BENITEC BIOPHARMA LIMITED

ABN 64 068 943 662

ANNUAL REPORT

FOR THE YEAR ENDED

30 JUNE 2012

DIRECTORS' REPORT

Your Directors submit their report on Benitec Biopharma Limited ("the Company") for the financial year ended 30 June 2012.

Directors

The names and details of the Company's Directors in office during the financial year and until the date of this report are as follows. The Directors were in office for all of the financial year ended 30 June 2012.

Names, qualifications experience and special responsibilities

Mr Peter Francis

LLB, GRAD DIP (INTELLECTUAL PROPERTY)
Non-Executive Chairman
Appointed 23 February 2006

Mr Peter Francis is a partner at Francis Abourizk Lightowlers (FAL), a firm of commercial and technology lawyers with offices in Melbourne, Australia. He is a legal specialist in the areas of intellectual property and licensing and provides legal advice to a large number of corporations and research bodies.

Other Current Directorships of Listed Companies
None.

Former Directorships of Listed Companies in last three years
Xceed Capital Limited.

Dr Mel Bridges

BAPPSC, FAICD
Non-Executive Director
Appointed 12 October 2007

Dr Mel Bridges has more than 30 years' experience in the global biotechnology and healthcare industry. During this period, he founded and managed successful diagnostics, biotechnology and medical device businesses. Mel is currently Chairman of a number of listed and unlisted companies. He is Chairman of Alchemia Ltd and Genetic Technologies Ltd. He also co-founded listed company Panbio Ltd. Mel has extensive experience as a public company director and is a Non-Executive Director of Campbell Brothers Limited, ImpediMed Limited and Tissue Therapies Limited.

The businesses that Mel has founded have won numerous awards including the Queensland Export Award, Australian Small Business of the Year, Queensland Top 400, BRW's Top 100 Fastest Growing Companies for seven consecutive years and The Australian Quality Award. Mel has won numerous awards for his achievements including the Ernst and Young 2002 Entrepreneur of the Year. In 2004 he was anointed the Queensland Entrepreneur of the Year, and in 2005 industry group AusBiotech awarded him the Chairman's Industry Gold Medal for contributions to the Australian biotech industry.

Other Current Directorships of Listed Companies
Alchemia Ltd, Campbell Brothers Ltd, ImpediMed Ltd, Tissue Therapies Ltd.

Former Directorships of Listed Companies in last three years
Incitive Ltd, Peptech Ltd, Arana Therapeutics Ltd, Genera Biosystems Ltd.

Dr John Chiplin

PH.D.
Non-Executive Director
Appointed 1 February 2010

Dr John Chiplin has broad-based experience in the life science and technology industries, both from an operational and investment perspective. His most recent accomplishment was the corporate reengineering of Arana Therapeutics, a world leading Antibody developer, which resulted in the acquisition of the company by Cephalon for a significant premium to market (July 2009). Immediately prior to running Arana, Dr Chiplin was head of the $300M ITI Life Sciences investment fund in the UK.

His own investment vehicle, Newstar Ventures Ltd, has funded more than a dozen early stage companies in the past ten years. Dr Chiplin's Pharmacy and Doctoral degrees are from the University of Nottingham, UK. In addition to Benitec Biopharma, he currently serves on the Boards of Calzada Ltd and ScienceMedia, Inc.

Other Current Directorships of Listed Companies
Calzada Ltd.

Former Directorships of Listed Companies in last three years
Arana Therapeutics Ltd, Progen Pharmaceuticals Ltd and Healthlinx Ltd.

Mr Iain Ross

BSC, CH.D.
Non-Executive Director
Appointed 1 June 2010

Mr Iain Ross is an experienced business man with 30 years' experience in the international life sciences sector. Following a career with Sandoz, Fisons, Hoffman La Roche, and Celltech he has undertaken and input to a number of company turnarounds and start-ups as a board member on behalf of banks and private equity groups. He has led and participated in 4 IPOs, has direct experience of life science mergers and acquisitions both in the UK and USA and has raised more than £200m in the biotech sector.

He is a Qualified Chartered Director and currently he is Chairman of Ark Therapeutics Group plc (LSE); Pharminox Limited; Biomer Technology Limited and a non-executive director of Tissue Therapies Limited (ASX). Also he is Vice Chairman of the Council of Royal Holloway, University of London.

Other Current Directorships of Listed Companies
Ark Therapeutics Group plc, Tissue Therapies Limited.

Former Directorships of Listed Companies in last three years
Silence Therapeutics plc.

Company Secretary

Mr Greg West

CA
Appointed 26 May 2011

Mr West is a Chartered Accountant with experience in the Biotech sector. He is a Director and audit committee Chairman of ITC Limited (a business arm of Wollongong University), IDP Education Pty Ltd and Education Australia Limited. He completed his studies with Price Waterhouse and has worked in senior finance executive roles in investment banking with Bankers Trust, Deutsche Bank, NZI, and other financial institutions.

Interests in the shares and options of the company and related bodies corporate

At the date of this report, the interest of the Directors in the shares and options of Benitec Biopharma Limited were:

Director	Number of Ordinary Shares	Number of Options over Ordinary Shares
Mr Peter Francis	2,237,175	44,000,000
Dr Mel Bridges	2,710,000	12,998,333
Dr John Chiplin	1,190,846	10,264,063
Mr Iain Ross	750,000	10,187,500

CORPORATE INFORMATION

Corporate Structure

Benitec Biopharma Limited is a company limited by shares that is incorporated and domiciled in Australia. Benitec Biopharma Limited has prepared a consolidated financial report incorporating the entities that it controlled during the financial year, which are described in note 11 of the financial statements.

Principal Activities

Benitec Biopharma is an RNAi-based therapeutics company using its proprietary DNA-directed RNA interference (ddRNAi) or vector expressed technology to develop therapies for the treatment of life threatening diseases with significant unmet need and commercial attractiveness. Benitec Biopharma's therapeutic programs include human immunodeficiency virus (HIV), Hepatitis B, OPMD orphan disease, delivery options and cancer. Benitec Biopharma generates revenue from licensing its technology.

The principal activities of the Group during the year were the management, funding, building the IP estate and management and commercialisation of Benitec Biopharma's therapeutic programs.

Employees

The Group had 5 employees as at 30 June 2012 (2011: 4 employees).

Dividends

No dividends in respect of the current or previous financial year have been paid, declared or recommended for payment.

OPERATING AND FINANCIAL REVIEW

Benitec Biopharma Limited (ASX: BLT) is an Australian biotechnology company developing novel therapeutic treatments to cure a range of diseases by turning off the active genes responsible for the disease. Benitec Biopharma holds the dominant intellectual property worldwide for this powerful 'gene silencing' technology, *DNA-directed RNA interference* (ddRNAi).

Benitec Biopharma's approach is different to other gene silencing methodologies, as ddRNAi results in the targeted cell continuously manufacturing specific silencing molecules thus the disease-associated gene is permanently "silenced", using just a single treatment.

There are other approaches for silencing target genes that can temporarily silence target genes, however in these cases the treatment must be continuously administered.

Targeting Multiple Diseases

The ddRNAi technology is potentially applicable to over 22,000 genes covering multiple conditions, including cancers, neurological diseases, infectious diseases, autoimmune diseases and rare genetic diseases. Benitec Biopharma's approach is to focus on developing, through in-house programs or out-licensing arrangements, ddRNAi-based treatments for diseases which meet one of the following criteria:

- Diseases which have a high public profile, high market potential and, if positive outcomes occur in early clinical trials, are very likely to attract the attention of large pharmaceutical companies.
- Diseases with unmet needs involving terminally ill patients in which ddRNAi therapy offers an opportunity to improve survivability and/or quality of life.
- Diseases that are considered "Orphan" – These diseases occur in less than in 100,000 of the population. While the market opportunities are smaller, the disease status means barriers to market entry are significantly lower.

With these criteria in mind Benitec Biopharma has selected four different diseases and medical conditions to demonstrate the efficacy of the technology across a range of tissue types. :

1. **Cancer-associated pain.** This program is currently in pre-clinical development, in research collaboration with Queensland University's TetraQ and starting from August 2012, Stanford University's Prof David Yeomans. Up to 85% of terminal cancer patients suffer intractable neuropathic pain. Benitec Biopharma's technology is being used to develop a novel pain product that can be administered as a single injection to provide long-term pain relief through silencing a key pain mediator in the spinal cord. An independent publication, using an approach identical to Benitec Biopharma's, demonstrated a significant reduction in pain without side effects (*Human Gene Therapy* 2011, 22(4): 465-475) in a validated animal model. This provides proof of concept for Benitec Biopharma's approach.
2. **Lung cancer.** Lung cancer is the most common cancer worldwide. The program with Professor Maria Kavallaris and other researchers at UNSW has shown that using ddRNAi to silence a gene that is only expressed in non-small cell lung cancer cells (the most common form of lung cancer) can significantly overcome the resistance of the cancer cells to chemotherapy drugs. Initial *in vivo* proof of concept data has demonstrated the feasibility and the effectiveness of the approach.
3. **Hepatitis B.** An estimated 350 million people are chronically infected with the hepatitis B virus (HBV). Benitec Biopharma is developing a therapy that targets a key viral gene, in partnership with Biomics Biotechnologies in China. Optimised ddRNAi constructs have been prepared for testing in an *in vivo* model of HBV infection. Successful inhibition of viral infection will lead to commencement of a clinical trial.
4. **OPMD** (**oculopharyngeal muscular dystrophy**) is an orphan disease caused by a mutant gene. In collaboration with Professor George Dickson at Royal Holloway, University of London, Benitec Biopharma is using ddRNAi to target the suppression of the mutant gene responsible for this currently untreatable condition, which affects the swallowing muscles.

There are many other diseases that can be targeted by ddRNAi. Benitec Biopharma lacks the resources to pursue all of these opportunities in-house, so the Company's strategy is to enter into multiple partnering and licensing arrangements with external organisations to exploit the ddRNAi technology for other diseases. Examples of these arrangements in place currently are license agreements with Tacere Therapeutics (Hepatitis C); Calimmune Inc (HIV); Revivicor Inc (organ transplants) and Genable Technologies (Retinitis Pigmentosa).

Strategic Advantage

The ability of ddRNAi to be used in a range of diseases affords Benitec Biopharma a strategic advantage. For high profile diseases such as Hepatitis B or chronic pain, when favourable clinical data becomes available, there is a strong probability of attracting the interest of a large pharmaceutical company and subsequently negotiating suitable value/revenue licensing agreements. While orphan disease targets offer lower revenue opportunities (when compared with Hepatitis B for example) they afford an earlier opportunity to prove or "validate" the efficacy of ddRNAi and a lower barrier to market entry (due to reduced regulatory burden).

Both of these approaches enhance the Company's ability to broaden the available licensing opportunities (and thus access to ongoing revenue streams) while improving the overall risk profile by eliminating dependence on one program's success or failure.

A recent article in *Therapeutics Daily* discusses that there is good evidence that big pharma is seriously considering RNAi-based therapeutics again (http://www.therapeuticsdaily.com/news/article.cfm?contenttype=sentryarticle&contentvalue=2040798&channelID=34). Benitec Biopharma is well positioned to benefit from this interest as the Company's programs in areas of significant unmet need move into the clinic.

Overview of Operations

Benitec Biopharma has spent the previous 12 months consolidating its strategy in growing its R&D pipeline programs, maintaining and extending its intellectual property and executing on key milestones in its business development activity. These are described below in detail.

1. R&D Pipeline

Benitec Biopharma has a product pipeline of in-house and partnered therapeutics based on its proprietary transformational technology, DNA-directed RNA interference (ddRNAi) for chronic and life-threatening conditions. Benitec Biopharma has four development programs underway in house and expects to enter clinical trials within the next one to two years. Successful results from any program could lead to a significant partnership deal with a major pharmaceutical company. In addition, Benitec Biopharma has entered into out-licensing deals for programs in hepatitis C, HIV and retinitis pigmentosa, bringing to seven the number of ddRNAi-based programs being actively progressed towards the clinic. These are summarized below:

Indication	Discovery	Pre-clinical	Human clinical	External party(s)	Market
Cancer-associated pain				University of Queensland (Australia) Stanford University (US)	$2.6 billion by 2016
Drug resistant lung cancer				University of New South Wales (Australia)	Leading form of cancer worldwide
Hepatitis B				Biomics Biotechnologies (China)	400 million globally, resulting in 60-80% of all primary liver cancers
Oculopharyngeal muscular dystrophy				Royal Holloway, University of London	Orphan disease effecting 1 in 100,000 in Europe, no treatment available
Hepatitis C				Tacere (Pfizer) (US)	>170 million people worldwide, 3-4 million new infections each year
HIV/AIDS				Calimmune (US), City of Hope (US), Berkhout Group (Holland)	1/200 infected with HIV worldwide
Retinitis pigmentosa				Genable Technologies (Ireland)	1.5 million people worldwide

Benitec funded programs
Licensed program
Partnered program

The R&D highlights of the previous 12 months include:

- **Hepatitis B – "Hepbarna™"**. Over the past 12 months, ddRNAi constructs targeting three separate sequences on the target Hepatitis B Virus (HBV) gene have been designed, manufactured, tested, modified and finalised in conjunction with Benitec Biopharma's collaboration with China-based Biomics Biotechnologies Co Ltd. The three sequences were selected from an initial screen of several thousand potential candidates, and have been tested extensively in in vitro assays to ensure high efficacy and low toxicity both individually and collectively. *In vivo* proof of concept testing of the final constructs in a mouse model using Adeno-associated virus (AAV) vector to deliver these to the infected liver cells and silence the hepatitis B virus has commenced. This is a key value inflection point for this program, and is anticipated to be completed in early to mid 2013.

- **Chronic cancer-associated pain – "Nervarna™".** Benitec Biopharma has chosen Protein Kinase C gamma (PRKCG) as the target for silencing by ddRNAi. There is compelling evidence that PPKCG is a key regulator of neuropathic pain. Highly active ddRNAi constructs that target conserved regions of the gene have been identified and designed to facilitate biodistribution and toxicology testing for enablement of clinical applications. Lentiviral particles expressing these conserved constructs have been manufactured by a UK-based GMP manufacturer in sufficient quantity to complete in vivo proof of concept studies. These constructs have been delivered and pre-clinical proof of concept testing in internationally validated *in vivo* pain models has commenced in collaboration with Dr David Yeomans of Stanford University and with the University of Queensland. It is currently planned that this data will form the basis of scientific discussions with the FDA and the EMA. An informal meeting with the EMA in May 2012 provided encouragement that this novel approach to pain therapeutics is of significant interest to the regulators. Significant advances in understanding the manufacturing and regulatory processes, costings and time-frames have been gained through this period. The next milestones for this program are obtaining in vitro and in vivo proof of efficacy of pain relief in vivo, followed by preparation to enter the clinic, which requires extensive biodistribution and toxicology studies and manufacturing of both pre-clinical and clinical batches of the construct. This is anticipated to occur from late 2012 to late 2013.
- **Chemotherapy-resistant lung cancer – "Tribetarna™".** Excellent progress has been made in an *in vivo* proof of concept model towards the development of Benitec Biopharma's and UNSW's ddRNAi-based therapeutic targeting a key gene identified as being responsible for cancer cells' resistance to chemotherapy treatments. Preliminary data demonstrating knockdown of beta III tubulin in human non-small cell lung tumours from an intravenous injection has been obtained by the UNSW-based research team. Critical experiments to determine whether this silencing of beta III tubulin will increase the efficacy of chemotherapy in killing cancer cells in this *in vivo* model (as has been demonstrated *in vitro*) will soon commence. A successful result will be a significant value inflection point for this program, that is expected in early to mid 2013, and will be the basis of continuing the program towards the clinic. The steps to achieve clinical entry include discussions with the FDA and/or the EMA; satisfactory toxicology and biodistribution testing, manufacturing sufficient quantity of the construct and its non-viral vector, and clinical trial approval.
- **Genetic disease – "Pabparna™"**. Work on developing a ddRNAi-based therapy for a human orphan genetic disease, Oculopharyngeal Muscular Dystrophy (OPMD) commenced in January. This involves a research collaboration with Prof. George Dickson (Royal Holloway, University of London) and Dr Capucine Trollet (Institut de Myologie, Paris). ddRNAi constructs targeting the causative gene (PABPN1) have been produced and introduced into gene therapy vectors where they have been confirmed to be highly active in cell lines. Testing in OPMD-derived cell lines and an *in vivo* model of the disease will commence in late 2012. Further data, including *in vivo* data is intended to be achieved over the next 18 months.

External validation of the potential of Benitec Biopharma's ddRNAi technology as the basis of new therapeutics for intractable diseases continued to accumulate over the past 12 months, including:

- **Hepatitis C.** Two publications by Benitec Biopharma licensee, Tacere Therapeutics, in 2012 demonstrated the efficacy of the triple cassette strategy for both efficacy of the approach for inhibiting Hepatitis C virus replication (*Antimicrobial Agents and Chemotherapy* 2012, 56(3): 1362-1375) and the safety of AAV 8 delivery of triple cassette constructs to liver cells in a non-human primate model (*Molecular Therapy* 2012, doi:10.1038/mt.2012.119). Tacere anticipate a 2013 entry into the clinic for their hepatitis C ddRNAi construct, TT-034. Benitec Biopharma's strategy for silencing HBV is very similar to the Tacere approach, suggesting a high likelihood of success for this program.
- **Retinitis pigmentosa.** Benitec Biopharma licensee Genable Technologies Ltd is utilizing ddRNAi to silence the mutant RHO gene. Genable's Chief Scientist presented preliminary positive proof of concept data in an *in vivo* model of this debilitating eye disease at the World Gene Therapy Congress in London in May 2012. Benitec Biopharma's strategy for OPMD is very similar to the Genable approach, suggesting a high likelihood of success for this program.

- **HIV/AIDS.** Benitec Biopharma licensee Calimmune Inc. are developing a ddRNAi-based therapy for HIV, targeting CD34 stem cells, utilising a similar approach to that shown to be successful by the City of Hope in their 2010 pilot trial in four AIDS-related lymphoma patients. City of Hope's Professor John Rossi reported at the Benitec Biopharma's Chief Investigators Group (CIG) meeting in May that the ddRNAi product continues to be expressed in the immune cells of at least one of those patients more than three years after the original treatment. This provides significant confidence for Calimmune's approach clinically.
- Benitec Biopharma's CEO Dr Peter French was the co-author on two papers with US-based stem cell company Medistem Inc. The work demonstrated the efficacy of ddRNAi in *in vivo* models of **rheumatoid arthritis and heart transplant rejection**. Medistem and Benitec Biopharma remain in communication about possibilities for deeper collaboration utilising each company's technology.

More generally, important progress in gene therapy and RNAi has occurred, including:

- **European Approval**. Approval of a gene therapy treatment by the European Medicines Authority. uniQure, a Dutch biotechnology company, developed Glybera to treat a rare disease - lipoprotein lipase deficiency. The treatment uses an AAV vector to deliver a replacement gene to cells. Although the therapy does not use ddRNAi, this event is significant for Benitec Biopharma since it is the first approval of a gene therapy treatment by a Western regulatory agency and provides a clear precedent for the use of AAV vectors in human therapy. Benitec Biopharma and uniQure are in communication regarding potential opportunities for collaboration.
- **siRNA.** Benitec welcomed the announcement by US-based Alnylam of positive results using an siRNA-based therapy to treat amyloidosis, a rare untreatable disease of the liver. Although Alnylam's gene silencing technology is distinct from Benitec Biopharma's ddRNAi, the technologies are mechanistically related and this success validates the overall potential for RNAi-based human therapies. Moreover Benitec Biopharma and Alnylam have a cross-license to each other's technologies and are open to possibilities of collaborations.
- **Advanced Cancer.** Benitec Biopharma reported in January that Gradalis, a company that currently has no association with Benitec Biopharma, demonstrated impressive efficacy in a Phase I/II clinical trial of a cancer vaccine that also has a ddRNAi-based component. The combined treatment significantly prolonged survival in patients with advanced cancer (*Molecular Therapy* 2011, 20: 679-686). Gradalis has reported that they are planning to commence a second clinical trial soon.

Chief Investigators' Group

The Benitec Biopharma Chief Investigators' Group (CIG) was formed in February 2011 and met twice in the last year (November 2011 and May 2012) to review the company's research programs. A further meeting is planned for November 2012.

The CIG includes program leaders of groups associated with Benitec Biopharma's clinical pipeline. Initial members were Professor John Rossi (City of Hope Cancer Centre, CA, USA); Dr York Zhu (Biomics Biotechnologies, Nantong, China) and Professor Maria Kavallaris (Children's Cancer Institute Australia (CCIA) at the University of New South Wales (UNSW), Australia) as well as Benitec Biopharma's CEO Dr Peter French, Dr Ken Reed (Benitec Biopharma founder) and Dr Michael Graham (the discoverer of Benitec Biopharma's RNAi technology). Two new members joined the CIG in 2012, Prof. George Dickson (Royal Holloway - University of London) who heads the OPMD program and Dr Geoff Symonds from Calimmune Inc. Dr David Suhy (Tacere) also attended the May 2012 meeting. Recently Dr David Yeomans (Stanford University) who has commenced collaboration on the pain program has agreed to join the CIG and will attend the next meeting. The group is now chaired by Benitec Biopharma's Chief Scientist Dr Michael Graham.

The CIG brings together world-class researchers in their respective fields and has provided invaluable assistance to Benitec Biopharma in refining and focusing the company's research pipeline. CIG membership is not a remunerated role.

2. Intellectual Property

Benitec Biopharma 's core patents and patent rights are based on research in the 1990s conducted by Benitec Biopharma's Chief Scientist Dr Michael Graham and colleagues at CSIRO and are supported by subsequent filings that extend the scope of its intellectual property. Benitec Biopharma's patent estate represents a dominant position in DNA-directed gene silencing. Benitec Biopharma has also in-licensed several additional patent families that extend the scope of its patent estate and enhance the utility and value of ddRNAi.

A major distraction for Benitec Biopharma resulted from litigation initiated by the Company against Nucleonics to protect its Graham family of patents. While Benitec Biopharma ultimately prevailed, the Company was forced to defend a key patent in US re-examination proceedings. Following the conclusion of this litigation in the mid-2000s, many of Benitec Biopharma's own patents and its licensed patents were issued in a number of jurisdictions outside Europe and the US.

A pivotal breakthrough for the company's IP portfolio came in September 2010 when the US Patent Office's Board of Appeal reversed all previous objections that arose from the re-examination proceedings and re-issued Benitec Biopharma's foundational '099 US patent. This was followed by the issuance of the Re-Examination Certificate in March 2011, which was the final formal step in reinstating the patent. In Europe, a divisional application from the originally rejected European application was also allowed in 2011, thus giving Benitec Biopharma key patent claims to ddRNAi in both the US and Europe.

And in June 2012, Benitec Biopharma announced that the challenge to the validity of the UK Graham patent GB 2353282 was over, following the withdrawal of the Application for Revocation of the patent by the applicant, and the acceptance of the amended claims by the United Kingdom Intellectual Property Office (UKIPO). By virtue of its solely owned and licensed IP, Benitec Biopharma currently has more than 50 granted or allowed patents globally, including the key jurisdictions of the US, the UK, Japan, Europe, India, Canada and Australia. There are nearly 40 more patents pending. Benitec Biopharma has the dominant patent position for the use of ddRNAi-based gene silencing for humans.

In 2011-12 there were some significant events in Benitec Biopharma's patent portfolio. These are discussed as follows:

Benitec Biopharma solely owned patents

- The Canadian patent office allowed Benitec Biopharma's application 2558771: "Multiple promoter expression cassettes for simultaneous delivery of RNAi agents". The claims cover an RNA interference construct with multiple promoters to inhibit the level of Hepatitis C virus (HCV) in cells, tissues and organs. The single construct is able to target multiple sequences.
- US application 12/723466 from the same "Multiple Promoter" family of cases was been allowed. It is a continuation of US patent No 7727970. Whereas US7727970 has claims to methods of silencing HCV using an RNA interference construct, this newly allowed application claims the construct itself.

Benitec Biopharma has licensed the exclusive rights to these Hepatitis C patents to Tacere Therapeutics, Inc.

Graham portfolio

Benitec Biopharma is the exclusive licensee from CSIRO of the Graham patents in the field of human therapeutics.

- Further to the issuance of several US patents in late 2011 derived from the re-issued '099 Graham patent family including US8048670, US8053419 and US8067383, a further application from that family has issued as US8168774. This patent, "Control of Gene Expression" is complementary to the other patents in that family, with claims directed to constructs for silencing target genes in animal cells. Grant of this patent by the USPTO underlines Benitec Biopharma's exclusive position in this foundational patent family for expressed RNAi as human therapeutics.
- The Japanese Patent Office has similarly allowed JP2009-161847 in the Graham patent family, now issued as JP4981103. This patent, directed generally to methods of gene silencing in eukaryotic cells and compositions for preventing and treating disease, is a divisional of granted patent JP4460600, which claims the constructs themselves.
- The British Patent Office has notified Benitec Biopharma and CSIRO that the revocation action against the GB2353282 patent filed in 2010 has been withdrawn by the claimant. The withdrawal resolves the action completely and the patent has been maintained in amended form without any significant reduction in scope with respect to human therapeutics.
- Following the grant in 2011 of two European patents in the Graham family, EP1555317 and EP1624060, oppositions have been filed against EP1555317 by BASF SE and an anonymous party under the name Strawman Limited, and against EP1624060 by BASF SE.

Further licensed patents

Benitec Biopharma is also the exclusive licensee from CSIRO of the Waterhouse et al. patent family in the field of human therapeutics.

- The granted European Waterhouse et al patent application EP1068311 has been opposed by four parties, namely BASF SE, Strawman Limited, Carnegie Institution of Washington/University of Massachusetts, and Syngenta International AG. CSIRO is due to file a response to the oppositions later this year.
- The Japanese Patent Office has issued the Waterhouse et al application as Japanese Patent No. 5105373.

3. Business Development

Business development activity has been a major focus of Benitec Biopharma in 2012. The aim is to create appropriate/competitive return on investment for Benitec Biopharma stakeholders by commercialising the company's gene silencing technology, ddRNAi.

Strengthening Business Development Management Depth

To drive the further development and execution of the company's strategy, Benitec Biopharma appointed Mr. Carl Stubbings to the role of Chief Business Officer in early July. Carl brings a wealth of corporate business, sales and marketing experience to Benitec Biopharma, with over thirty years background in biotechnology and medical diagnostics, including extensive international experience, particularly in North America, Latin America, Asia Pacific and Europe.

Previously Carl held the position of Vice President, Sales & Marketing for Focus Diagnostics, a subsidiary of New York Stock Exchange listed Quest Diagnostics, a position he has held since 2007. Prior to joining Focus Diagnostics, Carl was the Senior Vice President of Panbio Inc USA, where he was responsible for business development in the Americas and Europe. Mr. Stubbings earned his B.Sc. from Queensland University of Technology, Brisbane, Australia.

Pathways to Revenue

There are two key drivers to revenue generation for Benitec Biopharma. The first is tied to the development of ddRNAi as therapeutic products. Benitec Biopharma has divided this development process into two additional categories:

1. In-house developments – developing programs for therapies in-house up to and including, where appropriate, phase I/II clinical trials. Assuming these programs produce successful clinical outcomes, Benitec Biopharma expects to be able to leverage these into licensing or partnering agreements with pharmaceutical companies.
2. Out-licensing ddRNAi to suitable partners. As discussed above this option is made possible by the broad applicability of the technology to a variety of diseases. Out-licensing provides the company with a wide range of potential revenue streams to further enhance income generated from its in-house programs.

The second driver is the identification and qualification of potential partners and or licensees culminating in the execution of a revenue-generating agreement or event. Benitec Biopharma is engaged at a number of levels in this aspect of the business. Over the last 12 months, Benitec Biopharma has executed a number of revenue-generating licensing agreements (refer to program updates below). In addition the company has been actively building a database of new potential prospects for partnerships and/or licensing. These potential opportunities are being subjected to a qualification process which we expect will lead to a short list of potential partners with whom negotiations will be conducted. Benitec Biopharma's management views this as an ongoing process and not static.

To understand the likely revenue impact of positive outcomes from Benitec Biopharma's strategy the company has developed probable income or "Value Chain" models based on current and past deals in the industry. These models assume income from upfront payments, milestones and ultimately ongoing royalties. It is critical that stakeholders are able to see clearly the types of revenue outcome that are possible should Benitec Biopharma's programs achieve a successful outcome.

Out-licensing milestones utilising Benitec Biopharma's ddRNAi technology achieved in 2012:

- HIV/AIDS – Calimmune Inc, USA – licensing agreement signed 5 March 2012.
- Hepatitis C - Tacere Therapeutics, USA – therapy is ready to enter phase I clinical trials. This treatment is an important program for Benitec Biopharma as it will be one the first treatments using ddRNAi to move into clinical trials. Positive patient data from these trials will validate the ddRNAi platform in a major disease treatment. It will also enhance interest in the Hepatitis B program. Benitec Biopharma and Tacere are developing messaging to strengthen the view that current therapies for Hepatitis C are not "solving the Hepatitis C problem".
- Retinitis Pigmentosa - Genable – licensing agreement signed 6 July 2012 with option to expand for other targets in the future.

Program Updates

Cancer associated pain.

Partnering/Business developments:

- Preparation of a briefing package to be circulated to prequalified large Pharma companies likely to have an interest in the program.
- Engagement of a US-based consultant with specific industry experience and networks in pain treatment market segment.
- Development of a comprehensive "Value Chain" model enabling estimation of intrinsic value of the product.
- Execution of a research agreement with Professor David Yeoman's group at Stanford University. Using Prof Yeoman's "Spared Pain" model, Stanford will undertake the final preclinical evaluation of this treatment.

Drug resistant cancer.

Following positive preliminary proof of concept data, the following partnering activities are in train:

- Developing a "prospect" list of potential partners.
- Preparing a briefing document to be circulated to prequalified large Pharma companies likely to have an interest in the program.
- Developing "Value Chain" model enabling estimation of intrinsic value of the product.

Hepatitis B virus infection

Partnering developments

- Preparation and circulation of a briefing package to a qualified list of Pharma Companies.
- Developing "Value Chain" model enabling estimation of intrinsic value of the product.

Oculopharyngeal muscular dystrophy

Partnering developments

- Initiated the development of a target list of pharmaceutical companies that specialize in the commercialisation of treatments for Orphan Diseases.

Financial Overview

Benitec Biopharma's net loss for the year to 30 June 2012 was $4,112,617 compared to a net loss of $3,534,874 for the previous corresponding period. The loss for the year includes a charge for share based expense of $1,093,122 (2011 $112,568).

Operating revenue was $503,034 compared to $345,545 in the previous corresponding period. The previous period included a non-recurring dividend received from licensee Tacere Therapeutics of $137,671.

Operating expenses were $4,615,651 including share based expenses of $1,093,122. This compares to operating expenses for 2011 of $3,880,419 which included charges for share based expense of $112,568 and the convertible note settlement of $660,957.

Benitec Biopharma's current assets at 30 June 2012 was $3,220,403 (June 2011: $6,838,897), with current liabilities of $588,292 (June 2011: $1,197,474).

Cash Flows

The cash flows of the Company consist of income from licensing the Company's technology, proceeds from issue of shares, payments to employees and suppliers for co-investment and/or licensing collaborations to exploit the Company's intellectual property portfolio and the maintenance of the small corporate structure.

Capital raisings / capital structure

During the year the Company made share issues of $533,911 net of costs through conversions of the convertible note held by La Jolla Cove Investors, Inc. The issues were made to provide funding for the ongoing research and development programs and to generally support the business.

Ordinary Shares

44,290,619 ordinary shares were issued during the year at prices ranging from $0.0112 to $0.0152 per share through conversions of the Convertible Note held by La Jolla Cove Investors, Inc.

Options

At the date of this Directors' Report, the Company has a total of 428,985,202 options to acquire ordinary shares in the Company. Unless otherwise noted, all options are unlisted, restricted and are categorised as follows:

Type	Number
Listed Options - BLTO	46,673,907
Listed Options - BLTOB	201,302,538
Employee Share Option Plan	61,000,000
NED Options	77,666,666
Directors' Options	1,953,125
Strategic Adviser Warrants	6,126,962
Unlisted Options	34,244,444
Other	17,560
	428,985,202

Employees Share Option Plan (ESOP)
Employee options are managed under the ESOP Plan. ESOP options expire on the dates set out below. Options held by any employee who resigned earlier will expire on a time determined by the Board or within twelve months. The Board has the power to adjust, amend and cancel the ESOP. Non-Executive Directors are currently excluded from the ESOP.

Options on issue under the Employees Share Option Plan are:

Grant Date	Expiry Date	Exercise Price	Number
21 February 2008	21 February 2013	$0.0781	300,000
13 July 2010	19 August 2014	$0.0204	6,500,000
13 July 2010	10 June 2013	$0.0289	5,000,000
17 November 2011	17 November 2016	$0.0500	45,000,000
7 February 2012	7 February 2017	$0.0500	4,200,000
Total			**61,000,000**

ESOP options which lapsed during the financial year were:

Expiry Date	Exercise Price	Number
14 December 2011	$0.0407	1,000,000

Non-Executive Director Options

Non-Executive Director Options on issue are:

Grant Date	Expiry Date	Exercise Price	Number
28 November 2008	31 December 2012	$0.0889	4,666,666
13 July 2010	19 August 2014	$0.0228	3,000,000
26 September 2011	26 September 2016	$0.0500	70,000,000
			77,666,666

Summary of Shares, Options and Warrants on Issue – 30 June 2012

The Company had 970,628,529 listed ordinary shares and 247,976,445 listed options on issue at reporting date. There are also 174,881,795 unlisted options and 6,126,962 warrants on issue, details of which are included in note 16 to the financial statements.

Unissued Shares

As at the date of this report, there were 428,985,202 options over unissued ordinary shares (438,985,202 at the reporting date), details of which are included in note 16 to the financial statements. Option holders do not have the right, by virtue of the option, to participate in any share issue of the Company or any related body corporate or in the interest issue of any other registered scheme related to the Company.

Shares issued as a result of the exercise of Options

During the year no shares were issued on the exercise of options issued by the Company (2011: 420,000).

Significant changes in the state of affairs

During the year there were no significant changes in the Company's state of affairs.

Significant events after the reporting date

No matters or circumstances have arisen since 30 June 2012 which have significantly affected or may significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group, in subsequent financial years.

Likely developments and expected results

Further information on likely developments in the operations of the Group has not been included in this report because at this stage the directors believe it would be likely to result in unreasonable prejudice to the Group.

Benitec Biopharma Limited is listed on the Australian Securities Exchange (ASX) and is subject to the continuous disclosure requirements of the ASX Listing Rules which require timely disclosure of information which may affect security values or influence investment decisions, and information in which security holders, investors and ASX have a legitimate interest

Environmental regulation

The Group's operations are not subject to any significant environmental regulations under either Commonwealth or State legislation.

Meetings of Directors

The number of meetings of the Directors held during the year and the number of meetings attended by each director was as follows:

	Board of Directors		Risk & Audit Committee	
	Attended	Held	Attended	Held
Peter Francis	9	9	2	2
Mel Bridges	8	9	2	2
John Chiplin	9	9	-	-
Iain Ross	7	9	-	-

Committee membership

Due to the small number of Directors, it was determined that the Board would undertake all of the duties of a properly constituted Remuneration and Nomination Committee.

The Audit and Risk Committee is chaired by Dr Bridges and met twice during the financial year.

Remuneration report

This report details the nature and amount of remuneration for each director of the Company, and for all key management personnel.

The information provided in the Remuneration Report has been audited as required by s308(3c) of the Corporations Act 2001.

Remuneration Philosophy

The remuneration policy of the Company is to align director and executive objectives with shareholder and business objectives by providing a fixed remuneration component and offering long-term incentives based on key performance areas. The Board believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best executives and directors to run and manage the consolidated entity, as well as create goal congruence between directors, executives, and shareholders.

The Board is responsible for determining the appropriate remuneration package for the CEO, and the CEO is in turn responsible for determining the appropriate remuneration packages for senior management.

All executives are eligible to receive a base salary (which is based on factors such as experience and comparable industry information), fringe benefits, options, and performance incentives. The Board reviews the CEO's remuneration package, and the CEO reviews the other senior executives' remuneration packages, annually by reference to the consolidated entity's performance, executive performance, and comparable information within the industry.

The performance of executives is measured against criteria agreed annually with each executive and is based predominantly on the overall success of the Company in achieving its broader corporate goals. Bonuses and incentives are linked to predetermined performance criteria. The Board may, however, exercise its discretion in relation to approving incentives, bonuses, and options, and can recommend changes to the CEO's recommendations. The policy is designed to attract the highest calibre of executives and reward them for performance that results in long-term growth in shareholder wealth.

Executives are entitled to participate in the Employee Share Option Plan.

Australian executives or directors receive a superannuation guarantee contribution required by the government, which is currently 9%, and do not receive any other retirement benefits.

All remuneration paid to directors and executives is valued at the cost to the Company and expensed. Options are valued using the Black-Scholes methodology.

The Board policy is to remunerate non-executive directors at market rates for comparable companies for time, commitment, and responsibilities. The Board as a whole determines payments to the non-executive directors and reviews their remuneration annually, based on market practice, duties, and accountability. The maximum aggregate amount of fees that can be paid to non-executive directors is subject to approval by shareholders at the Annual General Meeting. Fees for non-executive directors are not linked to the performance of the consolidated entity. However, to align directors' interests with shareholder interests, the directors are encouraged to hold shares in the Company.

Performance Based Remuneration

Each executive's remuneration package has a performance-based component. The intention of this approach is to facilitate goal congruence between executives with the business and shareholders. Generally, the executive's performance based remuneration is tied to the Company's successful achievement of certain key milestones relating to its operating activities, as well as the Company's overall financial position.

Company Performance, Shareholder Wealth, and Directors' and Executives' Remuneration

The remuneration policy has been tailored to increase goal congruence between shareholders, directors, and executives. Two methods are applied in achieving this aim, the first being a performance based bonus based on achievement of key corporate milestones, and the second being the issue of options to the majority of directors and executives to encourage the alignment of personal and shareholder interests.

Details of Remuneration for Year Ended 30 June 2012

Table 1. Non-Executive Director Remuneration for the year ended 30 June 2012

		Short Term			Post-Employment		Equity	Total	*% of remuneration consisting of options*
		Salary & Fees	Cash Bonus	Non-Monetary Benefits	Super-annuation	Termination Benefits	Options		
		$	$	$	$	$	$	$	
Peter Francis	2012	85,000	-	-	-	-	663,531	748,531	88.6%
	2011	64,166	-	-	-	-	26,211	90,377	29.0%
Mel Bridges	2012	55,000	-	-	-	-	105,026	160,026	65.6%
	2011	55,000	-	-	-	-	20,673	75,673	27.3%
John Chiplin	2012	50,000	-	-	-	-	82,666	132,666	62.3%
	2011	50,000	-	-	-	-	-	50,000	-
Iain Ross	2012	50,000	-	-	-	-	82,666	132,666	62.3%
	2011	50,000	-	-	-	-	-	50,000	-

There was no performance related remuneration payable to non-executive directors during the year.

Table 2. Remuneration of key management personnel for the year ended 30 June 2012

		Short Term			Post-Employment		Equity	Total	*% of remuneration consisting of options*
		Salary & Fees	Cash Bonus	Non-Monetary Benefits	Super-annuation	Termination Benefits	Options		
Peter French	2012	249,800	35,000	-	15,775	-	304,125	604,700	50.3%
	2011	249,801	35,000	-	15,199	-	54,125	354,125	15.3%
Michael Graham	2012	84,792			7,266		125,000	217,058	57.6%
Greg West	2012	152,333			13,710		7,425	173,468	4.3%

	Fixed remuneration	At risk - STI	At risk - Options
Peter French	43.9%	5.8%	50.3%
Michael Graham	42.4%		57.6%
Greg West	95.7%		4.3%

Consequences of performance on shareholder wealth

In considering the Group's performance and benefits for shareholder wealth, the Board have regard to the following indices in respect of the current financial year and the previous four financial years:

	2012	**2011**	**2010**	**2009**	**2008**
Loss per share (cents per share)	(0.43)	(0.68)	(1.21)	(0.80)	(0.96)
Dividends (cents per share)	-	-	-	-	-
Net loss	(4,113)	(3,535)	(4,641)	(2,471)	(2,775)
Share price (cents per share)	1.7	2.8	2.6	2.3	6.2

Options Issued as Part of Remuneration for the Year Ended 30 June 2012

Options can be issued to executives as part of their remuneration. The options are not issued based on performance criteria, but are issued to the executives of the Company to increase goal congruence with Company objectives. During the year ended 30 June 2012, 48,000,000 options (2011: 11,500,000) were granted to Dr Peter French, Dr Michael Graham and Greg West under the terms of their employment agreements. Options were issued to directors following approval at the Annual General Meeting of shareholders on 17 November 2011.

Number of Options held by Key Management Personnel

	Balance 1 July 11	Granted as Remuneration	Options Acquired	Options Exercised/ Lapsed/ Other	Balance at 30 June 12	Total Vested at 30 June 12	Total Exercisable at 30 June 12
Directors							
Peter Francis	4,000,000	40,000,000			44,000,000	16,833,333	16,833,333
Mel Bridges	2,998,333	10,000,000			12,998,333	6,166,666	6,166,666
John Chiplin		10,000,000	264,063		10,264,063	3,333,333	3,333,333
Iain Ross		10,000,000	187,500		10,187,500	3,333,333	3,333,333
Sub-total	6,998,333	70,000,000	451,563	-	77,449,896	29,666,665	29,666,665
Executives							
Peter French	10,000,000	30,000,000	-	-	40,000,000	20,000,000	20,000,000
Michael Graham		15,000,000	-		15,000,000	5,000,000	5,000,000
Greg West		3,000,000	-		3,000,000		-
Sub-total	10,000,000	48,000,000			58,000,000	25,000,000	25,000,000
Total	16,998,333	118,000,000	451,563		135,449,896	54,666,665	54,666,665

Payments to Related Parties of Directors

Legal services at normal commercial rates totalling $166,912 (2011: $133,068) were provided by Francis Abourizk Lightowlers, a law firm in which Mr Peter Francis is a partner and has a beneficial interest.

Consultancy fees for executive duties totalling $40,000 (2011: $62,250) were provided by NewStar Ventures Ltd, a corporation in which Dr John Chiplin is a director and has a beneficial interest.

Consultancy fees for executive duties totalling $18,999 (2011: $40,000) were provided by Gladstone Consultancy Partnership, an entity in which Mr Iain Ross is a partner and has a beneficial interest.

Employment Contracts

The employment conditions of Dr Peter French, the Chief Executive Officer, are formalised in a contract of employment prepared on his appointment as Chief Executive Officer and dated 4 June 2010. Dr French's appointment with the Company may be terminated with the Company giving six months' notice or by Dr French giving six months' notice. The Company may elect to pay Dr French an equal amount to that proportion of his salary equivalent to six months' pay in lieu of notice, together with any outstanding entitlements due to him. The Company may, at any time, by notice in writing terminate Dr French's contract immediately in the event of serious misconduct.

The employment conditions of Dr Michael Graham, the Chief Scientific Officer, are formalised in a contract of employment dated 1 January 2012. Dr Grahams' appointment with the Company may be terminated with the Company giving three months' notice or by Dr Graham giving three months' notice. The Company may elect to pay Dr Graham an equal amount to that proportion of his salary equivalent to three month's pay in lieu of notice, together with any outstanding entitlements due to him. The Company may, at any time, by notice in writing terminate the contract immediately in the event of serious misconduct.

The employment conditions of Mr Greg West, the Company Secretary, are formalised in a contract of employment dated 23 August 2011. Mr West's appointment with the Company may be terminated with the Company giving two months' notice or by Mr West giving two months' notice. The Company may elect to pay Mr West an equal amount to that proportion of his salary equivalent to two month's pay in lieu of notice, together with any outstanding entitlements due to him. The Company may, at any time, by notice in writing terminate the contract immediately in the event of serious misconduct.

Indemnification and insurance of Directors and Officers

The Company has entered into Deeds of Indemnity with the Directors, the Chief Executive Officer and the Company Secretary, indemnifying them against certain liabilities and costs to the extent permitted by law.

The Company has also agreed to pay a premium in respect of a contract insuring the Directors and Officers of the Company. Full details of the cover and premium are not disclosed as the insurance policy prohibits the disclosure.

CORPORATE GOVERNANCE

In recognising the need for the highest standards of corporate behaviour and accountability, the Directors of Benitec Biopharma Limited observe the ASX principles of corporate governance. The Company's corporate governance statement is included on page 19 of this annual report.

AUDITOR INDEPENDENCE

The Directors received the declaration included on page 18 of this annual report from the auditor of Benitec Biopharma Limited.

PROCEEDINGS ON BEHALF OF COMPANY

No person has applied for leave of Court to bring proceedings on behalf of the Company or 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 those proceedings.

NON-AUDIT SERVICES

Non-audit services provided by external auditors during the year ended 30 June 2012 relate to taxation advice for which fees of $42,800 (2011: $7,975) were paid.

This report has been made in accordance with a resolution of the Directors.

Peter Francis
Chairman
Sydney
28 August 2012

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Auditor's Independence Declaration
To the Directors of Benitec Biopharma Limited

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of Benitec Biopharma Limited for the year ended 30 June 2012, I declare that, to the best of my knowledge and belief, there have been:

a no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

b no contraventions of any applicable code of professional conduct in relation to the audit.

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

N J Bradley
Partner - Audit & Assurance

Sydney, 28 August 2012

CORPORATE GOVERNANCE STATEMENT

The Board of Directors is responsible for establishing the corporate governance framework of the Group. The Board guides and monitors the business and affairs of Benitec Biopharma Limited on behalf of its shareholders by whom they are elected and to whom they are accountable.

The Company's corporate governance reflects the ASX Corporate Governance Council's principles and recommendations. The following commentary summarises the Company's compliance with the ASX Corporate Governance Council's recommendations.

PRINCIPLE 1 Lay solid foundations for management and oversight

The Board has adopted a formal charter that sets out their responsibilities. This charter is posted on the Company's website www.benitec.com. The Board sets objectives, goals and strategic direction along with a policy framework which management then works within to manage day-to-day business. The Board monitors this on a regular basis. There is clear segregation between the Board and management. Any functions not reserved for the Board and not expressly reserved for members by the Corporations Act and ASX Listing Rules are reserved for senior executives.

Senior executives are subject to a formal performance review process on an annual basis. The focus of the performance review is to set specific objectives, and monitor performance against them for each executive, that are aligned with the Company's business objectives. An annual review of the performance of each senior executive was conducted in accordance with this process during the year.

PRINCIPLE 2 Structure the Board to add value

Details on the Board members and their qualifications are included in the Directors' Report. The Board has a policy of maintaining a majority of independent directors. The current Board composition is four independent Non-Executive Directors (NEDs). The Board has resolved that a majority of the members of each Board committee should be NEDs. The Board has approved that, where necessary, NEDs should meet during the year in absence of management at such times as they determine necessary.

Directors are considered to be independent when they are independent of management and free from any business or other relationship that could materially interfere with the exercise of their independent judgement. The Board assesses director independence on an annual basis, or more often if it feels it is warranted, depending on disclosures made by individual Directors. In the context of director independence, to be considered independent a NED may not have a direct or indirect material relationship with the Company. The Board has determined that a material relationship is one which has, or has the potential to, impair or inhibit a Director's exercise of judgement on behalf of the Company and its shareholders.

The Board has concluded that all NEDs are independent. In reaching this conclusion, the Board considered that:

- Mr Francis, the Non-Executive Chairman, is a principal of Francis Abourizk Lightowlers, a material professional adviser to the Company. Notwithstanding this association, the Board is satisfied that it will not interfere with the independent exercise of his judgment.
- Mr Bridges, Dr Chiplin and Mr Ross do not have any previous association with the Company or any other relationships that is relevant to their independence.

The Board continually assesses its membership and makes appointments to complement and enhance the existing skill base of the Board. The Board has established a Remuneration and Nominations Committee comprising of all non-executive directors. Formal letters of appointment are used for all new NEDs.

The Company's Constitution provides that:

- the maximum number of Directors shall be ten unless amended by a resolution at a General Meeting of Shareholders;
- one third of the Directors (excluding the Managing Director and rounded down) must retire from office at the Annual General Meeting (AGM) each year; such retiring Directors are eligible for re-election;
- Directors appointed to fill casual vacancies must submit to election at the next general meeting; and
- the number of Directors necessary to constitute a quorum is not less than two Directors currently in office.

The duties of a nomination committee have been assumed by the Board due to the size and scale of the Company.

CORPORATE GOVERNANCE STATEMENT (continued)

The Board carries out a Board performance assessment on an annual basis. In the last review, the Board undertook a detailed review of its performance and that of its committees and individual Directors. This involved a self-assessment process which required the completion and evaluation of detailed questionnaires on business and management matters. The results of this review were independently collated and analysed by the Board. Following recent changes to the Board, the next review is expected to take place during the year ended 30 June 2013.

PRINCIPLE 3 Promote ethical and responsible decision-making

The Board and management ensure that the business processes of Benitec Biopharma Limited are conducted according to sound ethical principles. The Board has established a formal Code of Conduct in this regard. This code is posted on the Company's website.

All Directors and employees of the Company are expected to act with the utmost integrity and objectivity, striving at all times to enhance the reputation and performance of the Company.

All Directors and employees of the Company are made aware of their obligations under the *Corporations Act 2001* with regard to trading in the securities of the Company. In addition, the Company has adopted a Share Trading Policy, which is reviewed and updated on a regular basis as required. This policy is posted on the Company's website.

Board members who have or may have a conflict of interest in any activity of the Company or with regard to any decision before the Board, notify the Board of such and a decision is made as to whether the Board member concerned is to be excluded from making decisions that relates to the particular matter. The Company's constitution allows a Director to enter into any contract with the Company other than that of auditor for the Company, subject to the law.

The Board has determined that Directors are able to seek independent professional advice for Company related matters at the Company's expense, subject to the instruction and estimated cost being approved by the Chairman in advance as being necessary and reasonable.

Diversity Policy

Diversity includes, but is not limited to, gender, age, ethnicity and cultural background. The company is committed to diversity and recognises the benefits arising from employee and board diversity and the importance of benefiting from all available talent. A copy of the company's diversity policy is available on the Benitec website.

The diversity policy outlines the requirements for the Board to develop measurable objectives for achieving diversity, and annually assess both the objectives and the progress in achieving those objectives. Accordingly, the Board has developed the following objectives regarding gender diversity and aims to achieve these objectives over the next few years as director and senior executive positions become vacant and appropriately qualified candidates become available:

	2012	2013	2014
Women on the Board	-	-	-
Women in senior management roles	2	2	3
Women employees in the company	2	2	4

PRINCIPLE 4 Safeguard integrity in financial reporting

The Board has established a Risk and Audit Committee which meets at least twice through the year. The Board has assumed all of the responsibilities of the Committee at this time due to the size and scale of the Company at this time. Mr Mel Bridges has been appointed to chair the Committee.

The members of the Committee have significant financial, business and legal backgrounds, expertise and qualifications, full particulars of which are contained in this annual report, as are details of meetings of this Committee.

CORPORATE GOVERNANCE STATEMENT (continued)

The Committee is responsible for the appointment of the Company's auditors and has a formal charter, which is posted on the Company's website. The charter is reviewed annually to ensure that it is in line with emerging market practices which are in the best interests of shareholders.

The main objective of the Committee is to assist the Board in reviewing any matters of significance affecting financial reporting and compliance of the consolidated entity including:

- exercising oversight of the accuracy and completeness of the financial statements;
- making informed decisions regarding accounting and compliance policies, practices, and disclosures;
- reviewing the scope and results of operational risk reviews, compliance reviews, and external audits; and
- assessing the adequacy of the consolidated entity's internal control framework including accounting, compliance, and operational risk management controls based on information provided or obtained.

"Compliance" refers to compliance with laws and regulations, internal compliance guidelines, policies and procedures, and other prescribed internal standards of behaviour.

All other directors and the Chief Financial Officer are invited to attend Committee meetings. When the auditors are present at meetings, the Committee asks all executives to leave the meeting so that there can be open and frank communication between the Committee and the auditor.

The Committee has the power to conduct or authorise investigations into, or consult independent experts on, any matters within the Committee's scope of responsibility.

The Committee also considers the independence of the auditor. The Company requires that the audit partner be rotated every five years and, on an annual basis, the auditor provides a certificate to the Committee confirming their independence.

The Chief Executive Officer and Chief Financial Officer have certified to the committee that the Group's financial reports present a true and fair view, in all material respects, of the Group's financial condition and operational results and are in accordance with relevant accounting standards.

PRINCIPLE 5 Make timely and balanced disclosure

The Board is committed to inform its shareholders and the market of any major events that influence the Company in a timely and conscientious manner. The Board is responsible for ensuring that the Company complies with the continuous disclosure requirements as set out in ASX Listing Rule 3.1 and the *Corporations Act 2001*. The Company's Communication Protocols have been posted on the Company's website.

Any market sensitive information is discussed by the Board before it is approved to be released to the market.

The Company's procedure is to lodge the information with the ASX and make it available on the Company's website shortly thereafter.

All executives of the Company have been made aware of the Company's obligations with regard to the continuous disclosure regime.

PRINCIPLE 6 Respect the rights of shareholders

The Board ensures that its shareholders are fully informed of matters likely to be of interest to them. The Company provides all obligatory information such as annual reports, half yearly reports and other ASX required reports in accordance with the law and regulations.

Notices of shareholders meetings, annual and extraordinary, are distributed in a timely manner and are accompanied by all information that the Company has obtained.

The Company is always available to be contacted by shareholders for any query that the shareholders may have. The queries can be submitted by telephone, email or fax to the Company's office.

The chairman encourages questions and comments at the AGM ensuring that shareholders have a chance to obtain direct response from the CEO and other appropriate Board members. The Company requests that the auditors attend the AGM and are available to answer any questions with regard to the conduct of the audit and their report.

CORPORATE GOVERNANCE STATEMENT (continued)

PRINCIPLE 7 Recognise and manage risk

The Directors continually monitor areas of significant business risk, recognising that there are inherent risks associated with the management, funding and commercialisation of biotechnology projects.

The Board has delegated the responsibility for the establishment and maintenance of a framework for risk oversight and the management of risk for the Group to the Risk and Audit Committee.

The Committee's role is to provide a direct link between the Board and the external function of the Company. This includes:

- Monitoring corporate risk assessment and the internal controls instituted;
- Monitoring the establishment of an appropriate internal control framework, including information systems, and considering enhancements;
- Reviewing reports on any defalcations, frauds and thefts from the Company and action taken by managements;
- Reviewing policies to avoided conflicts of interest between the Company and members of management; and
- Considering the security of computer systems and applications, and the contingency plans for processing financial information in the event of a systems breakdown.

The Chief Executive Officer and Chief Financial Officer have made representations to the Committee on the system of risk management and internal compliance and control which implements the policies adopted by the Board. The Chief Executive Officer and Chief Financial Officer have also represented that, to the best of their knowledge, the Company's risk management and internal compliance and control system is operating efficiently and effectively in all material respects.

PRINCIPLE 8 Remunerate fairly and responsibly

The Remuneration and Nomination Committee assists the Board in ensuring that the Company's remuneration levels are appropriate in the markets in which it operates and are applied, and seen to be applied, fairly. The Board has assumed all of the responsibilities of the Committee at this time due to the size and scale of the Company at this time.

The Company's remuneration policy is described in the Remuneration Report contained within the Directors' Report.

Business of the Committee has been dealt with as part of the regular Board meetings as needed. The Board has access to senior management of the Company and may consult independent experts where the Board considers it necessary to carry out the duties of the Committee.

Currently the Company pays directors' fees to the NEDs. As stated in the Directors' Report, businesses associated with directors may receive fees for professional services provided to the Company in addition to their duties as a NED.

Statement of Comprehensive Income
For the Year Ended 30 June 2012

	Note	2012	2011
		$	$
Continuing Operations			
Revenue	2	323,577	342,545
Other income	2	179,457	3,000
		503,034	345,545
Royalties & licence fees		(117,339)	(28,033)
Research and development	3	(1,309,171)	(1,280,313)
Employment related	3	(1,033,855)	(944,940)
Share based expense	3	(1,093,122)	(122,568)
Travel related costs		(209,013)	(187,107)
Consultants costs		(275,170)	(226,875)
Occupancy costs		(71,253)	(50,893)
Corporate expenses		(504,931)	(438,433)
Finance costs		(10,470)	(29,124)
Foreign exchange translation		8,672	88,824
Settlements	3	-	(660,957)
		(4,615,651)	(3,880,419)
Loss before income tax		(4,112,617)	(3,534,874)
Income tax expense/(benefit)	4	-	-
Loss for the year attributable to members of the parent entity		**(4,112,617)**	**(3,534,874)**
Other Comprehensive Income			
Other Comprehensive Income for the year, net of tax		-	-
Total Comprehensive Income for the year		**(4,112,617)**	**(3,534,874)**
Total Comprehensive Income attributable to members of the parent entity		**(4,112,617)**	**(3,534,874)**
Earnings per share (cents per share)			
Basic and diluted for loss for the year attributable to ordinary equity holders of the parent entity	6	(0.43)	(0.68)

The accompanying notes form part of these financial statements

Statement of Financial Position
As at 30 June 2012

	Note	2012	2011
		$	$
CURRENT ASSETS			
Cash and cash equivalents	8	3,075,880	6,654,097
Trade and other receivables	9	127,466	147,832
Other current assets	10	17,057	36,968
TOTAL CURRENT ASSETS		**3,220,403**	**6,838,897**
NON-CURRENT ASSETS			
Property, plant and equipment	12	30,803	26,461
TOTAL NON-CURRENT ASSETS		**30,803**	**26,461**
TOTAL ASSETS		**3,251,206**	**6,865,358**
CURRENT LIABILITIES			
Trade and other payables	13	533,170	1,141,559
Provisions	15	55,122	55,915
TOTAL CURRENT LIABILITIES		**588,292**	**1,197,474**
NON-CURRENT LIABILITIES			
Trade and other payables	13	-	171,048
Borrowings	14	-	292,488
Provisions	15	-	-
TOTAL NON-CURRENT LIABILITIES		**-**	**463,536**
TOTAL LIABILITIES		**588,292**	**1,661,010**
NET ASSETS		**2,662,914**	**5,204,348**
EQUITY			
Contributed equity	16	87,348,819	86,821,961
Reserves	17	1,394,142	2,810,599
Accumulated losses		(86,080,047)	(84,428,212)
TOTAL EQUITY		**2,662,914**	**5,204,348**

The accompanying notes form part of these financial statements

Statement of Cash Flows
For the Year Ended 30 June 2012

	Note	2012	2011
		$	$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		329,153	159,702
Payments to suppliers and employees		(3,651,431)	(3,498,800)
Net cash used in operating activities	8	**(3,322,278)**	**(3,339,098)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		163,701	48,171
Dividends received		-	137,671
Purchase of property, plant and equipment		(17,836)	(27,893)
Net cash provided by investing activities		**145,865**	**157,949**
CASH FLOWS FROM FINANCING ACTIVITIES			
Net proceeds from issue of shares		199,030	7,431,881
Proceeds from borrowings		-	1,791,681
La Jolla Cove settlement	**14**	(602,857)	-
Interest paid		-	(24,098)
Net cash (used in)/provided by financing activities		**(403,827)**	**9,199,464**
Net (decrease)/increase in cash held		**(3,580,240)**	**6,018,315**
Exchange differences on cash and cash equivalents		2,023	(15,225)
Cash and cash equivalents, beginning of year		6,654,097	651,007
Cash and cash equivalents, end of year	**8**	**3,075,880**	**6,654,097**

The accompanying notes form part of these financial statements

Statement of Changes in Equity
For the Year Ended 30 June 2012

	Contributed Equity	Convertible Note Equity Reserve	Share-based Payments Reserve	Accumulated Losses	Total
	$	$	$	$	$
Balance at 1 July 2010	**77,487,593**	**69,837**	**2,639,234**	**(80,893,338)**	**(696,674)**
Loss for the year	-	-	-	(3,534,874)	(3,534,874)
Other comprehensive income for year	-	-	-	-	-
Total comprehensive income for year	-	-	-	(3,534,874)	(3,534,874)
Equity component of convertible note	-	200,593	-	-	200,593
Transfer to Contributed Equity upon partial conversion of convertible note	221,633	(221,633)	-	-	-
Share Based Payments	-	-	122,568	-	122,568
Share issues, net of transaction costs	9,112,735	-	-	-	9,112,735
Transactions with owners	9,334,368	(21,040)	122,568	-	9,435,896
Balance 30 June 2011	**86,821,961**	**48,797**	**2,761,802**	**(84,428,212)**	**5,204,348**
Loss for the year	-	-	-	(4,112,617)	(4,112,617)
Other comprehensive income for year	-	-	-	-	-
Total comprehensive income for year	-	-	-	(4,112,617)	(4,112,617)
Equity component of convertible note	-	25,858	-	-	25,858
Transfer to Contributed Equity upon partial conversion of convertible note	74,655	(74,655)	-	-	-
Transfer to Accumulated Losses the Share Based Payments Reserve no longer required	-	-	(2,460,782)	2,460,782	-
Share Based Payments	-	-	1,093,122	-	1,093,122
Share issues, net of transaction costs	452,203	-	-	-	452,203
Transactions with owners	526,858	(48,797)	(1,367,660)	2,460,782	1,571,183
Balance 30 June 2012	**87,348,819**	**-**	**1,394,142**	**(86,080,047)**	**2,662,914**

The accompanying notes form part of these financial statements

Notes to the Financial Statements for the Year Ended 30 June 2012

Note 1: Summary of significant accounting policies

(a) Basis of Preparation

The financial report covers Benitec Biopharma Limited and its controlled entities as a consolidated entity ("Group"). Benitec Biopharma Limited is a listed public company, incorporated and domiciled in Australia.

The consolidated general purpose financial report statements of the Group have been prepared in accordance with the requirements of the *Corporations Act 2001*, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board. Compliance with Australian Accounting Standards results in full compliance with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). Benitec Biopharma Limited is a for-profit entity for the purpose of preparing financial statements.

The consolidated financial statements for the year ended 30 June 2012 (including comparatives) were approved and authorised for issue by the board of directors on 23 August 2012.

The consolidated financial statements have been prepared using the measurement bases specified by Australian Accounting Standards for each type of asset, liability, income and expense. The measurement bases are more fully described in the accounting policies below.

(b) Principles of Consolidation

A controlled entity is any entity controlled by Benitec Biopharma Limited whereby Benitec Biopharma Limited has the power to control the financial and operating policies of an entity so as to obtain benefits from its activities.

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

Where controlled entities have entered or left the consolidated entity during the year, their operating results have been included/excluded from the date control was obtained or until the date control ceased.

A list of controlled entities is contained in note 11 to the financial statements. All controlled entities have a June financial year-end except for Benitec Ltd (UK) which has a December year-end.

(c) New Accounting Standards and Interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 July 2011, and have not been applied in preparing these consolidated financial statements. None of these are expected to have a significant effect on the consolidated financial statements of the consolidated entity.

Adoption of AASBs and improvements to AASBs 2011 – AASB 1054 and AASB 2011-11

The AASB has issued AASB 1054 *Australian Additional Disclosures* and 2011-1 *Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence Project*, and made several minor amendments to a number of AASBs. These standards eliminate a large portion of the differences between the Australian and New Zealand accounting standards and IFRS and retain only additional disclosures considered necessary. These changes also simplify some current disclosures for Australian entities and remove others.

Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the Group

At the date of authorisation of these financial statements, certain new standards, amendments and interpretations to existing standards have been published but are not yet effective, and have not been adopted early by the Group. Management anticipates that all of the relevant pronouncements will be adopted in the Group's accounting policies for the first period beginning after the effective date of the pronouncement. Information on new standards, amendments and interpretations that are expected to be relevant to the Group's financial statements is provided below. Certain other new standards and interpretations have been issued but are not expected to have a material impact on the Group's financial statements.

Notes to the Financial Statements for the Year Ended 30 June 2012

Note 1: Summary of significant accounting policies

AASB 9 *Financial Instruments* (effective from 1 January 2013)

The AASB aims to replace AASB 139 *Financial Instruments: Recognition and Measurement* in its entirety. The replacement standard (AASB 9) is being issued in phases. To date, the chapters dealing with recognition, classification, measurement and derecognition of financial assets and liabilities have been issued. These chapters are effective for annual periods beginning 1 January 2013. Further chapters dealing with impairment methodology and hedge accounting are still being developed.

Management have yet to assess the impact that this amendment is likely to have on the financial statements of the Group. However, they do not expect to implement the amendments until all chapters of AASB 9 have been published and they can comprehensively assess the impact of all changes.

Consolidation Standards

A package of consolidation standards are effective for annual periods beginning or after 1 January 2013. Information on these new standards is presented below. The Group's management have yet to assess the impact of these new and revised standards on the Group's consolidated financial statements.

AASB 10 Consolidated Financial Statements (AASB 10)

AASB 10 supersedes the consolidation requirements in AASB 127 Consolidated and Separate Financial Statements (AASB 127) and Interpretation 112 Consolidation – Special Purpose Entities. It revised the definition of control together with accompanying guidance to identify an interest in a subsidiary. However, the requirements and mechanics of consolidation and the accounting for any non-controlling interests and changes in control remain the same.

AASB 11 Joint Arrangements (AASB 11)

AASB 11 supersedes AASB 131 Interests in Joint Ventures (AASB 131). It aligns more closely the accounting by the investors with their rights and obligations relating to the joint arrangement. It introduces two accounting categories (joint operations and joint ventures) whose applicability is determined based on the substance of the joint arrangement. In addition, AASB 131's option of using proportionate consolidation for joint ventures has been eliminated. AASB 11 now requires the use of the equity accounting method for joint ventures, which is currently used for investments in associates.

AASB 12 Disclosure of Interests in Other Entities (AASB 12)

AASB 12 integrates and makes consistent the disclosure requirements for various types of investments, including unconsolidated structured entities. It introduces new disclosure requirements about the risks to which an entity is exposed from its involvement with structured entities.

Consequential amendments to AASB 127 Separate Financial Statements (AASB 127) and AASB 128 Investments in Associates and Joint Ventures (AASB 128)

AASB 127 Consolidated and Separate Financial Statements was amended to AASB 127 Separate Financial Statements which now deals only with separate financial statements. AASB 128 brings investments in joint ventures into its scope. However, AASB 128's equity accounting methodology remains unchanged.

AASB 13 Fair Value Measurement (AASB 13)

AASB 13 does not affect which items are required to be fair-valued, but clarifies the definition of fair value and provides related guidance and enhanced disclosures about fair value measurements. It is applicable for annual periods beginning on or after 1 January 2013. The Group's management have yet to assess the impact of this new standard.

AASB 2011-9 Amendments to Australian Accounting Standards Presentation of Items of Other Comprehensive Income s (AASB 101 Amendments)

The AASB 101 Amendments require an entity to group items presented in other comprehensive income into those that, in accordance with other IFRSs: (a) will not be reclassified subsequently to profit or loss and (b) will be reclassified subsequently to profit or loss when specific conditions are met. It is applicable for annual periods beginning on or after 1 July 2012. The Group's management expects this will change the current presentation of items in other comprehensive income; however, it will not affect the measurement or recognition of such items.

Notes to the Financial Statements for the Year Ended 30 June 2012

Note 1: Summary of significant accounting policies

AASB 2011-4 Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements (AASB 124 Amendments)

AASB 2011-4 makes amendments to AASB 124 Related Party Disclosures to remove individual key management personnel disclosure requirements, to achieve consistency with the international equivalent (which includes requirements to disclose aggregate (rather than individual) amounts of KMP compensation), and remove duplication with the Corporations Act 2011. The amendments are applicable for annual periods beginning on or after 1 July 2013. The Group's management have yet to assess the impact of these amendments.

(d) Revenue

Revenue from the granting of licenses is recognised in accordance with the terms of the relevant agreements and is usually recognised on an accruals basis, unless the substance of the agreement provides evidence that it is more appropriate to recognise revenue on some other systematic rational basis. Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets. Revenue from the rendering of a service is recognised upon the delivery of the service to the customers. All revenue is stated net of the amount of goods and services tax (GST).

Government grants are recognised at fair value where there is reasonable assurance that the grant will be received and all grant conditions will be met. Grants relating to expense items are recognised as income over the periods necessary to match the grant costs they are compensating. Grants relating to assets are credited to deferred income at fair value and are credited to income over the expected useful life of the asset an a straight line basis.

(e) Income Tax

The charge for current income tax expense is based on the loss for the year adjusted for any non-assessable or disallowed items. It is calculated using tax rates that have been enacted or are substantially enacted by reporting date.

Deferred tax is accounted for using the 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 to the period when the asset is realised or liability is settled. Deferred tax is credited in the statement of comprehensive income 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 consolidated entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

Benitec Biopharma Limited and its wholly-owned Australian subsidiary has formed an income tax consolidated group under the Tax Consolidation Regime. Benitec Biopharma Limited is responsible for recognising the current and deferred tax assets and liabilities for the tax consolidated group. The Group notified the ATO on 12 February 2004 that it had formed an income tax consolidated group to apply from 1 July 2002. No tax sharing agreement has been entered between entities in the tax consolidated group.

(f) 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.

Notes to the Financial Statements for the Year Ended 30 June 2012

Note 1: Summary of significant accounting policies

Key estimates – share-based payments transactions

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined using a Black-Scholes model, using the assumptions detailed in note 21.

Key judgements – tax losses

Given the company's and each individual entities' history of recent losses, the Group has not recognised a deferred tax asset with regard to unused tax losses and other temporary differences, as it has not been determined whether the company or its subsidiaries will generate sufficient taxable income against which the unused tax losses and other temporary differences can be utilised.

Key judgements – compound financial instruments

The Group measures the fair value of the liability component using the prevailing market interest rate for similar convertible instruments.

(g) Impairment of Non-Financial Assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of its fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets and the asset's value in use cannot be estimated to be close to its fair value. In such cases the asset is tested for impairment as part of the cash generating unit to which it belongs. When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset or cash-generating unit is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses relating to continuing operations are recognised in those expense categories consistent with the function of the impaired asset unless the asset is carried at revalued amount (in which case the impairment loss is treated as a revaluation decrease).

(h) Cash and Cash Equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within short term borrowings in current liabilities on the statement of financial position.

(i) Trade and Other Receivables

Trade receivables, which generally have 30 day terms, are recognised and carried at original invoice amount less an allowance for any uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when identified.

(j) 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 losses.

Plant and equipment

Plant and equipment are measured on the cost basis less depreciation and impairment losses. 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.

Notes to the Financial Statements for the Year Ended 30 June 2012

Note 1: Summary of significant accounting policies

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 statement of comprehensive income during the financial period in which they are incurred.

Depreciation

The depreciable amount of all fixed assets including capitalised lease assets is depreciated on a diminishing value basis over their useful lives to the consolidated entity 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.

The depreciation rates used for plant and equipment were 20-33 %. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date. 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 and losses are included in the statement of comprehensive income. When assets which have been revalued are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

(k) Leases

Leases of fixed assets are classified as finance leases where the Group has substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership.

Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period. Leased assets are depreciated on a straight-line basis over their estimated useful lives where it is likely that the consolidated entity will obtain ownership of the asset or over the term of the lease. Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

(l) Financial Instruments

Recognition

Financial instruments are initially measured at cost on trade 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.

Compound instruments

The component parts of compound instruments (convertible notes) issued by the Group are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangement. The liability component is recorded on an amortised cost basis using the effective interest method until extinguished upon conversion or at the instrument's maturity date. The equity component is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognised and included in equity, net of income tax effects, and is not subsequently remeasured.

Notes to the Financial Statements for the Year Ended 30 June 2012

Note 1: Summary of significant accounting policies

Fair value

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

Impairment

At each reporting date, the group assess whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged or significant 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) Intangibles

Research and development

Expenditure during the research phase of a project is recognised as an expense when incurred. Development costs are capitalised only when technical feasibility studies identify that the project will deliver future economic benefits and these benefits can be measured reliably.

Development costs have a finite life and are amortised on a systematic basis matched to the future economic benefits over the useful life of the project.

(n) Trade and Other Payables

Trade payables and other payables are carried at amortised costs and represent liabilities for goods and services provided to the group prior to the end of the financial year that are unpaid and arise when the group becomes obliged to make future payments in respect of the purchase of these goods and services.

(o) Employee Benefits

Provision is made for the Group's liability for employee benefits arising from services rendered by employees to reporting date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

(p) Provisions

Provisions are recognised when the Group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will results and that outflow can be reliably measured.

(q) Contributed Equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(r) Share-based Payment Transactions

Benefits are provided to employees of the Group in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares ('equity-settled transactions'). The plan currently in place to provide these benefits is the Employee Share Option Plan (ESOP), which provides benefits to senior executives.

The cost of these equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined using a Black-Scholes model. In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of Benitec Biopharma Limited ('market conditions').

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ('vesting date').

Notes to the Financial Statements for the Year Ended 30 June 2012

Note 1: Summary of significant accounting policies

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects (i) the extent to which the vesting period has expired and (ii) the number of awards that, in the opinion of the directors of the group, will ultimately vest. This opinion is formed based on the best available information at reporting date. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any increase in the value of the transaction as a result of the modification, as measured at the date of modification. Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings per share.

(s) Earnings per Share

Basic earnings per share is calculated as net profit attributable to members of the parent, adjusted to exclude any costs of servicing equity (other than dividends) and preference share dividends, divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted earnings per share is calculated as net profit attributable to members of the parent, adjusted for:

- costs of servicing equity (other than dividends) and preference share dividends;
- the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares;

divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element**.**

(t) Foreign Currency Transactions and Balances

Functional and presentation currency

The functional currency of each of the Group's entities is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars which is the parent entity's functional and presentation currency.

Transaction and balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in the statement of comprehensive income, except where deferred in equity as a qualifying cash flow or net investment hedge. Exchange differences arising on the translation of non-monetary items are recognised directly in equity to the extent that the gain or loss is directly recognised in equity, otherwise the exchange difference is recognised in the statement of comprehensive income.

Notes to the Financial Statements for the Year Ended 30 June 2012

Note 1: Summary of significant accounting policies

Group companies

The financial results and position of foreign operations whose functional currency is different from the Group's presentation currency are translated as follows:

- Assets and liabilities are translated at year-end exchange rates prevailing at that reporting date.
- Income and expenses are translated at average exchange rates for the period.
- Retained profits are translated at the exchange rates prevailing at the date of the transaction.

(u) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

Cash flows are presented in the statement of cash flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

(v) Comparative Figures

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

(w) Going Concern

Notwithstanding the net loss for the year of $4,112,617 and the cash and cash equivalents balance of $3,075,880, the directors have prepared the financial statements on a going concern basis. The reason for this is that the directors have performed a review of the cash flow forecasts, considered the cash flow needs of the consolidated entity, and believe that the strategies in progress to generate funds will be sufficient to maintain the going concern status of the consolidated entity. These strategies for which the outcome is currently uncertain include further licensing arrangements and additional capital raising. If these strategies are unsuccessful then the consolidated entity may need to realise its assets and extinguish liabilities other than in the ordinary course of business and at amounts different to those disclosed in the financial report.

Notes to the Financial Statements for the Year Ended 30 June 2012

	2012	2011
	$	$
Note 2: Revenue from continuing operations		
Revenue		
- Licensing revenue and royalties	323,580	156,702
- Finance income - dividends received	-	137,671
- Finance income - interest received	167,701	48,172
	491,281	342,545
Other income		
- Government grants	11,753	3,000
Total revenue and other income	**503,034**	**345,545**
Note 3: Loss for the year		
(a) Expenses incurred by continuing operations		
Items included in Statement of Comprehensive Income		
Finance costs		
Interest payable – other persons	8,517	26,826
Doubtful debts	-	-
Other	1,953	2,298
Finance costs	10,470	29,124
Depreciation		
Included in Occupancy expenses		
Depreciation of plant and equipment	12,822	9,053
Employee benefits expense		
Included in Employment related expenses		
Wages and salaries	676,845	573,823
Superannuation costs	47,760	43,977
Share-based payments expense	1,093,122	122,568
CSIRO IP Settlement During the 2010 year, the Company reached a settlement with the CSIRO to replace the existing Licence Agreement and Commercial Agreement with a new exclusive Licence Agreement for the use of intellectual property and the Capital Growth Agreement with the issue of ordinary shares. The Licence Agreement contains a number of further contingent payments as outlined in Note 23.	-	-
LJCI Settlement expense In April 2011 the Company negotiated the finalisation of the convertible note facility provided by La Jolla Cove Investors Inc. The agreement included a settlement cost of US$700,000 to be paid within 6 months from the closing of the May 2011 rights issue, in instalments. An instalment payment was made in the year to 30 June 2011 and the remainder of the settlement liability was paid in full this financial year and totalled $602,857 (note 14).	-	660,957

Notes to the Financial Statements for the Year Ended 30 June 2012

Note 3: Loss for the year (continued)

(b) Expenses

The following expense items are relevant in explaining the financial performance:

Research and development costs consist of:

	2012	2011
	$	$
Project expenses	1,040,989	386,896
IP litigation expenses	9,915	(15,703)
Other IP related expenses	258,267	909,120
	1,309,171	1,280,313

Note 4: Income tax expense

(a) The prima facie tax on loss from ordinary activities before income tax is reconciled to the income tax as follows:

Prima facie tax payable on loss from ordinary activities before income tax at 30% (2011: 30%)	(1,233,785)	(1,060,462)
Add Tax effect of:		
Non-deductible share-based payment expense	327,937	36,770
Non-deductible legal fees	14,656	15,674
Capital items deductible	(49,805)	(159,136)
Other non-deductible items	14,873	39,283
Deductible items not included in operating result	(55,250)	(81,790)
Deferred tax asset not brought to account	981,374	1,011,374
Income tax benefit reported in the income statement	-	-

(b) The parent entity, acting as the Head Entity, notified the Australian Taxation Office on 12 February 2004 that it had formed a Tax Consolidated Group applicable as from 1 July 2002. No tax sharing agreement has been entered between entities in the tax consolidated group.

(c) As at 30 June 2012, the Tax Consolidated Group has a net deferred tax asset of $10,745,949 (2011: $9,902,859) arising from significant available Australian tax losses (calculated at 30%), which has not been recognised in the financial statements. The deferred tax asset relating to temporary differences (calculated at 30%) was $36,360 (2011 $192,877).

The Consolidated Group also has Australian capital tax losses for which no deferred tax asset is recognised on the statement of financial position of $381,588 (2011: $381,588) which are available indefinitely for against future capital gains subject to continuing to meet relevant statutory tests.

The recoupment of available tax losses as at 30 June 2012 is contingent upon the following:

(i) the Consolidated Group deriving future assessable income of a nature and of an amount sufficient to enable the benefit from the losses to be realised;
(ii) the conditions for deductibility imposed by tax legislation continuing to be complied with; and
(iii) there being no changes in tax legislation which would adversely affect the Tax Consolidated Group from realising the benefit from the losses.

Notes to the Financial Statements for the Year Ended 30 June 2012

	2012	2011
	$	$
Note 5: Auditor's remuneration		
Audit Services		
Remuneration of Grant Thornton Audit Pty Ltd for:		
- auditing or reviewing the financial report	50,000	46,000
Other Services		
Remuneration of Grant Thornton Australia Pty Ltd for:		
- taxation compliance	38,909	7,975

Note 6: Earnings per share

Basic earnings per share is calculated by dividing the net loss for the year attributable to ordinary shareholders by the weighted average number of ordinary shares on issue during the year.

Diluted earnings per share amounts are calculated by dividing the net loss attributable to ordinary shareholders by the weighted average number of ordinary shares on issue during the year (adjusted for the effects of dilutive options) and the weighted average number of ordinary shares that would be issued on conversion of all dilutive potential ordinary shares.

	2012	2011
	$	$
Loss after income tax used in the calculation of basic EPS and dilutive EPS	(4,112,617)	(3,534,874)
	Number	**Number**
Weighted average number of ordinary shares for basic and diluted earnings per share	949,747,352	519,094,683
Weighted average number of converted, lapsed or cancelled potential ordinary shares included in diluted earnings per share	-	-

All options to acquire ordinary shares are not considered dilutive for the years ended 30 June 2012 and 30 June 2011.

Classification of securities

No securities or convertible debt instruments could be classified as potential ordinary shares under AASB 133 and therefore have not been included in determination of dilutive EPS.

Notes to the Financial Statements for the Year Ended 30 June 2012

Note 7: Key management personnel

(a) Details of Key Management Personnel

(i) Directors

Mr Peter Francis	Chairman - Non-Executive	Appointed on 23 February 2006
Mr Mel Bridges	Director - Non-Executive	Appointed on 12 October 2007
Dr John Chiplin	Director - Non-Executive	Appointed on 1 February 2010
Mr Iain Ross	Director - Non-Executive	Appointed on 1 June 2010

(ii) Executives

Dr Peter French	Chief Executive Officer	Appointed Chief Scientific Officer on 4 August 2009, appointed Chief Executive Officer on 4 June 2010
Dr Michael Graham	Chief Scientific Officer	Appointed on 1 January 2012
Mr Greg West	Company Secretary	Appointed on 26 May 2011

(b) Key management personnel remuneration includes the following expenses:

	2012	2011
	$	$
Short term employee benefits		
Salaries including bonuses	486,925	460,614
Post-employment benefits		
Superannuation	36,751	30,398
Share-based payments	436,550	64,611
Total Remuneration	960,226	590,623

(c) Options and Rights Holdings

Number of Options held by Key Management Personnel

	Balance 1 July 11	Granted as Remuneration	Options Acquired	Options Exercised/ Lapsed/ Other	Balance at 30 June 12	Total Vested at 30 June 12	Total Exercisable at 30 June 12
Directors							
Peter Francis	4,000,000	40,000,000			44,000,000	16,833,333	16,833,333
Mel Bridges	2,998,333	10,000,000			12,998,333	6,166,666	6,166,666
John Chiplin		10,000,000	264,063		10,264,063	3,333,333	3,333,333
Iain Ross		10,000,000	187,500		10,187,500	3,333,333	3,333,333
Sub-total	6,998,333	70,000,000	451,563	-	77,449,896	29,666,665	29,666,665
Executives							
Peter French	10,000,000	30,000,000	-	-	40,000,000	20,000,000	20,000,000
Michael Graham		15,000,000	-		15,000,000	5,000,000	5,000,000
Greg West		3,000,000	-		3,000,000		-
Sub-total	10,000,000	48,000,000			58,000,000	25,000,000	25,000,000
Total	16,998,333	118,000,000	451,563		135,449,896	54,666,665	54,666,665

Notes to the Financial Statements for the Year Ended 30 June 2012

Note 7: Key management personnel (contd)

(d) Shareholdings

Number of Shares held by Key Management Personnel

	Balance 1 July 11	Received as Remuneration	Upon Options Exercised	Net Change Other *	Balance 30 June12
Directors					
Peter Francis	2,237,175	-	-	-	2,237,175
Mel Bridges	860,000	-	-	1,850,000	2,710,000
John Chiplin	1,190,846	-	-		1,190,846
Iain Ross	750,000	-	-		750,000
Sub-total	5,038,021	-	-	1,850,000	6,888,021
Executives					
Peter French	-	-	-	-	-
Michael Graham	-	-	-	-	-
Greg West	-	-	-	-	-
Sub-total	-	-	-	-	-
Total	5,038,021	-	-	1,850,000	6,888,021

* Net Change Other refers to shares purchased or sold during the financial year.

	2012 $	2011 $
Note 8: Cash and cash equivalents		
Cash at bank	525,880	68,406
Deposits at call	2,550,000	6,585,691
	3,075,880	6,654,097

Reconciliation of Cash Flow from Operations with Loss after Income Tax

Loss after Income Tax	(4,112,617)	(3,534,874)
Non-cash flows included in operating loss:		
Interest received	(163,701)	(48,171)
Dividends received	-	(137,671)
Depreciation	12,822	9,053
LJCI settlement	602,857	-
Interest paid	-	26,826
Share-based payments	1,093,122	122,568
Foreign currency translation unrealised	(2,023)	(88,824)
Provisions and non-cash adjustments	(793)	(168,710)
Changes in assets and liabilities:		
Decrease in trade and other receivables	20,366	202,638
(Increase)/decrease in other current assets	19,912	(8,904)
Increase/(decrease) in trade and other payables	(792,223)	286,971
Net cash flows from operations	(3,322,278)	(3,339,098)

Notes to the Financial Statements for the Year Ended 30 June 2012

Note 9: Trade and other receivables

	2012	2011
	$	$
CURRENT		
Sundry Debtors	127,466	147,832

Note 10: Other assets

CURRENT		
Prepayments	10,603	30,515
Other current assets	6,453	6,453
	17,056	36,968

Note 11: Controlled entities

(a) Controlled entities:

	Country of Incorporation	Percentage Owned	
		2012	2011
Parent Entity:			
Benitec Biopharma Limited	Australia		
Controlled entities of Benitec Biopharma Limited:			
Benitec Australia Limited	Australia	100%	100%
Benitec Biopharma Limited	United Kingdom	100%	100%
Benitec, Inc.	USA	100%	100%
Benitec LLC	USA	100%	100%
RNAi Therapeutics, Inc.	USA	100%	100%

(b) Controlled entities acquired or disposed:

No controlled entities were acquired or disposed during the financial year.

Notes to the Financial Statements for the Year Ended 30 June 2012

	2012	2011
	$	$

Note 12: Property, plant and equipment

Plant and Equipment		
At cost	68,319	51,539
Accumulated depreciation	(37,516)	(25,078)
Total Property, Plant and Equipment	30,803	26,461

Movements in Carrying Amounts

Movement in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year.

	Leasehold Improvement	Plant and Equipment	Total
	$	$	$
Balance at 30 June 2010	-	7621	7,621
Additions	-	27,893	27,893
Depreciation expense	-	(9,053)	(9,053)
Balance at 30 June 2011	-	26,461	26,461
Additions	13,176	8,593	21,773
Less Disposals	-	(4,609)	(4,609)
Depreciation expense	(1,416)	(11,406)	(12,822)
Balance at 30 June 2012	11,760	19,043	30,803

Note 13: Trade and other payables

	2012	2011
	$	$
CURRENT		
Unsecured liabilities		
Trade creditors	373,896	470,243
Sundry creditors and accrued expenses	159,274	671,316
	533,170	1,141,559
NON-CURRENT		
Unsecured liabilities		
Sundry creditors and accrued expenses	-	171,048

Notes to the Financial Statements for the Year Ended 30 June 2012

	2012	2011
	$	$
Note 14: Borrowings		
Convertible Note	-	292,488

Benitec Biopharma announced on 11 April 2011 that the Company and La Jolla Cove Investors Inc. ("LJCI") had agreed to terminate the LJCI convertible note facility. The facility was established in April 2010 and provided funding to the Company of up to US$6 million under four convertible notes. The first of the four convertible notes were paid in full by LJCI and converted into shares in Benitec Biopharma, and the second convertible note was commenced on 11 January 2011. The Company and LJCI agreed to terminate the facility on the terms described in the 11 April 2011 announcement which included:

(a) LJCI may advance a final instalment of up to US$200,000 to the Company under the facility, after which there will be no more advances made.

(b) Within 6 months of the closing of the May 2011 rights issue, US$700,000 will be paid by the Company to LJCI, in instalments.

In December 2011 LJCI made its final instalment of US$200,000 (AUD $199,030) to the Company under the facility. During the year the Company paid the balance of the settlement payout accrued at 30 June 2011 of AUD $602,857.

Note 15: Provisions	2012	2011
	$	$
CURRENT		
Provision for employee benefits	55,122	55,915

Note 16: Contributed equity		
926,337,910 (2011: 415,004,245) fully paid ordinary shares	87,348,819	86,821,961
(a) Ordinary Shares		
At the beginning of the reporting period	86,821,961	77,487,593
Shares issued during the year	-	8,101,173
Transaction costs relating to share issues	(7,053)	(656,805)
Convertible Note conversion	533,911	1,890,000
	87,348,819	86,821,961
	Number	Number
At the beginning of reporting period	926,337,910	415,004,215
Shares issued during the year	44,290,619	511,333,695
	970,628,529	926,337,910

Notes to the Financial Statements for the Year Ended 30 June 2012

Note 16: Contributed equity (contd)

(b) Share options

At the end of the financial year, there were 428,985,202 unissued ordinary shares (2011: 310,785,202) over which options were outstanding.

Details	Expiry Date	Exercise Price	Number
Listed BLTOB	31 December 2013	$0.04	201,302,538
Listed BLTO	8 April 2014	$0.10	46,673,907
Unlisted Options	31 December 2012	$0.10	22,244,444
Unlisted Options	10 April 2015	$0.10	12,000,000
Strategic Advisor Warrants	4 August 2014	$0.90	6,126,962
Other Options	30 September 2013	$0.03	17,560
NED Options	31 December 2012	$0.09	4,666,666
NED Options	19 August 2014	$0.02	3,000,000
NED Options	26 September 2016	$0.05	70,000,000
ESOP Options	21 February 2013	$0.08	300,000
ESOP Options	10 June 2013	$0.03	5,000,000
ESOP Options	19 August 2014	$0.02	6,500,000
ESOP Options	17 November 2016	$0.05	45,000,000
ESOP Options	7 February 2017	$0.05	4,200,000
Directors' Options	23 October 2015	$0.17	1,953,125
			428,985,202

Since 30 June 2012, the following options were issued under the ESOP:

ESOP Options	18 July 2017	$0.0500	10,000,000

	2012 $	2011 $
Note 17: Reserves		
Convertible Note Equity Reserve		
At the beginning of the reporting period	48,797	69,837
Equity component of convertible note	25,858	200,593
Transfer to Contributed Equity upon partial conversion of convertible note	(74,655)	(221,633)
	-	48,797
Share-based Payments Reserve		
At the beginning of the reporting period	2,761,802	2,639,234
Share based payments	1,093,122	122,568
Transferred to Accumulated Losses Reserve no longer required	(2,460,782)	-
	1,394,142	2,761,802
	1,394,142	2,810,599

Nature and purpose of Reserves

Convertible Note Equity Reserve

The Convertible Note Equity Reserve records the equity component of convertible notes at the time of drawdown of the funds. When a conversion to ordinary shares takes place, the equity component of the convertible note being converted is transferred to Contributed Equity.

Share Based Payments Reserve

The Share-based Payments Reserve represents the expense attributed to options based on a Black Scholes valuation method for vested options.

Notes to the Financial Statements for the Year Ended 30 June 2012

Note 18: Operating segments

Business Segments
The Group had only one business segment during the financial year, being the global commercialisation by licensing and partnering of patents and licences in biotechnology, more specifically in functional genomics, with applications in biomedical research and human therapeutics.

Geographical Segments
Business operations are conducted in Australia. However there are controlled entities based in the USA and United Kingdom.

Geographical location	Segment Revenues from External Customers		Segment Results		Carrying Amount of Segment Assets	
	2012 $	2011 $	2012 $	2011 $	2012 $	2011 $
Australia	503,034	345,545	(4,112,617)	(3,524,449)	3,327,085	6,848,328
United States of America	-	-	-	(2,803)	194,121	17,030
United Kingdom	-	-	-	(7,621)	-	-
	503,034	345,545	(4,112,617)	(3,534,873)	3,521,206	6,865,358

Accounting Policies
Segment revenues and expenses are directly attributable to the identified segments and include joint venture revenue and expenses where a reasonable allocation basis exists. Segment assets include all assets used by a segment and consist mainly of cash, receivables, inventories, intangibles and property, plant and equipment, net of any allowances, accumulated depreciation and amortisation. Where joint assets correspond to two or more segments, allocation of the net carrying amount has been made on a reasonable basis to a particular segment. Segment liabilities include mainly accounts payable, employee entitlements, accrued expenses, provisions and borrowings. Deferred income tax provisions are not included in segment assets and liabilities.

Note 19: Financial risk management objectives and policies

The Group's principal financial instruments comprise receivables, payables, cash and short-term deposits. The Group manages its exposure to key financial risks, including interest rate and currency risk in accordance with the Company financial risk management policy. The objective of the policy is to protect the assets and provide a solid return.

The main risks arising from the financial instruments are interest rate risk, liquidity risk, foreign currency risk and credit risk. The Board reviews and agrees policies for managing each of these risks and they are summarised below.

Risk Exposures and Responses

Interest rate risk
The Group generates income from interest on surplus funds. At reporting date, the Group had the following mix of financial assets and liabilities exposed to Australian variable interest rate risk that are not designated in cash flow hedges:

	2012 $	2011 $
Financial Assets		
Cash and cash equivalents	3,075,880	6,654,097
Financial Liabilities	-	-
Net Exposure	3,075,880	6,654,097

Notes to the Financial Statements for the Year Ended 30 June 2012

Note 19: Financial risk management objectives and policies (contd)

The policy is to analyse its interest rate exposure across the Groups financial assets and liabilities. Consideration is given to the return on funds invested, alternative financing, the mix of fixed and variable interest rates and hedging positions. The Group currently has short term deposits at variable interest rates. The average interest rate applying to cash in the year was 4.25% (2011: 2.62%).

The following sensitivity analysis is based on the interest rate risk exposures in existence at the reporting date:

At 30 June 2012, if interest rates had moved, as illustrated in the table below, with all other variables held constant, the judgment of reasonably possible movements in post-tax profit and equity would have been as follows:

	Post Tax Result Higher/ (Lower)		Equity Higher/ (Lower)	
	2012 $	2011 $	2012 $	2011 $
+1% (100 basis points)	44,560	15,753	44,560	15,753
-0.5% (50 basis points)	(22,730)	(7,876)	(22,730)	(7,876)

Liquidity risk

The Group's objective is to obtain revenue from commercialisation and to continue to access funding markets which over recent years has been through the equities or convertible notes. The Group has a pipeline of programs to take its research and development to the clinic and potentially originate licensing transactions with pharmaceutical companies. Trade payables and other financial liabilities originate from the financing of the ongoing research and development programs in addition to the operations of the business generally.
The table below reflects all contractually fixed pay-offs and receivables for settlement, repayments and interest resulting from recognised financial assets and liabilities as at 30 June 2012. Cash flows for financial assets and liabilities with fixed amount or timing are presented with their respective discounted cash flows for the respective upcoming fiscal years.

The remaining contractual maturities of the Group's financial liabilities are:

	2012 $	2011 $
6 months or less	475,215	912,556
6-12 months	57,955	57,955
1-5 years	-	171,048
Over 5 years	-	-
	533,170	1,141,559

Notes to the Financial Statements for the Year Ended 30 June 2012

Note 19: Financial risk management objectives and policies (contd)

Maturity analysis of financial assets and liabilities based on management's expectation

The table below reflects management's expectation of the maturity of financial assets and liabilities.

These assets are considered in the context of the Group's overall liquidity risk. The Group has established a risk reporting process overseen by the board which monitors existing financial assets and liabilities and provides information to enable effective risk management. The Board regularly evaluates managements rolling forecasts of liquidity which includes assessments of cash income and outgoings.

	≤6 months	6-12 months	1-5 years	>5 years	Total
	$	$	$	$	$
Financial assets					
Cash and cash equivalents	3,075,880	-	-	-	3,075,880
Trade and other receivables	144,523	-	-	-	144,523
Financial Liabilities					
Trade and other payables	(475,215)	(57,955)	-	-	(533,170)
Net Maturity	2,745,188	(57,955)	-	-	2,687,233

Foreign currency risk

The Group has transactional currency exposures. Such exposure arises from licensing fees and royalties as well as expenditure by the Group in currencies other than the unit's measurement currency. Foreign currency income and expenditure accounts for less than 10% of the Groups transactions.

Credit risk

Credit risk arises from the financial assets of the Group, which comprise cash and cash equivalents, and trade and other receivables. The Group's exposure to credit risk arises from potential counter party payment default, with a maximum exposure equal to the carrying amount. Exposures at each reporting date are assessed and disclosed in the financial statements.

The Group does not hold any credit derivatives to offset its credit exposure. The Group trades only with recognised, creditworthy third parties and as such collateral is not requested. The Group does not securitise its trade and other receivables.

Customers who wish to trade on credit terms are subject to credit assessment procedures which may include an assessment of their independent credit rating, financial position, past experience and industry reputation. Receivable balances are regularly monitored. There are no significant concentrations of credit risk within the Group.

Note 20: Financial instruments

Fair values

Fair values of financial assets and liabilities are equivalent to carrying values due their short term to maturity.

Notes to the Financial Statements for the Year Ended 30 June 2012

Note 21: Share based payments

Benitec Biopharma Limited Employees Share Option Plan (ESOP):

Description of plan

The Group may from time to time issue employees options to acquire shares in the parent at a fixed price. Each option when exercised entitles the option holder to one share in the Company. Options are exercisable on or before an expiry date, do not carry any voting or dividend rights and are not transferable except on death of the option holder.

Share Options granted during the year

The following options were issued to executives by Benitec Biopharma Limited under its ESOP and are unlisted.

Executive	Grant Date	Number	Exercise Price	Expiry Date
Peter French	17 November 2011	30,000,000	$0.050	17 November 2016
Michael Graham	17 November 2011	15,000,000	$0.050	17 November 2016
Greg West	7 February 2012	3,000,000	$0.050	7 February 2017
		48,000,000		

The following options were issued Directors and approved by shareholders at the Annual General Meeting of shareholders on 17 November 2011. They were not issued as part of the ESOP.

Director	Grant Date	No.	Exercise Price	Expiry Date
Peter Francis	26 September 2011	40,000,000	$0.050	26 September 2016
Mel Bridges	26 September 2011	10,000,000	$0.050	26 September 2016
John Chiplin	26 September 2011	10,000,000	$0.050	26 September 2016
Iain Ross	26 September 2011	10,000,000	$0.050	26 September 2016
		70,000,000		

The closing market price of an ordinary share of Benitec Biopharma Limited (ASX Code: BLT) on the Australian Securities Exchange at 30 June 2012 was $0.017 (30 June 2011: $0.028)

Notes to the Financial Statements for the year ended 30 June 2012

Note 21: Share based payments (continued)

The following table illustrates the number and weighted average exercise price (WAEP) of share options issued under the ESOP:

	2012 Number	2012 WAEP	**2011 Number**	2011 WAEP
Outstanding at the beginning of the year	12,800,000	$0.0267	7,300,000	$0.0710
Granted during the year	49,200,000	$0.0500	11,500,000	$0.0371
Exercised during the year	-	-	(420,000)	$0.0224
Lapsed or forfeited during the year	(1,000,000)	$0.0407	(5,580,000)	$0.0722
Outstanding at the end of the year	61,000,000	$0.0453	12,800,000	$0.0267

Details of ESOP share options outstanding as at end of year:

Expiry Date	Grant Date	**2012 Number**	Exercise Price	**2011 Number**
14 December 2011	14 December 2006		$0.0407	1,000,000
21 February 2013	21 February 2008	300,000	$0.0781	300,000
10 June 2013	13 July 2010	5,000,000	$0.0289	5,000,000
19 August 2014	13 July 2010	6,500,000	$0.0204	6,500,000
17 November 2016	17 November 2011	45,000,000	$0.0500	
7 February 2017	7 February 2012	4,200,000	$0.0500	
		61,000,000	$0.0453	12,800,000

Notes to the Financial Statements for the year ended 30 June 2012

Note 22: Events subsequent to reporting date

There have been no material events subsequent to reporting date.

Note 23: Contingent liabilities

In January 2010, the Company reached a settlement with the CSIRO to replace the existing Licence Agreement and Commercial Agreement with a new exclusive Licence Agreement for the use of intellectual property and the Capital Growth Agreement with the issue of ordinary shares. As part of the settlement, a Transition Agreement was put in place in order to facilitate the change from the old agreements to the new agreement and to deal with a number of other matters.

Under the terms of the Transition Agreement, the Company agreed to pay CSIRO an amount of $297,293 for past patent costs only in the event of a trigger event, being either a corporate transaction or an insolvency event.

The Company has contracted for scientific work on the therapeutic programs, and payments are due within the next six months totalling $240,704 (2011: nil)

Note 24: Related party transactions

	2012	2011
	$	$
Transactions with Directors and Director-related Entities:		
Legal services paid / payable to Francis Abourizk Lightowlers, a law firm in which Mr Peter Francis is a partner and has a beneficial interest.	166,912	133,068
Consultancy fees for executive duties paid/payable to Parma Corporation Pty Ltd, a company in which Dr Mel Bridges is a director and has a beneficial interest.	-	15,000
Consultancy fees for executive duties paid/payable to NewStar Ventures Ltd, a corporation in which Dr John Chiplin is a director and has a beneficial interest.	40,000	62,250
Consultancy fees for executive duties paid/payable to Gladstone Partnership, an entity in which Mr Iain Ross is a principal and has a beneficial interest	18,999	40,000

Transactions between related parties are on normal commercial terms and the conditions no more favourable than those available to other non-related parties.

Notes to the Financial Statements for the year ended 30 June 2012

Note 25: Benitec Biopharma Limited parent company information

	Parent Entity	
	2012	2011
	$	$
ASSETS		
Current assets	3,025,922	6,821,867
Non-current assets	30,816	26,474
TOTAL ASSETS	3,056,738	6,848,341
LIABILITIES		
Current liabilities	588,293	1,185,376
Non-current liabilities	0	463,536
TOTAL LIABILITIES	588,293	1,648,912
NET ASSETS/(DEFICIENCY)	2,468,445	5,199,429
EQUITY		
Contributed equity	87,348,819	86,821,961
Share based payments reserve	1,394,142	2,761,802
Convertible note equity reserve	-	48,797
Accumulated losses	(86,094,516)	(84,433,131)
TOTAL EQUITY	2,468,445	5,199,429
FINANCIAL PERFORMANCE		
Loss for the year	(4,302,167)	(3,521,969)
Other comprehensive income	-	-
TOTAL COMPREHENSIVE INCOME	(4,302,167)	(3,521,969)

Contingent liabilities
The parent entity had no contingent liabilities as at 30 June 2012, other than the contingent liabilities described in note 23.

Capital commitments
The parent entity has no capital commitments as at 30 June 2012.

Significant accounting policies
The accounting policies of the parent are consistent with those of the consolidated entity (Note1)

Directors' Declaration

In accordance with a resolution of the Directors of Benitec Biopharma Limited, I state that:

1. In the opinion of the Directors:

   (a) the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including

      (i) giving a true and fair view of the financial position and performance of the Company and consolidated entity; and

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

   (b) the financial statements and notes thereto also comply with International Financial Reporting Standards, as disclosed in Note 1; and

   (c) as indicated in note 1(w), there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

2. The Directors have been given the declarations by the Chief Executive Officer and Chief Financial Officer required by section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of the directors made pursuant to s.295(5) of the Corporations Act 2001.

On behalf of the Directors

Peter Francis
Director

Sydney
28 August 2012

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Independent Auditor's Report
To the Members of Benitec Biopharma Limited

Report on the financial report

We have audited the accompanying financial report of Benitec Biopharma Limited (the "Company"), which comprises the consolidated statement of financial position as at 30 June 2012, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated 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 entities 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 of the financial report that gives a true and fair view of the financial report in accordance with Australian Accounting Standards and the Corporations Act 2001. This responsibility includes such internal controls as the Directors determine are necessary to enable the preparation of the financial report to be free from material misstatement, whether due to fraud or error. The Directors also state, in the notes to the financial report, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditor's 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 which require us to 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 judgement, 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 Company'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 Company'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.

Electronic presentation of audited financial report

This auditor's report relates to the financial report of Benitec Biopharma Limited and controlled entities for the year ended 30 June 2012 included on Benitec Biopharma Limited's web site. The Company's Directors are responsible for the integrity of Benitec Biopharma Limited's web site. We have not been engaged to report on the integrity of Benitec Biopharma Limited's web site. The auditor's report refers only to the statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial report to confirm the information included in the audited financial report presented on this web site.

Independence

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

Auditor's opinion

In our opinion:

a the financial report of Benitec Biopharma Limited is in accordance with the Corporations Act 2001, including:

   i giving a true and fair view of the consolidated entity's financial position as at 30 June 2012 and of its performance for the year ended on that date; and

   ii complying with Australian Accounting Standards and the Corporations Regulations 2001; and

b the financial report also complies with International Financial Reporting Standards as disclosed in the notes to the financial statements.

Material uncertainty regarding continuation as a going concern

Without qualifying our opinion, we draw attention to Note 1 in the financial report which indicates that the consolidated entity incurred a net loss of $4,112,617 during the year ended 30 June 2012 and, as at that date, had a cash and cash equivalents balance of $3,075,880. These conditions, along with other matters as set forth in Note 1, indicate the existence of a material uncertainty which may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore, the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business, and at the amounts stated in the financial report.

Report on the remuneration report

We have audited the remuneration report included in pages 14 to 17 of the directors' report for the year ended 30 June 2012. The Directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's opinion on the remuneration report

In our opinion, the remuneration report of Benitec Biopharma Limited for the year ended 30 June 2012, complies with section 300A of the Corporations Act 2001.

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

N J Bradley
Partner - Audit & Assurance

Sydney, 28 August 2012

General Information

Benitec Biopharma Limited

ABN 64 068 943 662

Directors

Mr Peter Francis	(Non-Executive Chairman)
Mr Mel Bridges	(Non-Executive Director)
Dr John Chiplin	(Non-Executive Director)
Mr Iain Ross	(Non-Executive Director)

Company Secretary

Mr Greg West

Registered Office

Level 16
356 Collins Street
Melbourne Vic 3000
Australia

Principal Place of Business

F6A/1-15 Barr Street
Balmain NSW 2041
Australia

Auditors

Grant Thornton Audit Pty Ltd
Level 17, 383 Kent Street
Sydney NSW 2000

Bankers

Westpac Banking Corporation
274 Darling Street
Balmain NSW 2041

Share Registry

Computershare Investor Services Pty Limited
Yarra Falls
452 Johnston Street
Melbourne Vic 3067

Stock Exchange Listing

The Company is listed on the Australian Securities Exchange Limited
ASX Code: BLT