development. For example, additional funds will be required for Sienna to develop a regulated In Vitro Diagnostic (IVD) product, which would facilitate access to a significantly greater number of pathology labs around the world. SCD-A7 reagent sales are forecasted to begin in CY2014 and whilst projected as modest, these revenues will go some way toward supporting the IVD program.

This message to members provides only an overview of the key events related to the reporting period. For complete details of our activities, accomplishments and challenges, we refer you to the series of press releases and member newsletters provided during the year. If you would like to receive a complete set of all the FY14 correspondence, please let us know and we would be pleased to provide you with additional copies.

On behalf of all Sienna Directors, we thank you for your ongoing support and hope to see you at this year's Annual General Meeting (10am on November 7 2014 at Graduate House, University of Melbourne).

  
Geoff Cumming  
Chairman

  
Kerry Hegarty  
Managing Director/CEO

# SIENNA CANCER DIAGNOSTICS LIMITED

A.B.N 74 099 803 460

## DIRECTORS' REPORT

The Directors of Sienna Cancer Diagnostics Limited (Sienna or the Company) present their report for the financial year ended 30 June 2014.

### 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          |
| Kerry Hegarty    | Managing Director |
| David Earp       | Director          |
| David Neate      | Director          |
| Donald Robertson | Director          |
| Carl Stubbings   | Director          |

### Principal Activities

Sienna is in the business of developing novel *in-vitro* diagnostic (IVD) tests for the detection of cancer. Sienna's primary efforts are in developing technology which detects telomerase, an enzyme that is upregulated in 85-90% of all cancers. Our first product is a reagent that pathology laboratories can utilise to detect telomerase for monitoring and diagnosis of bladder cancer using tumour cells exfoliated from the bladder wall and excreted in urine. The key reagent for such a test is Sienna's SCD-A7 primary antibody, which is a GMP-manufactured product (Good Manufacturing Practice). In FY14, the key areas of activity related to: negotiating partner agreements, transferring our technology to partners, refinement of the Sienna technology and building capability within the company. As forecasted in CY2013, partnering negotiations have indeed been successful and our focus is now on additional partners and product launch, forecasted within the US market in CY2014.

### 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:

Bio21 Institute  
30 Flemington Rd, University of Melbourne, VIC 3010  
Phone: 03 9347 0622  
[www.siennadiagnostics.com.au](http://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 109 shareholders.

#### Chairman and Company Secretary

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.

#### Directors

| 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 Medical Australia Ltd, both ASX-listed healthcare companies. |

# SIENNA CANCER DIAGNOSTICS LIMITED

A.B.N 74 099 803 460

## DIRECTORS' REPORT (CONTINUED)

| 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 exploiting a natural tenacity to solve complex technical challenges. Following her PhD at Columbia University (NYC) and Fellowship at the University of Melbourne, Kerry co-founded Geotrack International Pty Ltd, where novel university research was commercialised and delivered globally within the oil and gas sector. Since accepting the role of CEO at Sienna, Kerry has directed limited resources at defining precise commercial opportunities for Sienna's research, at developing key corporate and clinical relationships and at creating global product opportunities.   |
| 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. R. Robertson | MBBS, Grad Dip Diagnostic Radiology, Fellow and Life Member of the Royal Australian and New Zealand College of Radiologists, 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 Director of Interventional Radiology at Barwon Health at the Geelong Hospital and also conducts an active Private Practice in vascular intervention. His prior 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. His work has been acknowledged through the award of Life Membership of the FRANZCR.  |
| C.S. Stubbings  | BSc, joined Sienna's Board of Directors in December 2011 adding further strength to Sienna's experience in partnering and product development. Carl is an Australian, who was based in southern California for many years, where he served as Vice-President of Sales and Marketing for Focus Diagnostics, a subsidiary of Quest, one of world's largest pathology laboratories. In July 2012, Carl moved back to Australia and into a new position as Chief Business Officer for Benitec Bipharm (an ASX-listed biotechnology company). Carl is also well-known in Australia, having served in senior roles at Brisbane's Panbio, and later as Senior Vice President at Panbio Inc, where he was responsible for business development in the Americas and Europe. Carl is also a Non-Executive Director of ASX listed medical device company Analytica Medical.   |
| D. J. Earp      | J.D., Ph.D. joined the Sienna Board of Directors in December 2012. He is the president and CEO of Circle Pharma, Inc. and the executive chairman of Reprovantage, Inc., both early stage biotech companies. He also serves as a senior advisor to Capricor Therapeutics. From 1999 until 2012, David served in various roles at Geron Corporation, including Chief Patent Counsel, Senior Vice President of business development, Chief Legal Officer and Senior Vice President of corporate transactions. From 2005 – 2010, David served as a board member of TA Therapeutics Ltd. (Hong Kong, PRC), a joint venture between Geron and the Biotechnology Research Corporation of Hong Kong University of Science and Technology. From 2005 – 2008 he was a board member of StART Licensing, Inc. of Austin, Texas, and upon the acquisition of StART by ViaGen Corporation, became a board member of ViaGen. He served as a ViaGen board member from 2008 until 2012, including as executive chairman from 2010 until the company was acquired by TransOva Genetics in 2012. David resides in the San Francisco bay area. |

## DIRECTORS' REPORT (CONTINUED)

### Review of Operations

#### *Operating results*

The operating costs for the financial period of \$1,247,511 increased by 7.4% in comparison with the previous year (2013; \$1,161,611).

The net loss of the Group for the financial period was \$432,961 (2013; \$745,368). This result is after allowing for impairment, depreciation and amortisation expense of \$5,101 (2013: \$17,546) and the market value of options granted of \$1,783 (2013: \$47,580). The loss for the year excluding these non-cash amounts was \$426,077 (2013: \$680,242).

#### *Future Developments*

At the date of this report, Sienna does not foresee any unusual future event that may significantly negatively impact on the Company'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 healthcare, reliance on commercial partners and our ability to access capital to sustain operation. We cannot guarantee that Sienna technology will be adopted and sold by pathology laboratories. Moreover there are significant changes underway in healthcare, particularly in the United States, and changes in reimbursement for diagnostics may impact our business opportunities.

#### *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*

Other than the following, the directors are not aware of any significant events since the end of the reporting period.

On 22 August 2014 the directors approved the issue of 5,165,186 shares for the consideration of \$774,778 as a result of 5,165,186 options being exercised by shareholders. These shareholders also received 2,582,594 options with an exercise price of \$0.15 and 2,582,592 options with an exercise price of \$0.20 and an expiry date of 1 August 2015 and 1 February 2016, respectively.

#### *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. As noted in the Annual Report of FY13, Sienna continues to occupy its premises on a month-to-month basis with the support of Bio21 Institute and University of Melbourne. The Company has identified a number of locations that would be suitable, and expects to vacate its present location before the end of the calendar year. This activity will impact our operating costs and is likely to affect operations during the period of relocation.

#### *Options*

During the year ended 30 June 2014, 1,450,000 options over issued shares in the parent company were cancelled pursuant to the employees not satisfying an employment service condition (2013: 800,000). Options offered to Sienna Directors and staff are subject to a number of conditions which restrict both vesting and the exercising of the options.

# SIENNA CANCER DIAGNOSTICS LIMITED

A.B.N 74 099 803 460

## DIRECTORS' REPORT (CONTINUED)

### *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 2014, and the number attended by Directors were:

| Director         | Meetings of Directors |
|------------------|-----------------------|
| Geoff Cumming    | 9/9                   |
| Kerry Hegarty    | 9/9                   |
| David Neate      | 9/9                   |
| Donald Robertson | 9/9                   |
| Carl Stubbings   | 9/9                   |
| David Earp       | 9/9                   |

### *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 Sienna management. During FY14, the committees operating were:

- *Audit Committee*  
Chaired by David Neate and comprising Donald Robertson, Geoff Cumming, Carl Stubbings and Kerry Hegarty.
- *Remuneration Committee*  
Chaired by Donald Robertson and comprising David Neate, Geoff Cumming and Carl Stubbings.
- *Scientific Advisory and Commercialisation Committees*  
Scientific Advisory Committee: Managed by Dr. Fabio Turatti, CSO (to Nov 2013), and Dr. Kerry Hegarty, CEO. Scientific direction and strategy are decided by the Board, based on recommendations from Management. In FY14, technical advice was sought from: Dr. Scott Cohen and Dr. Roger Reddel (Children's Medical Research Institute, Sydney), Associate Prof. Anthony Landgren (Royal Melbourne Hospital Pathology), Dr. David Clouston (Focus Pathology), Dr. John Pedersen (TissuPath), and Dr. Gerardine Mitchell (Austin Pathology). Valuable advice was also sought during the year from Dr. Sacha Dopheide (Planet Innovation).

### *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:

- 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.
- 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 2014. 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.

# SIENNA CANCER DIAGNOSTICS LIMITED

A.B.N 74 099 803 460

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## DIRECTORS' REPORT (CONTINUED)

### *Auditors' Independence Declaration*

A copy of the auditors' independence declaration as required under s307C of the *Corporations Act 2001* is set out on page 7.

None of Sienna's officers are former partners or directors of Sienna's auditor, Walker Wayland NSW Chartered Accountants.

This report is made in accordance with a resolution of the Directors and dated this 12th day of September 2014.



Geoff Cumming  
Chairman

**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 2014 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**  
**Chartered Accountants**

Dated this 12th day of September 2014



**Richard Woods**  
**Partner**

# SIENNA CANCER DIAGNOSTICS LIMITED

A.B.N 74 099 803 460

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2014

|   | Note | 2014<br>\$         | 2013<br>\$         |
|---|------|--------------------|--------------------|
| <b>REVENUE FROM ORDINARY ACTIVITIES</b>               | 3    | 819,651            | 433,789            |
| <b>EXPENSES</b>                                       |      |                    |                    |
| Employee and contractor costs                         |      | (673,195)          | (780,352)          |
| Administration  |      | (122,938)          | (88,398)           |
| Research and development                              |      | (407,868)          | (242,971)          |
| Insurance   |      | (21,742)           | (21,435)           |
| Travel and meetings                                   |      | (21,219)           | (27,926)           |
| Other expenses from ordinary activities               |      | (549)              | (529)              |
|   |      | <u>(1,247,511)</u> | <u>(1,161,611)</u> |
| Loss before impairment, depreciation and amortisation |      | (427,860)          | (727,822)          |
| Impairment of intangibles                             | 4    | -                  | -                  |
| Depreciation and amortisation                         | 4    | (5,101)            | (17,546)           |
|   |      | <u>(432,961)</u>   | <u>(745,368)</u>   |
| <b>LOSS BEFORE INCOME TAX</b>                         |      | (432,961)          | (745,368)          |
| Income tax expense                                    | 5    | -                  | -                  |
|   |      | <u>(432,961)</u>   | <u>(745,368)</u>   |
| <b>LOSS FOR THE YEAR</b>                              |      | <u>(432,961)</u>   | <u>(745,368)</u>   |
| Other comprehensive income                            |      | -                  | -                  |
| <b>TOTAL COMPREHENSIVE LOSS FOR THE YEAR</b>          |      | <u>(432,961)</u>   | <u>(745,368)</u>   |

The accompanying notes form part of these financial statements

# SIENNA CANCER DIAGNOSTICS LIMITED

A.B.N 74 099 803 460

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2014

|                                  | Note | 2014<br>\$     | 2013<br>\$       |
|----------------------------------|------|----------------|------------------|
| <b>CURRENT ASSETS</b>            |      |                |                  |
| Cash assets                      | 7    | 589,479        | 956,356          |
| Receivables                      | 8    | 394            | 38,119           |
| Other assets                     | 9    | 10,406         | -                |
| <b>TOTAL CURRENT ASSETS</b>      |      | <u>600,279</u> | <u>994,475</u>   |
| <b>NON-CURRENT ASSETS</b>        |      |                |                  |
| Intangibles                      | 11   | 36,179         | 19,894           |
| Property, plant and equipment    | 12   | 108            | 4,574            |
| <b>TOTAL NON-CURRENT ASSETS</b>  |      | <u>36,287</u>  | <u>24,468</u>    |
| <b>TOTAL ASSETS</b>              |      | <u>636,566</u> | <u>1,018,943</u> |
| <b>CURRENT LIABILITIES</b>       |      |                |                  |
| Payables                         | 13   | 119,849        | 85,753           |
| Provisions                       | 14   | 73,496         | 58,791           |
| <b>TOTAL CURRENT LIABILITIES</b> |      | <u>193,345</u> | <u>144,544</u>   |
| <b>TOTAL LIABILITIES</b>         |      | <u>193,345</u> | <u>144,544</u>   |
| <b>NET ASSETS</b>                |      | <u>443,221</u> | <u>874,399</u>   |
| <b>EQUITY</b>                    |      |                |                  |
| Contributed equity               | 15   | 12,313,130     | 12,313,130       |
| Reserves                         | 16   | 226,591        | 224,808          |
| Accumulated losses               |      | (12,096,500)   | (11,663,539)     |
| <b>TOTAL EQUITY</b>              |      | <u>443,221</u> | <u>874,399</u>   |

The accompanying notes form part of these financial statements

# SIENNA CANCER DIAGNOSTICS LIMITED

A.B.N 74 099 803 460

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2014

|                                   | Note | Contributed<br>Equity<br>\$ | Reserves<br>\$ | Accumulated<br>Losses<br>\$ | Total<br>\$ |
|-----------------------------------|------|-----------------------------|----------------|-----------------------------|-------------|
| <b>BALANCE AT 30 JUNE 2012</b>    |      | 11,475,330                  | 177,228        | (10,918,171)                | 734,387     |
| Loss attributable to members      |      | -                           | -              | (745,368)                   | (745,368)   |
| Share based payments expense      |      | -                           | 47,580         | -                           | 47,580      |
| Share issued (net of issue costs) |      | 837,800                     | -              | -                           | 837,800     |
| <b>BALANCE AT 30 JUNE 2013</b>    |      | 12,313,130                  | 224,808        | (11,663,539)                | 874,399     |
| Loss attributable to members      |      | -                           | -              | (432,961)                   | (432,961)   |
| Share based payments expense      |      | -                           | 1,783          | -                           | 1,783       |
| <b>BALANCE AT 30 June 2014</b>    |      | 12,313,130                  | 226,591        | (12,096,500)                | 443,221     |

## CONSOLIDATED STATEMENT OF CASH FLOW FOR THE YEAR ENDED 30 JUNE 2014

|  | Note | 2014<br>\$  | 2013<br>\$  |
|--|------|-------------|-------------|
| <b>CASH FLOW FROM OPERATING ACTIVITIES</b>               |      |             |             |
| Receipts from operating activities                       |      | 907,160     | 449,019     |
| Interest received  |      | 19,795      | 31,066      |
| Payments to suppliers and employees                      |      | (1,276,912) | (1,156,307) |
| Net cash used in operating activities                    | 22b  | (349,957)   | (676,222)   |
| <b>CASH FLOW FROM INVESTING ACTIVITIES</b>               |      |             |             |
| Purchase of intangibles                                  |      | (16,285)    | -           |
| Purchase of plant and equipment                          |      | (635)       | (1,315)     |
| Net cash used in investing activities                    |      | (16,920)    | (1,315)     |
| <b>CASH FLOW FROM FINANCING ACTIVITIES</b>               |      |             |             |
| Proceeds from issue of ordinary shares                   |      | -           | 875,000     |
| Payment of share issue costs                             |      | -           | (47,200)    |
| Net cash provided by financing activities                |      | -           | 827,800     |
| <b>NET (DECREASE) / INCREASE IN CASH HELD</b>            |      | (366,877)   | 150,263     |
| Cash and cash equivalent at beginning of financial year  |      | 956,356     | 806,093     |
| <b>CASH AND CASH EQUIVALENT AT END OF FINANCIAL YEAR</b> | 22a  | 589,479     | 956,356     |

The accompanying notes form part of these financial statements

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

### NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

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.

The financial statements were authorised for issue on 12<sup>th</sup> September 2014 by the Directors of the company.

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. Ongoing Viability**

The company has net assets of \$443,221 (2013: \$894,399). The Directors of the Company have determined that this general purpose financial report should be prepared on a going concern basis.

The Directors also note that cash reserves as at 30 June 2014 of \$589,479 are approximately \$1,200,000 less than estimated by Those in Charge of Governance to be required to continue operations to 30 September 2015. To fund its medium to long term requirements, the Company commenced a number of capital raising efforts in July 2014. The Company invited holders of 15-cent options expiring on 21 September 2014 to exercise their options early. At the date of this report \$774,778 in exercised options had been collected. Options with an exercise value of \$1,025,223 remain unexercised and the Company anticipates entering into underwriting agreements for any shortfall with several current and new investors. In August 2014, an instalment of \$179,072 from an existing Federal Government Grant was received. An additional instalment of \$154,000 is expected to be received by April 2015. Until all amounts detailed above are received, there will remain a risk to the ongoing viability of the Company.

##### **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.

These notes form part of the financial statements

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

### 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% - 100% 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 2014

### 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 2014

### NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### i. 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 \$NIL (2013: \$NIL) has been recognised in respect of intellectual property, including patents for the year ended 30 June 2014.

# SIENNA CANCER DIAGNOSTICS LIMITED

A.B.N 74 099 803 460

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

### 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 Interpretation that have mandatory application dates for the future reporting periods and which the company has decided not to early adopt. These standards detail numerous non-urgent but necessary changes to Accounting Standards arising from the IASB's annual improvements project. No changes are expected to materially affect the Company.

### NOTE 2: PARENT INFORMATION

#### STATEMENT OF FINANCIAL POSITION

The following information has been extracted from the books and records of the parent entity and has been prepared in accordance with Accounting Standards.

|  | 2014           | 2013           |
|--|----------------|----------------|
|  | \$             | \$             |
| <b>ASSETS</b>                            |                |                |
| Current assets                           | 580,205        | 974,436        |
| Non current assets                       | 36,288         | 24,508         |
| <b>TOTAL ASSETS</b>                      | <b>616,493</b> | <b>998,944</b> |
| <b>LIABILITIES</b>                       |                |                |
| Current liabilities                      | 193,345        | 144,544        |
| <b>TOTAL LIABILITIES</b>                 | <b>193,345</b> | <b>144,544</b> |
| <b>EQUITY</b>                            |                |                |
| Contributed equity                       | 12,313,130     | 12,313,130     |
| Reserves                                 | 226,591        | 224,808        |
| Accumulated losses                       | (12,116,534)   | (11,683,538)   |
| <b>TOTAL EQUITY</b>                      | <b>423,187</b> | <b>854,400</b> |
| <b>STATEMENT OF COMPREHENSIVE INCOME</b> |                |                |
| Total loss                               | (432,996)      | (745,366)      |
| Total comprehensive income               | (432,996)      | (745,366)      |

#### Guarantees

The Parent Company has not entered into any guarantees in relation to its subsidiary.

#### Contingent liabilities

At 30 June 2014, the Parent Company has contingent liabilities of \$369,562 (2013: \$424,241) relating to non-executive director fees, and \$138,610 (2013:\$ 90,000) relating to Managing Director salary, as disclosed in note 17.

# SIENNA CANCER DIAGNOSTICS LIMITED

A.B.N 74 099 803 460

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

|  | 2014<br>\$       | 2013<br>\$       |
|--|------------------|------------------|
| <b>NOTE 3: REVENUE FROM ORDINARY ACTIVITIES</b>  |                  |                  |
| <b>Revenue from operating activities:</b>  |                  |                  |
| - Research and development tax offset  | 316,747          | 271,799          |
| - Grants   | 476,709          | 125,773          |
| - Other  | 6,400            | 5,151            |
|  | <u>799,856</u>   | <u>402,723</u>   |
| <b>Other revenue from operating activities:</b>  |                  |                  |
| - Interest: Other third parties  | 19,795           | 31,066           |
| <b>Total revenue from ordinary activities</b>  | <u>819,651</u>   | <u>433,789</u>   |
| <br>   |                  |                  |
| <b>NOTE 4: LOSS FROM ORDINARY ACTIVITIES BEFORE INCOME TAX BENEFIT</b>   |                  |                  |
| Loss from ordinary activities before income tax benefit has been determined after charging the following items:            |                  |                  |
| Expenses:  |                  |                  |
| Rental expense on operating leases   | 25,518           | 24,846           |
|  | <u>5,101</u>     | <u>17,546</u>    |
| Depreciation expense   |                  |                  |
|  | <u>-</u>         | <u>-</u>         |
| Amortisation expense – intangibles   |                  |                  |
|  | <u>-</u>         | <u>-</u>         |
| Impairment expense – intangibles   |                  |                  |
|  | <u>-</u>         | <u>-</u>         |
| Loss on disposal of plant and equipment  |                  |                  |
|  | <u>-</u>         | <u>-</u>         |
| <br>   |                  |                  |
| <b>NOTE 5: INCOME TAX RELATING TO ORDINARY ACTIVITIES</b>  |                  |                  |
| a. Prima facie income tax benefit from ordinary activities after significant item and before income tax at 30% (2013: 30%) | (129,888)        | (223,610)        |
| Add tax effect of:   |                  |                  |
| Timing and permanent differences   | -                | -                |
|  | <u>(129,888)</u> | <u>(223,610)</u> |
| Deferred tax assets not brought to account   | 129,888          | 223,610          |
|  | <u>-</u>         | <u>-</u>         |
| Income tax benefit attributable to loss from ordinary activities after significant item and before income tax              | <u>-</u>         | <u>-</u>         |
| <br>   |                  |                  |
| <b>NOTE 6: AUDITORS' REMUNERATION</b>  |                  |                  |
| Remuneration of the auditor of the parent entity for:  |                  |                  |
| - Auditing or reviewing the financial report   | 13,000           | 12,000           |
| - Other services   | -                | 2,950            |
|  | <u>13,000</u>    | <u>14,950</u>    |
| <br>   |                  |                  |
| <b>NOTE 7: CASH ASSETS</b>   |                  |                  |
| Cash on hand   | 362              | 387              |
| Cash at bank   | 589,117          | 955,969          |
|  | <u>589,479</u>   | <u>956,356</u>   |

These notes form part of the financial statements

# SIENNA CANCER DIAGNOSTICS LIMITED

A.B.N 74 099 803 460

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

| <b>NOTE 8: RECEIVABLES</b> | <b>2014</b> | <b>2013</b> |
|----------------------------|-------------|-------------|
|                            | <b>\$</b>   | <b>\$</b>   |
| Other debtors              | 394         | 38,119      |

### 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 | 10,406 | - |
|-------------|--------|---|

### NOTE 10: CONTROLLED ENTITIES

| Controlled Entities Consolidated | Country of<br>Incorporation | Percentage Owned (%)* |             |
|----------------------------------|-----------------------------|-----------------------|-------------|
|                                  |                             | <b>2014</b>           | <b>2013</b> |
| Melbourne Diagnostic Pty Limited | Australia                   | 100%                  | 100%        |

\* Percentage of voting power in proportion to ownership

### NOTE 11: INTANGIBLE ASSETS

|                                       | <b>2014</b> | <b>2013</b> |
|---------------------------------------|-------------|-------------|
|                                       | <b>\$</b>   | <b>\$</b>   |
| Licences – at cost                    | 116,491     | 116,491     |
| Accumulated amortisation / impairment | (116,491)   | (116,491)   |
|                                       | -           | -           |
| Patents – at cost                     | 174,851     | 158,566     |
| Accumulated amortisation / impairment | (138,672)   | (138,672)   |
|                                       | 36,179      | 19,894      |
|                                       | -           | -           |
|                                       | 36,179      | 19,894      |

### Movement in Carrying Amounts

|                                      | Amplified<br>Protein<br>Luminescence | Patents<br>Telomerase<br>Biosensing<br>Technology | Patents<br>Other | LICR<br>Licence | Geron<br>Licence | Total  |
|--------------------------------------|--------------------------------------|---|------------------|-----------------|------------------|--------|
|                                      | \$                                   | \$  | \$               | \$              | \$               | \$     |
| Balance at the beginning of the year | -                                    | -   | 19,894           | -               | -                | 19,894 |
| Additions                            | -                                    | -   | 16,285           | -               | -                | 16,285 |
| Amortisation                         | -                                    | -   | -                | -               | -                | -      |
| Impairment losses                    | -                                    | -   | -                | -               | -                | -      |
| Balance at the end of the year       | -                                    | -   | 36,179           | -               | -                | 36,179 |

### Impairment losses

The total impairment loss recognised in the consolidated statement of profit or loss and other comprehensive income during the year amounted to \$NIL (2013: \$NIL).

# SIENNA CANCER DIAGNOSTICS LIMITED

A.B.N 74 099 803 460

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

|   | 2014<br>\$ | 2013<br>\$   |
|---|------------|--------------|
| <b>NOTE 12: PROPERTY, PLANT AND EQUIPMENT</b> |            |              |
| Office equipment – at cost                    | 49,128     | 48,494       |
| Accumulated depreciation                      | (49,128)   | (48,494)     |
|   | <u>-</u>   | <u>-</u>     |
| Research equipment – at cost                  | 119,182    | 119,182      |
| Accumulated depreciation                      | (119,074)  | (114,608)    |
|   | <u>108</u> | <u>4,574</u> |
|   | <u>108</u> | <u>4,574</u> |

### Movement in Carrying Amounts

|                                      | Office<br>Equipment<br>\$ | Research<br>Equipment<br>\$ | Total<br>\$ |
|--------------------------------------|---------------------------|-----------------------------|-------------|
| Balance at the beginning of the year | -                         | 4,574                       | 4,574       |
| Additions                            | 635                       | -                           | 635         |
| Disposals                            | -                         | -                           | -           |
| Depreciation                         | (635)                     | (4,466)                     | (5,101)     |
| Balance at the end of the year       | <u>-</u>                  | <u>108</u>                  | <u>108</u>  |

|   | 2014<br>\$ | 2013<br>\$ |
|---|------------|------------|
| <b>NOTE 13: PAYABLES</b>                      |            |            |
| Trade creditors, other creditors and accruals | 119,849    | 85,753     |

### NOTE 14: PROVISIONS

|                                  |               |               |
|----------------------------------|---------------|---------------|
| Current                          |               |               |
| Provision for annual leave       | 30,510        | 40,344        |
| Provision for long service leave | 42,986        | 18,447        |
|                                  | <u>73,496</u> | <u>58,791</u> |

### NOTE 15: CONTRIBUTED EQUITY (NET)

|   |            |            |
|---|------------|------------|
| 127,146,719 (2013: 127,146,719) ordinary shares | 12,313,130 | 12,313,130 |
|---|------------|------------|

|                        | No.         | No.         |
|------------------------|-------------|-------------|
| <b>Ordinary shares</b> | 127,146,719 | 127,146,719 |

|  |                    |                   |
|--|--------------------|-------------------|
| Movement in ordinary shares                      | No.                | \$                |
| Balance at the beginning of the year             | 127,146,719        | 12,313,130        |
| Shares issued during the year                    | -                  | -                 |
| Less: share issue costs incurred during the year | -                  | -                 |
|  | <u>127,146,719</u> | <u>12,313,130</u> |

### NOTE 16: RESERVES

|                                 |               |               |
|---------------------------------|---------------|---------------|
| Options reserve (refer note 19) | \$<br>226,591 | \$<br>224,808 |
|---------------------------------|---------------|---------------|

# SIENNA CANCER DIAGNOSTICS LIMITED

A.B.N 74 099 803 460

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

|   | 2014<br>\$ | 2013<br>\$ |
|---|------------|------------|
| <b>NOTE 17: CONTINGENT LIABILITY</b>  |            |            |
| Estimates of the potential financial effect of contingent liabilities that may become payable:  |            |            |
| <b><i>Non-executive director fees:</i></b>  |            |            |
| Non-executive Directors have agreed to defer payment of outstanding director fees for the period: 1 July 2011 to 30 June 2014 until such time that the directors are of the view that the Company should pay and authorize payment subject to sufficient cash flow availability and the ongoing viability of the business.    | 369,562    | 204,375    |
| Directors had previously agreed that director fees accrued prior to 1 July 2011 would be deferred on terms similar to those imposed on the Managing Director Salary increase. On 22 August 2014, it was subsequently agreed by Directors that all unpaid fees prior to 1 July 2011 would be wholly waived as at 30 June 2014. | Nil        | 219,866    |
| <b><i>Managing Director Salary increase:</i></b>  |            |            |
| The Managing Director has been granted two (2) increases in her base salary since 2008. The Managing Director has agreed to defer payment of any increase in her base salary in each case.  |            |            |
| Her base salary increase (\$40,000 p.a.) that was due to commence on 1 April 2011 was deferred 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.  |            |            |
| A subsequent base salary increase (\$30,000 p.a.) that was due to commence on 13 March 2014 was deferred until the first to occur of:   |            |            |
| Capital raising activities are considered successful and the Board reasonably determines that the payment of these amounts will not impact on the operational viability of the Company; 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.  | 138,610    | 90,000     |
| <b><i>Incentive Payment to CSO</i></b>  |            |            |
| The Chief Scientific Officer (Fabio Turatti) was eligible to receive a \$20,000 benefit payment upon the Sienna product being commercialised. This payment was not made and no longer applies, as he ceased employment at Sienna during the year.   | NIL        | 20,000     |

These notes form part of the financial statements

# SIENNA CANCER DIAGNOSTICS LIMITED

A.B.N 74 099 803 460

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

### NOTE 18: 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, K A Hegarty, D W Neate, D B Robertson, C S Stubbings and D J Earp.

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

|  | 2014 | 2013 |
|--|------|------|
|  | \$   | \$   |

Transactions with related parties:

#### i. Transactions with Directors

During the year, David Earp was engaged to undertake a review of patents and partner agreements.

|        |   |
|--------|---|
| 25,000 | - |
|--------|---|

#### ii. Share Transactions of Directors

Directors and director-related entities hold directly, indirectly or beneficially as at the reporting date the following number of shares

|  | No. | No. |
|--|-----|-----|
|--|-----|-----|

- ordinary shares

|            |            |
|------------|------------|
| 18,465,054 | 18,465,054 |
|------------|------------|

- a) During the year ended 30 June 2014, no underwriting fees were paid to directors. (Fees reported last year in relation to the September 2012 capital raising are retained for comparative purposes):

|  | \$ | \$ |
|--|----|----|
|--|----|----|

|               |   |       |
|---------------|---|-------|
| Kerry Hegarty | - | 3,300 |
|---------------|---|-------|

|             |   |       |
|-------------|---|-------|
| David Neate | - | 6,600 |
|-------------|---|-------|

|               |   |       |
|---------------|---|-------|
| Geoff Cumming | - | 4,050 |
|---------------|---|-------|

|                |   |     |
|----------------|---|-----|
| Carl Stubbings | - | 750 |
|----------------|---|-----|

|                  |   |       |
|------------------|---|-------|
| Donald Robertson | - | 1,500 |
|------------------|---|-------|

|   |        |
|---|--------|
| - | 16,200 |
|---|--------|

#### iii. Related party option transactions

Directors and director-related entities hold directly, indirectly or beneficially as at the reporting date the following number of options

|  | No. | No. |
|--|-----|-----|
|--|-----|-----|

- options over ordinary shares

|            |            |
|------------|------------|
| 13,884,736 | 15,884,736 |
|------------|------------|

# SIENNA CANCER DIAGNOSTICS LIMITED

A.B.N 74 099 803 460

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

### NOTE 19: SHARE BASED PAYMENTS

The following share-based payment arrangements existed at 30 June 2014:

| Name / Position                        | # Options | Exercise Price (\$) | Granted Date | Status    | Vested Date | Exercise Date | Conditions | Note    |
|--|-----------|---------------------|--------------|-----------|-------------|---------------|------------|---------|
| Various Employees under ESOP Scheme    | 3,000,000 | \$0.20              | 14-Mar-08    | Granted   | -           | 31-Dec-14     | Yes        | 1 & 4   |
|  | 3,416,672 | \$0.17              | 28-Oct-11    | Granted   | 28-Oct-12   | 28-Oct-15     | Yes        | 1,4 & 5 |
|  | 3,416,664 | \$0.17              | 28-Oct-11    | Granted   | 28-Oct-13   | 28-Oct-15     | Yes        | 1,4 & 6 |
|  | 3,416,664 | \$0.17              | 28-Oct-11    | Granted   | 28-Oct-14   | 28-Oct-15     | Yes        | 1,4 & 7 |
|  | 66,668    | \$0.17              | 03-Feb-12    | Granted   | 28-Oct-12   | 28-Oct-15     | Yes        | 1,4 & 5 |
|  | 66,666    | \$0.17              | 03-Feb-12    | Granted   | 28-Oct-13   | 28-Oct-15     | Yes        | 1,4 & 6 |
|  | 66,666    | \$0.17              | 03-Feb-12    | Granted   | 28-Oct-14   | 28-Oct-15     | Yes        | 1,4 & 7 |
|  | 66,668    | \$0.17              | 14-Dec-12    | Granted   | 14-Dec-13   | 28-Oct-16     | Yes        | 1,4 & 5 |
|  | 66,666    | \$0.17              | 14-Dec-12    | Granted   | 14-Dec-14   | 28-Oct-16     | Yes        | 1,4 & 6 |
| 66,666                                 | \$0.17    | 14-Dec-12           | Granted      | 14-Dec-15 | 28-Oct-16   | Yes           | 1,4 & 7    |         |
| Options wrt 2012 capital raising event | 5,224,554 | \$0.15              | 23-Nov-12    | Granted   | 23-Nov-12   | 21-Sep-14     | Yes        | 8       |
|  | 666,667   | \$0.15              | 25-Jan-13    | Granted   | 25-Jan-13   | 21-Sep-14     | Yes        | 8       |
|  | 6,108,784 | \$0.15              | 03-May-13    | Granted   | 03-May-13   | 21-Sep-14     | Yes        | 8       |
| Capital Raising Agent                  | 100,000   | ASX Listing Price   | 28-Apr-05    | Granted   | -           | 31-Dec-14     | Yes        | 2       |
| George Morstyn Scientific Advisor      | 50,000    | \$0.30              | 03-Jun-06    | Granted   | -           | 31-Dec-14     | 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. Exercise trigger: on provision of exit to shareholders, which includes IPO or other liquidity event, such as takeover, trade sale, scheme of arrangement or full/partial sale of Sienna.
5. Vesting basis: to be employed by Sienna 12 months from grant date.
6. Vesting basis: to be employed by Sienna 24 months from grant date.
7. Vesting basis: to be employed by Sienna 36 months from grant date
8. Agreement with option holder requires/allows that the Sienna board at its discretion can expedite the expiry date of the options in the case of the company being acquired or similar transaction. The new expiry date being 30 days before the acquisition date.

All options granted are in respect of ordinary shares in Sienna Cancer Diagnostics Limited and confer a right of one ordinary share for each option held.

# SIENNA CANCER DIAGNOSTICS LIMITED

A.B.N 74 099 803 460

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

### NOTE 19: SHARE BASED PAYMENTS (CONT.)

|  | 2014        |                                      | 2013        |                                      | Notes |
|--|-------------|--------------------------------------|-------------|--------------------------------------|-------|
|  | # Options   | Weighted Average Exercise Price (\$) | # Options   | Weighted Average Exercise Price (\$) |       |
| <b>Total Options</b>                     |             |                                      |             |                                      |       |
| Outstanding at the beginning of the year | 27,250,005  | \$0.17                               | 17,600,000  | \$0.18                               | i     |
| Granted                                  | -           | -                                    | 12,450,005  | \$0.15                               |       |
| Forfeited                                | (1,450,000) | \$0.17                               | (800,000)   | \$0.17                               |       |
| Exercised                                | -           | -                                    | -           | -                                    |       |
| Expired                                  | -           | -                                    | (2,000,000) | (\$0.20)                             |       |
| Outstanding at year-end                  | 25,800,005  | \$0.16                               | 27,250,005  | \$0.17                               |       |
| Exercisable at year-end                  | 12,000,005  | \$0.15                               | 12,000,005  | \$0.15                               |       |

#### 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 \$226,591 (2013; \$224,808). There were Nil options granted during the year pursuant to the ESOP (2013: 450,000).

Included under employees and contractor costs in the income statement is a debit of \$1,783 (2013: \$46,828). This represents the net value of options vested during the year and those options that were cancelled as a result of a condition of the ESOP (employment for 36 months) not being satisfied.

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

|                                 |                   |
|---------------------------------|-------------------|
| Exercise price                  | \$0.17            |
| Underlying share price          | \$0.10 and \$0.15 |
| Days to expiration              | 1,363 to 1,461    |
| Days to vesting                 | 266 to 1,096      |
| Expected share price volatility | 22.7%             |
| Risk free interest rate         | 7.2% and 5%       |

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.

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

### NOTE 20: 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 | 2014<br>\$     | 2013<br>\$     |
|------------------------------|------|----------------|----------------|
| <b>Financial Assets</b>      |      |                |                |
| Cash assets                  | 7    | 589,479        | 956,356        |
| Receivables                  | 8    | 394            | 38,119         |
|                              |      | <u>589,873</u> | <u>994,475</u> |
| <b>Financial Liabilities</b> |      |                |                |
| Payables                     | 13   | <u>119,849</u> | <u>85,753</u>  |

### 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 2014.

### 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.

# SIENNA CANCER DIAGNOSTICS LIMITED

A.B.N 74 099 803 460

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

### NOTE 20: FINANCIAL RISK MANAGEMENT (CONT.)

#### 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.

|  | Within 1 Year |         | 1 to 5 Years |      | Over 5 Years |      | Total   |         |
|--|---------------|---------|--------------|------|--------------|------|---------|---------|
|  | 2014          | 2013    | 2014         | 2013 | 2014         | 2013 | 2014    | 2013    |
|  | \$            | \$      | \$           | \$   | \$           | \$   | \$      | \$      |
| <b>Financial liabilities due for payment</b>           |               |         |              |      |              |      |         |         |
| Trade and other payables (excluding est. annual leave) | 119,849       | 85,753  | -            | -    | -            | -    | 119,849 | 85,753  |
| Total contractual outflows                             | 119,849       | 85,753  | -            | -    | -            | -    | 119,849 | 85,753  |
| Total expected outflows                                | 119,849       | 85,753  | -            | -    | -            | -    | 119,849 | 85,753  |
| <b>Financial assets — cash flows realisable</b>        |               |         |              |      |              |      |         |         |
| Cash assets  | 589,479       | 956,356 | -            | -    | -            | -    | 589,479 | 956,356 |
| Receivables  | 394           | 38,119  | -            | -    | -            | -    | 394     | 38,119  |
| Total anticipated inflows                              | 589,873       | 994,475 | -            | -    | -            | -    | 589,873 | 994,475 |
| Net (outflow)/inflow on financial instruments          | 470,024       | 908,722 | -            | -    | -            | -    | 470,024 | 908,722 |

#### 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.

These notes form part of the financial statements

# SIENNA CANCER DIAGNOSTICS LIMITED

A.B.N 74 099 803 460

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

### NOTE 21: SEGMENT REPORTING

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

### NOTE 22: CASH FLOW INFORMATION

|  | 2014             | 2013             |
|--|------------------|------------------|
|  | \$               | \$               |
| 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   | 362              | 387              |
| Cash at bank   | 589,117          | 955,969          |
|  | <u>589,479</u>   | <u>956,356</u>   |
| 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  | (432,961)        | (745,368)        |
| Non-cash flows in loss from ordinary activities:   |                  |                  |
| - Depreciation and amortisation  | 5,101            | 17,546           |
| - Impairment of intangibles  | -                | -                |
| Movement in options reserve  | 1,783            | 47,580           |
| - - Movement in provision for employee entitlements  | 14,705           | 30,678           |
| Changes in assets and liabilities:   |                  |                  |
| - Decrease in trade and other debtors  | 37,725           | 2,025            |
| - Decrease / (increase) in prepayments   | (10,406)         | 4,000            |
| - (Decrease) / Increase in payables  | 34,096           | (32,683)         |
| <b>Net cash used in operating activities</b>   | <u>(349,957)</u> | <u>(676,222)</u> |

### NOTE 23: KEY MANAGEMENT PERSONNEL COMPENSATION

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

Chairman: Geoff Cumming, Non-executive directors: David Neate, Carl Stubbings, Donald Robertson, David Earp.

Chief Executive Officer and Managing Director: Kerry Hegarty

Chief Operating Officer: Matthew Hoskin

Chief Scientific Officer: Fabio Turatti (to November 2013)

#### Transactions with key management personnel

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

|                        | Share-based<br>payments | Short-term<br>benefits | Post<br>employment<br>benefit | Total   |
|------------------------|-------------------------|------------------------|-------------------------------|---------|
|                        | \$                      | \$                     | \$                            | \$      |
| 2014                   |                         |                        |                               |         |
| Total compensation (i) | 4,574                   | 360,387                | 36,005                        | 400,966 |
| 2013                   |                         |                        |                               |         |
| Total compensation     | 12,570                  | 440,773                | 43,854                        | 497,197 |

- (i) The share based payments expense of \$4,574 excludes a reversal of previously expensed options that were cancelled due to employment service conditions not being satisfied. The reversal of previously expensed amounts is \$14,679. This treatment is in accordance with AASB 2 *Share Based Payments*.

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

### NOTE 24: EVENTS SUBSEQUENT TO REPORTING DATE

Other than the following, the directors are not aware of any significant events since the end of the reporting period.

On 22 August 2014 the directors approved the issue of 5,165,186 shares for the consideration of \$774,778 as a result of 5,165,186 options being exercised by shareholders. These shareholders also received 2,582,594 options with an exercise price of \$0.15 and 2,582,592 options with an exercise price of \$0.20 and an expiry date of 1 August 2015 and 1 February 2016.

### NOTE 25: CAPITAL AND INVESTMENT COMMITMENTS

To the Directors' knowledge, the Group had no capital or investment commitments as at 30 June 2014 not otherwise disclosed in these financial statements.

### 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 9 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 2014 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  
**Chairman**



Kerry A. Hegarty  
**Managing Director/CEO**

Dated this 12<sup>th</sup> day of September 2014

**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 2014, the statement of profit or loss and other 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.

**INDEPENDENT AUDIT REPORT TO THE MEMBERS OF  
SIENNA CANCER DIAGNOSTICS LIMITED**

**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 2014 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.

*Significant Uncertainty Regarding Ongoing Viability*

Without qualifying our audit opinion, we draw attention to Note 1(a) in the financial report which indicates the general purpose financial report has been prepared on a going concern basis and that the Company is dependent on the receipt of funds from the early exercise of options held by members, which is due to complete in September 2014 to support the short and medium term cash requirements and therefore meet its obligations over the next 12-months. Until the time that these balances are accounted for, there will remain a risk to the ongoing viability of the company.



**Walker Wayland NSW**  
**Chartered Accountants**



**Richard Woods**  
**Partner**

Signed in Sydney on this 12th day of September 2014