

Sienna Cancer Diagnostics Limited

2015 Annual Report



*Sienna Cancer
Diagnostics*



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Dear Sienna Member

This has been a transformational year, one that has seen a number of significant changes that we believe will be the foundation for establishing Sienna as one of Australia's premier biotechnology companies. This of course would not be possible without the longstanding dedication and tireless efforts of Dr Kerry Hegarty and the Sienna team in building a solid technology platform and subsequent commercial launch of the first Sienna-enabled Laboratory Developed Test by Bostwick Laboratories in January 2015. As you are no doubt aware, Kerry decided to resign from her position as Managing Director at this juncture in the company's progression and we thank her for all her hard work and dedication during her ten year tenure.

The stage is now set to build further value in Sienna by leveraging this initial commercial launch and broadening the market reach within the US market and beyond. In order to achieve this there remain significant milestones and challenges in developing in-vitro diagnostic (IVD) product formats that will allow market entry in the EU and Australia and penetration in the US beyond the large central laboratories currently targeted. Your Company is well equipped to meet these challenges and has a well-defined product development and validation strategy, the execution of which will be contingent on future capital raising. For example, funding will be required to complete the necessary clinical validation studies and improved manufacturing and packaging format of our SCD-A7 antibody. This new product format will make the product accessible to a far greater number of laboratories, and the validation program will ensure that quality control and regulatory requirements required for our IVD product are met, with launch anticipated in the second half of 2016. Funding will also be used in establishing the necessary sales channels in our target markets. In the meantime continued expansion of the current SCD-A7 reagent sales through Bostwick Laboratories and other commercial partners in the US will make modest contributions to the Company's cash flow in the short term, and more importantly establish a strong reference market to generate subsequent demand for our IVD product upon launch. These events will be key value drivers for the company as assessed by the capital markets.

Your Board has remained committed to achieving tangible results that contribute to shareholder value. Indeed there have been many activities and achievements throughout the 2015 financial year and to the date of this report that have contributed to building value. An overview of the highlights includes:



Commercial Achievements:

- **First commercial revenues:** In January this year Bostwick successfully launched their Sienna-enabled bladder cancer detection product offering to urologists in the US. Since launch, volumes and subsequent revenues have been in line with our initial forecasts.
- **Commercial build:** A second potential commercial partner has successfully deployed Sienna's technology in its laboratory, leading to the initiation of an internal validation study – a key step on the path towards commercial use.

New People and Resources:

- **New CEO:** Appointment of Dr. Cliff Holloway in February this year. Cliff brings a wealth of commercial experience to Sienna and has the capacity to deliver on the overall business strategy and drive revenues through the implementation of a clearly defined action plan.
- **New CFO/Company Secretary:** Appointment of Tony Di Pietro, a highly experienced CFO who was formerly with ASX listed biotech company, Acrux. His experience will be invaluable in co-ordinating Sienna's future fund raising plans.
- **New Scientific and Quality Control staff:** Appointment of Deni Pisani, who brings over 20 years of quality management experience, is a key driver towards meeting the necessary standards required for our IVD product registration. Senior Scientist Catriona Sinclair and Research Assistant Sushma Bhardwaj, both skilled scientists, joined our technical team this year bringing additional technical expertise to the laboratory to boost our resources as we drive towards key technical milestones.
- **New Research & Development facility:** Relocation of Sienna to the Small Technologies Cluster in Scoresby has provided the company with expanded state of the art laboratory space and additional resources and facilities that will speed up the delivery of research and development milestones.

Regulatory, Validation and Intellectual Property Milestones:

- **Revised regulatory strategy:** A key change in the company's strategy is the implementation of a Class I in-vitro diagnostic (IVD) product registration. This industry-accepted strategy will significantly reduce Sienna's regulatory costs and time to market for our proposed IVD product format. Sienna's COO, Matthew Hoskin, is a highly experienced commercial manager in the diagnostics industry and is drawing upon his in-depth

knowledge to navigate this path of least resistance to access larger markets.

- **External validation:** We continue to work with some of the world's leading teaching hospitals to provide independent validation of Sienna's technology. Johns Hopkins Hospital, Maryland United States, is now in the latter stages of their initial clinical utility study and we have recently initiated another study at University of California, Los Angeles (UCLA). Completion of these studies will be key drivers for the adoption of Sienna's telomerase detection platform as a diagnostic tool.
- **New patent applications:** We continue to explore all opportunities to expand our intellectual property portfolio. A new PCT application was filed in February 2015 which will be a key element in protecting Sienna's technology platform and 'first-in-market' advantage.

Corporate Advisory and Capital Raising:

- **Appointment of PAC Partners as corporate advisors:** PAC Partners provides equities research, corporate advisory, equity capital markets transactions, institutional distribution, and, through their alliance with Phillip Capital, retail distribution.
- **New Capital:** A total of \$2.5M has been raised during the last 12 months.

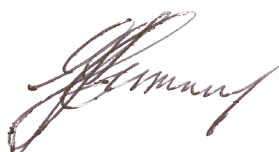
Grants and R&D Tax Incentive:

- Final payments under the Commercialisation Australia grant totaling \$333K.
- Cash rebate under the R&D tax incentive scheme totaling \$275K.

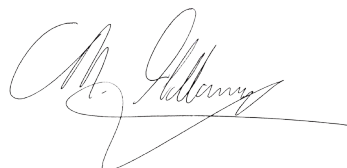
In summary, all these achievements and events contribute to the transformation of Sienna from a research and development phase to a commercially driven, revenue generating operation. The focus going forward will be firmly fixed on the execution of a clearly defined business plan to leverage the full value of Sienna's technology and expansion of our platform to improve the overall diagnosis of cancer for the benefit of patients worldwide.

For further details of our activities and accomplishments please refer to our recently re-launched website at www.siennadiagnostics.com.au.

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.



Geoff Cumming: Chairman



Dr. Cliff Holloway: Chief Executive Officer

The Directors of Sienna Cancer Diagnostics Limited (Sienna or the Company) present their report for the financial year ended 30 June 2015.

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	Non-executive Chairman
Kerry Hegarty	Managing Director (resigned 27 March 2015)
David Earp	Non-executive Director
David Neate	Non-executive Director
Donald Robertson	Non-executive Director
Carl Stubbings	Non-executive Director

Principal Activities

Sienna is in the business of developing novel in-vitro diagnostic (IVD) tests for use in pathology laboratories as part of the diagnostic workup 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 use to identify telomerase as part of a Laboratory Developed Test.

The key technology behind this is Sienna's SCD-A7 monoclonal antibody against the hTERT protein, a subunit of telomerase. The reagent is a GMP (Good Manufacturing Practice) manufactured product. During the 2015 financial year the key areas of activity related to:

- transfer of technology to first US commercial partner, Bostwick Laboratories Inc. (a large US clinical pathology laboratory)
- further partnering negotiations with other large clinical pathology laboratories
- technology transfer to scientific partners for clinical validation studies
- further development of the Sienna technology with a view towards registering an IVD class I product for registration in the USA
- building processes to support a future ISO13485 certification, required for European CE marking, and
- building further capacity and capability within the business

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 entity that it controlled during the financial year.

The registered office and principal place of business of Sienna is located at:

1 Dalmore Drive,
Scoresby, VIC 3179, Australia
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 137 shareholders.

Directors and Company Secretary

Names, Qualifications, Experience and Special Responsibilities.

Geoff Cumming

Non-executive Chairman, appointed Non-executive Director 27 January 2006, appointed Non-executive Chairman 9 June 2006.

Qualifications BSc (Hons), BAppSc, MAICD, MBA, Ph.D.

Experience 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.

Special Responsibilities Member of the Audit Committee

Donald Robertson

Non-executive Director, appointed 13 January 2003

Qualifications MBBS, Grad Dip Diagnostic Radiology, Fellow and Life Member of the Royal Australian and New Zealand College of Radiologists

Experience As the longest serving board member Donald brings extensive clinical experience to Sienna with more than 35 years as a Consultant Radiologist both in the private and public sectors. He is Director of Interventional Radiology at University Hospital Geelong and a Clinical Associate Professor of the Deakin University Medical School. His prior management experience includes being managing partner of the Geelong Radiological Clinic, and CEO Medical Imaging East – St John of God Healthcare. For his service to the Royal Australian and New Zealand College of Radiologists, as chairman of the Victorian Branch, a Federal Councillor and chairman of the committee that rewrote the memorandum and articles of association of the College, he was awarded Life Membership in 2009.

Special Responsibilities Member of the Remuneration Committee.

David Neate

Non-executive Director, appointed 23 May 2005

Qualifications BCom

Experience David is Sienna's largest shareholder and 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.

Special Responsibilities Chair of the Audit Committee

Carl Stubbings

Non-executive Director, appointed 31 December 2011

Qualifications BSc

Experience Carl has added further strength to Sienna's experience in partnering and product development. Carl is an Australian who was based in USA 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 Biopharma (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.

Special Responsibilities Chair of the Remuneration Committee

David J. Earp

Non-executive Director, appointed 1 December 2012

Qualifications BSc (Hons), J.D., Ph.D.

Experience David was a partner in an intellectual property law firm, advising life science clients, prior to taking senior roles in a number of biotechnology companies. From 1999 until 2012, David served in various roles at Geron Corporation (Menlo Park, California), a NASDAQ listed company, including chief patent counsel, chief legal officer and senior vice president of corporate transactions. From 2005 to 2010, David was a board member of TA Therapeutics Ltd. (Hong Kong, PRC). He served on the board of ViaGen Corporation (Austin, Texas) from 2008 – 2012, including as executive chairman from 2010 – 2012 when the company was acquired in a trade sale. He is presently the president, CEO and a director of Circle Pharma, an early stage biotechnology company located in San Francisco, California. David holds a BSc with First Class Honours from Leeds University (UK), a PhD in biochemistry from Cambridge University (UK) and a JD from Lewis and Clark Northwestern School of Law (Portland, Oregon).

Special Responsibilities Member of the Audit and Remuneration Committees.

Kerry A. Hegarty

Managing Director, appointed 14 October 2004, resigned 27 March 2015

Company Secretary, appointed 03 June 2005, resigned 25 February 2015

Qualifications BSc, MA, Ph.D.

Experience 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.

Tony Di Pietro

Company Secretary, appointed 25 February 2015

Qualifications BComm, CPA, AGIA

Experience Tony was appointed Chief Financial Officer in November 2014 following more than 10 years with listed entity Acrux Limited. Holding senior roles throughout his tenure, he was a key member of management who met the challenges of the company's transition from a small loss-making public company to an ASX listed company generating significant profits. Tony is a CPA accredited accountant with over 15 years of corporate accounting experience, gained both in Australia and the United Kingdom. He recently completed his Graduate Diploma of Applied Corporate Governance from the Governance Institute of Australia.

Review of Operations

Operating Results

The Group reported a net loss of \$1,081,941 (2014: \$432,961) for the reporting period. The loss included non-cash items for impairment, depreciation and amortisation expenses of \$57,800 (2014: \$5,101) and a credit of \$41,962 (2014: expense 1,783) for share based payments, the combination of the expense for the current reporting period and the reversal of prior period charges for options that were forfeited or expired. The loss for the year excluding these non-cash amounts was \$1,066,103 (2014: \$426,077).

Revenue

Total revenue increased to \$970,192 from \$819,651 recorded for the prior financial year. Sienna Cancer Diagnostics recorded first product revenues which totalled \$304,634 (2014: Nil). Grant income from final payments received under Commercialisation Australia's Early Stage Commercialisation grant contributed \$333,228 (2014: 476,709). The group received a refundable research and development tax offset of \$274,724 (2014: 316,747) and interest income of \$38,757 (2014: \$19,795).

Operating Expenditure

Total operating costs for the financial period, before the capitalisation of development expenses for SCD-A7, were \$2,684,670 (2014: \$1,247,511). Development expenditure of \$690,337 (2014: Nil) related to Sienna's SCD-A7 monoclonal antibody was capitalised as an intangible asset, a requirement of accounting standard AASB 138 – Intangible Assets. Employee and contractor costs before the capitalisation of development expenditure increased to \$2,027,314 (2014: \$673,195) the result of:

- the payment and recognition of amounts payable to directors for fees outstanding for the period from 1 July 2011 to 30 June 2014 (See note 19 of the financial statements)
- the payment of amounts due to the Managing Director/Chief Executive Officer at cessation of employment on 20 April 2015 (see note 19 of the financial statements)
- the employment of four new staff members: Sienna's inaugural Chief Financial Officer, a Quality Assurance Manager, a Senior Scientist and an additional Research Technician/Scientist to aid further development and commercialisation of SCD-A7.

Equity

The exercise of shareholder options and the issue of shares to new shareholders during the reporting period added \$2,136,028 (2014: Nil) to contributed equity, while associated capital raising expenses were \$103,040 (2014: Nil).

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 widely 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

On 18 August 2015 2,833,273 (2014: 5,165,186) new ordinary shares were issued on receipt of \$424,991 (2014: \$774,778) as a result of 2,833,273 (2014: 5,165,186) options being exercised by shareholders.

There has been no other matter or circumstance, which has arisen since 30 June 2015 that has significantly affected or may significantly affect:

- a. The operations, in financial years subsequent to 30 June 2015, of the consolidated entity, or
- b. The results of those operations, or
- c. The state of affairs, in financial years subsequent to 30 June 2015, of the consolidated entity.

Environmental Issues

Sienna's operations are subject to certain environmental regulations under the laws of the Commonwealth and State. In order to ensure compliance with the Environment Protection Act 1970 the consolidated entity engages an external waste management consultant. This consultant is certified to ISO 14001, ISO 9001 and AS/NZ4801. The Directors are not aware of any breaches during the period covered by this report.

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.

Share Based Payments

The group operates an Employee Share Option Plan (ESOP). Each option provides the holder with the right to purchase a share in the parent entity at a pre-determined price. During the year ended 30 June 2015, 7,160,000 (2014: Nil) new options were issued pursuant to the group's ESOP; 3,000,000 options were cancelled upon cessation of employment (2014: 1,450,000) and a further 3,000,000 expired. Options offered to Sienna Directors and staff are subject to a number of conditions which can restrict both vesting and the exercising of the options.

Meetings of Directors and Committees

The number of meetings of the Company's Board of Directors held during the 12-month period ended 30 June 2015, and the number attended by Directors were:

Director	Meetings of Directors
Geoff Cumming	10/10
Kerry Hegarty - Resigned 27 March 2015	5/10
David Neate	8/10
Donald Robertson	10/10
Carl Stubbings	10/10
David Earp	10/10

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.

- Audit Committee
Chaired by David Neate and comprising Geoff Cumming and David Earp.
- Remuneration Committee
Chaired by Carl Stubbings and comprising Donald Robertson and David Earp.

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 2015. 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

A copy of the auditors' independence declaration as required under s307C of the Corporations Act 2001 is set out on page 8.

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 5th day of September 2015.



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 2015 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.

Two handwritten signatures in black ink. The first signature is 'Walker Wayland NSW' and the second is 'Richard Woods'.

Walker Wayland NSW

Chartered Accountants

Dated this 5th day of September 2015

Richard Woods

Partner

Consolidated Statement of Profit or Loss and Other Comprehensive Income for the Year Ended 30 June 2015

	Note	2015 (\$)	2014 (\$)
REVENUE FROM ORDINARY ACTIVITIES			
Revenue	4	931,435	799,856
Interest Income	4	38,757	19,795
		<u>970,192</u>	<u>819,651</u>
EXPENSES			
Employee and contractor costs	5	(1,563,881)	(673,195)
Administration	5	(172,093)	(122,938)
Research and development	5	(134,316)	(407,868)
Insurance		(42,032)	(21,742)
Travel and meetings		(80,894)	(21,219)
Other expenses from ordinary activities		(1,117)	(549)
		<u>(1,994,333)</u>	<u>(1,247,511)</u>
Loss before impairment, depreciation and amortisation		(1,024,141)	(427,860)
Impairment of intangibles		(19,894)	-
Depreciation and amortisation	5	(37,906)	(5,101)
		<u>(1,081,941)</u>	<u>(432,961)</u>
LOSS BEFORE INCOME TAX			
Income tax expense	6	-	-
		<u>(1,081,941)</u>	<u>(432,961)</u>
TOTAL COMPREHENSIVE LOSS FOR THE YEAR			
EARNINGS PER SHARE			
Basic earnings per share (cents per share)	7	(0.01)	(0.00)
Diluted earnings per share (cents per share)	7	(0.01)	(0.00)

Consolidated Statement of Financial Position as at 30 June 2015

	Note	2015 (\$)	2014 (\$)
CURRENT ASSETS			
Cash assets	8	791,338	589,479
Receivables	9	182,972	394
Other assets	10	35,381	10,406
TOTAL CURRENT ASSETS		1,009,691	600,279
NON-CURRENT ASSETS			
Intangibles	11	721,765	36,179
Property, plant and equipment	12	55,112	108
TOTAL NON-CURRENT ASSETS		776,877	36,287
TOTAL ASSETS		1,786,568	636,566
CURRENT LIABILITIES			
Payables	13	353,129	119,849
Provisions	14	66,837	73,496
TOTAL CURRENT LIABILITIES		419,966	193,345
NON-CURRENT LIABILITIES			
Provisions	14	14,296	-
TOTAL NON-CURRENT LIABILITIES		14,296	-
TOTAL LIABILITIES		434,262	193,345
NET ASSETS		1,352,306	443,221
EQUITY			
Contributed equity	15	14,346,118	12,313,130
Reserves	16	76,029	226,591
Accumulated losses	17	(13,069,841)	(12,096,500)
TOTAL EQUITY		1,352,306	443,221

The accompanying notes form part of these financial statements

Consolidated Statement of Changes in Equity for the Year Ended 30 June 2015

	Contributed Equity (\$)	Reserves (\$)	Accumulated Losses (\$)	Total (\$)
BALANCE AT 30 JUNE 2013	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
BALANCE AT 30 JUNE 2014	12,313,130	226,591	(12,096,500)	443,221
Loss attributable to members	-	-	(1,081,941)	(1,081,941)
Share based payments expense	-	(41,962)	-	(41,962)
Vested and expired share based payments	-	(108,600)	108,600	-
Share issued (net of issue costs)	2,032,988	-	-	2,032,988
BALANCE AT 30 JUNE 2015	14,346,118	76,029	(13,069,841)	1,352,306

Consolidated Statement of Cash Flow for the Year Ended 30 June 2015

	Note	2015 (\$)	2014 (\$)
CASH FLOW FROM OPERATING ACTIVITIES			
Receipts from operating activities		800,364	907,160
Interest received		37,854	19,795
Payments to suppliers and employees		(1,870,288)	(1,276,912)
Net cash used in operating activities	18b	(1,032,070)	(349,957)
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of intangibles		(15,142)	(16,285)
Purchase of property, plant and equipment		(92,909)	(635)
Payment for capitalised development costs		(690,337)	-
Net cash used in investing activities		(798,388)	(16,920)
CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from issue of ordinary shares		2,136,028	-
Payment of share issue costs		(103,040)	-
Net cash provided by financing activities		2,032,988	-
NET INCREASE / (DECREASE) IN CASH HELD		202,530	(366,877)
Cash and cash equivalent at beginning of financial year		589,479	956,356
Effects of exchange rate changes on the balance of cash held in foreign currencies		(671)	-
CASH AND CASH EQUIVALENT AT END OF FINANCIAL YEAR	18a	791,338	589,479

The accompanying notes form part of these financial statements

Notes to and forming part of the Financial Statements for the Year Ended 30 June 2015

Note 1: Statement of Significant Accounting Policies

The consolidated financial statements and notes represent those of Sienna Cancer Diagnostics Limited and Controlled Entity (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 report covers the economic entities of Sienna Cancer Diagnostics Limited and its controlled entity as an economic entity.

The financial statements were authorised for issue on 5th September 2015 by the Directors of the company.

Statement of Compliance

These financial statements are general purpose financial statements which have been prepared in accordance with the Corporations Act 2001, Accounting Standards and Interpretations, and comply with other requirements of the law. The financial statements comprise the consolidated financial statements of the Group. For the purposes of preparing the consolidated financial statements, the Company is a for-profit entity. Accounting Standards include Australian Accounting Standards. Compliance with Australian Accounting Standards ensures that the financial statements and notes of the company and the Group comply with International Financial Reporting Standards ('IFRS').

Basis of Preparation

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. Going Concern

The financial report has been prepared on a going concern basis. The company has net assets of \$1,352,306 (2014: \$443,221). Cash reserves as at 30 June 2015 were \$791,338 (2014: \$589,479). During the reporting period the following events occurred:

- The company received \$2,136,028 from the issue of new share capital in September and October 2014
- First product launched in January 2015
- Product revenues of \$304,634 were recorded during the 2015 financial year and funds from first product sales received

During the reporting period two tranches of shareholder options were issued, 6,332,599 expiring 3 August 2015, exercisable at 15 cents (\$949,890) and 6,332,589 expiring 1 February 2016, exercisable at 20 cents (\$1,266,518). At the date of authorising these financial statements, funds totalling \$424,991 had been received from the exercise of the first tranche of options.

Further capital raising activities to fund the execution of the company's future strategies are currently underway. The Board will update shareholders in regards to these activities in the coming months.

Until funds are received from these capital raising efforts there will remain a risk to the ongoing viability of the Company.

b. Income Tax

Income tax expense represents the sum of the tax currently payable and deferred tax.

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.

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.

Interest Income

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

Product Revenue

Revenue from product agreements is made up of:

- Royalties based on the number of laboratory tests conducted by commercial partners. Royalty revenue is recognised in the period in which the laboratory tests occur.
- Revenue from the supply of product. Revenue from the supply of product is recognised in the period in which the product is supplied.
- Revenue arising as the result of a milestone (such as the signing of a commercial agreement). Revenue relating to milestones is recognised upon achievement of the milestone, which is the trigger point for the right to receive the revenue.

Grant Income

Revenue from the receipt of contracted grants is recognised in the period monies associated with the grants are expensed.

Other revenue is recognised as received or over the time period to which it relates.

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 and impairment.

Plant & Equipment

The carrying amount of plant and equipment is reviewed annually by directors / officers of the group 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.

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 depreciation rates for each class of asset are:

Class of Non-Current Asset	Depreciation Rate
Office Furniture and Equipment	20% - 100% straight line
Research Equipment	14.29% - 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 2015

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 intangible assets with both finite and 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 at cost. The carrying amount of non-current investments is reviewed annually by Directors / 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.

Research and development

Research and Development Expenditure during the research phase of a project is recognised as an expense when incurred. Product development costs are capitalised only when each of the following specific criteria has been satisfied;

1. Technical feasibility of completing development of the product and obtaining approval by regulatory authorities.
2. Ability to secure a commercial partner for the product.
3. Availability of adequate technical, financial and other resources to complete development of the product, obtain regulatory approval and secure a commercial partner.
4. Reliable measurement of expenditure attributable to the product during its development.
5. High probability of the product entering a major diagnostic market.

Capitalised development costs have a finite life and are amortised on a systematic basis over the period from when the product becomes available for use and ceases at the earlier of the date the asset is expected to exit the market or that the asset is classified as held for sale (or included in a disposal group that is classified as held for sale) in accordance with AASB 5.

j. Payables

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

k. Employee Entitlements

Short-term and long term employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and sick leave in the period the related service is rendered.

Liabilities recognised in respect of short-term employee benefits are measured at their nominal values using the remuneration rate expected to apply at the time of settlement. Liabilities recognised in respect of long term employee benefits are measured as the present value of the estimated future cash outflows to be made by the Group in respect of services provided by employees up to reporting date.

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.

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.

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.

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 / officers 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 totalling \$19,894 (2014: \$NIL) has been recognised in respect of intellectual property, including patents for the year ended 30 June 2015.

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.

Notes to and forming part of the Financial Statements for the Year Ended 30 June 2015

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.	2015 (\$)	2014 (\$)
ASSETS		
Current assets	989,618	580,205
Non-current assets	776,917	36,288
TOTAL ASSETS	1,766,535	616,493
LIABILITIES		
Current liabilities	419,966	193,345
Non-current liabilities	14,296	-
TOTAL LIABILITIES	434,262	193,345
EQUITY		
Contributed equity	14,346,118	12,313,130
Reserves	76,029	226,591
Accumulated losses	(13,089,874)	(12,116,534)
TOTAL EQUITY	1,332,273	423,187
STATEMENT OF COMPREHENSIVE INCOME		
Total loss	(1,081,941)	(432,996)
Total comprehensive income	(1,081,941)	(432,996)

Guarantees

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

Contingent liabilities

At 30 June 2015, the Parent Company had no contingent liabilities. For the 2014 financial year the Parent Entity had contingent liabilities of \$508,172, details are disclosed in note 19.

Note 3: Controlled Entities

Controlled Entities Consolidated	Country of Incorporation	Percentage Owned (%)*	
		2015	2014
Melbourne Diagnostics Pty Ltd	Australia	100%	100%

* Percentage of voting power in proportion to ownership

Note 4: Revenue From Ordinary Activities

Revenue from Operating Activities	2015 (\$)	2014 (\$)
Product revenues	304,634	-
Research and development tax offset	274,724	316,747
Grants	333,228	476,709
Net foreign currency gain	10,572	-
Other	8,277	6,400
	<hr/> 931,435	<hr/> 799,856
Other revenue from operating activities:		
Interest: Other third parties	38,757	19,795
TOTAL REVENUE FROM ORDINARY ACTIVITIES	<hr/> 970,192	<hr/> 819,651

Note 5: Loss from Ordinary Activities Before Income Tax Benefit

Loss from ordinary activities before income tax benefit has been determined after charging the following items:	2015 (\$)	2014 (\$)
EMPLOYEE AND CONTRACTOR COSTS		
Staff salaries and wages	1,253,724	585,233
Directors' fees	493,438	-
Contractor fees	60,000	-
Superannuation	131,078	66,490
Share based payments expense	(41,962)	1,783
Other employment expenses	131,036	19,689
	<hr/> 2,027,314	<hr/> 673,195
Capitalised Development Expenditure – See note 11	(463,433)	-
Per Consolidated Statement of Profit or Loss	<hr/> 1,563,881	<hr/> 673,195
ADMINISTRATION		
Rental expense on operating lease	44,516	25,518
Other administration expenses	177,864	97,420
	<hr/> 222,380	<hr/> 122,938
Capitalised Development Expenditure – See note 11	(50,287)	-
Per Consolidated Statement of Profit or Loss	<hr/> 172,093	<hr/> 122,938
RESEARCH AND DEVELOPMENT	310,933	407,868
Capitalised Development Expenditure – See note 11	(176,617)	-
Per Consolidated Statement of Profit or Loss	<hr/> 134,316	<hr/> 407,868
DEPRECIATION AND AMORTISATION		
Depreciation of plant and equipment	35,995	5,101
Amortisation of building improvements	1,911	-
Per Consolidated Statement of Profit or Loss	<hr/> 37,906	<hr/> 5,101

These notes form part of the financial statements

Notes to and forming part of the Financial Statements for the Year Ended 30 June 2015

Note 6: Income Tax Relating to Ordinary Activities

	2015 (\$)	2014 (\$)
Prima facie income tax benefit from ordinary activities after significant items and before Income tax at 30% (2014: 30%)	(324,582)	(129,888)
Add/(subtract) tax effect:		
- Share option (credit) / expense	(12,589)	14,274
- Research and development tax incentive	(82,417)	(95,024)
- Tax losses and temporary differences not brought to account	419,588	210,638
Deferred tax assets not brought to account	-	-
Total tax losses not brought to account \$1,071,664 (2014: \$652,076)		

Note 7: Earnings Per Share

	2015 (\$)	2014 (\$)
The following reflects the income and share data used in the calculations of basic and diluted earnings per share:		
Earnings used in calculating basic and diluted earnings per share	(1,081,941)	(432,961)
	2015	2014
	No. of shares	No. of shares
Weighted average number of ordinary shares used in calculating basic earnings per share	138,360,252	127,146,719
Basic and diluted earnings per share (cents)	(0.01)	(0.00)

(i) Calculation of diluted earnings per share

Potential ordinary shares are considered to be antidilutive and therefore diluted earnings per share is equivalent to the basic earnings per share.

Note 8: Cash Assets

	2015 (\$)	2014 (\$)
Cash on hand	40	362
Cash at bank	791,298	589,117
	791,338	589,479

Note 9: Receivables

	2015 (\$)	2014 (\$)
Trade Debtors	135,945	-
Other Debtors	47,027	394
	<u>182,972</u>	<u>394</u>

Credit Risk – Trade Debtors

The Group has a material credit risk exposure to a single trade debtor. The entity earns revenue from this debtor from the United States. Of the total amounts due from this debtor the amount that is between 0-30 days overdue is \$91,810 and between 31-60 days is \$40,303. There are no impaired assets within receivables, it is expected these balances will be received.

Note 10: Other Assets

	2015 (\$)	2014 (\$)
Prepayments	35,381	10,406

Note 11: Intangible Assets

	2015 (\$)	2014 (\$)
CAPITALISED DEVELOPMENT EXPENDITURE		
SCD-A7™		
- Employee and contractor costs	463,433	-
- External research and development expenses	176,617	-
- Other capitalised expenses	50,287	-
	<u>690,337</u>	<u>-</u>
INTELLECTUAL PROPERTY		
Patents – at cost	51,322	174,851
Accumulated amortisation / impairment	(19,894)	(138,672)
	<u>31,428</u>	<u>36,179</u>
	<u>-</u>	<u>-</u>
	<u>721,765</u>	<u>36,179</u>

MOVEMENT IN CARRYING AMOUNTS

	Patents (\$)	Capitalised Development (\$)	Total (\$)
Balance at the beginning of the year	36,179	-	36,179
Additions	15,143	690,337	705,480
Amortisation	-	-	-
Impairment losses	(19,894)	-	(19,894)
Balance at the end of the year	<u>31,428</u>	<u>690,337</u>	<u>721,765</u>

Impairment losses

The total impairment loss recognised in the consolidated statement of profit or loss and other comprehensive income during the year amounted to \$19,894 (2014: \$NIL).

These notes form part of the financial statements

Notes to and forming part of the Financial Statements for the Year Ended 30 June 2015

Note 12: Property, Plant and Equipment

	2015 (\$)	2014 (\$)
Building Improvements – at cost	9,916	-
Accumulated Amortisation	(1,911)	-
	8,005	-
Office equipment – at cost	28,503	49,128
Accumulated depreciation	(21,476)	(49,128)
	7,027	-
Research equipment – at cost	59,010	119,182
Accumulated depreciation	(18,930)	(119,074)
	40,080	108
	55,112	108
MOVEMENT IN CARRYING AMOUNTS		

	Building Improvements (\$)	Office Equipment (\$)	Research Equipment (\$)	Total (\$)
Balance at the beginning of the year	-	-	108	108
Additions	9,916	28,503	54,491	92,910
Disposals	-	-	-	-
Depreciation/amortisation	(1,911)	(21,476)	(14,519)	(37,906)
Balance at the end of the year	8,005	7,027	40,080	55,112

Note 13: Payables

	2015 (\$)	2014 (\$)
Accruals	235,143	-
Trade and Other Creditors	117,986	119,849
	353,129	119,849

Note 14: Provisions

	2015 (\$)	2014 (\$)
CURRENT		
Provision for Annual Leave	57,689	30,510
Provision for Long Service Leave	9,148	42,986
	<u>66,837</u>	<u>73,496</u>
NON CURRENT		
Provision for Long Service Leave	<u>14,296</u>	<u>-</u>

Note 15: Contributed Equity (Net)

	2015 No.	2014 No.	2015 (\$)	2014 (\$)
Ordinary shares fully paid	141,386,910	127,146,719	14,346,118	12,313,130
Balance at the beginning of the year	<u>127,146,719</u>	<u>127,146,719</u>	<u>12,313,130</u>	<u>12,313,130</u>
Issued during the year	14,240,191	-	2,136,028	-
Equity raising expenses			<u>(103,040)</u>	<u>-</u>
Balance at the end of the year	<u>141,386,910</u>	<u>127,146,719</u>	<u>14,346,118</u>	<u>12,313,130</u>

Note 16: Reserves

	Notes	2015 (\$)	2014 (\$)
Equity-settled employee benefits reserve	21	<u>76,029</u>	<u>226,591</u>
Balance at the beginning of the year		226,591	224,808
Employee share options expense	5,21	6,431	17,650
Credit adjustment for options forfeited during the year	5,21	(26,593)	(15,867)
Credit adjustment for options expired during the year	5,21	(21,800)	-
Vested options expensed in prior periods which expired	17	<u>(108,600)</u>	<u>-</u>
Balance at the end of the year		<u>76,029</u>	<u>226,591</u>

Note 17: Accumulated Losses

	Notes	2015 (\$)	2014 (\$)
		<u>(13,069,841)</u>	<u>(12,096,500)</u>
Balance at the beginning of the year		(12,096,500)	(11,663,539)
Vested options expensed in prior periods which expired	16	108,600	-
Total comprehensive loss for the year		<u>(1,081,941)</u>	<u>(432,961)</u>
Balance at the end of the year		<u>(13,069,841)</u>	<u>(12,096,500)</u>

These notes form part of the financial statements

Notes to and forming part of the Financial Statements for the Year Ended 30 June 2015

Note 18: Cash Flow Information

	2015 (\$)	2014 (\$)
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	40	362
Cash at bank	791,298	589,117
	<u>791,338</u>	<u>589,479</u>
b. Reconciliation of cash flow from operating activities with loss from ordinary activities after income tax benefit		
Loss from ordinary activities after significant items and income tax	(1,081,941)	(432,961)
Non-cash items:		
- Depreciation and amortisation	37,906	5,101
- Impairment of intangibles	19,894	-
- (Credit)/expense recognised in respect of equity-settled share based payments	(41,962)	1,783
Changes in assets and liabilities:		
- (Increase)/decrease in trade and other debtors	(181,909)	37,725
- Increase in provision for employee entitlements	7,637	14,705
- (Increase)/decrease in prepayments	(24,975)	(10,406)
- Increase/(decrease) in payables	233,280	34,096
Net cash used in operating activities	<u>(1,032,070)</u>	<u>(349,957)</u>

Note 19: Contingent Liability

	2015 (\$)	2014 (\$)
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There were no contingent liabilities at 30 June 2015. For the comparative period contingent liabilities for Non-executive directors' fees and deferred salary increases for the Managing Director were noted. During the 2015 financial year these amounts were either paid or recorded as liabilities payable at 30 June 2015.

Non-executive Director Fees

-	369,562
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As at 30 June 2014, directors had deferred payment of Non-executive directors' fees for the period 1 July 2011 to 30 June 2014 until such time the directors were of the view that the Company had sufficient cash flow to ensure the ongoing viability of the business. The following events occurred during the financial year which provided the directors with a reasonable level of assurance of the company's ongoing viability:

- The company raised \$2,136,028 of capital in September and October 2014
- First product launched in January 2015
- Product revenues of \$304,634 were recorded during the 2015 financial year
- Revenues from first product launch received

Managing Director Salary Increases

-	138,610
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The Managing Director ceased employment on 20 April 2015. The final payment to the Managing Director included the salary increase amounts detailed as contingent liabilities at 30 June 2014.

The Managing Director had been granted two (2) increases in her base salary since 2008 and had agreed to defer payment of these increases until certain criteria or milestones had been met.

The first of these salary increases (\$40,000 p.a.) was due to commence on 1 April 2011 and 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.

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.

As the Managing Director had met the criteria for both salary increases (licensing agreement signed and capital raised) the Board authorised the inclusion of these amounts when calculating the final amount payable to the resigning Managing Director.

Notes to and forming part of the Financial Statements for the Year Ended 30 June 2015

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, K A Hegarty (resigned as a director 27 March 2015), 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

	2015 (\$)	2014 (\$)
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. Transactions with Directors		
During the 2014 financial year, David Earp was engaged to undertake a review of patents and partner agreements.	-	25,000
ii(a). Share Transactions of Directors	No.	No.
Directors and director-related entities hold directly, indirectly or beneficially as at the reporting date the following number of shares		
Ordinary Shares	18,915,566	18,465,054
ii(b). During the year ended 30 June 2015, David Earp was paid a \$600 underwriting fee in connection with the capital raised in September 2014. No underwriting fees were paid to directors in the financial year ending 30 June 2014.		
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		
Issued pursuant to Employee Share Option Plan	9,500,000	13,884,736
Shareholder options - Issued pursuant to director equity contributions	850,809	-
	10,350,809	13,884,736

Note 21: Share Based Payments

The following share-based payment arrangements existed at 30 June 2015:

Sienna ESOP Scheme:

Number of Options	Exercise Price (\$)	Granted Date	Status	Vested Date	Expiry Date	Conditions	Note
2,416,672	\$0.17	28-Oct-11	Granted	28-Oct-12	28-Oct-15	Yes	1, 2 & 3
2,416,664	\$0.17	28-Oct-11	Granted	28-Oct-13	28-Oct-15	Yes	1, 2 & 3
2,416,664	\$0.17	28-Oct-11	Granted	28-Oct-14	28-Oct-15	Yes	1, 2 & 3
66,668	\$0.17	03-Feb-12	Granted	28-Oct-12	28-Oct-15	Yes	1, 2 & 3
66,666	\$0.17	03-Feb-12	Granted	28-Oct-13	28-Oct-15	Yes	1, 2 & 3
66,666	\$0.17	03-Feb-12	Granted	28-Oct-14	28-Oct-15	Yes	1, 2 & 3
66,668	\$0.17	14-Dec-12	Granted	14-Dec-13	28-Oct-16	Yes	1, 2 & 3
66,666	\$0.17	14-Dec-12	Granted	14-Dec-14	28-Oct-16	Yes	1, 2 & 3
66,666	\$0.17	14-Dec-12	Granted	14-Dec-15	28-Oct-16	Yes	1, 2 & 3
730,000	\$0.22	24-Nov-14	Vested	03-Feb-15	03-Feb-18	Yes	1 & 3
730,000	\$0.22	24-Nov-14	Granted	03-Feb-16	03-Feb-18	Yes	1 & 3
730,000	\$0.22	24-Nov-14	Granted	03-Feb-17	03-Feb-18	Yes	1 & 3
110,000	\$0.22	12-Dec-14	Granted	12-Dec-15	12-Dec-18	Yes	1 & 3
110,000	\$0.22	12-Dec-14	Granted	12-Dec-16	12-Dec-18	Yes	1 & 3
110,000	\$0.22	12-Dec-14	Granted	12-Dec-17	12-Dec-18	Yes	1 & 3
1,300,000	\$0.22	27-Sep-14	Granted	27-Sep-15	27-Sep-18	Yes	1 & 3
1,300,000	\$0.22	27-Sep-14	Granted	27-Sep-16	27-Sep-18	Yes	1 & 3
500,000	\$0.22	29-Jun-15	Granted	11-Nov-15	11-Nov-18	Yes	1 & 3
500,000	\$0.22	29-Jun-15	Granted	11-Nov-16	11-Nov-18	Yes	1 & 3
500,000	\$0.22	29-Jun-15	Granted	11-Nov-17	11-Nov-18	Yes	1 & 3
110,000	\$0.22	29-Jun-15	Granted	16-Mar-16	16-Mar-19	Yes	1 & 3
110,000	\$0.22	29-Jun-15	Granted	16-Mar-17	16-Mar-19	Yes	1 & 3
110,000	\$0.22	29-Jun-15	Granted	16-Mar-18	16-Mar-19	Yes	1 & 3
70,000	\$0.22	29-Jun-15	Granted	27-Apr-16	27-Apr-19	Yes	1 & 3
70,000	\$0.22	29-Jun-15	Granted	27-Apr-17	27-Apr-19	Yes	1 & 3
70,000	\$0.22	29-Jun-15	Granted	27-Apr-18	27-Apr-19	Yes	1 & 3

14,810,000 Total ESOP Options

Shareholder Options:

Number of Options	Exercise Price (\$)	Granted Date	Status	Vested Date	Expiry Date	Conditions	Note
2,582,594	\$0.15	22-Aug-14	Granted	22-Aug-14	03-Aug-15	Yes	4
2,582,592	\$0.20	22-Aug-14	Granted	22-Aug-14	01-Feb-16	Yes	4
3,291,669	\$0.15	29-Sep-14	Granted	29-Sep-14	03-Aug-15	Yes	5 & 6
3,291,665	\$0.20	29-Sep-14	Granted	29-Sep-14	01-Feb-16	Yes	5 & 6
375,002	\$0.15	01-Oct-14	Granted	01-Oct-14	03-Aug-15	Yes	5 & 6
374,999	\$0.20	01-Oct-14	Granted	01-Oct-14	01-Feb-16	Yes	5 & 6
33,334	\$0.15	01-Oct-14	Granted	01-Oct-14	03-Aug-15	Yes	5
33,333	\$0.20	01-Oct-14	Granted	01-Oct-14	01-Feb-16	Yes	5
50,000	\$0.15	22-Oct-14	Granted	22-Oct-14	03-Aug-15	Yes	5
50,000	\$0.20	22-Oct-14	Granted	22-Oct-14	01-Feb-16	Yes	5

12,665,188 Total Shareholder Options

These notes form part of the financial statements

Notes to and forming part of the Financial Statements for the Year Ended 30 June 2015

Note 21: Share Based Payments (Continued)

Notes:

1. Issued under the terms of the Sienna Cancer Diagnostics Employee Share Options Program (ESOP).
2. 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.
3. Vesting basis: to remain employed by Sienna at vesting date (ranging from 12 to 36 months).
4. No special conditions.
5. Agreement with the option holder allows the Sienna board, at its discretion, to bring forward the expiry date of the options in the case of the company being acquired or likely to be admitted on the Australian Stock Exchange.
6. Agreement with the option holder allows the Sienna board, at its discretion, to issue a cancellation notice in the case the company is being acquired or likely to be admitted on the Australian Stock Exchange. An option cancellation fee may be payable to the option holder if a cancellation notice is served.

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.

Movement in the number of share options on issue

	2015		2014		Notes
	Number of Options	Weighted Average Exercise Price (\$)	Number of Options	Weighted Average Exercise Price (\$)	
Total Options					
Outstanding at the beginning of the year	25,800,005	\$0.16	27,250,005	\$0.17	i
Granted	19,825,188	\$0.19	-	-	
Forfeited	(3,000,000)	\$0.17	1,450,000	\$0.17	
Exercised	(5,165,186)	\$0.15	-	-	
Expired	(9,984,819)	\$0.17	-	-	
Outstanding at year-end	27,475,188	\$0.19	25,800,005	\$0.16	
Exercisable at year-end	13,395,188	\$0.18	12,000,005	\$0.15	

Notes:

i. For the calculation of weighted average exercise price of options at the beginning of both financial years and the end of the 2014 financial year, the Exercise Price of 100,000 of the options granted prior to the financial year 2006 (now expired) was equal to the price of Sienna Cancer Diagnostics' ordinary shares, if it were to list on the ASX. As this price was not quantifiable, an indicative exercise price of \$0.30 was utilised for the purpose of calculating the weighted average exercise price.

Note 21: Share Based Payments (Continued)

Options Reserve

The fair value of options is \$76,029 (2014: \$226,591). The number of options granted during the year pursuant to the ESOP was 7,160,000 (2014: NIL), while 6,000,000 employee share options either expired or were forfeited during the financial year (2014: 1,450,000).

Included under employees and contractor costs in the income statement is a credit of \$41,962 (2014: Debit \$1,783), the combination of the expense for the current reporting period and the reversal of prior period charges for options that were forfeited or expired.

The value of employee share options issued during the financial year has been calculated by using a modified binomial option pricing model applying the following inputs:

Exercise price	\$0.22
Underlying share price	\$0.15
Days to expiration	1,167 to 1,461
Days to vesting	71 to 1,096
Expected share price volatility	20.06%
Risk free interest rate	5.75%

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) has been used as a basis for determining expected share price volatility for Sienna Cancer Diagnostics Ltd (SCD). The Directors believe this to be fair representation of SCD volatility. Historical volatility is assumed to be indicative of future volatility however future volatility may not replicate historical volatility. The life of the options is based on the contracted expiry date.

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	2015 (\$)	2014 (\$)
Financial Assets			
Cash assets	8	791,338	589,479
Receivables	9	182,972	394
		<u>974,310</u>	<u>589,873</u>
Financial Liabilities			
Payables	13	<u>353,129</u>	<u>119,849</u>

All receivable and payables are expected to be settled within 1 year.

Financial assets pledged as collateral

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

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 2015.

Notes to and forming part of the Financial Statements for the Year Ended 30 June 2015

Note 22: Financial Risk Management (Continued)

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 group.
- 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

- Cash reserves form the majority of the Group's financial assets. At 30 June 2015, cash was deposited with two large Australian banks in order to spread risk and ensure interest rate competitiveness.
- The Group has a material credit risk exposure to a single trade debtor, as a result of amounts due under a commercial license agreement for the use of SCD-A7. The receivables recorded on the consolidated entity's balance sheet contains an amount of \$132,112 from this trade debtor. Management regularly communicate with this debtor's senior staff and monitor the financial health of this debtor.

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

c. Market risk

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market interest rates. Exposure to interest rate risk arises on interest earned on cash equivalents only.

Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market prices. The Group is not exposed to price risk.

Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group is exposed to currency risk due to revenue denominated in US dollars. A bank account denominated in US dollars is maintained in order to facilitate receipts and payments. During the reporting period, exchange rate risk was managed by exchanging revenue in excess of US dollar expenditures using spot sales of US dollars.

d. 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:

- 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

In accordance with Australian Accounting Standard AASB 8 Operating Segments, the Company has determined that it has one reporting segment, consistent with the manner in which the business is managed. This is the manner in which the chief operating decision maker receives information for the purpose of resource allocation and assessment of performance. The Group operates predominantly in one business and geographical segment being the research and development of cancer diagnostics in Victoria, Australia.

Note 24: 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, and David Earp.

Chief Executive Officer and Managing Director (MD): Kerry Hegarty - MD to 27 March 2015, ceased employment 20 April 2015.

Chief Executive Officer (CEO): Cliff Holloway – Interim CEO from 1 February 2015, permanent role from 1 May 2015.

Chief Operating Officer: Matthew Hoskin – commenced 4 February 2014

Transactions with key management personnel

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

	Share-based payments (\$)	Short-term benefits (\$)	Post-employment benefit (\$)	Total (\$)
2015				
Total compensation (i)	1,010	1,109,310	80,664	1,190,984
2014				
Total compensation (i)	4,574	360,387	36,005	400,966

Note 25: Auditors' Remuneration

	2015 (\$)	2014 (\$)
Remuneration of the auditor of the parent entity for:		
Auditing or reviewing the financial report	13,500	13,000
Other services	1,000	-
	14,500	13,000

Notes to and forming part of the Financial Statements for the Year Ended 30 June 2015

Note 26: Events Subsequent to Reporting Date

On 18 August 2015, 2,833,273 (2014: 5,165,186) new ordinary shares were issued on receipt of \$424,991 (2014: \$774,778) as a result of 2,833,273 (2014: 5,165,186) options being exercised by shareholders.

There has been no other matter or circumstance, which has arisen since 30 June 2015 that has significantly affected or may significantly affect:

- a. The operations, in financial years subsequent to 30 June 2015, of the consolidated entity, or
- b. The results of those operations, or
- c. The state of affairs, in financial years subsequent to 30 June 2015, of the consolidated entity.

Note 27: Capital and Investment Commitments

To the Directors' knowledge, the Group had no capital or investment commitments as at 30 June 2015 not otherwise disclosed in these financial statements.

Note 28: Company Details

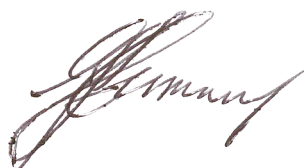
The registered office and principal place of business of the Company is: 1 Dalmore Drive, Scoresby VIC 3179, Australia.

Directors' Declaration

The Directors of the company declare that:

1. The financial statements and notes, as set out on pages 9 to 30 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 2015 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



David W. Neate
Non-executive Director

Dated this 5th day of September 2015

**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 2015, 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.



Walker Wayland NSW
Chartered Accountants

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**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 2015 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 exercise of options held by members, which are due to expire in February 2016, and other capital raising strategies which are being initiated by Those in Charge of Governance, to support the short and medium term cash requirements and therefore meet its obligations over the next 12 months. Until funds are received from these capital raising strategies, there will remain a risk to the ongoing viability of the company.

Walker Wayland NSW
Chartered Accountants

Signed in Sydney on this 5th day of September 2015

Richard Woods
Partner



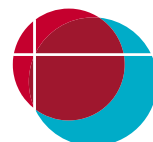
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