

# Sienna Cancer Diagnostics Limited

2016 Annual Report



*Sienna Cancer  
Diagnostics*



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## Message from the Chairman



Geoff Cumming Chairman

On behalf of the Sienna Board, I am pleased to present Sienna Cancer Diagnostics' Annual Report for 2016. Sienna's goal is to develop diagnostic products that improve outcomes for patients in the early detection and management of cancer. The launch of the company's first product, via Bostwick Laboratories in the US in early 2015, provided bladder cancer patients with an accurate, cost effective, urine based test which is used as an adjunct to existing urine cytology. Sienna is now firmly focused on unlocking further market opportunities.

### **Analyte Specific Reagent (ASR) & Laboratory Developed Test (LDT)**

Bostwick Laboratories is a full service laboratory specialising in uropathology. Using Sienna's ASR product, Bostwick successfully validated and launched their in-house developed stain for assisting bladder cancer diagnosis in January 2015 and experienced a rapid adoption of the test. The number of tests performed per month grew steadily from launch to approximately 2,800 tests per month, with the majority of their urine cytology tests now conducted in association with telomerase detection. Bostwick advise that their referring doctors find the additional information provided by this telomerase stain to be clinically beneficial. Our experience with Bostwick has provided a successful entry point to the market, created market awareness and commercially validated the telomerase detection assay for further market penetration. To put this in perspective, revenue received from Bostwick represents a small percentage of the addressable market in just one indication.

Sienna has been pursuing a second pathology laboratory to implement Sienna's diagnostic test using a LDT pathway. With the launch of Sienna's In Vitro Diagnostic (IVD) test now imminent, this laboratory has made the decision to wait for that product instead of allocating further time and resources to the implementation of a LDT. The publication of further validation data, due for release in the near future, will encourage the implementation of the IVD test at this laboratory as well as other market participants.

### **In Vitro Diagnostic (IVD) Test**

Throughout the financial year the Sienna team has been focused on the development of the IVD test, with a view to launching the product in the middle of the 2017 financial year. There are numerous processes required during production and validation to ensure that the final product is robust and reproducible. A major step is ISO13485 Quality Management System Certification, which is now largely complete. We expect to receive confirmation of our certification before the end of October. The certification is a key requirement for the IVD product to be registered with the appropriate regulatory authorities in major global markets. The first two regions targeted will be the US and European Union, with the product registered as a class I IVD in the US and as a CE marked IVD product in the European Union.

### **Third Party Validation Of Sienna's Telomerase Assay**

In March 2016 our research partners from Johns Hopkins University School of Medicine, one of the leading hospital systems in the United States, presented a poster outlining the results from a study demonstrating the utility of Sienna's telomerase assay as an adjunct to urine cytology for detection of urothelial neoplasms. The poster was presented at the United States and Canadian Academy of Pathology (USCAP) 2016 annual meeting held in Seattle. There were over 5,000 attendees at this meeting from 87 countries. A further abstract was presented in May at the International Congress of Cytology (ICC) meeting in Yokohama, Japan.

Following the successful completion of the initial study, the team at Johns Hopkins has now commenced a follow-on 1,000 patient study to generate more in-depth data.

Further clinical studies are currently being undertaken at the Royal Melbourne Hospital (RMH), Australian Urology Association (AUA), and the University of California, Los Angeles (UCLA). Results from the clinical studies conducted at RMH and AUA are due for release in the final quarter of the 2016 calendar year. The publication of the results of these clinical studies will assist the uptake of the IVD test with pathology laboratories, and will ultimately become references for pathology laboratories in the adoption of the IVD product. In addition, a health economics study to quantify the positive impact of the Sienna test on the provision of healthcare within the UK's National Health Service (NHS), recently commenced at the University of Manchester in the United Kingdom. Demonstrating positive health economic outcomes is a critical step in ensuring that "payers" are supportive of the introduction of the Sienna test.

### **IVD Path To Market**

Recruiting the right sales and distribution partner is extremely important. Sienna has identified several partners in both the US and EU who have existing sales and support channels into pathology laboratories. Negotiations are on-going and we expect to be able to announce the first of our distribution partners in the coming months. Following IVD product launch, Sienna will aim to drive sales through our distribution partners with direct market support personnel.

To further expand the market opportunity, Sienna will continue to collaborate with our clinical partners to expand the utility of the product to other indications. Sienna has already commenced proof of concept research into telomerase detection in other bodily fluids and cancer types.

### **Board And Staff Changes**

In August 2016, Sienna announced that Dr Cliff Holloway had resigned his position as CEO and Managing Director, to pursue a new career opportunity. I would like to thank Cliff for his contribution to Sienna since his appointment and wish him well in his future endeavours. Carl Stubbings, Non-executive Director, has been appointed interim CEO while the Board evaluates suitable candidates for the role.

The Board welcomed Dr John Chiplin as a non-executive director in January 2016 while Dr Donald Robertson resigned from the Board in March. Dr Robertson made a significant contribution to Sienna over many years. The company is deeply indebted to Dr Robertson for the clinical insights he was able to offer and his considered thoughts. We would like to thank him sincerely for the time that he willingly devoted to Sienna. Dr Chiplin is a very experienced healthcare executive and brings considerable capital markets experience to the Board.

### **Capital Position**

Earlier this year, the Company raised \$950,000 in new capital through the exercise of shareholder options and placements to new investors and long term shareholders. In addition, the Company received approximately \$680,000 through the federal government's R&D Tax Incentive. These funds together with the ongoing revenue from Bostwick Laboratories have enabled the company to maintain momentum towards the launch of our IVD product.

To ensure the company is appropriately funded, and to fully execute and leverage the market opportunities ahead, Sienna will require additional capital in the lead up to the IVD product launch. Your Board will explore all avenues to meet this objective.

As always, please feel free to contact your Board and management with any queries or feedback. Please visit our website periodically and if you are not registered for electronic communications with Link Market Services please do so through their website: **[www.linkmarketservices.com.au](http://www.linkmarketservices.com.au)** or by calling 1300 554 474. Electronic communications are the fastest, cheapest and most environmentally friendly method of receiving information from Sienna.

Thank you for your continued support.



**Geoff Cumming**  
Chairman



The Directors of Sienna Cancer Diagnostics Limited (Sienna or the Company) present their report for the financial year ended 30 June 2016.

### Directors

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

Geoffrey Cumming	Non-executive Chairman
Clifford Holloway	Managing Director/Chief Executive Officer (appointed 5 November 2015, resigned as Managing Director 11 August 2016 and resigned as Chief Executive Officer 15 August 2016)
David Earp	Non-executive Director
David Neate	Non-executive Director
Donald Robertson	Non-executive Director (resigned 4 March 2016)
Carl Stubbings	Non-executive Director
John Chiplin	Non-executive Director (appointed 22 January 2016)

### 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 (LDT). 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 2016 financial year the key areas of activity related to:

- Further development of Sienna's IVD test, targeting registration of an IVD class 1 product in the United States by January 2017
- Preparations for, and conduct of, an ISO13485 certification audit, required for US IVD registration and European CE marking
- Completion of a proof-of-concept study at a highly credible external clinical pathology laboratory – Johns Hopkins University
- Continuation of, and commencement of new, clinical validation studies for the collection of data to support the uptake of the IVD test following launch
- Negotiations with distribution agents for the IVD product for the US and European markets
- Preparations for commercial launch of the IVD product
- Further early stage research for expanded utility of Sienna's intellectual property
- Capital raising

### 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 is located at 1 Dalmore Drive, Scoresby, Victoria, Australia, 3179.

The parent company, Sienna Cancer Diagnostics Limited, is an unlisted public company with 154 shareholders. Sienna owns 100% of Melbourne Diagnostics Pty Ltd.

### Directors and Company Secretary

#### Names, qualifications, Experience and Special Responsibilities

##### Geoffrey 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 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. His most recent executive role was as Managing Director / CEO of Anteo Diagnostics Ltd (ASX: ADO). He is currently a Non-executive Director of Anteo Diagnostics Ltd and Medical Australia Ltd (ASX: MLA).

**Special Responsibilities** Member of the Audit 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 considerable experience commercialising diagnostic products, both locally and globally. Based in the USA for 13 years, he served as Vice-President of Sales and Marketing



for Focus Diagnostics, a subsidiary of Quest Diagnostics, one of the world's largest pathology laboratories. In July 2012, Carl moved back to Australia and has held roles at Benitec Biopharma Limited (an ASX-listed biotechnology company), where he was Chief Business Officer, and more recently as Head of Commercialisation at BCAL Diagnostics, a start-up company developing a blood test for breast cancer. In addition to his executive roles, Carl is also a Non-executive Director of ASX listed medical device company Analytica Medical Limited and Otakaro Pathways, a New Zealand based company developing a diagnostic test for Crohn's disease.

**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 until 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

#### John Chiplin

**Non-executive Director, appointed 22 January 2016**

**Qualifications** BPharm, MRPharm, Ph.D.

**Experience** John is an experienced healthcare executive who brings considerable capital markets experience to the Sienna Board. His most recent executive position was CEO of Polynoma LLC, a US based cancer immunotherapy company, and he was formerly the founding CEO of ASX listed Arana Therapeutics Limited prior to that company's acquisition by Cephalon (now Teva). Before his appointment at Arana Dr Chiplin was head of the UK's \$300M ITI Life Science investment fund. He is currently a Non-executive Director of ASX listed biotechnology companies Benitec Biopharma Limited (ASX:BLT), Cynata Therapeutics Limited (ASX:CYP) and Adalta Limited (ASX:1AD). He is the Chairman of UK AIM listed company Scancell Holdings Plc (AIM:SCLP). Dr Chiplin is also the founder and Managing Director of Newstar Ventures, an early stage investment fund.

**Special Responsibilities** Member of the Remuneration Committee

#### Donald Robertson

**Non-executive Director, appointed 13 January 2003, resigned 4 March 2016**

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

**Experience** Donald has extensive clinical experience 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, resigned 4 March 2016.

#### Clifford Holloway

**Managing Director, appointed 5 November 2015, resigned 11 August 2016**

**Qualifications** BPharm, Ph.D.

**Experience** Cliff has over 25 years of biopharmaceutical and healthcare related experience, including development and commercialisation of emerging technologies and drug products, as well as marketing, licensing, M&A, corporate financing and operations management. Previously he was CEO and Managing Director of Immune System Therapeutics Ltd., a public unlisted company developing biologic therapies for blood cancers. Prior to this role, he held the position of Managing Director at Biosceptre International Ltd. and Vice President of Business Development at Arana Therapeutics Ltd., which was acquired by US based Cephalon Inc. (now Teva) in 2009.

#### 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 17 years of corporate accounting experience, gained both in Australia and the United Kingdom. Tony holds a Graduate Diploma of Applied Corporate Governance from the Governance Institute of Australia.

### Review of Operations

#### Operating results

The Group reported a net loss, after the capitalisation of development expenditure, of \$476,700 (2015: \$1,081,941) for the reporting period. Development expenditure for SCD-A7 of \$880,642 (2015: \$690,337) was capitalised as an intangible asset.

#### Revenue

Total revenue recorded for the financial year grew to \$1,343,998 from \$970,192 recorded for the prior financial year. Product revenues doubled to \$640,664 (2015: \$304,634), reflecting the Group's first full year of product income. The receipt of the refundable research and development tax offset contributed \$682,921 (2015: \$274,724) while interest income added \$17,697 (2015: \$38,757). The 2015 financial year included \$333,228 of grant income received for the Commercialisation Australia Early Stage Commercialisation Grant.

#### Operating Expenditure

Total operating expenditure for the financial period, before the capitalisation of development expenses for SCD-A7, was \$2,701,340 (2015: \$2,684,670). Development expenditure of \$880,642 (2015: \$690,337) was capitalised as an intangible asset, to meet the requirements of accounting standard AASB 138 – Intangible Assets. Employee and contractor costs before the capitalisation of development expenditure reduced to \$1,714,322 from \$2,027,314 recorded in the prior financial year. The 2015 financial year included the payment or recognition of amounts payable to directors for fees outstanding for the period from 1 July 2011 to 30 June 2014 and the payment of amounts due to the Managing Director/ Chief Executive Officer at cessation of employment. Research and development expenditure before the capitalisation of development expenses increased to \$514,588 from \$310,933 recorded in the 2015 financial year as work continued on the development of SCD-A7 and further utility of Sienna's intellectual property.

An expense of \$64,882 was recorded for share based payments (2015: a credit of \$41,962), the combination of the expense for the current reporting period and the reversal of prior period charges for options that were forfeited or expired.

#### Equity

The exercise of shareholder options and the issue of shares to new and existing shareholders added \$1,288,085 (2015: \$2,136,028) to contributed equity during the reporting period, while associated capital raising expenses were \$45,276 (2015: \$103,040).

#### 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 business model of developing diagnostic products for global markets will always bear some risk given the nature of technological development, competitors entering the market,

changes in global healthcare, reliance on commercial partners and our ability to access capital to sustain operations. We cannot guarantee that Sienna technology will be widely adopted and sold by pathology laboratories. Moreover the global Healthcare industry is an ever evolving landscape where 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

Dr Clifford Holloway provided notice of resignation, the effective dates of resignation being:

- From the position of Managing Director, 11 August 2016
- From the position of Chief Executive Officer, 15 August 2016

There has been no other matter or circumstance which has arisen since 30 June 2016 that has significantly affected or may significantly affect:

- a. The operations, in financial years subsequent to 30 June 2016, of the consolidated entity, or
- b. The results of those operations, or
- c. The state of affairs, in financial years subsequent to 30 June 2016, 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 2016, 5,700,000 (2015: 7,160,000) new options were issued pursuant to the group's ESOP; 330,000 options were cancelled upon cessation of employment (2015: 3,000,000) and a further 7,450,000 (2015: 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 2016, and the number attended by Directors were:

Director	Position	Directors' Meetings	
		Number Eligible to Attend	Number Attended
Geoffrey Cumming	Chairman	11	11
Clifford Holloway <sup>1</sup>	Managing Director	6	6
David Neate	Non-executive Director	11	11
Donald Robertson <sup>2</sup>	Non-executive Director	7	7
Carl Stubbings	Non-executive Director	11	11
David Earp	Non-executive Director	11	11
John Chiplin <sup>3</sup>	Non-executive Director	5	5

<sup>1</sup> Appointed 5 November 2015

<sup>2</sup> Resigned 5 March 2016

<sup>3</sup> Appointed 22 January 2016

## 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 Geoffrey Cumming and David Earp.

### Remuneration Committee

Chaired by Carl Stubbings and comprising David Earp and Donald Robertson until his resignation on 5 March 2016 and John Chiplin from his appointment at the Board meeting held 13 May 2016.

## Indemnifying and insurance of Directors and other Officers

The Company has paid a premium for Directors' and Officers' Liability Insurance.

Under the Company's constitution:

- i. To the extent permitted by law and subject to the restrictions in sections 199A and 199B of the Corporations Act 2001, the Company indemnifies every person who is or has been an officer of the Company against any liability (other than for legal costs) incurred by that person as an officer of the Company.
- i. To the extent permitted by law and subject to the restrictions in sections 199A and 199B of the Corporations Act 2001, the Company indemnifies every person who is or has been an officer of the Company against 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 2016. Under the Company's Management 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 10.

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 2<sup>nd</sup> day of September 2016.

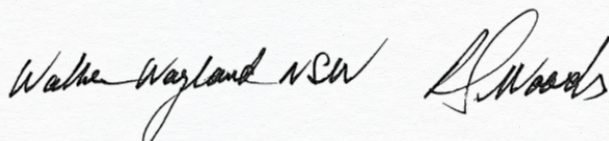


**Geoff Cumming**  
Chairman

**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 2016 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**

**Richard Woods**  
**Partner**

Dated this 2<sup>nd</sup> day of September 2016

## Consolidated Statement of Profit or Loss and Other Comprehensive Income for the Year Ended 30 June 2016

	Note	2016 (\$)	2015 (\$)
<b>REVENUE FROM ORDINARY ACTIVITIES</b>			
Revenue	4	1,326,301	931,435
Interest Income	4	17,697	38,757
		<b>1,343,998</b>	<b>970,192</b>
<b>EXPENSES</b>			
Employee and contractor costs	5	(1,198,888)	(1,563,881)
Administration	5	(230,441)	(172,093)
Research and development	5	(215,212)	(134,316)
Insurance		(47,030)	(42,032)
Travel and meetings		(110,609)	(80,894)
Other expenses from ordinary activities		(701)	(1,117)
		<b>(1,802,881)</b>	<b>(1,994,333)</b>
<b>Loss before impairment, depreciation and amortisation</b>		<b>(458,883)</b>	<b>(1,024,141)</b>
Impairment of intangibles		-	(19,894)
Depreciation and amortisation		(17,817)	(37,906)
<b>Loss Before income Tax</b>		<b>(476,700)</b>	<b>(1,081,941)</b>
Income tax expense	6	-	-
<b>TOTAL COMPREHENSIVE LOSS FOR THE YEAR</b>		<b>(476,700)</b>	<b>(1,081,941)</b>
<b>EARNINGS PER SHARE</b>			
Basic earnings per share (cents per share)	7	(0.00)	(0.01)
Diluted earnings per share (cents per share)	7	(0.00)	(0.01)



## Consolidated Statement of Financial Position as at 30 June 2016

	Note	2016 (\$)	2015 (\$)
<b>CURRENT ASSETS</b>			
Cash assets	8	1,080,657	791,338
Receivables	9	127,619	182,972
Other assets	10	50,173	35,381
<b>Total Current Assets</b>		<b>1,258,449</b>	<b>1,009,691</b>
<b>NON-CURRENT ASSETS</b>			
Intangibles	11	1,612,627	721,765
Property, plant and equipment	12	43,352	55,112
<b>Total Non-Current Assets</b>		<b>1,655,979</b>	<b>776,877</b>
<b>Total Assets</b>		<b>2,914,428</b>	<b>1,786,568</b>
<b>CURRENT LIABILITIES</b>			
Payables	13	614,582	353,129
Provisions	14	105,971	66,837
<b>Total Current Liabilities</b>		<b>720,553</b>	<b>419,966</b>
<b>NON-CURRENT LIABILITIES</b>			
Provisions	14	10,578	14,296
<b>Total Non-Current Liabilities</b>		<b>10,578</b>	<b>14,296</b>
<b>Total Liabilities</b>		<b>731,131</b>	<b>434,262</b>
<b>NET ASSETS</b>		<b>2,183,297</b>	<b>1,352,306</b>
<b>EQUITY</b>			
Contributed equity	15	15,588,927	14,346,118
Reserves	16	140,911	76,029
Accumulated losses	17	(13,546,541)	(13,069,841)
<b>TOTAL EQUITY</b>		<b>2,183,297</b>	<b>1,352,306</b>

## Consolidated Statement of Changes in Equity for the Year Ended 30 June 2016

	Contributed Equity (\$)	Reserves (\$)	Accumulated Losses (\$)	Total (\$)
<b>BALANCE AT 30 JUNE 2014</b>	<b>12,313,130</b>	<b>226,591</b>	<b>(12,096,500)</b>	<b>443,221</b>
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	-
Shares issued (net of issue costs)	2,032,988	-	-	2,032,988
<b>BALANCE AT 30 JUNE 2015</b>	<b>14,346,118</b>	<b>76,029</b>	<b>(13,069,841)</b>	<b>1,352,306</b>
Loss attributable to members	-	-	(476,700)	(476,700)
Share based payments expense	-	64,882	-	64,882
Share issued (net of issue costs)	1,242,809	-	-	1,242,809
<b>BALANCE AT 30 JUNE 2016</b>	<b>15,588,927</b>	<b>140,911</b>	<b>(13,546,541)</b>	<b>2,183,297</b>

## Consolidated Statement of Cash Flow for the Year Ended 30 June 2016

	Note	2016 (\$)	2015 (\$)
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Receipts from operating activities		1,425,674	800,364
Interest received		17,897	37,854
Payments to suppliers and employees		(1,511,740)	(1,870,288)
<b>Net cash used in operating activities</b>	<b>18b</b>	<b>(68,169)</b>	<b>(1,032,070)</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Purchase of intangibles		(10,220)	(15,142)
Purchase of property, plant and equipment		(6,057)	(92,909)
Payment for capitalised development costs		(880,642)	(690,337)
<b>Net cash used in investing activities</b>		<b>(896,919)</b>	<b>(798,388)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Proceeds from issue of ordinary shares		1,288,085	2,136,028
Payment of share issue costs		(45,276)	(103,040)
<b>Net cash provided by financing activities</b>		<b>1,242,809</b>	<b>2,032,988</b>
<b>NET INCREASE IN CASH HELD</b>			
Cash and cash equivalent at beginning of financial year		791,338	589,479
Effects of exchange rate changes on the balance of cash held in foreign currencies		11,598	(671)
<b>CASH AND CASH EQUIVALENT AT END OF FINANCIAL YEAR</b>	<b>18a</b>	<b>1,080,657</b>	<b>791,338</b>

The accompanying notes form part of these financial statements

## Notes to and forming part of the Financial Statements for the Year Ended 30 June 2016

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

The financial statements were authorised for issue on 2<sup>nd</sup> September 2016 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 \$2,183,297 (2015: \$1,352,306). Cash reserves as at 30 June 2016 were \$1,080,657 (2015: \$791,338). During the reporting period the company received \$1,288,085 from the issue of new share capital. These funds were raised through the exercise of shareholder options

as well as placements of shares with new investors and long term shareholders.

Sienna doubled product revenues from the previous financial year to \$640,664 (2015: \$304,634), reflecting the Group's first full year of product income. Product revenues are anticipated to increase over the coming financial year with the launch of the IVD product targeted for early in the 2017 calendar year. These revenues are expected to lead to Sienna producing positive cash flows within a 24 to 36 month period. Until this time Sienna will require further capital to execute the company's market penetration and product development strategies. The Board will continue capital raising efforts to ensure the company is appropriately funded and will keep shareholders informed of the progress of these activities in the coming months.

Until funds are received from capital raising efforts there remains 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. No deferred tax assets have been recognised on the balance sheet as at 30 June 2016, as the probability of deriving a benefit is uncertain.

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 expectation 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 acquiring 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 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	6.67% - 33.33% straight line
Research Equipment	25.00% - 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.

### 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.

## Notes to and forming part of the Financial Statements for the Year Ended 30 June 2016

### Note 1: Statement of Significant Accounting Policies (continued)

#### h. Investments

Non-current investments are measured at cost. 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.

##### 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 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 of \$19,894, representing the write off of capitalised patent expenditure was recognised in the 2015 financial year. No impairment expense was recorded for the 2016 financial year.

**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 Board has assessed the impact of the new, but not yet mandatory, accounting standards issued by Australian Accounting Standards Board (AASB). The standards assessed include AASB 9: Financial Instruments, AASB 15: Revenue from Contracts with Customers, AASB 16: Leases, AASB 2014-3: Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations and AASB 2014-10: Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture. The two new standards that could have an impact on reporting the Group's financial performance, if the Group's operations were to remain constant in the future, are AASB 15: Revenue from Contracts with Customers, and AASB 16: Leases. The Group have elected not to early adopt these accounting standards. If they were to be adopted early, the application of AASB15 would have no impact on the Group's transactions for the 2016 and 2015 financial years, while the application of AASB16 would require the recognition of a 'right to use' asset and associated lease liability on the balance sheet for the lease held for 1 Dalmore Drive, Scoresby, Victoria.



## Notes to and forming part of the Financial Statements for the Year Ended 30 June 2016

## Note 2: Parent Information

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

	2016 (\$)	2015 (\$)
<b>STATEMENT OF FINANCIAL POSITION</b>		
<b>ASSETS</b>		
Current assets	1,238,376	989,618
Non-current assets	1,655,979	776,917
<b>TOTAL ASSETS</b>	<b>2,894,355</b>	<b>1,766,535</b>
<b>LIABILITIES</b>		
Current liabilities	720,553	419,966
Non-current liabilities	10,578	14,296
<b>TOTAL LIABILITIES</b>	<b>731,131</b>	<b>434,262</b>
<b>EQUITY</b>		
Contributed equity	15,588,927	14,346,118
Reserves	140,911	76,029
Accumulated losses	(13,566,574)	(13,089,874)
<b>TOTAL EQUITY</b>	<b>2,163,264</b>	<b>1,332,273</b>
<b>STATEMENT OF COMPREHENSIVE INCOME</b>		
<b>TOTAL LOSS</b>	<b>(476,700)</b>	<b>(1,081,941)</b>
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>(476,700)</b>	<b>(1,081,941)</b>

**Guarantees**

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

**Contingent liabilities**

At 30 June 2016, the Parent Company had no contingent liabilities (2015: Nil).

## Note 3: Controlled Entities

Controlled Entities Consolidated	Country of Incorporation	Percentage Owned (%)*	
		2016	2015
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	2016 (\$)	2015 (\$)
Product revenues	640,664	304,634
Research and development tax offset	682,921	274,724
Grants	-	333,228
Net foreign currency gain	2,716	10,572
Other	-	8,277
	<b>1,326,301</b>	<b>931,435</b>
Other revenue from operating activities:		
Interest: Other third parties	17,697	38,757
<b>TOTAL REVENUE FROM ORDINARY ACTIVITIES</b>	<b>1,343,998</b>	<b>970,192</b>

**Note 5: Loss from Ordinary Activities Before Income Tax Benefit**

Loss from ordinary activities before income tax benefit after charging the following items:	2016 (\$)	2015 (\$)
<b>EMPLOYEE AND CONTRACTOR COSTS</b>		
Staff salaries and wages	1,288,217	1,253,724
Directors' fees	155,880	493,438
Contractor fees	-	60,000
Superannuation	122,895	131,078
Share based payments expense	64,882	(41,962)
Other employment expenses	82,448	131,036
	<b>1,714,322</b>	<b>2,027,314</b>
Capitalised Development Expenditure – See note 11	(515,434)	(463,433)
<b>Per Consolidated Statement of Profit or Loss</b>	<b>1,198,888</b>	<b>1,563,881</b>
<b>ADMINISTRATION</b>		
Rental expense on operating lease	60,947	44,516
Legal and capital market advisory fees	166,211	81,005
Other administration expenses	69,115	96,859
	<b>296,273</b>	<b>222,380</b>
Capitalised Development Expenditure – See note 11	(65,832)	(50,287)
<b>Per Consolidated Statement of Profit or Loss</b>	<b>230,441</b>	<b>172,093</b>
<b>RESEARCH AND DEVELOPMENT</b>	<b>514,588</b>	<b>310,933</b>
Capitalised Development Expenditure – See note 11	(299,376)	(176,617)
<b>Per Consolidated Statement of Profit or Loss</b>	<b>215,212</b>	<b>134,316</b>
<b>DEPRECIATION AND AMORTISATION</b>		
Depreciation of plant and equipment	13,976	35,995
Amortisation of building improvements	3,841	1,911
<b>Per Consolidated Statement of Profit or Loss</b>	<b>17,817</b>	<b>37,906</b>

These notes form part of the financial statements

## Notes to and forming part of the Financial Statements for the Year Ended 30 June 2016

## Note 6: Income Tax Relating to Ordinary Activities

	2016 (\$)	2015 (\$)
Prima facie income tax benefit from ordinary activities after significant items and before Income tax at 30% (2015: 30%)	(143,010)	(324,582)
Add/(subtract) tax effect:		
- Share option expense / (credit)	19,465	(12,589)
- Research and development tax incentive	(204,876)	(82,417)
- Tax losses and temporary differences not brought to account	328,421	419,588
<b>Deferred tax assets not brought to account</b>	-	-

Total tax losses not brought to account \$1,111,019 (2015: \$1,071,664)

## Note 7: Earnings Per Share

The following reflects the income and share data used in the calculations of basic and diluted earnings per share:	2016 (\$)	2015 (\$)
<b>Earnings used in calculating basic and diluted earnings per share</b>	<b>(476,700)</b>	<b>(1,081,941)</b>

	2016 No. of shares	2015 No. of shares
Weighted average number of ordinary shares used in calculating basic earnings per share	146,232,442	138,360,252

<b>Basic and diluted earnings per share (cents)</b>	<b>(0.00)</b>	<b>(0.01)</b>
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(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

	2016 (\$)	2015 (\$)
Cash on hand	40	40
Cash at bank	1,080,617	791,298
	<b>1,080,657</b>	<b>791,338</b>



**Note 9: Receivables**

	2016 (\$)	2015 (\$)
Trade Debtors	58,186	135,945
Other Debtors	69,433	47,027
	<b>127,619</b>	<b>182,972</b>

**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. The total amount due from this debtor at 30 June 2016 is within the 30 day trading terms. At 30 June 2015 the amount that was between 0-30 days overdue was \$91,810 and between 31-60 days was \$40,303. There are no impaired assets within Receivables, these balances are expected to be received.

**Note 10: Other Assets**

	2016 (\$)	2015 (\$)
Prepayments	50,173	35,381
	<b>50,173</b>	<b>35,381</b>

**Note 11: Intangible Assets**

	2016 (\$)	2015 (\$)
<b>CAPITALISED DEVELOPMENT EXPENDITURE</b>		
<b>SCD-A7™</b>		
- Employee and contractor costs	978,867	463,433
- External research and development expenses	475,993	176,617
- Other capitalised expenses	116,119	50,287
	<b>1,570,979</b>	<b>690,337</b>
<b>INTELLECTUAL PROPERTY</b>		
Patents – at cost	41,648	51,322
Accumulated amortisation / impairment	-	(19,894)
	<b>41,648</b>	<b>31,428</b>
	<b>1,612,627</b>	<b>721,765</b>

Movement in carrying amounts	Patents (\$)	Capitalised Development (\$)	Total (\$)
Balance at the beginning of the year	31,428	690,337	721,765
Additions	10,220	880,642	890,862
Amortisation	-	-	-
Impairment losses	-	-	-
<b>BALANCE AT THE END OF THE YEAR</b>	<b>41,648</b>	<b>1,570,979</b>	<b>1,612,627</b>

**Impairment losses**

No impairment loss was recognised in the consolidated statement of profit or loss and other comprehensive income during the year (2015: \$19,894).

## Notes to and forming part of the Financial Statements for the Year Ended 30 June 2016

## Note 12: Property, Plant and Equipment

	2016 (\$)	2015 (\$)
Building Improvements – at cost	12,116	9,916
Accumulated Amortisation	(5,752)	(1,911)
	<b>6,364</b>	<b>8,005</b>
Office equipment – at cost	11,530	28,503
Accumulated depreciation	(2,937)	(21,476)
	<b>8,593</b>	<b>7,027</b>
Research equipment – at cost	46,957	59,010
Accumulated depreciation	(18,562)	(18,930)
	<b>28,395</b>	<b>40,080</b>
	<b>43,352</b>	<b>55,112</b>

Movement in Carrying Amounts	Building Improvements (\$)	Office Equipment (\$)	Research Equipment (\$)	Total (\$)
Balance at the beginning of the year	8,005	7,027	40,080	55,112
Additions	2,200	3,642	215	6,057
Disposals	-	-	-	-
Depreciation/amortisation	(3,841)	(2,076)	(11,900)	(17,817)
<b>BALANCE AT THE END OF THE YEAR</b>	<b>6,364</b>	<b>8,593</b>	<b>28,395</b>	<b>43,352</b>

## Note 13: Payables

	2016 (\$)	2015 (\$)
Accruals	320,544	235,143
Trade and Other Creditors	294,038	117,986
	<b>614,582</b>	<b>353,129</b>

## Note 14: Provisions

	2016 (\$)	2015 (\$)
<b>CURRENT</b>		
Provision for Annual Leave	78,055	57,689
Provision for Long Service Leave	27,916	9,148
	<b>105,971</b>	<b>66,837</b>
<b>NON CURRENT</b>		
Provision for Long Service Leave	10,578	10,578
	<b>10,578</b>	<b>10,578</b>

## Note 15: Contributed Equity (Net)

	2016 No.	2015 No.	2016 \$	2015 \$
<b>ORDINARY SHARES FULLY PAID</b>	<b>149,974,141</b>	<b>141,386,910</b>	<b>15,588,927</b>	<b>14,346,118</b>
Balance at the beginning of the year	141,386,910	127,146,719	14,346,118	12,313,130
Issued during the year	8,587,231	14,240,191	1,288,084	2,136,028
Equity raising expenses	-	-	(45,275)	(103,040)
<b>BALANCE AT THE END OF THE YEAR</b>	<b>149,974,141</b>	<b>141,386,910</b>	<b>15,588,927</b>	<b>14,346,118</b>

## Note 16: Reserves

	Notes	2016 (\$)	2015 (\$)
<b>EQUITY-SETTLED EMPLOYEE BENEFITS RESERVE</b>	20	<b>140,911</b>	<b>76,029</b>
Balance at the beginning of the year		76,029	226,591
Employee share options expense	5,20	133,315	6,431
Credit adjustment for options forfeited during the year	5,20	(2,912)	(26,593)
Credit adjustment for options expired during the year	5,20	(65,521)	(21,800)
Vested options expensed in prior periods which expired	17	-	(108,600)
<b>BALANCE AT THE END OF THE YEAR</b>		<b>140,911</b>	<b>76,029</b>

## Note 17: Accumulated Losses

	Notes	2016 (\$)	2015 (\$)
Balance at the beginning of the year		(13,069,841)	(12,096,500)
Vested options expensed in prior periods which expired		-	108,600
Total comprehensive loss for the year	16	(476,700)	(1,081,941)
<b>BALANCE AT THE END OF THE YEAR</b>		<b>(13,546,541)</b>	<b>(13,069,841)</b>

## Notes to and forming part of the Financial Statements for the Year Ended 30 June 2016

### Note 18: Cash Flow Information

	2016 (\$)	2015 (\$)
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
Cash at bank	1,080,657	791,298
	<b>1,080,657</b>	<b>791,338</b>
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	(476,700)	(1,081,941)
Non-cash items:		
- Depreciation and amortisation	17,817	37,906
- Impairment of intangibles	-	19,894
- Expense/(Credit) recognised in respect of equity-settled share based payments	64,882	(41,962)
Changes in assets and liabilities:		
- Decrease/(Increase) in trade and other debtors	43,755	(181,909)
- Increase in provision for employee entitlements	35,416	7,637
- Increase in prepayments	(14,792)	(24,975)
- Increase in payables	261,453	233,280
<b>NET CASH USED IN OPERATING ACTIVITIES</b>	<b>(68,169)</b>	<b>(1,032,070)</b>



## Note 19: Related Party Transactions

### Directors

The names of each person holding the position of director of Sienna Cancer Diagnostics Limited during the year are:

Dr Geoffrey Cumming, Mr David Neate, Mr Carl Stubbings, Dr David Earp, Dr Clifford Holloway (appointed Managing Director 5 November 2015), Dr John Chiplin (appointed Non-executive Director 22 January 2016), Dr Donald Robertson (resigned 4 March 2016). In the year ended 30 June 2015, Dr Kerry Hegarty held the position of Managing Director until her resignation on 27 March 2015.

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

	2016 (\$)	2015 (\$)
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 2016 financial year, Mr David Neate earned an underwriting fee in connection with the capital raised by Sienna during the year. During the 2015 financial year Dr David Earp was paid an underwriting fee in connection with the capital raised during that year.	12,000	600
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	18,074,139	18,915,566
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		
Options over ordinary shares	No.	No.
• Issued pursuant to Employee Share Option Plan	6,700,000	9,500,000
• Shareholder options - Issued pursuant to director equity contributions	-	850,809
	<b>6,700,000</b>	<b>10,350,809</b>

## Notes to and forming part of the Financial Statements for the Year Ended 30 June 2016

## Note 20: Share Based Payments

The following share-based payment arrangements existed at 30 June 2016:

## SIENNA EMPLOYEE SHARE OPTION PLAN

Number of Options	Exercise Price (\$)	Granted Date	Status	Vested Date	Expiry Date	Conditions	Note
66,668	\$0.17	14-Dec-12	Vested	14-Dec-13	28-Oct-16	Yes	1, 2 & 3
66,666	\$0.17	14-Dec-12	Vested	14-Dec-14	28-Oct-16	Yes	1, 2 & 3
66,666	\$0.17	14-Dec-12	Vested	14-Dec-15	28-Oct-16	Yes	1, 2 & 3
1,300,000	\$0.22	27-Sep-14	Vested	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
620,000	\$0.22	24-Nov-14	Vested	03-Feb-15	03-Feb-18	Yes	1 & 3
620,000	\$0.22	24-Nov-14	Vested	03-Feb-16	03-Feb-18	Yes	1 & 3
620,000	\$0.22	24-Nov-14	Granted	03-Feb-17	03-Feb-18	Yes	1 & 3
110,000	\$0.22	12-Dec-14	Vested	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
500,000	\$0.22	29-Jun-15	Vested	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	Vested	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	Vested	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
1,500,000	\$0.22	1-Sep-15	Vested	1-May-16	1-May-19	Yes	1 & 3
1,500,000	\$0.22	1-Sep-15	Granted	1-May-17	1-May-19	Yes	1 & 3
1,500,000	\$0.22	1-Sep-15	Granted	1-May-18	1-May-19	Yes	1 & 3
290,000	\$0.22	11-Dec-15	Granted	11-Dec-16	11-Dec-19	Yes	1 & 3
290,000	\$0.22	11-Dec-15	Granted	11-Dec-17	11-Dec-19	Yes	1 & 3
290,000	\$0.22	11-Dec-15	Granted	11-Dec-18	11-Dec-19	Yes	1 & 3
110,000	\$0.22	13-May-16	Granted	13-May-17	13-May-20	Yes	1 & 3
110,000	\$0.22	13-May-16	Granted	13-May-18	13-May-20	Yes	1 & 3
110,000	\$0.22	13-May-16	Granted	13-May-19	13-May-20	Yes	1 & 3
<b>12,730,000</b>	<b>TOTAL ESOP OPTIONS</b>						

## 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).

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

TOTAL OPTIONS	2016		2015	
	Number of Options	Weighted Average Exercise Price (\$)	Number of Options	Weighted Average Exercise Price (\$)
Outstanding at the beginning of the year	27,475,188	\$0.19	25,800,005	\$0.16
Granted	5,700,000	\$0.22	19,825,188	\$0.19
Forfeited	(330,000)	\$0.22	(3,000,000)	\$0.17
Exercised	(5,617,947)	\$0.15	(5,165,186)	\$0.15
Expired	(14,497,241)	\$0.17	(9,984,819)	\$0.17
Outstanding at year-end	12,730,000	\$0.22	27,475,188	\$0.19
Exercisable at year-end	4,830,000	\$0.22	13,395,188	\$0.18

## Options Reserve

The fair value of issued employee share options is calculated to be \$140,911 (2015: \$76,029). The number of options granted during the year pursuant to the ESOP was 5,700,000 (2015: 7,160,000), while 7,780,000 employee share options either expired or were forfeited during the financial year (2015: 6,000,000).

Included under employees and contractor costs in the income statement is a share based payments expense of \$64,882 (2015: credit \$41,962), 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	1,172 to 1,458
Days to vesting	76 to 1,093
Expected share price volatility	20.06%, 22.97%, 23.51% & 23.75%
Risk free interest rate	5.26%, 5.31%, 5.32% & 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.

## Notes to and forming part of the Financial Statements for the Year Ended 30 June 2016

**Note 21: 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	2016 (\$)	2015 (\$)
<b>FINANCIAL ASSETS</b>			
Cash assets	8	1,080,657	791,338
Receivables	9	127,619	182,972
		<b>1,208,276</b>	<b>974,310</b>
<b>FINANCIAL LIABILITIES</b>			
Payables	13	614,582	353,129
		<b>614,582</b>	<b>353,129</b>

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 did not have any derivative instruments at 30 June 2016.

**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 2016, cash was deposited with three financial institutions, including two large Australian banks and one foreign exchange market specialist, in order to spread risk and ensure interest rate competitiveness.
- The Group has a material credit risk exposure to a single trade debtor, due to royalties 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 \$58,186 (2015: \$132,112) from this trade debtor. The amount recorded on the balance sheet at 30 June 2016 represents one month of product revenue and is within the debtor's payment terms. 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.

*These notes form part of the financial statements*



**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 22: 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 23: Key Management Personnel Compensation**

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

Chairman: Dr Geoffrey Cumming.

Non-executive Directors: Mr David Neate, Mr Carl Stubbings, Dr Donald Robertson (resigned 4 March 2016), Dr David Earp and Dr John Chiplin (appointed 22 January 2016).

Chief Executive Officer and Managing Director: Dr Clifford Holloway – Interim CEO from 1 February 2015, permanent CEO from 1 May 2015, appointed Managing Director 5 November 2015.

Chief Operating Officer: Mr Matthew Hoskin – commenced 4 February 2014.

Chief Executive Officer and Managing Director: Dr Kerry Hegarty – Managing Director to 27 March 2015, ceased employment 20 April 2015.

## Notes to and forming part of the Financial Statements for the Year Ended 30 June 2016

### Note 23: Key Management Personnel Compensation (Continued)

#### 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 (\$)
<b>2016</b>				
<b>Total compensation</b>	58,381	666,747	53,281	<b>778,409</b>
<b>2015</b>				
<b>Total compensation</b>	1,010	1,109,310	80,664	<b>1,190,984</b>

### Note 24: Auditors' Remuneration

	2016 (\$)	2015 (\$)
Remuneration of the auditor of the parent entity for:		
Auditing or reviewing the financial report	14,683	13,500
Other services	4,629	1,000
	<b>19,312</b>	<b>14,500</b>

### Note 25: Events Subsequent to Reporting Date

Dr Clifford Holloway provided notice of resignation, the effective dates of resignation being:

- from the position of Managing Director, 11 August 2016
- from the position of Chief Executive Officer, 15 August 2016

There has been no other matter or circumstance, which has arisen since 30 June 2016 that has significantly affected or may significantly affect:

- The operations, in financial years subsequent to 30 June 2016, of the consolidated entity, or
- The results of those operations, or
- The state of affairs, in financial years subsequent to 30 June 2016, of the consolidated entity.

### Note 26: Capital and Investment Commitments

To the Directors' knowledge, the Group had no capital or investment commitments as at 30 June 2016 not otherwise disclosed in these financial statements.

### Note 27: 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 11 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 2016 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 2<sup>nd</sup> day of September 2016

**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 2016, 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**

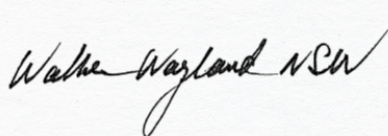
**Audit Opinion**

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 2016 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 capital raising initiatives to support the short and medium term cash requirements and therefore meet its obligations over the next 12-months. Until the time that amounts from capital raising initiatives are received, there will remain a risk to the ongoing viability of the company.



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

Signed in Sydney on this 2<sup>nd</sup> day of September 2016



**Richard Woods**  
**Partner**

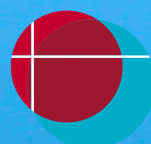
**Sienna Cancer Diagnostics Limited**

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