



BENITEC LIMITED

ABN 64 068 943 662

RESULTS FOR ANNOUNCEMENT TO THE MARKET

FOR THE YEAR ENDED

30 JUNE 2011

1. Details of Reporting Period

The financial information contained in this report is for the year ended 30 June 2011. Comparative amounts (unless otherwise indicated) relate to the year ended 30 June 2010.

2. Results for Announcement to the Market

| | 30 June 2011 \$000's | 30 June 2010 \$000's | Percentage increase/ (decrease) |
|---|---------------------------------|---------------------------------|---------------------------------------|
| Revenue from continuing operations | 346 | 182 | 90% |
| Net loss from ordinary activities after tax attributable to members | (3,535) | (4,641) | 24% |
| Net loss for the period attributable to members | (3,535) | (4,641) | 24% |
| | 30 June 2011 Cents per share | 30 June 2010 Cents per share | Percentage increase/ (decrease) |
| Earnings per share | (0.68) | (1.21) | 44% |

No dividends were paid during the financial year and none are proposed to be paid.

Discussion and Analysis of Results

Benitec's net loss for the year ended 30 June 2011 was \$3,534,874 compared to a net loss of \$4,640,671 for the previous financial year.

Operating revenue for the 12 months to 30 June 2011 was \$342,545, up from \$181,417 in the previous financial year due to an unexpected dividend received from Tacere Therapeutics, Inc., a US corporation in which the Company has a small interest. Other income during the year was \$3,000, compared to \$616 in the previous financial year.

Operating expenses for the financial year, excluding the LJCI settlement charge of \$660,957 in the current year and the CSIRO settlement of \$2,004,951 in the previous year, were \$3,219,461 up from \$2,817,853 in the previous year. Travel related costs increased due to attendance at the USPTO re-examination hearing in the US in August 2010 as well a trip through the US, UK and Europe to visit current shareholders and potential investors as well as present at the BioEquity Europe 2011 conference. Consultants costs increased following the favourable decision at the USPTO in order to ensure the widest reach of the Company's plans for the future. Employment related costs rose due to the addition of staff for business development and administration

Financial Position

Benitec's current assets balance at 30 June 2011 was \$6,838,897 (2010: \$1,029,541), with current liabilities of \$1,197,474 (2010: \$967,355). Net tangible assets were 0.56 cents per share (2010: (0.17) cents). This significantly improved position reflects the completion of the renounceable rights issue in May 2011.

Cash Flows

The cash flows of the Company consist of: licensing of the Company's technology, payments to employees and suppliers in order to conduct product development and co-investment and /or licensing collaborations to exploit the Gene Silencing intellectual property portfolio; and the maintenance of the small corporate structure, which manages existing activities as well as seeking out and investigating new opportunities.

15. This report is based on accounts to which one of the following applies:

- The accounts have been audited
- The accounts are in the process of being audited
- The accounts have been subject to review
- The accounts have *not* yet been audited or reviewed.

16. If the accounts have not yet been audited or subject to review and are likely to be subject to dispute or qualification, details are described below.

Not applicable.

17. If the accounts have been audited or subject to review and are subject to dispute or qualification, details are described below.

Not applicable.

Contact: Dr Peter French
Chief Executive Officer
Mobile: +61 (0)402 457 595
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BENITEC LIMITED

ABN 64 068 943 662

ANNUAL REPORT

FOR THE YEAR ENDED

30 JUNE 2011

General Information

Benitec 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 2
215 Spring Street
Melbourne Vic 3000

Bankers

Westpac Banking Corporation
Business Banking
759 Burke Road
Camberwell Vic 3124

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 Stock Exchange Limited
ASX Code: BLT

BENITEC LIMITED – 2011 ANNUAL REPORT

DIRECTORS' REPORT

Your Directors submit their report on Benitec Limited (“the Company”) for the financial year ended 30 June 2011.

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. Directors were in office for this entire period unless otherwise stated.

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.

Mr Mel Bridges

BAPPSC, FAICD

Non-Executive Director
Appointed 12 October 2007

Mr 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 Impedimed Limited. He also co-founded the listed company Panbio Ltd. Mel has extensive experience as a public company director and is a Non-Executive Director of Campbell Brothers 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.

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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, he currently serves on the Boards of Calzada Ltd, Healthlinx Ltd and ScienceMedia, Inc.

Other Current Directorships of Listed Companies

Calzada Ltd, Healthlinx Ltd.

Former Directorships of Listed Companies in last three years

Arana Therapeutics Ltd, Progen Pharmaceuticals Ltd.

Mr Iain Ross

BSc, CH.D.

Non-Executive Director
Appointed 1 June 2010

Mr Iain Ross is an experienced business entrepreneur 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 with a wealth of experience in the life sciences sector and specifically in the field of RNAi and was Chairman of Silence Therapeutics plc from 2004-2010. He is currently Chairman of Pharminox Ltd and Biomer Technology Ltd and Executive Chairman of Ark Therapeutics Group plc.

Other Current Directorships of Listed Companies

Ark Therapeutics Group plc, Pharminox Ltd, Biomer Technology Ltd.

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 and over recent years has worked on ASX listing start-ups. He is a Director and audit committee Chairman of ITC Limited (a business arm of Wollongong University), IDP Education Pty Ltd, Education Australia Limited, and Sydney International Film School Pty Limited. He completed his studies with Price Waterhouse and worked in senior finance executive roles in investment banking with Bankers Trust, Bain & Company (now Deutsche Bank), NZI, and was CFO at the largest Australian credit union.

Mr West was formally appointed to the position of company secretary on 26 May 2011.

Departing Company Secretary

Mr John Rawling

Mr Rawling was appointed company secretary on 2 January 2007 and resigned on 24 August 2011.

BENITEC LIMITED – 2011 ANNUAL REPORT

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 Limited were:

| <u>Director</u> | <u>Number of Ordinary Shares</u> | <u>Number of Options over Ordinary Shares</u> |
|------------------|----------------------------------|---|
| Mr Peter Francis | 2,237,175 | 4,474,350 |
| Mr Mel Bridges | 860,000 | 2,998,333 |
| Dr John Chiplin | 1,190,846 | 264,063 |
| Mr Iain Ross | 750,000 | 187,500 |

CORPORATE INFORMATION

Corporate Structure

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

Principal Activities

Benitec 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's primary therapeutic program focuses on human immunodeficiency virus (HIV) and Hepatitis B. The companies other projects are in the area of other infectious diseases, delivery options and cancer. Benitec also licenses its technology outside of its core in-house programs in order to generate revenue to support its corporate and operational activities.

The principal activity of the Group during the year was the management, funding and commercialisation of these projects. This also included patent prosecution and maintenance of the fully owned Benitec patent portfolio and key licensed technology.

Employees

The Group employed 4 employees as at 30 June 2011 (2010: 3 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

Overview of Operations

The last twelve months will undoubtedly be seen as the Company’s watershed year. This period has seen a number of major “game-changing” events for Benitec, including:

- the re-issuing of the pivotal Graham gene silencing patent in the USA in March,
- the raising of \$8M in a fully underwritten and over-subscribed rights issue in May,
- commencement of innovative pre-clinical programs in cancer and infectious disease in China and Australia,
- the publication of the world’s first clinical trial utilising our technology,
- publications by scientists in Queensland, the US and China of research which demonstrates the potential of Benitec’s technology to provide therapies for cervix cancer, prostate cancer and pain
- a new and energised Board and,
- a rebranding of the Company to reflect the way that the events of the last 12 months has turned around the company.

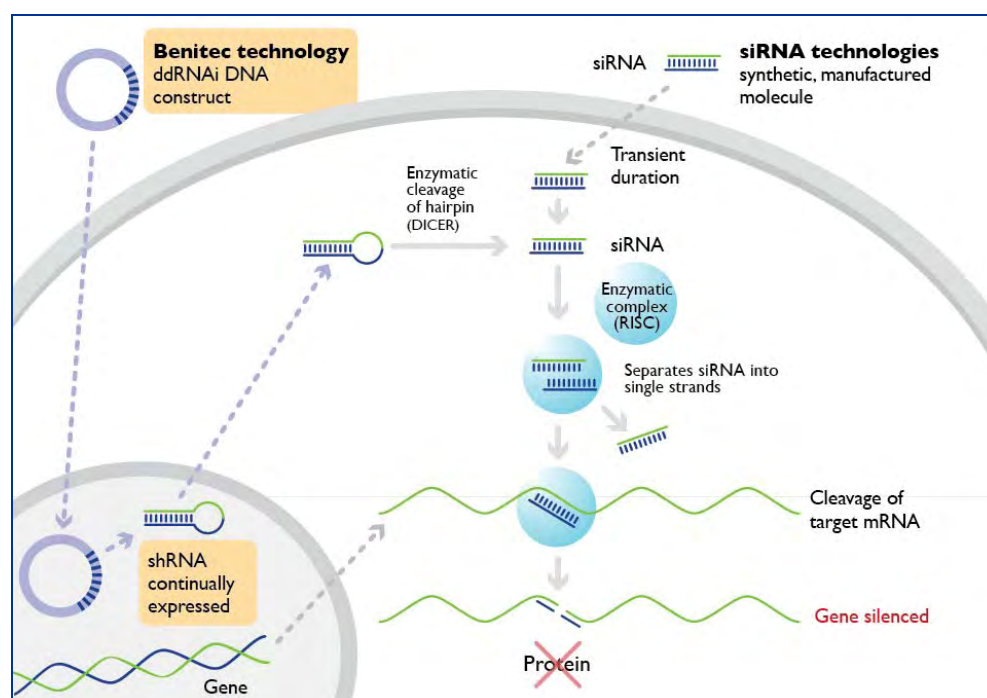
The renounceable rights issue in May 2011 saw support from most of our existing shareholders and several new shareholders have also joined Benitec. The following is a review of the Company’s extraordinary technology, its potential to prevent and even cure disease, and to make a difference to the lives of people around the world. This is the (new) Benitec story.

About Benitec

Benitec is an Australian-based biotechnology company developing breakthrough treatments for chronic and life-threatening conditions based on a transformational gene silencing technology, DNA-directed RNA interference (ddRNAi). The technology’s potential to address unmet medical needs and, potentially, to cure disease results from its demonstrated ability to permanently silence genes that cause the condition. Benitec holds the predominant patent position in the use of **ddRNAi** for human therapeutic applications. Our new tag line “silencing genes for life” encapsulates the two strengths of our technology – long term silencing of genes for human health.

The Transformational Technology

The discovery of RNAi was awarded the Nobel Prize in 2006. Benitec’s RNAi modality differs significantly from that of standard siRNA. Benitec’s technology delivers **DNA coding for specific sequences of double stranded RNA** into the cell, which, after processing by cellular enzymes, interferes with mRNA and silences the target gene. The effect of this is to ensure that a specific protein is not made, with the result that the course of the target disease can be profoundly altered. This innovative approach mimics the body’s own machinery for fighting disease.



BENITEC LIMITED – 2011 ANNUAL REPORT

Overview of Operations (continued)

The Market Potential for RNAi

By 2017, the world RNA Interference market will be worth \$4 billion, according to a new report from companiesandmarkets.com. The US and Europe represent the largest markets for RNAi, with Europe expected to grow rapidly, at a CAGR of 13.6% to 2017.

The report predicts that the longer term RNAi market will be driven by the R&D of RNAi therapeutic drugs for various diseases; the first of which will emerge during 2013. The report points out that development of RNAi-based therapeutics is still in its infancy, however many blockbuster drugs are expected to lose their patents in the next few years and it is likely that pharmaceutical companies will invest in RNAi therapies, to maximise chances of launching novel new drugs.

The companiesandmarkets.com report includes profiles of 136 key industry participants, including Benitec.

First Clinical Trial Using Benitec's ddRNAi Technology

Until late 2010, Benitec was involved in developing a ddRNAi-based HIV/AIDS therapeutic. This program was undertaken in collaboration with the City of Hope research hospital in California. This study, which is now complete, was a first-in-man pilot study on four AIDS-related lymphoma patients. The aim of the study was to determine the safety and feasibility of lentivirus-transduced stem cell immunotherapy in patients undergoing autologous transplantation. The data was published in *Science Translational Medicine* in June 2010.

The trial demonstrated that there was no overt toxicity associated with the process and persistent levels of shRNA expression were observed in two patients up to 24 months after the clinical procedure. Pleasingly, there was also evidence that differentiated cells from transfected progenitor cells carried the ddRNAi construct. These results support the development of an RNAi-based cell therapy platform for HIV, and support the safety of Benitec's ddRNAi technology in humans. Furthermore, they provide evidence for the potential for stem cell-based therapies to provide long-lasting or even permanent HIV viral control.

Benitec is exploring options to partner this program so that the potential of ddRNAi-modified hematopoietic stem cells to treat and ultimately cure HIV/AIDS can be realized.

Robust Intellectual Property

Benitec has seen several significant patents granted or allowed over the past 12 months in the US, Europe and other jurisdictions. This has greatly turned around Benitec's position to a point where we once again dominate the gene silencing landscape using ddRNAi. Benitec holds a non-revocable, exclusive worldwide license from CSIRO for the development and commercialization of all human therapeutic applications under the '099 Graham patent, recently successfully re-examined and reissued in the US and allowed in the EU, and granted broadly in other key jurisdictions including **Australia, Japan, South Africa, India, China, Canada and the UK**. This patent estate contains key claims covering methods for silencing genes by generating dsRNA inside a cell from a genetic construct. It has been recently extended by two further US patents being allowed – the '726 and '853 Graham patents, giving a very broad scope of ddRNAi coverage.

In addition to the CSIRO-licensed patent estate, Benitec has several other granted patents which we own in our own right to specific applications and improvements of the ddRNAi technology. Benitec has over 100 filed patents and has in-licensed several additional patents that extend the scope of its patent estate and enhance the utility and value of its RNAi platform.

Benitec thus holds a dominant international patent position for the use of ddRNAi in gene silencing for human therapeutic applications. Benitec leverages its strong intellectual property position to out-license and partner its technology along the entire drug development process.

¹ DL. DiGiusto, et al. RNA-Based Gene Therapy for HIV With Lentiviral Vector-Modified CD34⁺ Cells in Patients Undergoing Transplantation for AIDS-Related Lymphoma. *Sci Trans Med* 2(36): 36ra43, 2010.

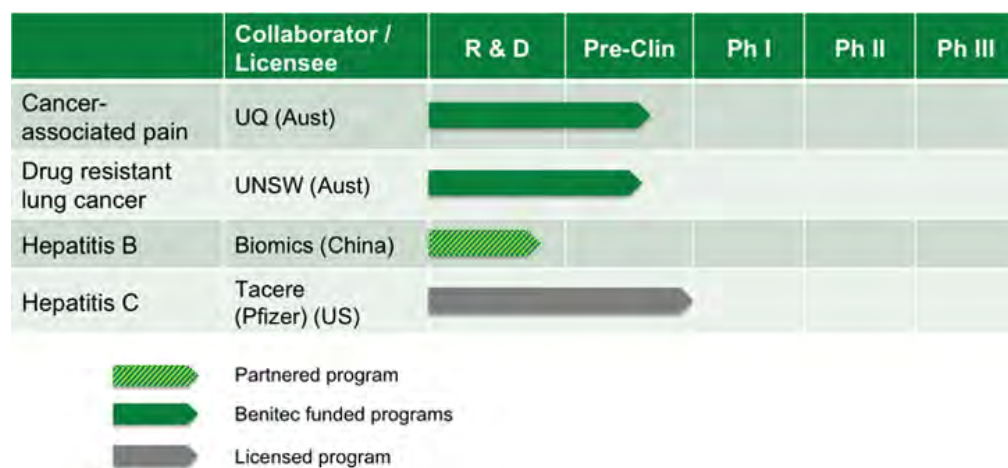
Overview of Operations (continued)

UK Revocation Application Progress

Late last year, Stirling IP on behalf of an unknown party, made an Application for Revocation on the UK Graham Patent GB 2,353,282. UK Patent Office dictates the process and it is rolling on. Benitec has briefed patent attorneys and they are providing required documents. At the time of writing, a timetable for evidence is expected soon, together with a hearing date, which is expected to be towards the end of this year. A final outcome from the hearing is not expected until 2012. Benitec arguments, which were successfully used to re-instate the Graham patent in the US, and other jurisdictions, are being used in the UK, in addition to other points, and the Company remains confident, as it was with the USPTO, that Benitec will be successful in defending the patent. The Company has an increasingly strong patent position in most major jurisdictions, as evidenced by the most recent USPTO allowance of the '726 Graham patent, and the allowance of the European Graham patent, and the UK action is proof that it *is* a strong position otherwise it wouldn't be challenged.

Broad Collaborative Pipeline of Human Therapy Projects

Benitec collaborates with organisations globally to utilise its patent estate to develop novel gene silencing therapeutics for chronic life threatening diseases and disorders, particularly in **cancer and infectious disease**. Benitec is happy to explore collaborations with research groups and biotechnology companies to further develop therapeutic products based on the power of ddRNAi.



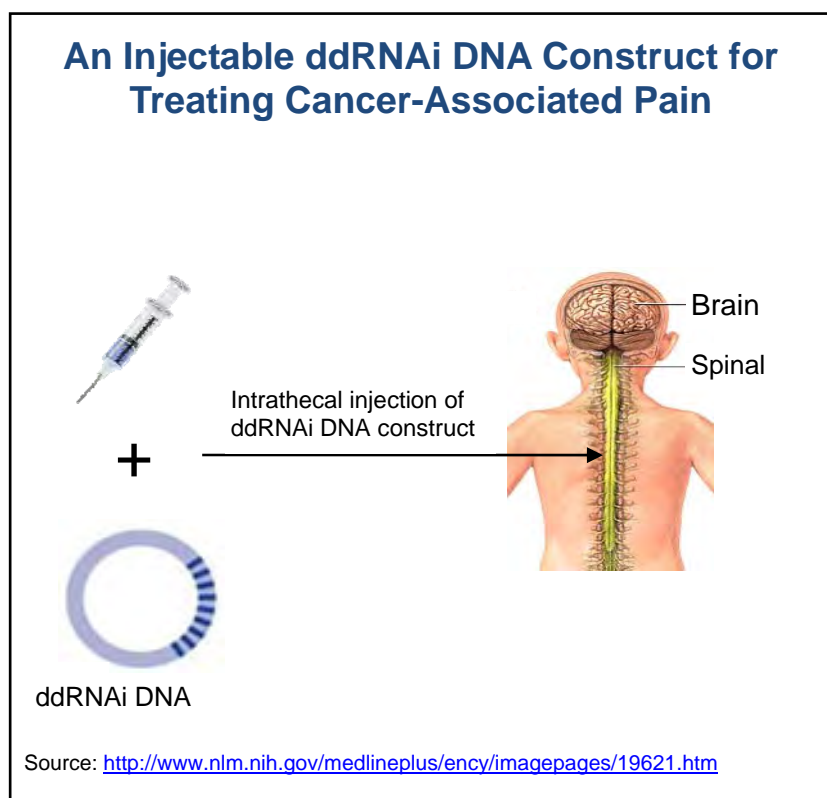
The following is a brief description of each program that is being worked on by our collaborators to prove the efficacy and safety of our ddRNAi gene silencing technology.

A Revolutionary Therapeutic for Cancer-Associated Pain

The Market: The global market for cancer-associated pain products is valued at \$2 billion and is expected to increase to \$2.9 billion by the year 2016. In research commissioned by Benitec, a European palliative care expert states that opioid efficacy is not sufficient, particularly for complex neuropathic pain which is very difficult to treat in cancer-associated pain patients.

Benitec's Approach: The concept is to use a ddRNAi construct to silence a gene expressing a key molecule in the spinal cord that is responsible for mediating pain to the central nervous system. Using a lentiviral vector, the construct will be delivered to the target cells, integrate and continuously express an shRNA that will specifically silence the target gene, thus reducing the expression of the pain mediator to such low levels that effective and long-lasting pain relief is achieved. Ideally, a single spinal cord injection is all that will be required to provide this long lasting pain relief. Two target molecules have been identified for this approach. In the case of one of them, PKC , the proof of concept of this approach has been demonstrated pre-clinically.

Overview of Operations (continued)



Benitec is now working with researchers at the University of Queensland to gather sufficient and appropriate data to be able to conduct a clinical trial on terminally ill cancer patients who are suffering from severe neuropathic pain that is difficult to manage.

The Company is also in discussions with a Clinical Research Organisation, a manufacturer of GMP grade material, and a licensing group, to facilitate the development, trialling and commercialisation of this program.

Knocking Down Lung Cancer

The Market: Lung cancer is the most common cause of cancer death in the western world. The dominant type of lung cancer is non-small cell lung cancer (NSCLC).

The Need: The prognosis for a patient diagnosed with NSCLC remains poor, with only ~15% of patients surviving more than 5 years from time of diagnosis. In addition, the benefit of the chemotherapeutic agents used to treat NSCLC is limited by the high incidence of dose limiting toxicity and emergence of treatment resistant cell lines. Thus there remains an unmet clinical need for treatments that can be used at lower doses or which can avoid the cancer cells' resistance mechanisms.

Benitec's Approach: In collaboration with the Children's Cancer Institute Australia at the University of New South Wales, Benitec is working to develop a ddRNAi-based therapy to overcome chemotherapy resistance in human NSCLC cells. The target gene for silencing is beta III tubulin, and Benitec and CCIA scientists have designed and tested a powerful ddRNAi molecule that significantly knocks down beta III tubulin in human lung cancer cells.

The Company is now working on testing the ddRNAi molecule in a preclinical model of human lung cancer, as part of the process required for human clinical trials. Benitec believes that this approach will have the potential to substantially increase the efficacy of current chemotherapy for lung cancer patients resulting in extension of life and/or decrease in toxicity-related adverse side effects of current chemotherapy. The Company will continue to develop this with the UNSW researchers, in particular Professor Maria Kavallaris.

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Overview of Operations (continued)

A Cure for Hepatitis B?

The Market: HBV is a serious and common infectious disease of the liver, affecting millions of people throughout the world. More than 2,000 million people alive today have been infected with HBV at some time in their lives and of these about 350 million remain chronically infected and become carriers of the virus. Every year about 25% of the over 4 million acute clinical cases (i.e. 1 million people worldwide) die from chronic active hepatitis, cirrhosis or HBV-induced liver cancer. As a consequence HBV ranks second only to tobacco as a known human carcinogen.

Benitec's Approach. Benitec is undertaking a program to develop a novel treatment for hepatitis B with Biomics Biotechnologies, a China based biotechnology company with considerable RNAi expertise. The two companies have identified over 100 effective RNAi candidates that can silence the hepatitis B virus and has selected the five most promising of them for further evaluation and development using ddRNAi constructs. These constructs will be tested in pre-clinical models of hepatitis B, and ultimately in a China-based clinical trial of hepatitis B virus-infected patients.

Chief Investigators' Group

As can be seen from the above, Benitec's R&D pipeline of human therapeutics are all conducted in collaboration with leading organisations internationally. In recognition of this, in February 2011, Benitec formed a Chief Investigators' Group (CIG), bringing together the Company's scientific founders with its collaborative partners. The CIG, which replaced Benitec's Scientific Advisory Board, reflects both the collaborative approach to its R&D and the clinical focus of its programs. The founding membership of the CIG includes international experts in the field of RNAi therapeutics.

The six strong group comprises: Dr Michael Graham (the discoverer of Benitec's RNAi technology); Dr Ken Reed (Benitec founder); 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). The group is chaired by Benitec's CEO Dr. Peter French. CIG membership is not a remunerated role.

The inaugural CIG meeting was held in Melbourne in March 2011, and was a full and very exciting briefing to the Board, who were inspired by the quality of the science and of the people who are collaborating with Benitec on our important clinical and pre-clinical pipeline.

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CAPITAL RAISINGS / CAPITAL STRUCTURE

During the year under review, the Company raised \$9,334,368, net of costs, to provide funding for the ongoing research and development projects and to support the evaluation of additional project and partnering opportunities.

Ordinary Shares

There were a number of share issues during the financial year. The details are:

- 404,588,257 ordinary shares issued in May and June 2011 at a price of \$0.02 per share as part of the renounceable rights issue;
- 98,306,033 ordinary shares issued during the year at prices ranging from \$0.017 to \$0.0231 per share as partial conversions of the Convertible Note held by La Jolla Cove Investors, Inc.;
- 8,019,405 ordinary shares issued to CSIRO as top-up shares in July 2010 and January 2011 pursuant to the settlement in January 2010; and
- 420,000 ordinary shares issued upon the exercise of ESOP options at an exercise price of \$0.0224.

Options

At the date of this Directors' Report, the Company has a total of 310,785,202 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 | 12,800,000 |
| NED Options | 7,666,666 |
| Directors' Options | 1,953,125 |
| Strategic Advisor Warrants | 6,126,962 |
| Unlisted Options | 34,244,444 |
| Other | 17,560 |
| Total | 310,785,202 |

Listed Options

201,302,538 Listed Options were issued as part of the renounceable rights issue in May 2011. These options have the right to acquire one ordinary share at \$0.04 with an expiry date of 31 December 2013.

56,081,915 Listed Options with an exercise price of \$0.15 expired on 3 April 2011.

Employees Share Option Plan (ESOP)

Employee Options are regulated by the Plan which has been previously announced. In summary, all options falling under the ESOP 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 otherwise in six months. The Board has the power to adjust, amend and cancel the ESOP. Non-Executive Directors are currently excluded from the ESOP.

| Grant Date | Expiry Date | Exercise Price | Number |
|------------------|------------------|----------------|-------------------|
| 14 December 2006 | 14 December 2011 | \$0.0407 | 1,000,000 |
| 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 |
| Total | | | 12,800,000 |

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CAPITAL RAISINGS / CAPITAL STRUCTURE (continued)

Options (continued)

The following ESOP options lapsed during the financial year:

| Expiry Date | Exercise Price | No. Lapsed |
|--------------------|-----------------------|-------------------|
| 4 September 2011 | \$0.0224 | 2,580,000 |
| 21 February 2013 | \$0.0781 | 3,000,000 |
| | | |
| Total | | 5,580,000 |

NED Options

A total of 7,666,666 NED Options are currently on issue, with 4,666,666 granted by shareholders to Non-Executive Directors at the Company's 2007 Annual General Meeting and a further 3,000,000 granted on 13 July 2010 following approval by shareholders in the General Meeting held on 30 June 2010.

Other Options

A total of 34,244,444 unlisted Options have been issued to Dr Chris Bremner as part of share placements in November 2008, February 2009 and February 2010.

The balance of Directors' Options and Other Options were issued during the period when Benitec conducted its operations in the US.

Summary of Shares, Options and Warrants on Issue – 30 June 2011

As a result of the issue of shares and options, the Company had 926,337,910 listed ordinary shares and 247,976,445 listed options on issue at reporting date. There are also 56,681,795 unlisted options and 6,126,962 warrants on issue, full details of which are included in note 15 to the financial statements.

Unissued Shares

As at the date of this report, there were 310,785,202 unissued ordinary shares (310,785,202 at the reporting date). Refer to note 16 of the financial statements for further details of the options outstanding.

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.

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 (2010: nil).

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 2011 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.

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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. As Benitec Limited is listed on the Australian Stock Exchange, it is subject to the continuous disclosure requirements of the ASX Listing Rules which require immediate disclosure to the market of information that is likely to have a material effect on the price or value of Benitec Limited's securities.

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 |
| <i>Current Directors</i> | | | | |
| Peter Francis | 6 | 6 | 2 | 2 |
| Mel Bridges | 6 | 6 | 2 | 2 |
| John Chiplin | 6 | 6 | - | - |
| Iain Ross | 6 | 6 | - | - |

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

BENITEC LIMITED – 2011 ANNUAL REPORT

REMUNERATION REPORT

This report details the nature and amount of remuneration for each director of the Company, and for the executives receiving the highest remuneration.

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 has been designed 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.

Any 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

As part of each executive's remuneration package there is a performance-based component. The intention of this program is to facilitate goal congruence between executives with that of the business and shareholders. Generally, the executive's performance based remuneration is tied to the Company's successful achievement of certain key milestones as relates 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. There have been two methods 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.

BENITEC LIMITED – 2011 ANNUAL REPORT

Details of Remuneration for Year Ended 30 June 2011

Table 1. Non-Executive Director Remuneration for the year ended 30 June 2011

| | | 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 | 2011 | 64,166 | - | - | - | - | 26,211 | 90,377 | 29.0% |
| | 2010 | 60,000 | - | - | - | - | 22,967 | 82,967 | 27.7% |
| Mel Bridges | 2011 | 55,000 | - | - | - | - | 20,673 | 75,673 | 27.3% |
| | 2010 | 55,000 | - | - | - | - | 15,311 | 70,311 | 21.8% |
| John Chiplin | 2011 | 50,000 | - | - | - | - | - | 50,000 | - |
| | 2010 | 20,833 | - | - | - | - | - | 20,833 | - |
| Iain Ross | 2011 | 50,000 | - | - | - | - | - | 50,000 | - |
| | 2010 | 4,167 | - | - | - | - | - | 4,167 | - |

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

Table 2. Remuneration of the Executive Director and other key management personnel who receive the highest remuneration for the year ended 30 June 2011

| | | Short Term | | | Post Employment | | Equity | Total | % of remuneration consisting of options |
|------------------|------|---------------|------------|-----------------------|-----------------|----------------------|---------|---------|---|
| | | Salary & Fees | Cash Bonus | Non Monetary Benefits | Super-annuation | Termination Benefits | Options | | |
| | | \$ | \$ | \$ | \$ | \$ | \$ | \$ | |
| Sue MacLeman (1) | 2011 | - | - | - | - | - | - | - | - |
| | 2010 | 260,684 | 94,500 | - | 14,461 | - | 18,400 | 388,045 | 4.7% |
| John Rawling (2) | 2011 | 210,813 | - | - | 15,199 | - | 10,486 | 236,498 | 4.4% |
| | 2010 | 122,916 | 5,000 | - | 11,512 | - | 1,840 | 141,268 | 1.3% |
| Peter French (3) | 2011 | 249,801 | 35,000 | - | 15,199 | - | 54,125 | 354,125 | 15.3% |
| | 2010 | 86,009 | - | - | 27,822 | - | - | 113,831 | - |

(1) Ms MacLeman was appointed Chief Executive Officer on 4 September 2006, became a Director on 1 July 2007, resigned as Chief Executive Officer and Director on 31 March 2010.

(2) Mr Rawling was appointed Company Secretary on 2 January 2007 and Chief Financial Officer on 13 April 2007.

(3) Dr French was appointed Chief Scientific Officer on 4 August 2009 and Chief Executive Officer on 4 June 2010.

Options Issued as Part of Remuneration for the Year Ended 30 June 2011

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 between executives, directors, and shareholders. During the year ended 30 June 2011, 11,500,000 options (2010: nil) were granted to Dr Peter French and Mr John Rawling under the terms of their employment agreements. Options were issued to directors as part of their remuneration following approval at a meeting of shareholders on 30 June 2010.

Payments to Related Parties of Directors

Legal services at normal commercial rates totalling \$133,068 (2010: \$88,214) 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 \$15,000 (2010: \$30,000) were provided by Parma Corporation Pty Ltd, a company in which Mr Mel Bridges is a director and has a beneficial interest.

Consultancy fees for executive duties totalling \$62,250 (2010: \$21,375) 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 \$40,000 (2010: \$nil) were provided by Gladstone Consultancy Partnership, an entity in which Mr Iain Ross is a partner and has a beneficial interest.

BENITEC LIMITED – 2011 ANNUAL REPORT

Employment Contracts

The employment conditions of Dr Peter French, the Chief Executive Officer, are formalised in a contract of employment. The current employment contract commenced on 4 June 2010 upon his appointment as Chief Executive Officer. Dr French's appointment with the Company may be terminated with the Company giving 6 months notice or by Dr French giving 2 months notice. The Company may elect to pay Dr French an equal amount to that proportion of his salary equivalent to 6 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 Mr Greg West, the part time Business Development Officer and Company Secretary, are formalised in a contract of employment. The current employment contract with Mr West commenced on 1 March 2011. Mr West's appointment with the Company may be terminated with the Company giving 2 month's notice or by Mr West giving 2 month's notice. The Company may elect to pay Mr West an equal amount to that proportion of his salary equivalent to 2 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 Mr West's 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 Secretaries, 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 Limited adhere to strict principles of corporate governance. The Company's corporate governance statement is included on page 18 of this annual report.

AUDITOR INDEPENDENCE

The Directors received the declaration included on page 17 of this annual report from the auditor of Benitec 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 2011 relate to taxation advice in respect of the Employee Share Option Plan for which fees of \$7,975 were paid.

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



Peter Francis
Chairman
Melbourne, Victoria
24 August 2011

Grant Thornton Audit Pty Ltd
ACN 130 913 594

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Auditor's Independence Declaration
To the Directors of Benitec Limited

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of Benitec Limited for the year ended 30 June 2011, 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



Michael Cunningham
Director – Audit & Assurance

Melbourne, 24 August 2011

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 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.

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 2012.

CORPORATE GOVERNANCE STATEMENT (continued)

PRINCIPLE 3 Promote ethical and responsible decision-making

The Board and management ensure that the business processes of Benitec 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 respectively necessary and reasonable.

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.

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.

CORPORATE GOVERNANCE STATEMENT (continued)

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.

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.

CORPORATE GOVERNANCE STATEMENT (continued)

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.

BENITEC LIMITED – 2011 ANNUAL REPORT

Statement of Comprehensive Income For the Year Ended 30 June 2011

| | | 2011 | 2010 |
|--|---|--------------------|--------------------|
| | | \$ | \$ |
| Continuing Operations | | | |
| Revenue | 2 | 342,545 | 181,417 |
| Other income | 2 | 3,000 | 616 |
| | | 345,545 | 182,033 |
| Royalties & licence fees | | (28,033) | (50,511) |
| Research and development | 3 | (1,280,313) | (1,211,394) |
| Employment related | 3 | (1,067,508) | (919,275) |
| Travel related costs | | (187,107) | (106,867) |
| Consultants costs | | (226,875) | (67,257) |
| Occupancy costs | 3 | (50,893) | (35,813) |
| Corporate expenses | | (438,433) | (354,764) |
| Finance costs | 3 | (29,124) | (56,381) |
| Foreign exchange translation | | 88,824 | (15,591) |
| Settlements | 3 | (660,957) | (2,004,851) |
| | | (3,880,419) | (4,822,704) |
| Loss before income tax | | (3,534,874) | (4,640,671) |
| Income tax expense/(benefit) | 4 | - | - |
| Loss for the year attributable to members of the parent entity | | (3,534,874) | (4,640,671) |
| Other Comprehensive Income | | | |
| Other Comprehensive Income for the year, net of tax | | - | - |
| Total Comprehensive Income for the year | | (3,534,874) | (4,640,671) |
| Total Comprehensive Income attributable to members of the parent entity | | (3,534,874) | (4,640,671) |
| <i>Earnings per share (cents per share)</i> | | | |
| Basic and diluted for loss for the year attributable to ordinary equity holders of the parent entity | 6 | (0.68) | (1.21) |

The accompanying notes form part of these financial statements

BENITEC LIMITED – 2011 ANNUAL REPORT

Statement of Financial Position As at 30 June 2011

| | | 2011 | 2010 |
|--------------------------------------|----|------------------|------------------|
| | | \$ | \$ |
| CURRENT ASSETS | | | |
| Cash and cash equivalents | 8 | 6,654,097 | 651,007 |
| Trade and other receivables | 9 | 147,832 | 350,470 |
| Other current assets | 10 | 36,968 | 28,064 |
| TOTAL CURRENT ASSETS | | 6,838,897 | 1,029,541 |
| NON-CURRENT ASSETS | | | |
| Property, plant and equipment | 12 | 26,461 | 7,621 |
| TOTAL NON-CURRENT ASSETS | | 26,461 | 7,621 |
| TOTAL ASSETS | | 6,865,358 | 1,037,162 |
| CURRENT LIABILITIES | | | |
| Trade and other payables | 13 | 1,141,559 | 817,729 |
| Provisions | 15 | 55,915 | 149,626 |
| TOTAL CURRENT LIABILITIES | | 1,197,474 | 967,355 |
| NON-CURRENT LIABILITIES | | | |
| Trade and other payables | 13 | 171,048 | 231,826 |
| Borrowings | 14 | 292,488 | 459,655 |
| Provisions | 15 | - | 75,000 |
| TOTAL NON-CURRENT LIABILITIES | | 463,536 | 766,481 |
| TOTAL LIABILITIES | | 1,661,010 | 1,733,836 |
| NET ASSETS/(LIABILITIES) | | 5,204,348 | (696,674) |
| EQUITY | | | |
| Contributed equity | 16 | 86,821,961 | 77,487,593 |
| Reserves | 17 | 2,810,599 | 2,709,071 |
| Accumulated losses | | (84,428,212) | (80,893,338) |
| TOTAL EQUITY | | 5,204,348 | (696,674) |

The accompanying notes form part of these financial statements

BENITEC LIMITED – 2011 ANNUAL REPORT

Statement of Cash Flows
For the Year Ended 30 June 2011

| | Note | 2011 \$ | 2010 \$ |
|--|----------|--------------------------------|------------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Receipts from customers (inclusive of GST) | | 159,702 | 170,581 |
| Payments to suppliers and employees (inclusive of GST) | | <u>(3,498,800)</u> | <u>(2,527,243)</u> |
| Net cash used in operating activities | 8 | <u>(3,339,098)</u> | <u>(2,356,662)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Interest received | | 48,171 | 30,249 |
| Dividends received | | 137,671 | - |
| Purchase of property, plant and equipment | | <u>(27,893)</u> | <u>(2,525)</u> |
| Net cash provided by investing activities | | <u>157,949</u> | <u>27,724</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Net proceeds from issue of shares | | 7,431,881 | 562,476 |
| Proceeds from borrowings | | 1,791,681 | 560,656 |
| Interest paid | | <u>(24,098)</u> | <u>(5,438)</u> |
| Net cash provided by/(used in) financing activities | | <u>9,199,464</u> | <u>1,117,694</u> |
| Net increase/(decrease) in cash held | | 6,018,315 | (1,211,244) |
| Exchange differences on cash and cash equivalents | | (15,225) | (4,354) |
| Cash and cash equivalents, beginning of year | | <u>651,007</u> | <u>1,866,605</u> |
| Cash and cash equivalents, end of year | 8 | <u><u>6,654,097</u></u> | <u><u>651,007</u></u> |

The accompanying notes form part of these financial statements

BENITEC LIMITED – 2011 ANNUAL REPORT

**Statement of Changes in Equity
For the Year Ended 30 June 2011**

| | Contributed Equity | Convertible Note Equity Reserve | Share-based Payments Reserve | Accumulated Losses | Total |
|--|-----------------------|---------------------------------------|------------------------------------|-----------------------|------------------|
| | \$ | | \$ | \$ | \$ |
| Balance at 1 July 2009 | 74,836,046 | - | 2,565,405 | (76,252,667) | 1,148,784 |
| Loss for the year | - | - | - | (4,640,671) | (4,640,671) |
| Other comprehensive income for year | - | - | - | - | - |
| Total comprehensive income for year | - | - | - | (4,640,671) | (4,640,671) |
| Equity component of convertible note | - | 77,156 | - | - | 77,156 |
| Transfer to Contributed Equity upon partial conversion of convertible note | 7,319 | (7,319) | - | - | - |
| Fair value of options vested during period | - | - | 73,829 | - | 73,829 |
| Share issues, net of transaction costs | 2,644,228 | - | - | - | 2,644,228 |
| Transactions with owners | 2,651,547 | 69,837 | 73,829 | - | 2,795,213 |
| Balance 30 June 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) | - | - | - |
| Fair value of options vested during period | - | - | 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 |

The accompanying notes form part of these financial statements

BENITEC LIMITED – 2011 ANNUAL REPORT

Notes to the Financial Statements for the Year Ended 30 June 2011

1. Summary of Significant Accounting Policies
2. Revenue from Continuing Operations
3. Loss for the Year
4. Income Tax Expense/(Benefit)
5. Auditor's Remuneration
6. Earnings per Share
7. Key Management Personnel Disclosures
8. Cash and Cash Equivalents
9. Trade and Other Receivables
10. Other Assets
11. Controlled Entities
12. Property, Plant and Equipment
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14. Borrowings
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19. Financial Risk Management Objectives and Policies
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Notes to the Financial Statements for the Year Ended 30 June 2011

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Preparation

The financial report covers Benitec Limited and its controlled entities as a consolidated entity (“Group”). Benitec 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).

The consolidated financial statements for the year ended 30 June 2011 (including comparatives) were approved and authorised for issue by the board of directors on 24 August 2011.

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 Limited whereby Benitec 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 2010, and have not been applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the consolidated entity.

(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).

Notes to the Financial Statements for the Year Ended 30 June 2011

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(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 Limited and its wholly-owned Australian subsidiary has formed an income tax consolidated group under the Tax Consolidation Regime. Benitec 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.

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.

Notes to the Financial Statements for the Year Ended 30 June 2011

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(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.

Notes to the Financial Statements for the Year Ended 30 June 2011

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(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.

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 each class of depreciable assets are:

| <i>Class of Fixed Asset</i> | <i>Depreciation Rate</i> |
|-----------------------------|--------------------------|
| Plant and equipment | 20-40 % |

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 revalued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

Notes to the Financial Statements for the Year Ended 30 June 2011

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(k) Leases

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership that are transferred to entities in the consolidated entity are classified as finance leases.

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.

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.

Notes to the Financial Statements for the Year Ended 30 June 2011

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(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 result 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.

Notes to the Financial Statements for the Year Ended 30 June 2011

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(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 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').

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.

Notes to the Financial Statements for the Year Ended 30 June 2011

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(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.

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.

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Notes to the Financial Statements for the Year Ended 30 June 2011

| | 2011 | 2010 |
|---|-----------------------|-----------------------|
| | \$ | \$ |
| NOTE 2: REVENUE FROM CONTINUING OPERATIONS | | |
| Revenue | | |
| - Licensing revenue and royalties | 156,702 | 151,168 |
| - Finance income - dividends received | 137,671 | - |
| - Finance income - interest received | 48,172 | 30,249 |
| | <u>342,545</u> | <u>181,417</u> |
| Other income | | |
| - Government grants | 3,000 | - |
| - Sundry income | - | 616 |
| | <u>3,000</u> | <u>616</u> |
| TOTAL REVENUE AND OTHER INCOME | <u>345,545</u> | <u>182,033</u> |

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 | 26,826 | 7,693 |
| Doubtful debts | - | 47,837 |
| Other | 2,298 | 851 |
| Finance costs | <u>29,124</u> | <u>56,381</u> |

Depreciation

Included in Occupancy expenses

| | | |
|-------------------------------------|-------|-------|
| Depreciation of plant and equipment | 9,053 | 3,686 |
|-------------------------------------|-------|-------|

Employee benefits expense

Included in Employment related expenses

| | | |
|------------------------------|---------|---------|
| Wages and salaries | 573,823 | 569,109 |
| Superannuation costs | 43,977 | 54,008 |
| Share-based payments expense | 122,568 | 73,829 |

| | | |
|----------------------------|---|-----------|
| CSIRO IP Settlement | - | 2,004,851 |
|----------------------------|---|-----------|

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 | 660,957 | - |
|------------------------|---------|---|

During the year, the Company negotiated the end of the convertible note facility provided by La Jolla Cove Investors Inc. ("LJCI"). This facility commenced in April 2010 and by 30 June 2011 an amount of USD\$2,250,000 had been drawn down.

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Notes to the Financial Statements for the Year Ended 30 June 2011

| | 2011 | 2010 |
|--|------|------|
| | \$ | \$ |

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:

| | | |
|---------------------------|-----------|-----------|
| Project expenses | 386,896 | 471,995 |
| IP litigation expenses | (15,703) | 58,219 |
| Other IP related expenses | 909,120 | 681,180 |
| | 1,280,313 | 1,211,394 |

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% (2010: 30%) | (1,060,462) | (1,392,201) |
| <i>Add Tax effect of:</i> | | |
| Non-deductible share-based payment expense | 36,770 | 22,149 |
| Non-deductible legal fees | 15,674 | 18,839 |
| Non-deductible CSIRO IP settlement | - | 601,455 |
| Non-deductible LJCI settlement | 198,287 | - |
| Capital items deductible | (159,136) | (240,142) |
| Other non deductible items | 39,283 | 82,755 |
| Deductible items not included in operating result | (81,790) | (178,146) |
| Deferred tax asset not brought to account | 1,011,374 | 1,085,291 |
| 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) Deferred Tax Asset not brought to account

As at 30 June 2011, the Tax Consolidated Group has a net deferred tax asset of \$9,902,859 (2010: \$8,855,092) arising from significant available Australian tax losses (calculated at 30%), which has not been recognised in the financial statements.

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 (2010: \$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 2011 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.

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Notes to the Financial Statements for the Year Ended 30 June 2011

| | 2011 | 2010 |
|---|--------|--------|
| | \$ | \$ |
| NOTE 5: AUDITOR'S REMUNERATION | | |
| Audit Services | | |
| Remuneration of Grant Thornton Audit Pty Ltd for: | | |
| -auditing or reviewing the financial report | 46,000 | - |
| Remuneration of prior auditors for: | | |
| -auditing or reviewing the financial report | - | 46,000 |
| Other Services | | |
| Remuneration of Grant Thornton Australia Pty Ltd for: | | |
| - taxation compliance | 7,975 | - |

NOTE 6: EARNINGS PER SHARE

Basic earnings per share amounts are calculated by dividing net loss for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding 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 outstanding 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 into ordinary shares.

The following reflects the income and share data used in the total operations basic and diluted earnings per share computations:

| | Consolidated | |
|--|---------------------|-------------|
| | 2011 | 2010 |
| | \$ | \$ |
| Loss after income tax used in the calculation of basic EPS and dilutive EPS | (3,534,873) | (4,640,671) |
| | No. | No. |
| Weighted average number of ordinary shares for basic and diluted earnings per share | 519,094,683 | 383,203,917 |
| 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 year ended 30 June 2011 and the comparative period.

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.

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Notes to the Financial Statements for the Year Ended 30 June 2011

NOTE 7: KEY MANAGEMENT PERSONNEL

(a) Details of Key Management Personnel

(i) Specified 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) Specified Executives

| | | |
|-----------------|--|---|
| Dr Peter French | Chief Scientific Officer/ Chief Executive Officer | Appointed CSO on 4 August 2009, appointed CEO on 4 June 2010 |
| Ms Sue MacLeman | Chief Executive Officer | Appointed on 4 September 2006 resigned on 31 March 2010 |
| Mr John Rawling | Company Secretary/CFO | Appointed on 2 January 2007 |

(b) Specified Directors' Remuneration

| 2011 | Short Term | | | Post Employment | Equity | Other | Total |
|---------------------|----------------------------|------------|-------------------|-----------------|---------|-------|---------|
| | Salary, Fees & Commissions | Cash Bonus | Non-Cash Benefits | Super-annuation | Options | | |
| Specified Directors | | | | | | | |
| Peter Francis | 64,166 | - | - | - | 26,211 | - | 90,377 |
| Mel Bridges | 55,000 | - | - | - | 20,673 | - | 75,673 |
| John Chiplin | 50,000 | - | - | - | - | - | 50,000 |
| Iain Ross | 50,000 | - | - | - | - | - | 50,000 |
| | 219,166 | - | - | - | 46,884 | - | 266,050 |

| 2010 | Short Term | | | Post Employment | Equity | Other | Total |
|---------------------|----------------------------|------------|-------------------|-----------------|---------|-------|---------|
| | Salary, Fees & Commissions | Cash Bonus | Non-Cash Benefits | Super-annuation | Options | | |
| Specified Directors | | | | | | | |
| Peter Francis | 60,000 | - | - | - | 22,967 | - | 82,967 |
| Mel Bridges | 55,000 | - | - | - | 15,311 | - | 70,311 |
| John Chiplin | 20,833 | - | - | - | - | - | 20,833 |
| Iain Ross | 4,167 | - | - | - | - | - | 4,167 |
| | 140,000 | - | - | - | 38,278 | - | 178,278 |

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Notes to the Financial Statements for the Year Ended 30 June 2011

NOTE 7: KEY MANAGEMENT PERSONNEL (continued)

(c) Specified Executives' Remuneration

| 2011 | Short Term | | | Post Employment | | Equity | Total |
|----------------------|----------------------------|------------|-------------------|------------------------|----------------------|---------------|--------------|
| Specified Executives | Salary, Fees & Commissions | Cash Bonus | Non-Cash Benefits | Super-annuation | Termination Benefits | Options | |
| Peter French | 249,801 | 35,000 | - | 15,199 | - | 54,125 | 354,125 |
| Sue MacLeman | - | - | - | - | - | - | |
| John Rawling | 210,813 | - | - | 15,199 | - | 10,486 | 236,508 |
| | 460,614 | 35,000 | - | 30,398 | - | 64,611 | 590,623 |

| 2010 | Short Term | | | Post Employment | | Equity | Total |
|----------------------|----------------------------|------------|-------------------|------------------------|----------------------|---------------|--------------|
| Specified Executives | Salary, Fees & Commissions | Cash Bonus | Non-Cash Benefits | Super-annuation | Termination Benefits | Options | |
| Peter French | 86,009 | - | - | 27,822 | - | - | 113,831 |
| Sue MacLeman | 260,684 | 94,500 | - | 14,461 | - | 18,400 | 388,045 |
| John Rawling | 122,916 | 5,000 | - | 11,512 | - | 1,840 | 141,268 |
| | 469,609 | 99,500 | - | 53,795 | - | 20,240 | 643,144 |

(d) Options Granted As Remuneration

In respect of the key management personnel, there were no options granted as remuneration.

(e) Shares Issued on Exercise of Remuneration Options

In respect of the key management personnel, there were no shares issued on exercise of remuneration options.

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Notes to the Financial Statements for the Year Ended 30 June 2011

NOTE 7: KEY MANAGEMENT PERSONNEL (continued)

(f) Options and Rights Holdings

Number of Options held by Key Management Personnel

| | Balance 01-Jul-10 | Granted as Remun- eration | Options Acquired | Options Exercised/ Lapsed/Other | Balance at 30-Jun-11 | Total Vested at 30-Jun-11 | Total Exercisable at 30-Jun-11 |
|-----------------------------|----------------------|---------------------------------|---------------------|---------------------------------------|-------------------------|------------------------------|--------------------------------------|
| Specified Directors | | | | | | | |
| Peter Francis | 2,474,350 | 1,500,000 | 500,000 | - | 4,474,350 | 3,807,684 | 3,807,684 |
| Mel Bridges | 1,333,333 | 1,500,000 | 165,000 | - | 2,998,333 | 1,053,888 | 1,053,888 |
| Sub-total | 3,807,683 | 3,000,000 | 665,000 | - | 7,472,683 | 4,861,572 | 4,861,572 |
| Specified Executives | | | | | | | |
| Peter French | - | 10,000,000 | - | - | 10,000,000 | 7,500,000 | 7,500,000 |
| Sue MacLeman | 6,000,000 | - | - | (6,000,000) | - | - | - |
| John Rawling | 1,300,000 | 1,500,000 | - | - | 2,800,000 | 2,150,000 | 2,150,000 |
| Sub-total | 7,300,000 | 11,500,000 | - | (6,000,000) | 12,800,000 | 9,650,000 | 9,650,000 |
| Total | 11,107,683 | 14,500,000 | 665,000 | (6,000,000) | 20,272,683 | 14,511,572 | 14,511,572 |

(g) Shareholdings

Number of Shares held by Key Management Personnel

| | Balance 01-Jul-10 | Received as Remuneration | Upon Options Exercised | Net Change Other * | Balance 30-Jun-11 |
|-----------------------------|----------------------|-----------------------------|------------------------------|-----------------------|----------------------|
| Specified Directors | | | | | |
| Peter Francis | 237,175 | - | - | 2,000,000 | 2,237,175 |
| Mel Bridges | 200,000 | - | - | 660,000 | 860,000 |
| John Chiplin | 134,596 | - | - | 1,056,250 | 1,190,846 |
| Iain Ross | - | - | - | 750,000 | 750,000 |
| Sub-total | 571,771 | - | - | 4,466,250 | 5,038,021 |
| Specified Executives | | | | | |
| Peter French | - | - | - | - | - |
| Sue MacLeman | - | - | - | - | - |
| John Rawling | - | - | - | - | - |
| Sub-total | - | - | - | - | - |
| Total | 571,771 | - | - | 4,466,250 | 5,038,021 |

* Net Change Other refers to total shares purchased or sold during the financial year. All of these shares were purchased by participation in the renounceable rights issue in May 2011.

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Notes to the Financial Statements for the Year Ended 30 June 2011

| | 2011 | 2010 |
|--|------------------|----------------|
| | \$ | \$ |
| NOTE 8: CASH AND CASH EQUIVALENTS | | |
| Cash at bank | 68,406 | 172,662 |
| Deposits at call | 6,585,691 | 478,345 |
| | <u>6,654,097</u> | <u>651,007</u> |

Reconciliation of Cash Flow from Operations with Loss after Income Tax

| | | |
|--|--------------------|--------------------|
| Loss after Income Tax | (3,534,874) | (4,640,671) |
| Non-cash flows included in operating loss: | | |
| Interest received | (48,171) | (30,249) |
| Dividends received | (137,671) | - |
| Depreciation | 9,053 | 3,686 |
| Interest paid | 26,826 | 5,438 |
| Share-based payments | 122,568 | 73,829 |
| CSIRO settlement | - | 2,004,851 |
| Foreign currency translation unrealised | (88,824) | 22,018 |
| Provisions and non-cash adjustments | (168,710) | 167,159 |
| Changes in assets and liabilities: | | |
| (Increase)/decrease in trade and other receivables | 202,638 | (243,549) |
| (Increase)/decrease in other current assets | (8,904) | (12,424) |
| Increase/(decrease) in trade and other payables | 286,971 | 293,250 |
| Net cash flows from operations | <u>(3,339,098)</u> | <u>(2,356,662)</u> |

NOTE 9: TRADE AND OTHER RECEIVABLES

CURRENT

| | | |
|----------------|----------------|----------------|
| Sundry Debtors | <u>147,832</u> | <u>350,470</u> |
|----------------|----------------|----------------|

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Notes to the Financial Statements for the Year Ended 30 June 2011

| | |
|-------------|-------------|
| 2011 | 2010 |
| \$ | \$ |

NOTE 10: OTHER ASSETS

CURRENT

| | | |
|----------------------|---------------|---------------|
| Prepayments | 30,515 | 13,064 |
| Other current assets | 6,453 | 15,000 |
| | <u>36,968</u> | <u>28,064</u> |

NOTE 11: CONTROLLED ENTITIES

(a) Controlled entities:

| | Country of Incorporation | Percentage Owned | 2011 | 2010 |
|--|-----------------------------|---------------------|-------------|-------------|
| Parent Entity: | | | | |
| Benitec Limited | Australia | | | |
| Controlled entities of Benitec Limited: | | | | |
| Benitec Australia Limited | Australia | 100% | 100% | |
| Benitec 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.

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Notes to the Financial Statements for the Year Ended 30 June 2011

| | | |
|--|-------------|-------------|
| | 2011 | 2010 |
| | \$ | \$ |

NOTE 12: PROPERTY, PLANT AND EQUIPMENT

Plant and Equipment

| | | |
|-------------------------------------|---------------|--------------|
| At cost | 51,539 | 23,645 |
| Accumulated depreciation | (25,078) | (16,024) |
| Total Property, Plant and Equipment | <u>26,461</u> | <u>7,621</u> |

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.

| | Plant and Equipment | Total |
|-------------------------|------------------------|---------------|
| | \$ | \$ |
| Balance at 30 June 2009 | 8,782 | 8,782 |
| Additions | 2,525 | 2,525 |
| Depreciation expense | (3,686) | (3,686) |
| Balance at 30 June 2010 | 7,621 | 7,621 |
| Additions | 27,893 | 27,893 |
| Depreciation expense | (9,053) | (9,053) |
| Balance at 30 June 2011 | <u>26,461</u> | <u>26,461</u> |

NOTE 13: TRADE AND OTHER PAYABLES

| | | |
|--|-------------|-------------|
| | 2011 | 2010 |
| | \$ | \$ |

CURRENT

Unsecured liabilities

| | | |
|---------------------------------------|------------------|----------------|
| Trade creditors | 470,243 | 695,845 |
| Sundry creditors and accrued expenses | 671,316 | 121,884 |
| | <u>1,141,559</u> | <u>817,729</u> |

NON-CURRENT

Unsecured liabilities

| | | |
|---------------------------------------|----------------|----------------|
| Sundry creditors and accrued expenses | <u>171,048</u> | <u>231,826</u> |
|---------------------------------------|----------------|----------------|

BENITEC LIMITED – 2011 ANNUAL REPORT

Notes to the Financial Statements for the Year Ended 30 June 2011

| | 2011 | 2010 |
|--|------|------|
| | \$ | \$ |

NOTE 14: BORROWINGS

| | | |
|------------------|---------|---------|
| Convertible Note | 292,488 | 459,655 |
|------------------|---------|---------|

On 1 April 2010, the Company entered into a convertible note facility with La Jolla Cove Investors, Inc. (LJCI), a non related entity, to provide up to US\$6 million in funding over 2 years.

The key terms of the convertible note facility are as follows:

- The facility comprises up to four (4) US\$1.5 million convertible notes, each with a duration of 2 years from the first drawdown of the relevant convertible note.
- Funds are to be drawn down by Benitec on the basis of US\$250,000 per month.
- The notes bear interest payable to the holder at an interest rate of 4.75% (calculated on the outstanding principal amount).
- The notes must be repaid upon maturity unless converted to ordinary shares in accordance with the terms of the notes. The notes can be converted at the election of the holder (or upon default triggers) at the lesser of AU\$0.15 per share or a 20% discount to the value weighted average price calculated at conversion, subject to the issuer's election to repay the amount borrowed with a 20% premium.
- The level of funding potentially available is subject to ongoing compliance with applicable terms and conditions.

On 6 April 2011, a Settlement Agreement was executed between the Company and LJCI. The purpose of the settlement was to modify the financial arrangements of the convertible note facility following completion of the successful renounceable rights issue. Under this agreement, LJCI have a right to provide a further US\$200,000 in funding to the Company.

At 30 June 2011, the Company had drawn down US\$2,250,000 under this facility and had elected to convert US\$1,907,254 into fully paid ordinary shares of the Company in accordance with the formula detailed above. An amount of \$8,428 representing interest was capitalised at the time of the renounceable rights issue resulting in a balance of US\$351,174 being repayable at 30 June 2011. Under the terms of the facility, this amount is repayable in January 2013 should LJCI elect not to convert any further debt.

At 30 June 2011, the partial conversions by LJCI had resulted in the issue of 100,205,396 fully paid ordinary shares.

NOTE 15: PROVISIONS

CURRENT

| | | |
|---------------------------------|--------|---------|
| Provision for employee benefits | 55,915 | 74,626 |
| Provision for patent costs | - | 75,000 |
| | 55,915 | 149,626 |

NON-CURRENT

| | | |
|----------------------------|---|--------|
| Provision for patent costs | - | 75,000 |
| | - | 75,000 |

BENITEC LIMITED – 2011 ANNUAL REPORT

Notes to the Financial Statements for the Year Ended 30 June 2011

| | 2011 | 2010 |
|--|-------------|-------------|
| | \$ | \$ |
| NOTE 16: CONTRIBUTED EQUITY | | |
| 926,337,910 (2010: 415,004,245) fully paid ordinary shares | 86,821,961 | 77,487,593 |
| (a) Ordinary Shares | | |
| At the beginning of the reporting period | 77,487,593 | 74,836,046 |
| Shares issued during the year | 8,101,173 | 2,667,418 |
| Transaction costs relating to share issues | (656,805) | (23,190) |
| Convertible Note conversion | 1,890,000 | 7,319 |
| At reporting date | 86,821,961 | 77,487,593 |
| | No. | No. |
| At the beginning of reporting period | 415,004,215 | 352,500,230 |
| Shares issued during the year | 511,333,695 | 62,503,985 |
| At reporting date | 926,337,910 | 415,004,215 |

(b) Share options

At the end of the financial year, there were 310,785,202 unissued ordinary shares (2010: 157,064,579) over which options were outstanding:

| Details | No. of Options | Expiry Date | Exercise Price |
|-------------------------------------|--------------------|----------------|----------------|
| Listed Options BLTO | 46,673,907 | 08-Apr-14 | \$0.10 |
| Listed Options BLTOB | 201,302,538 | 31-Dec-13 | \$0.04 |
| Employee share options plan options | 1,000,000 | 14-Dec-11 | \$0.0407 |
| Employee share options plan options | 300,000 | 31-Dec-12 | \$0.0781 |
| Employee share options plan options | 5,000,000 | 10-Jun-13 | \$0.0289 |
| Employee share options plan options | 6,500,000 | 19-Aug-14 | \$0.0204 |
| Non-executive director options | 4,666,666 | 31-Dec-12 | \$0.0889 |
| Non-executive director options | 3,000,000 | 19-Aug-14 | \$0.0228 |
| Directors' options | 1,953,125 | 23-Oct-15 | \$0.17 |
| Strategic Adviser Warrants | 6,126,962 | 04-Aug-14 | \$0.90 |
| Unlisted options | 22,244,444 | 31-Dec-12 | \$0.10 |
| Unlisted options | 12,000,000 | 10-Apr-15 | \$0.10 |
| Other | 17,560 | 30-Sep-13 | \$0.03 |
| | <u>310,785,202</u> | | |

Since 30 June 2011, no options have been issued under the ESOP:

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Notes to the Financial Statements for the Year Ended 30 June 2011

| | 2011 | 2010 |
|--|-----------|-----------|
| | \$ | \$ |
| NOTE 17: RESERVES | | |
| Convertible Note Equity Reserve | | |
| At the beginning of the reporting period | 69,837 | - |
| Equity component of convertible note | 200,593 | 77,156 |
| Transfer to Contributed Equity upon partial conversion of convertible note | (221,633) | (7,319) |
| At reporting date | 48,797 | 69,837 |
| Share-based Payments Reserve | | |
| At the beginning of the reporting period | 2,639,234 | 2,565,405 |
| Fair value of options vested during year | 122,568 | 73,829 |
| At reporting date | 2,761,802 | 2,639,234 |
| | 2,810,599 | 2,709,071 |

Nature and purpose of Reserves

Convertible Note Equity Reserve

The Convertible Note Equity Reserve records the equity component of convertible notes upon draw down of 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 records items recognised as expenses on valuation and vesting of employee share options granted.

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 developed in the area of 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.

| | Segment Revenues from External Customers | | Segment Results | | Carrying Amount of Segment Assets | |
|------------------------------|--|---------|-----------------|-------------|--------------------------------------|-----------|
| | 2011 | 2010 | 2011 | 2010 | 2011 | 2010 |
| | \$ | \$ | \$ | \$ | \$ | \$ |
| Geographical location | | | | | | |
| Australia | 345,545 | 182,033 | (3,524,449) | (4,623,814) | 6,848,328 | 1,007,012 |
| United States of America | - | - | (2,803) | (14,698) | 17,030 | 30,150 |
| United Kingdom | - | - | (7,621) | (2,159) | - | - |
| | 345,545 | 182,033 | (3,534,873) | (4,640,671) | 6,865,358 | 1,037,162 |

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.

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Notes to the Financial Statements for the Year Ended 30 June 2011

NOTE 19: FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise receivables, payables, cash and short-term deposits which arise directly from its operations.

The Group manages its exposure to key financial risks, including interest rate and currency risk in accordance with the financial risk management policy. The objective of the policy is to support the delivery of the financial targets whilst protecting future financial security.

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:

| | 2011 | 2010 |
|---------------------------|------------------|----------------|
| | \$ | \$ |
| Financial Assets | | |
| Cash and cash equivalents | <u>6,654,097</u> | <u>651,007</u> |
| Financial Liabilities | <u>-</u> | <u>-</u> |
| Net Exposure | <u>6,654,097</u> | <u>651,007</u> |

The policy is to analyse its interest rate exposure when it has financial liabilities. Within this analysis consideration is given to alternative financing, hedging positions and the mix of fixed and variable interest rates.

The Group currently has short term deposits at variable interest rates. The average interest rate applying to cash in the year was 2.62% (2010: 2.50%).

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

At 30 June 2011, if interest rates had moved, as illustrated in the table below, with all other variables held constant, post tax profit and equity would have been affected as follows:

Judgments of reasonably possible movements:

| | <i>Post Tax Result</i> | | <i>Equity</i> | |
|-------------------------|------------------------|-------------|------------------------|-------------|
| | <i>Higher/ (Lower)</i> | | <i>Higher/ (Lower)</i> | |
| | 2011 | 2010 | 2011 | 2010 |
| | \$ | \$ | \$ | \$ |
| +1% (100 basis points) | 15,753 | 12,098 | 15,753 | 12,098 |
| -0.5% (50 basis points) | (7,876) | (6,049) | (7,876) | (6,049) |

The movements in operating result are due to higher/lower interest income from cash balances. The sensitivity is marginally higher in 2011 than in 2010 due to higher cash balances in May and June following the rights issue and little change in interest rates during the year.

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Notes to the Financial Statements for the Year Ended 30 June 2011

NOTE 19: FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans, finance leases and issues of equity securities where necessary. Leasing obligations, trade payables and other financial liabilities mainly originate from the financing of assets used in our ongoing operations such as property, plant and equipment and investments in working capital e.g. inventories and trade receivables.

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 2011. 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:

| | 2011 | 2010 |
|------------------|---------|---------|
| | \$ | \$ |
| 6 months or less | 113,087 | 57,955 |
| 6-12 months | 57,955 | 57,955 |
| 1-5 years | 171,048 | 231,826 |
| Over 5 years | - | - |
| | 342,090 | 347,736 |

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

The risk implied from the values shown in the table below, reflects a balanced view of cash inflows and outflows. Leasing obligations, trade payables and other financial liabilities mainly originate from the financing of assets used in our ongoing operations such as property, plant and equipment and investments in working capital e.g. inventories and trade receivables. These assets are considered in the Group's overall liquidity risk. To monitor existing financial assets and liabilities as well as to enable and effective controlling of future risks, Benitec has established comprehensive risk reporting that reflects expectations of management of expected settlement of financial assets and liabilities.

| | ≤6 months | 6-12 months | 1-5 years | >5 years | Total |
|------------------------------|-------------|-------------|-----------|----------|-------------|
| | \$ | \$ | \$ | \$ | \$ |
| Financial assets | | | | | |
| Cash and cash equivalents | 6,654,097 | - | - | - | 6,654,097 |
| Trade and other receivables | 147,832 | - | - | - | 147,832 |
| Financial Liabilities | | | | | |
| Trade and other payables | (1,083,604) | (57,955) | (171,048) | - | (1,312,607) |
| Borrowings | - | - | (292,488) | - | (292,488) |
| Net Maturity | 5,718,325 | (57,955) | (463,536) | - | 5,196,834 |

The Group monitors rolling forecasts of liquidity reserves on the basis of expected cash flow.

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Notes to the Financial Statements for the Year Ended 30 June 2011

NOTE 19: FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Forecast liquidity reserves as at 30 June 2011 is as follows:

| | 30 June | |
|--------------------------------|--------------|--------------|
| | 2012 | 2013-2016 |
| | \$'000 | \$'000 |
| Opening balance for the period | 6,654 | 2,842 |
| Operating inflows | 604 | 3,197 |
| Operating outflows | (4,396) | (15,703) |
| Capital expenditure | (20) | (13) |
| Financing proceeds | - | 15,359 |
| Closing balance for the period | <u>2,842</u> | <u>5,682</u> |

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 mainly. Foreign currency expenditure accounts for less than 10% of costs of the Group whilst revenue is received on an irregular basis. In future periods, it is expected that the Group will generate revenues from milestone payments and royalties under its agreements with foreign companies.

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 default of the counter party, with a maximum exposure equal to the carrying amount of these instruments. Exposure at each reporting date is addressed in each applicable note.

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 nor is it in the Group's policy to securitise its trade and other receivables.

It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures including an assessment of their independent credit rating, financial position, past experience and industry reputation. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

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.

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Notes to the Financial Statements for the Year Ended 30 June 2011

NOTE 21: SHARE BASED PAYMENTS

Benitec 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 on the market. Each option when exercised will then entitle the option holder to one share in Benitec Limited (ASX Code: BLT). All 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.

Transactions during the year

An employee who had previously been granted options left the Company on 4 August 2010. The Board determined that no further vesting of options held by these employees would take place and that vested options held by this employee would expire no later than 4 February 2011.

Share Options granted during the year

The following options were granted to directors and executives during the year.

| Name | Grant Date | No. | Original Exercise Price | Adjusted Exercise Price | Expiry Date |
|--------------|--------------|-------------------|-------------------------|-------------------------|----------------|
| Peter French | 13 July 2010 | 5,000,000 | \$0.03 | \$0.0204 | 19 August 2014 |
| Peter French | 13 July 2010 | 5,000,000 | \$0.0425 | \$0.0289 | 9 June 2013 |
| John Rawling | 13 July 2010 | 1,500,000 | \$0.03 | \$0.0204 | 19 August 2014 |
| | | <u>11,500,000</u> | | | |

These options were issued by Benitec Limited under its ESOP and are unlisted.

| Name | Grant Date | No. | Original Exercise Price | Adjusted Exercise Price | Expiry Date |
|---------------|--------------|------------------|-------------------------|-------------------------|----------------|
| Peter Francis | 13 July 2010 | 1,500,000 | \$0.03364 | \$0.0228 | 19 August 2014 |
| Mel Bridges | 13 July 2010 | 1,500,000 | \$0.03364 | \$0.0228 | 19 August 2014 |
| | | <u>3,000,000</u> | | | |

These options were issued to Mr Francis and Mr Bridges subsequent to approval by shareholders in the General Meeting of shareholders held on 30 June 2010. They were not issued as part of the ESOP.

The exercise price of the options was adjusted in accordance with their terms and conditions following the renounceable rights issue which was completed in May 2011.

The closing market price of an ordinary share of Benitec Limited (ASX Code: BLT) on the Australian Stock Exchange at 30 June 2011 was \$0.028 (30 June 2010: \$0.032)

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Notes to the Financial Statements for the year ended 30 June 2011

NOTE 21: SHARE BASED PAYMENTS (continued)

The following table illustrates the number (No.) and weighted average exercise price (WAEP) of share options issued under the ESOP:

| | 2011 | 2011 | 2010 | 2010 |
|--|-------------------|-------------|------------------|-------------|
| | No. | WAEP | No. | WAEP |
| Outstanding at the beginning of the year | 7,300,000 | \$0.071 | 8,808,334 | \$0.145 |
| Granted during the year | 11,500,000 | \$0.0371 | - | - |
| Exercised during the year | (420,000) | \$(0.0224) | - | - |
| Lapsed or forfeited during the year | (5,580,000) | \$(0.0722) | (1,508,334) | \$0.524 |
| | <hr/> | | <hr/> | |
| Outstanding at the end of the year | <u>12,800,000</u> | \$0.0267 | <u>7,300,000</u> | \$0.071 |

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

| Expiry Date and Exercise Price | Grant Date | Consolidated Group | |
|----------------------------------|------------|---------------------------|------------------|
| | | 2011 | 2010 |
| | | No. | No. |
| 4 September 2011 @ \$0.0224 each | 04-Sep-06 | - | 3,000,000 |
| 14 December 2011 @ \$0.0407 each | 14-Dec-06 | 1,000,000 | 1,000,000 |
| 21 February 2013 @ \$0.0781 each | 21-Feb-08 | 300,000 | 3,300,000 |
| 10 June 2013 @ \$0.0289 each | 13-Jul-10 | 5,000,000 | - |
| 19 August 2014 @ \$0.0204 each | 13-Jul-10 | 6,500,000 | - |
| | | <hr/> | |
| | | <u>12,800,000</u> | <u>7,300,000</u> |

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Notes to the Financial Statements for the year ended 30 June 2011

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.

NOTE 24: RELATED PARTY TRANSACTIONS

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated:

| | Consolidated Group | |
|---|---------------------------|-------------|
| | 2011 | 2010 |
| | \$ | \$ |
| 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. | 133,068 | 88,214 |
| Consultancy fees for executive duties paid/payable to Parma Corporation Pty Ltd, a company in which Mr Mel Bridges is a director and has a beneficial interest. | 15,000 | 30,000 |
| 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. | 62,250 | 21,375 |
| 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 | 40,000 | - |

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Notes to the Financial Statements for the year ended 30 June 2011

NOTE 25: BENITEC LIMITED PARENT COMPANY INFORMATION

| | Parent Entity | |
|-----------------------------------|---------------|--------------|
| | 2011 | 2010 |
| | \$ | \$ |
| ASSETS | | |
| Current assets | 6,821,867 | 999,391 |
| Non-current assets | 26,474 | 7,634 |
| TOTAL ASSETS | 6,848,341 | 1,007,025 |
| LIABILITIES | | |
| Current liabilities | 1,185,376 | 955,042 |
| Non-current liabilities | 463,536 | 766,481 |
| TOTAL LIABILITIES | 1,648,912 | 1,721,523 |
| NET ASSETS/(DEFICIENCY) | 5,199,429 | (714,498) |
| EQUITY | | |
| Contributed equity | 86,821,961 | 77,557,430 |
| Reserves | 2,810,599 | 2,639,234 |
| Accumulated losses | (84,433,131) | (80,911,162) |
| TOTAL EQUITY | 5,199,429 | (714,498) |
| FINANCIAL PERFORMANCE | | |
| Loss for the year | (3,521,969) | (4,613,426) |
| Other comprehensive income | - | - |
| TOTAL COMPREHENSIVE INCOME | (3,521,969) | (4,613,426) |

Contingent liabilities

The parent entity had no contingent liabilities as at 30 June 2011.

Capital commitments

The parent entity has no capital commitments as at 30 June 2011.

Significant accounting policies

The accounting policies of the parent are consistent with those of the consolidated entity, as disclosed in Note 1.

Directors' Declaration

In accordance with a resolution of the Directors of Benitec 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(a), 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

Melbourne
24 August 2011

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Independent Auditor's Report To the Members of Benitec Limited

Report on the financial report

We have audited the accompanying financial report of Benitec Limited (the "Company"), which comprises the consolidated statement of financial position as at 30 June 2011, 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 Limited and controlled entities for the year ended 30 June 2011 included on Benitec Limited's web site. The Company's Directors are responsible for the integrity of Benitec Limited's web site. We have not been engaged to report on the integrity of Benitec 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 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 2011 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.

Report on the remuneration report

We have audited the remuneration report included in pages 14 to 16 of the directors' report for the year ended 30 June 2011. 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 Limited for the year ended 30 June 2011, complies with section 300A of the Corporations Act 2001.



GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



Michael Cunningham
Director – Audit & Assurance

Melbourne, 24 August 2011