Benitec

Annual Report 2010

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Dear Shareholders,

As foreshadowed in last year's Annual Report, the past 12 months has seen significant and very pleasing progress and success in Benitec's technology development. In summary, these include:

- The USPTO Board of Appeals decision to reverse all rejections of the claims in the '099 Graham patent, clearing the way for this patent to be re-issued in the US later this year;
- several patents granted or allowed in a range of jurisdictions;
- the successful completion and publication of the results of our Clinical Study in HIV/AIDS-related lymphoma;
- the commencement of two landmark programs in Hepatitis B and lung cancer, both showing extremely promising results;
- the re-negotiation of the CSIRO agreement on much more favourable commercial terms which represents a win-win for both parties and removes the barriers to Benitec's commercial development;
- reconfiguration of the Board – the addition of Dr John Chiplin and Mr Iain Ross to the Board provides Benitec with significantly enhanced expertise in areas of RNA interference (Iain Ross is the former Chair of Silence Therapeutics, an siRNA-based company in the UK) and in capital markets (Dr Chiplin is the former CEO of Arana which was sold to Cephalon in July 2009, and heads the $300M ITI Life Sciences investment fund in the UK); and
- funding obtained - La Jolla Cove Investors, Inc. to provide up to USD$6 million, at $250,000 per month, in the form of a convertible note. This provides Benitec with some financial certainty whilst being able to assist the research program to the clinic and to partnering.

The most significant event in the last 12 months was, without doubt, the US Patent and Trademarks Office (USPTO) Board of Appeals decision, in late September 2010, to reverse the previous objections to the Graham '099 patent which had delayed the reissue of this patent in the US for a number of years. A copy of the Decision is available at the Company's website. The USPTO will likely soon issue a Notice of Intent to Issue Ex Parte Re-examination Certificate. This Notice would formally terminate the re-examination proceedings. Within several weeks after issuance of the Notice, an Ex Parte Re-examination Certificate will issue, which is analogous to the re-issuance of the patent.

In a January 2010 article in Nature Biotechnology this patent portfolio was described as "one of the most critical patent estates for deploying RNAi in animals and plants".[1] This decision confirms Benitec's pre-eminent patent position in RNA interference. This includes Benitec's primary focus in the field of DNA-directed RNA interference (ddRNAi) in humans. This provides new impetus for expanding licensing negotiations with all US groups working in this field. Moreover it supports Benitec's clinical and pre-clinical R&D programs including HIV, Hepatitis B and C, and non small-cell lung cancer. A further benefit of this Decision is that it provides guidance for the Examiners in assessing the several related US applications of the '099 Graham Patent, in which Benitec and CSIRO intend to pursue subject matter disclosed but unclaimed in the '099 Graham Patent. Pleasingly, it also brings to a close a protracted and difficult chapter in Benitec's history.

[1] Chi-Ham CL, Clark, KL Bennett AB The intellectual property landscape for gene suppression technologies in plants. Nature Biotechnol 2010; 28: 32-36.

Several other patents in the Graham family have been granted in a number of jurisdictions over the past 12 months. Significantly, two of these, divisionals of the '099 patent, have been recently granted or allowed. Further granted patents in Benitec's fully owned patent portfolio, including those licensed to Tacere Therapeutics for HCV have been welcomed as they increase the value of Benitec's IP asset base.

The HIV/AIDS clinical study conducted at the City of Hope was a key step in developing a gene therapy for HIV/AIDS based on cell-delivered anti-HIV genes that may lead to a reconstituted immune system resistant to HIV. Anti-HIV genes can be introduced into haematopoietic stem cells and/or T lymphocytes to provide a population of cells that is protected.

The initial study that was completed targeted haematopoietic stem cells, transfected with a triple therapeutic agent that included a gene construct that expressed a short hairpin (sh)RNA directed at a key HIV gene. This construct is an example of Benitec's intellectual property under the Graham patent family. The study was significant for a number of reasons. It was (and still is) the first human clinical trial anywhere in the world to use DNA-directed RNAi (Benitec's proprietary technology). It was also the first trial to use lentivirus-delivered RNA to treat HIV/AIDS patients. The aim of the study was to determine the safety and feasibility of lentivirus-transduced stem cell immunotherapy in patients with AIDS-related lymphoma undergoing autologous transplantation. The study commenced in 2008. Four patients were transplanted with both gene-modified and unmanipulated stem cell apheresis products. Vector marking in blood and bone marrow, including expression of shRNA, was observed for up to two years in 3 of the 4 patients. The levels, although very low, are consistent with *in vitro* estimates of gene marking. Significantly, this was the first demonstration of shRNA expression in human blood cells derived from *ex vivo* gene-modified $CD34^+$ cells. 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.

The results were published in the prestigious journal *Science Translational Medicine* in June 2010. There was wide recognition of the significance of the study. Dr John Zaia from the City of Hope, the Principal Investigator on the study commented: "These results demonstrate that Benitec's technology, coupled with two other proprietary anti-HIV RNA constructs, has the potential to provide a novel therapy for HIV."

Other similar comments were published in international scientific journals, and included: "These results represent advances not only for the treatment of HIV, but for the gene therapy field in general."[2] Drs Shah and Schaffer, University of California, Berkley; and "…the use of cell-delivered gene therapy is an attractive option for HIV that justifies further development."[3]

It is proposed to further develop Benitec's technology for HIV/AIDS therapy once an appropriate biopharma partner is identified.

In the area of hepatitis B, Benitec is working with China-based Biomics Biotechnologies Co. Ltd. (Biomics) on a project to develop a ddRNAi-based therapy for hepatitis B infection. The first stage of the collaboration, successfully completed in June 2010, aimed to identify target sequences on a gene critical for replication of the hepatitis B virus (HBV). The project commenced in November 2009. It resulted in the identification of 100 siRNA sequences that knocked down HBV polymerase mRNA by ≥50%. The second stage of the project will see the collaboration involved in testing ddRNAi constructs targeted at some of these sequences in *in vitro* and *in vivo* models of hepatitis B, in preparation for testing in a patient population in 2-3 years. The use of ddRNAi for HBV has several advantages over current therapy, particularly in that it provides a potential cure for the disease, as the ddRNAi gene constructs can express shRNA permanently after integrating into the liver cells of patients.

[2] Shah PS, Schaffer D. Gene Therapy Takes a Cue from HAART: Combinatorial Antiviral Therapeutics Reach the Clinic. Science Translational Medicine 2(36):36ps30, 2010.

[3] Symonds, GP et al, 2010. The use of cell-delivered gene therapy for the treatment of HIV/AIDS Immunol Res DOI 10.1007/s12026-010-8169-7.

The commerciality of this approach has been validated by Tacere Therapeutics, who licensed Benitec's intellectual property to develop a ddRNAi-based therapy to hepatitis C. This year, Pfizer completed a deal with Tacere for this program which was worth $145 million, and are fast tracking the ddRNAi constructs to the clinic. Benitec is potentially able to leverage off this program to assist in its development of its HBV program.

2009 also saw the commencement of Benitec's first cancer therapeutic program, in collaboration with the Children's Cancer Institute Australia, at the University of New South Wales. The collaboration aims to use ddRNAi to knock down a gene associated with drug resistance in non-small cell lung cancer (NSCLC) with the aim of taking this to a clinical trial. The aim of the first stage of the project is to obtain proof of concept that the vector-expressed RNAi (in the form of a multi-promoter multicassette vector) and delivery systems provided by Benitec will provide effective delivery of ddRNAi targeting ßIII-tubulin that results in sustained knockdown of ßIII-tubulin expression in NSCLC cells and tumours *in vitro* and *in vivo*, and renders them sensitive to killing by chemotherapy agents. The Project commenced in February 2010, and preliminary results are very encouraging.

We are excited about our decision to commence an R&D program to develop an expressed RNAi product for chronic intractable pain associated with diseases such as cancer and HIV. Known as neuropathic pain, this is a major contributor to the adverse quality of life suffered by terminal cancer patients and other sufferers of chronic disease. There is no treatment to prevent the development of neuropathic pain, nor to adequately, predictably and specifically control established neuropathic pain. Benitec's vector-expressed RNA interference technology has the potential to become the next major class of therapeutic drugs in this area, because of its potency and selectivity to knock down molecular targets known to be involved in chronic pain. Benitec signed a contract with University of Queensland's TetraQ to test a number of RNAi constructs in their pain models to determine which specific target sequences have the strongest effect on reducing neuropathic pain from a single injection. Providing the initial results show successful reduction of pain without adverse effects, Benitec plans to fast-track this program to the clinic. The cancer pain market is significant, with around 65% of cancer patients experiencing pain, according to Datamonitor.

Finally, 2010 saw the departure of Managing Director Ms Sue MacLeman. Sue was instrumental in stabilizing the company and in re-negotiating the CSIRO agreement, as well as setting key strategy over the past four years. We wish her well in her move to another biotechnology company and thank her for her significant contribution to the company. Dr Peter French, who was appointed Chief Scientific Officer in August 2009 was appointed by the Board as Chief Executive Officer in June 2010. With a new Board and management team now in place the Company has a renewed energy and focus on validating the transformational potential of Benitec's platform technology.

On behalf of the Board we would like to thank the shareholders for their support over the last twelve months. As Chairman, Peter Francis would like to acknowledge and thank the Board and Executives for their dedication and hard work throughout the year.

We look forward to a very exciting and productive next year, as Benitec begins to deliver on the promise of its ddRNAi technology to treat and cure intractable disease, by progressing its R&D pipeline programs in infectious disease and cancer.

We hope to see you at Benitec's Annual General Meeting in Melbourne on 26 November 2010

Peter Francis
Chairman

Peter French
Chief Executive Officer

Your Directors submit their report on Benitec Limited consolidated group ("Group") for the financial year ended 30 June 2010.

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, Tissue Therapies Limited and Genera Biosystems 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, Genera Biosystems Ltd, Impedimed Ltd, Tissue Therapies Ltd.
Former Directorships of Listed Companies in last three years
Incitive Ltd, Peptech Ltd, Arana Therapeutics Ltd.

DR JOHN CHIPLIN Ph.D

Non-Executive Director
Appointed 1 February 2010

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

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

Other Current Directorships of Listed Companies
Progen Pharmaceuticals Ltd, ScienceMedia, Inc.
Former Directorships of Listed Companies in last three years
Arana Therapeutics 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 and has 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. Currently he is Chairman of Pharminox Limited and Biomer Technology Limited.

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.

Departing Directors
MS SUE MACLEMAN **BPharm, MMrkg, MLaw FACPP, FAICD**

Ms MacLeman joined Benitec Ltd as CEO in September 2006 and was appointed to the Board on 1 July 2007. She left the Board on 31 March 2010.

COMPANY SECRETARY

MR JOHN RAWLING **BCom, DipEd, Grad Dip App Corp Gov, CA, ACIS**
Appointed 2 January 2007

Mr Rawling is a chartered accountant and chartered secretary with more than 20 years experience in the chartered accounting profession, statutory corporations and international and ASX listed companies.
He was appointed as Company Secretary on 2 January 2007 and Chief Financial Officer on 13 April 2007.

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:

Director	Number of Ordinary Shares	Number of Options over Ordinary Shares
Mr Peter Francis	474,350	2,474,350
Mr Mel Bridges	200,000	1,333,333
Dr John Chiplin	134,596	–
Mr Iain Ross	–	–

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 12 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 3 employees as at 30 June 2010 (2009: 2 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

A busy financial year for the Company ended with the appointment in June 2010 of new Chief Executive Officer Dr Peter French to replace Ms Sue MacLeman, who resigned as Chief Executive Officer in March 2010 and left Benitec at the end of July 2010.

Dr Peter French is a cell and molecular biologist who has been extensively involved in both basic and clinical medical research and commercialisation of biological intellectual property for more than 30 years. He has an MBA in Technology Management and a PhD in cell biology. Dr French is a Past President of the Australia and New Zealand Society for Cell and Developmental Biology. His research areas of expertise include cell biology, immunology, infectious disease (including HIV/AIDS), neurobiology and oncology. He obtained his PhD in 1987 for work performed at CSIRO on characterisation of the keratin composition of the developing wool fibre using monoclonal antibodies. He carried out postdoctoral research at the Children's Medical Research Foundation, Sydney, on cell surface glycoprotein expression in neuronal development. In 1989 he became Principal Scientific Officer and Manager of the Centre for Immunology, St Vincent's Hospital, Sydney. Over the past 12 years Dr French has been extensively involved in Australia's biotechnology industry in senior scientific and executive roles. He joined Benitec as Chief Scientific Officer on 3 August 2009, working closely with Sue in managing the Company's growing R&D programs and intellectual property portfolio.

Benitec's Technology

Benitec's proprietary RNA interference (RNAi) technology is targeted at treating a broad range of life-threatening chronic diseases by long-term silencing of specific genes which are associated with the disease. RNAi is a process of selective gene inactivation by destruction of messenger RNA (mRNA) and is an intrinsic property of every cell of every multicellular organism. The introduction into a cell of double-stranded RNA (dsRNA) whose sequence matches a specific gene, triggers rapid destruction of mRNA molecules corresponding to that gene sequence, preventing the production of its protein.

There are two ways to produce RNAi. The first is to make short sequences of synthetic dsRNA in a laboratory and deliver it to the cytoplasm of the cell. This approach, known as short interfering (si)RNA produces short-lived gene silencing. Benitec's approach to RNAi is called DNA-directed (dd), or vector expressed, RNAi. ddRNAi is a method of production of short sequences of dsRNA in cells from DNA sequences cloned into plasmid or viral vectors which are introduced into the nucleus of the cell or tissue using a variety of delivery methods. Once they are transfected into the target cells, the cloned vectors express dsRNA molecules and initiate an RNAi response in the cells. DNA sequences can be cloned with the sense and antisense stands in tandem (producing short interfering RNA [siRNA] endogenously) or in a hairpin configuration (producing short hairpin RNA [shRNA], wherein the two strands are separated by a 'stuffer' sequence of nucleotides). The technology has several advantages for generating therapeutic products over synthetic siRNA and related approaches such as antisense or ribozymes. The primary approach is that the production of RNAi from within the cell is long-lived, leading to permanent gene silencing.

Intellectual Property (IP)

Benitec's core value lies in the wide application and defensible IP position of its proprietary ddRNAi gene silencing technology. This technology platform is broadly applicable and has the potential to revolutionise the development of therapies for a large number of chronic, life-threatening and intractable diseases.

Crucially, Benitec's broad and extensive patent portfolio in the field of ddRNAi provides an extraordinary potential for development of new DNA-based therapies in a range of diseases. By 30 June 2010, Benitec's ddRNAi-related patent estate (comprising both solely owned and exclusively licensed from CSIRO) currently comprises 104 patents and patent applications covering 20 jurisdictions, 30 of which are granted, accepted or allowed.

History of RNAi

RNAi has grown from a biological phenomenon to one of the most widely used tools in research and medicine. Several key events shaped the field of RNAi as we know it today.

The phenomenon of RNAi was first observed in plants by plant geneticist Richard Jorgensen in 1990 (who called it "co-suppression"), although the exact mechanism was understood only many years later.

Antisense's early prominence in nucleic acid therapeutics was eroded in 1998 by the finding that gave rise to modern RNAi. With what was to become a Nobel Prize–winning discovery, Andrew Fire, from Stanford University School of Medicine, California, and Craig Mello, from UMass Medical School, showed that antisense technology probably predominately worked through dsRNA. They demonstrated that unlike synthetic, single-stranded antisense molecules, synthetic dsRNA molecules introduced exogenously could interfere with mRNA to efficiently silence genes in *Caenorhabditis elegans*.

In 1998 CSIRO scientists Peter Waterhouse and MingBo Wang and Benitec's Michael Graham demonstrated that co-suppression in plants could be induced endogenously by dsRNA expressed from DNA constructs.

In 1998, Benitec's Michael Graham and colleague Robert Rice demonstrated the universality of RNAi and invented DNA constructs to trigger the RNAi process in human and mammalian cells.

In 2000, Thomas Tuschl and colleagues provided a biochemical understanding of the RNAi pathway and showed that the functional units of RNAi are likely represented by dsRNAs shorter than 30 base pairs.

In 2002, Anton McCaffrey and colleagues published the first *in vivo* evidence of RNAi in adult mice, verifying the work of Graham *et al.*, allowing therapeutic RNAi companies to capitalize on insights derived from the past decade of gene therapy research.

RNAi was dubbed the "breakthrough of the year" for 2002 by the journal Science.

US scientists Fire and Mello were awarded the 2006 Nobel Prize for their work in RNAi .

Research and Development (R&D)

Benitec's focus in 2009/10 has been on validating the technology in therapeutic applications of the proprietary technology in commercially attractive areas. The R&D focus is on long-term gene silencing applied to life-threatening chronic conditions. The projects were in infectious diseases (HIV, hepatitis B) and cancer (non-small cell lung cancer). However, the broad nature and applicability of Benitec's technology means that there are many other potential diseases and targets to which ddRNAi can be applied. Given Benitec's current resources and structure, these applications can only be achieved through strategic partnering. To that end, the company is building a network of R&D partners. As a principle, Benitec contributes its IP on gene silencing technology and the partner contributes expertise and IP in the specific disease application.

The projects are selected on the basis of chronic, life-threatening diseases which are poorly treated by current therapies and for which there are clear potential gene targets.

Over the past twelve months Benitec has made significant progress in expanding the Company's scientific validation program. The highlights of this program are:

City of Hope HIV Projects. Publication in June 2010 of the Company's Phase I clinical trial in HIV/AIDS-related lymphoma, being conducted by the City of Hope (Duarte, California USA). The paper, published in Science Translational Medicine, reported the results of the first-in-man pilot study on four AIDS-related lymphoma patients. The aim of this study was to determine the safety and feasibility of lentivirus-transduced stem cell immunotherapy in patients with AIDS-related lymphoma undergoing autologous transplantation. The lentivirus vector induces three forms of anti-HIV RNA: RNAi in the form of a short hairpin RNA (shRNA) targeted to an exon in HIV-1 tat/rev (shI), a decoy for HIV TAT-activated RNA (TAR), and a ribozyme that targets the host T-cell CCR5 cytokine receptor (CCR5RZ). The vector is called rHIV7-shI-TAR-CCR5RZ and was transfected into $CD34^+$ stem cells obtained by apheresis from AIDS lymphoma patients undergoing bone marrow transplants. This study commenced in 2008. *In vitro* analysis of gene-modified PBPC showed no differences in the haematopoietic potential of transduced and non-transduced cells. *In vitro* estimates of gene marking were as high as 22% but declined to ~1% over 4 weeks of culture. Four patients were transplanted with both gene modified and unmanipulated stem cell apheresis products which engrafted by day 11 post-infusion. Pleasingly, vector marking in blood and bone marrow stem cells, including expression of siRNA and ribozyme RNA, was observed for up to two years in 3 of the 4 patients, and the siRNA is expressed in differentiated immune cells, including T cells and monocytes/macrophages. The levels, although very low, are consistent with *in vitro* estimates of gene marking. This is the first demonstration of siRNA expression in human blood cells derived from *ex vivo* gene-modified $CD34^+$ cells. These results support the development of an RNA-based cell therapy platform for HIV, and support the safety of Benitec's ddRNAi technology in humans.

Hepatitis B collaboration with Biomics Biotechnologies Co. Ltd. In June 2009 Benitec announced it had signed a Memorandum of Understanding with China based company Biomics Biotechnologies Co. Ltd. Both companies have entered into a collaboration focussed on identifying and validating a lead-target for RNAi treatment of chronic Hepatitis B infection (HBV). We completed the first stage of the research plan in 2009/10. This was lead-target identification through screening of a siRNA expression library produced by Biomics, followed by a series of *in vitro* analyses to comparatively validate the chosen target sequences for efficacy as therapeutic targets in an anti-viral treatment strategy. Around 100 effective siRNA sequences were identified, and of these, several have been chosen to be taken onto the next stage, protected by further patent applications. DNA constructs expressing the lead RNAi-therapeutic candidates will progress through more extensive pre-clinical studies in anticipation of Phase I human clinical trials. It has been agreed that both companies will jointly share in any intellectual property developed through the project, and will also jointly collaborate in any future product development and commercialisation.

Current therapies for chronic HBV infection have only limited inhibitory effects on viral gene expression and replication in the majority of chronically infected patients. The application of ddRNAi technology has the potential to directly target the activity of HBV genes with minimum off-target events and offers a unique opportunity to address the unmet clinical treatment needs for HBV.

Non-small cell lung cancer (NSCLC) collaboration with the Children's Cancer Institute Australia at the University of New South Wales. ß-tubulin is the cellular target of clinically important tubulin-binding agents used in cancer therapy. High expression of ßIII-tubulin is associated with tubulin binding agent and DNA-damaging drug resistance in a range of tumour types including lung, ovarian, breast, gastric and cancers of unknown origin. This broad chemosensitisation is specific to ßII-tubulin. In lung and a number of other cancers, increased expression of ßIII-tubulin is associated with poorly differentiated tumour tissue, high-grade malignancy and metastatic potential. Collectively, the laboratory and clinical data strongly suggest that ßIII-tubulin may have a broader role in the tumorigenesis of certain cancers such as NSCLC. Benitec and UNSW are collaborating on a project using their joint IP to exploit the use of RNAi to knock down ßIII-tubulin in NSCLC with the aim of taking this to a clinical trial. The aim of the first stage of the project is to obtain proof of concept that the vector-expressed RNAi (including multicassette and long hairpin vectors) and/or delivery systems provided by Benitec will provide effective and sustained delivery of ßIII-tubulin RNAi that results in effective knockdown of ßIII-tubulin expression in NSCLC cells and tumours *in vitro* and *in vivo*.

The Project commenced in February 2010 and comprises the following steps:

- Design of multicassette and long hairpin vectors;
- Generation of ßIII-tubulin stable shRNA expressing cells;
- Demonstration of efficacy *in vitro*.

Benitec and CSIRO Win-Win Agreement

In January 2010, Benitec announced that it had signed a win-win agreement with the Commonwealth Scientific and Industrial Research Organisation (CSIRO). Under the terms of the agreement, the existing Capital Growth Agreement and the Commercial Agreement were terminated in exchange for providing CSIRO with a 10% equity stake in Benitec Limited.

In 2007 the Board identified that the Capital Growth Agreement and onerous terms of the Commercial Agreement were negatively impacting investment, collaboration and potential merger/acquisition options. These have been replaced by one substantive agreement, the Licence Agreement. The Licence Agreement is the ongoing licence of the Technology in the Human Field. CSIRO confirmed that Benitec's rights apply to the entire scope of the Patents and Patent Applications within this Human Field. Benitec retains its worldwide non-revocable Human Field rights to the Graham patent. New and more precise definitions of Human Field and Technology apply without limiting Benitec's rights.

A Subscription Agreement dealt with the issue of 10% of Benitec shareholding to CSIRO and, if Benitec issues further shares, a top up amount at six and twelve months being capped at one-fifth of the initial number of shares issued (to a maximum of 12%). The equity is the consideration for termination of the CGA and removal of Benitec's future royalty obligations.

CSIRO gained rights to Research Tools and Research Services, subject to the exclusive rights in the Sigma-Aldrich Licence, and pay Benitec 50% net revenues from commercialisation of these.

Fund Raising Activities

In April 2010, the Company announced the signing of a Convertible Note Facility with La Jolla Cove Investors, Inc. to provide up to US$6 million in funding. La Jolla Cove Investors, Inc. is a California (US) based private investment company that invests in small to mid-sized market capitalised publicly listed companies.

The key terms of the Convertible Note Facility are as follows:

- The facility comprises up to US$6 million in 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 may be drawdown 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% p.a. payable monthly on the outstanding funded and non-converted principal balance outstanding.

The Notes must be repaid upon maturity unless converted to ordinary shares in accordance with the terms of the notes. The Notes may be converted at the election of the holder (or upon default triggers) at the lesser of A$0.15 per share or a 20% discount to the value weighted average price calculated at conversion.

Patent Activities

The past financial year has seen significant progress being made in expanding and consolidating Benitec's patent position. We finished the year with 31 patents granted or allowed. The Company's intellectual property portfolio consists of 104 patents and patent applications, covering 20 jurisdictions. Some of the highlights included:

- US patent application 10/646,070 being granted as US Patent No. 7754697. This patent is a continuation derived from the Graham '099 patent.
- Japanese Patent No. 4460600 being granted. This patent has claims to synthetic genes for silencing target genes in animal cells.
- The Indian, Singaporean and Slovakian Patent Offices all confirming the allowability of the "Control of Gene Expression" applications in those countries.
- On 27 August 2009, the US Patent Office provided a Notice of Allowance on Benitec's fully owned US Patent Application No. 11/072,592, entitled "Multiple Promoter Expression Cassettes for Simultaneous Delivery of RNAi Agents". This invention provides multiple-promoter expression cassettes for simultaneous delivery of RNAi, preferably to mammalian cells *in vivo*. This provides the Company with the ability to optimise its RNAi delivery strategy using DNA-directed RNA interference.

The Company is delighted to have made such good progress with the Graham family of applications, and consider allowance of them to be a validation of their value in the field of RNAi therapeutics. We remain committed to achieving allowance of the other pending applications in this family, and look forward to further successes around the world with this important family of applications in the year ahead.

A list of patents is included in page 60 of this report.

Financial Overview

Benitec's net loss for the year ended 30 June 2010 was $4,640,671 compared to a net loss of $2,470,671 for the previous financial year.

Operating revenue for the 12 months to 30 June 2010 was $182,033, down from $311,476 in the previous financial year due to a fall in interest income which resulted from both the fall in interest rates and lower cash balances during the year. Other income during the year was $616, compared to $50,091 in the previous financial year.

Operating expenses for the financial year, excluding the CSIRO settlement charge of $2,004,851, were $2,817,853 down from $2,925,568 in the previous year. Expense categories did not show major variations year on year. Research and development costs were once again the major expense with the addition of Hepatitis B and NSCLC collaborations whilst patent costs continued to be significant. Employment related costs continued to decrease, falling a further 12.5%.

Benitec's current assets balance at 30 June 2010 was $1,029,541 (2009: $1,989,166), with current liabilities of $967,355 (2009: $501,429). Net liabilities were $(0.17) cents per share (2009: net assets $0.34 cents). This fall reflects the nature of the recent capital funding being in the form of convertible notes, which cannot be categorised as equity and have a major liability component. It is expected that a significant portion, if not all, of the funds received in the form of convertible notes will be converted into equity in the future.

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.

CAPITAL RAISINGS / CAPITAL STRUCTURE

During the year under review, the Company raised $716,533, net of costs, to provide funding for the ongoing operations, and to support the evaluation of other project opportunities. The contributed equity increased a further $2,004,851 reflecting the issue of ordinary shares to CSIRO as part of the settlement in January 2010.

Ordinary Shares

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

- 8,373,000 ordinary shares issued in July 2009 at a price of $0.03 per share as part of the placement of the shortfall from the non-renounceable rights issue in May 2009;
- 134,596 ordinary shares issued to NewStar Ventures Ltd at a price of $0.041 per share as part payment for consulting services in January 2010;
- 40,097,026 ordinary shares issued to CSIRO as part of the settlement in January 2010
- 12,000,000 ordinary shares issued to Dr Christopher Bremner as a share placement in February 2010 at a price of $0.03 per share plus a free attaching option with en exercise price of $0.10 expiring on 2014; and
- 1,899,363 ordinary shares issued in June 2010 at a price of $0.028 per share as partial conversion of the Convertible Note held by La Jolla Cove Investors, Inc.

Options

At the date of this Directors' Report, the Company has a total of 168,564,579 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 (BLTOA)	56,081,915
Listed Options (BLTO)	46,673,907
Employee Share Option Plan	18,800,000
NED Options	4,666,666
Directors' Options	1,953,125
Strategic Advisor Warrants	6,126,962
Unlisted Options	34,244,444
Other	17,560
Total	**168,564,579**

Listed Options

8,373,000 Listed Options were issued in July 2009 as part of the placement of the shortfall from the non-renounceable rights issue in May 2009. These options have the right to acquire one ordinary share at $0.10 with an expiry date of 8 April 2014.

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
4 September 2006	4 September 2011	$0.0224	3,000,000
14 December 2006	14 December 2011	$0.0599	1,000,000
21 February 2008	31 December 2012	$0.115	3,300,000
11 July 2010	19 August 2014	$0.03	6,500,000
11 July 2010	9 June 2013	$0.0425	5,000,000
Total			**18,800,000**

The following ESOP options lapsed during the financial year:

Original Expiry Date	Exercise Price	No. Lapsed
28 July 2009	$0.50	100,000
28 July 2009	$1.00	100,000
28 July 2009	$1.50	150,000
28 July 2009	$2.00	150,000
Total		**500,000**

NED Options
A total of 4,666,666 NED Options are currently on issue, granted by shareholders to Non-Executive Directors at the Company's 2007 Annual General Meeting. A further issue of 3,000,000 NED options, with the right to acquire one ordinary share at $0.0334 with an expiry date of 19 August 2014, was made 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 2010

As a result of the issue of shares and options, the Company had 415,004,215 listed ordinary shares and 102,755,822 listed options on issue at reporting date. There are also 48,181,795 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 168,564,579 unissued ordinary shares (157,064,579 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 (2009: 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 BALANCE DATE

No matters or circumstances have arisen since 30 June 2010 which have significantly affected or may significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group, in subsequent financial years.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

The Board of Directors intends to continue to raise additional capital to support ongoing operations. The team will seek to further progress the projects with our collaborators at the City of Hope, Biomics Biotechnologies Co. Ltd. and the Children's Cancer Institute Australia at the University of New South Wales and also collaborate on new projects through co-investment in infectious disease and cancer. The Group will also be exploring in-and out-licensing opportunities in the human therapeutic area.

Following the decision of the USPTO Board of Appeals to reverse all previous rejections to the Graham '099 patent, the USPTO is expected to terminate re-examination proceedings and effectively re-issue the patent.

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
Current Directors				
Peter Francis	7	7	2	2
Mel Bridges	7	7	2	2
John Chiplin	2	2	–	–
Iain Ross	1	1	–	–
Former Director				
Sue MacLeman*	5	5	2	2

* Sue MacLeman resigned as a Director on 31 March 2010.

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.

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 economic 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 economic 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 economic 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.

Details of Remuneration for Year Ended 30 June 2010

Table 1. Non-Executive Director remuneration for the year ended 30 June 2010

		Short Term			Post Employment		Equity	Total	
		Salary & Fees $	Cash Bonus $	Non Monetary Benefits $	Super-annuation $	Termination Benefits $	Options $	$	% of remuneration consisting of options
Peter Francis	2010	60,000	–	–	–	–	22,967	82,967	27.7%
	2009	60,000	–	–	–	–	26,747	86,747	30.8%
Mel Bridges	2010	55,000	–	–	–	–	15,311	70,311	21.8%
	2009	55,000	–	–	–	–	17,831	72,831	24.5%
John Chiplin	2010	20,833	–	–	–	–	–	20,833	–
	2009	–	–	–	–	–	–	–	–
Iain Ross	2010	4,167	–	–	–	–	–	4,167	–
	2009	–	–	–	–	–	–	–	–

There was no performance related remuneration payable to 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 2010

		Short Term			Post Employment		Equity	Total	
		Salary & Fees $	Cash Bonus $	Non Monetary Benefits $	Super-annuation $	Termination Benefits $	Options $	$	% of remuneration consisting of options
Sue MacLeman (1)	2010	230,684	94,500	–	14,461	–	18,400	358,045	5.1%
	2009	288,242	90,000	–	21,095	–	70,400	469,737	15.0%
John Rawling (2)	2010	122,916	5,000	–	11,512	–	1,840	141,268	1.3%
	2009	118,486	9,174	–	11,489	–	10,460	149,609	7.0%
Peter French (3)	2010	86,009	–	–	27,822	–	–	113,831	–
	2009	–	–	–	–	–	–	–	–

(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 and remained as a Strategic Advisor until 31 July 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 2010

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 2010, no options (2009: nil) were granted to employees under the terms of their employment agreements nor were any options issued to directors as part of their remuneration.

Payments to Related Parties of Directors

Legal services at normal commercial rates totalling $88,214 (2009: $134,355) 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 $30,000 (2009: $nil) 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 $21,375 (2009: $nil) were provided by NewStar Ventures Ltd, a corporation in which Dr John Chiplin is a director and has a beneficial interest.

Employment Contracts

The employment conditions of Dr Peter French, the Chief Executive Officer, are formalised in a contract of employment. 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 John Rawling, the part time CFO and Company Secretary, are formalised in a contract of employment. The current employment contract with the CFO commenced on 12 March 2007. Mr Rawling's appointment with the Company may be terminated with the Company giving 2 month's notice or by Mr Rawling giving 2 month's notice. The Company may elect to pay Mr Rawling 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 Rawling'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 Secretary, indemnifying them against certain liabilities and costs to the extent permitted by law.

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

CORPORATE GOVERNANCE

In recognising the need for the highest standards of corporate behaviour and accountability, the Directors of Benitec 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

There were no non-audit services provided by external auditors during the year ended 30 June 2010.

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

Peter Francis
Chairman

Melbourne, Victoria
21 September 2010

RSM Bird Cameron Partners
Chartered Accountants

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AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the financial report of Benitec Limited for the year ended 30 June 2010, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

(ii) any applicable code of professional conduct in relation to the audit.

RSM Bird Cameron Partners

RSM BIRD CAMERON PARTNERS
Chartered Accountants

Miano

R B MIANO
Partner

Melbourne,
21 September 2010

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 senor 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 in early 2011.

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 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 economic 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 economic entity's internal control framework including accounting, compliance, and operational risk management controls based on information provided or obtained.

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

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

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

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

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

PRINCIPLE 5 MAKE TIMELY AND BALANCED DISCLOSURE

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

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

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

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

PRINCIPLE 6 RESPECT THE RIGHTS OF SHAREHOLDERS

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

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

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

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

PRINCIPLE 7 RECOGNISE AND MANAGE RISK

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

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

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

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

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

PRINCIPLE 8 REMUNERATE FAIRLY AND RESPONSIBLY

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

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

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

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the Year Ended 30 June 2010

	NOTE	CONSOLIDATED 2010 $	CONSOLIDATED 2009 $
Continuing Operations			
Revenue	2	181,417	311,476
Other income	2	616	50,091
		182,033	361,567
Royalties & licence fees		(50,511)	(89,813)
Research and development	3	(1,211,394)	(1,127,019)
Employment related	3	(919,275)	(1,050,149)
Travel related costs		(106,867)	(56,072)
Consultants costs		(67,257)	(106,864)
Occupancy costs		(35,813)	(70,630)
Corporate expenses	3	(354,764)	(421,042)
Finance costs		(56,381)	(3,979)
Foreign exchange translation		(15,591)	–
CSIRO IP settlement	3	(2,004,851)	–
		(4,822,704)	(2,925,568)
Loss before income tax		(4,640,671)	(2,564,001)
Income tax benefit	4	–	93,330
Loss for the year attributable to members of the parent entity		(4,640,671)	(2,470,671)
Other Comprehensive Income			
Other Comprehensive Income for the year, net of tax		–	–
Total Comprehensive Income for the year		**(4,640,671)**	**(2,470,671)**
Total Comprehensive Income attributable to members of the parent entity		**(4,640,671)**	**(2,470,671)**
Earnings per share (cents per share)			
Basic and diluted for loss for the year attributable to ordinary equity holders of the parent entity	6	(1.21)	(0.80)

The accompanying notes form part of these financial statements

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2010

	NOTE	CONSOLIDATED 2010 $	CONSOLIDATED 2009 $
CURRENT ASSETS			
Cash and cash equivalents	8	651,007	1,866,605
Trade and other receivables	9	350,470	106,921
Other current assets	10	28,064	15,640
TOTAL CURRENT ASSETS		1,029,541	1,989,166
NON-CURRENT ASSETS			
Property, plant and equipment	12	7,621	8,782
TOTAL NON-CURRENT ASSETS		7,621	8,782
TOTAL ASSETS		1,037,162	1,997,948
CURRENT LIABILITIES			
Trade and other payables	13	817,729	444,570
Provisions	15	149,626	56,859
TOTAL CURRENT LIABILITIES		967,355	501,429
NON-CURRENT LIABILITIES			
Trade and other payables	13	231,826	347,735
Borrowings	14	459,655	–
Provisions	15	75,000	–
TOTAL NON-CURRENT LIABILITIES		766,481	347,735
TOTAL LIABILITIES		1,733,836	849,164
NET ASSETS/(LIABILITIES)		(696,674)	1,148,784
EQUITY			
Contributed equity	16	77,487,593	74,836,046
Reserves	17	2,709,071	2,565,405
Accumulated losses		(80,893,338)	(76,252,667)
TOTAL EQUITY		(696,674)	1,148,784

The accompanying notes form part of these financial statements

CONSOLIDATED STATEMENT OF CASH FLOWS

For the Year Ended 30 June 2010

	NOTE	CONSOLIDATED 2010 $	CONSOLIDATED 2009 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers (inclusive of GST)		170,581	237,243
Payments to suppliers and employees (inclusive of GST)		(2,532,681)	(2,610,735)
Receipt of government grants		–	50,000
Income tax rebate received		–	93,330
Net cash used in operating activities	8	(2,362,100)	(2,230,162)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		30,249	77,402
Purchase of property, plant and equipment		(2,525)	(180)
Net cash provided by investing activities		27,724	77,222
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of securities		562,476	2,107,206
Proceeds from borrowings		560,656	36,234
Net cash provided by/(used in) financing activities		1,123,132	2,143,440
Net increase/(decrease) in cash held		(1,211,244)	(9,500)
Exchange rate changes		(4,354)	31,879
Cash at 1 July		1,866,605	1,844,226
Cash at 30 June		651,007	1,866,605

The accompanying notes form part of these financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the Year Ended 30 June 2010

	Contributed Equity $	Convertible Note Equity Reserve $	Share-based Payments Reserve $	Accumulated Losses $	Total $
CONSOLIDATED					
Balance at 1 July 2008	72,728,840	–	2,411,191	(73,781,996)	1,358,035
Loss attributable to members of parent entity	–	–	–	(2,470,671)	(2,470,671)
Other comprehensive income for the year	–	–	–	–	–
Fair value of options vested during period	–	–	154,214	–	154,214
Share issues, net of transaction costs	2,107,206	–	–	–	2,107,206
Balance 30 June 2009	74,836,046	–	2,565,405	(76,252,667)	1,148,784
Loss attributable to members of parent entity	–	–	–	(4,640,671)	(4,640,671)
Other comprehensive income for the year	–	–	–	–	–
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
Balance 30 June 2010	77,487,593	69,837	2,639,234	(80,893,338)	(696,674)

The accompanying notes form part of these financial statements

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Preparation

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

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

The financial report complies with Australian Accounting Standards as issued by the Australian Accounting Standards Board and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

Going Concern

This financial report has been prepared on a going concern basis which contemplates continuity of normal business activities and the realisation of assets and discharge of liabilities in the normal course of business. . During the year ended 30 June 2010, the company and Group incurred losses of $4,613,426 and $4,640,671 respectively and the Group had operating cash outflows of $2,362,100. At 30 June 2010, the company and Group had net liabilities of $714,498 and $696,674 respectively. The ability of the company and Group to continue as going concerns assumes sufficient funding from capital raising, and completion of income generating commercial agreements or, if necessary, reduction in activities or action to realise asset value. In common with start-up biotechnology companies:

i. the Group's operations are subject to considerable risks due primarily to the nature of the development and commercialisation being undertaken; and

ii. to allow the Group to execute its longer term plans, it will be necessary to raise additional capital in the near future.

The company raised funds by way of share placement of $360,000 to its major shareholder and $251,190 of the shortfall from the April 2009 non-renounceable rights issue before costs during the year. A USD$6 million convertible note facility was entered into with La Jolla Cove Investors, Inc. in April 2010. At 30 June 2010, in accordance with the funding conditions of the facility agreement, subscription for future convertible notes is at the discretion of La Jolla Cove Investors Inc. However, this facility is expected to be drawn down in future periods. La Jolla Cove Investors, Inc. commenced partial conversion of the first convertible note in June 2010. The Directors expect that this will continue into the new financial year. In January 2010, a convertible note facility of up to $640,000 was agreed with the company's major shareholder. It is expected that this facility will drawn upon if and when required. The Directors cannot be certain of the success of future fund raising activities. However, following the successful fund raising activities during the 2010 year, the Directors believe that there are sufficient funds available in the new financial year to continue to fund the Group's activities.

In the meantime the Directors plan to continue the Group's operations on the basis of matters referred to above. In light of the above, it is their belief that sufficient funds will be raised, together with the existing net assets, for the Group to operate in its normal manner for a period of not less than twelve months from the date of this report. In the event that such arrangements are not entered into, there is significant uncertainty as to whether the company and Group will continue as going concerns and, therefore, whether they will realise their assets and extinguish their liabilities in the normal course of business and at the amounts stated in the financial report.

The financial report does not contain any adjustments to the amounts or classifications of recorded assets or liabilities that might be necessary if the company and Group do not continue as going concerns.

The financial report has been prepared in accordance with the historical convention. Unless otherwise stated, the accounting policies adopted are consistent with those of the previous year.

Financial Statement Presentation

The Group has applied the revised AASB 101 Presentation of Financial Statements which became effective on 1 January 2009. The revised standard requires the separate presentation of a statement of comprehensive income and a statement of changes in equity. All non-owner changes in equity must now be presented in the statement of comprehensive income. As a consequence, the Group had to change the presentation of its financial statements. Comparative information has been re-presented so that it is also in conformity with the revised standard.

(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 economic entity, including any unrealised profits or losses, have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistencies with those policies applied by the parent entity.

Where controlled entities have entered or left the economic 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

At the date of this financial report the following standards and interpretations, which may impact the entity in the period of initial application, have been issued but are not yet effective.

• AASB 2009-8 Amendments to Australian Accounting Standards – Group Cash-settled Share-based Payment Transactions [AASB 2]	Effective for annual reporting periods beginning on or after 1 January 2010
• AASB 9 Financial Instruments	Effective for annual reporting periods beginning on or after 1 January 2013
• Interpretation 19 Extinguishing Financial Liabilities with Equity Instruments	Effective for annual reporting periods beginning on or after 1 July 2010
• AASB 124 Related Party Disclosures	Effective for annual reporting periods beginning on or after 1 January 2011
• 2009-10 Amendments to Australian Accounting Standards – Classification of Rights Issues	Effective for annual reporting periods beginning on or after 1 February 2010

• 2009-12 Amendments to Australian Accounting Standards	Effective for annual reporting periods beginning on or after 1 January 2011
• AASB 1053 Application of Tiers of Australian Accounting Standards	Effective for annual reporting periods beginning on or after 1 July 2013
• 2010-2 Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements	Effective for annual reporting periods beginning on or after 1 July 2013
• 2010-4 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project	Effective for annual reporting periods beginning on or after 1 January 2010

(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).

(e) Income Tax

The charge for current income tax expense is based on the profit 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 balance sheet date.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the income statement except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the economic 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 – impairment

The Group assesses impairment at each reporting date by evaluating conditions specific to the group that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates.

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.

(g) Impairment of 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 balance sheet.

(i) Trade and Other Receivables

Trade receivables, which generally have 30 day terms, are recognised and carried at original invoice amount less an allowance for any uncollectible amounts.

An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when identified.

(j) Property, Plant and Equipment

Each class of property, plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation and impairment losses.

Plant and equipment

Plant and equipment are measured on the cost basis less depreciation and impairment losses. The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the assets employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

(j) Property, Plant and Equipment (continued)

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 economic 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:

Class of Fixed Asset	*Depreciation Rate*
Plant and equipment	20-40 %

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet 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 income statement. When revalued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

(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 economic 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 economic 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. At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for a similar non-convertible instrument. This amount is recorded as a liability 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 decline in the value of the instrument is considered to determine whether impairment has arisen. Impairment losses are recognised in the income statement.

(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 balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

(p) Provisions

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

(q) Contributed Equity

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

(r) Share-based Payment Transactions

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

The cost of these equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined using a Black-Scholes model. In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of Benitec 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 balance date. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date.

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

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

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

(s) Earnings per Share

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

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

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

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

(t) Foreign Currency Transactions and Balances

Functional and presentation currency

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

Transaction and balances

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

Exchange differences arising on the translation of monetary items are recognised in the income statement, 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 income statement.

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 balance sheet are shown inclusive of GST.

Cash flows are presented in the cash flow statement 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.

	CONSOLIDATED 2010 $	CONSOLIDATED 2009 $

NOTE 2: REVENUE FROM CONTINUING OPERATIONS

	2010 $	2009 $
Revenue		
- Licensing revenue and royalties	151,168	234,074
- Finance income - interest received	30,249	77,402
	181,417	311,476
Other income		
– Government grants	–	50,000
– Sundry income	616	91
	616	50,091
TOTAL REVENUE AND OTHER INCOME	**182,033**	**361,567**

NOTE 3: LOSS FOR THE YEAR

	2010 $	2009 $
(a) Expenses incurred by continuing operations		
Borrowing costs		
Interest payable - other persons	56,381	3,979
Depreciation included in income statement		
Included in Occupancy expenses		
Depreciation of plant and equipment	3,686	5,416
Employee benefits expense included in income statement		
Included in Employment related expenses		
Wages and salaries	569,109	646,010
Superannuation costs	54,008	43,378
Share-based payments expense	73,829	154,214
CSIRO IP Settlement included in income statement	2,004,851	–

During the 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. In addition, the Licence Agreement contains a number of further contingent payments as outlined in Note 23.

(b) Expenses:

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

	2010 $	2009 $
Expenses		
Research and development costs consist of:		
Project expenses	471,995	228,806
IP litigation expenses	58,219	30,395
Other IP related expenses	681,180	867,818
	1,211,394	1,127,019

	CONSOLIDATED	
	2010	2009
	$	$

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:

	2010 $	2009 $
Prima facie tax payable on loss from ordinary activities before income tax at 30% (2009: 30%)	(1,392,201)	(769,201)
Add Tax effect of:		
Non-deductible share-based payment expense	22,149	46,264
Non-deductible legal fees	18,839	12,359
Non-deductible CSIRO IP settlement	601,455	-
Capital items deductible	(240,142)	(351,822)
Other non deductible items	82,755	178,466
Deductible items not included in operating result	(178,146)	(106,462)
R&D tax offset from prior year	–	93,330
Deferred tax asset not brought to account	1,085,291	990,396
Income tax benefit reported in the income statement	–	93,330

(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 2010, the Tax Consolidated Group has a net deferred tax asset of $8,855,092 (2009: $7,776,405) 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 recognisedon the balance sheet of $381,588 (2009: $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 2010 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.

	CONSOLIDATED	
	2010	2009
	$	$

NOTE 5: AUDITOR'S REMUNERATION

Remuneration of the auditor of the parent entity for:		
- auditing or reviewing the financial report	46,000	42,900
Remuneration of other auditors of subsidiaries for:		
- auditing or reviewing the financial report of subsidiaries	–	–
	46,000	42,900

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	
	2010	2009
	$	$
Loss after income tax used in the calculation of basic EPS and dilutive EPS	(4,640,671)	(2,470,671)
	No.	No.
Weighted average number of ordinary shares for basic and diluted earnings per share	383,203,917	308,379,469
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 2010 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.

NOTE 7: DIRECTOR AND EXECUTIVE DISCLOSURES

(a) Details of Specified Directors and Specified Executives

(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

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
Dr Peter French	Chief Scientific Officer/ Chief Executive Officer	Appointed CSO on 4 August 2009, appointed CEO on 4 June 2010

NOTE 7: DIRECTOR AND EXECUTIVE DISCLOSURES (CONT.)

(b) Specified Directors' Remuneration

	Short Term			Post Employment	Equity	Other	Total
Specified Directors	Salary, Fees & Commission	Cash Bonus	Non-Cash Benefits	Super-annuation	Options		
2010							
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
Specified Directors							
2009							
Peter Francis	60,000	–	–	–	26,747	–	86,747
Mel Bridges	55,000	–	–	–	17,831	–	72,831
	115,000	–	–	–	44,578	–	159,578

(c) Specified Executives' Remuneration

	Short Term			Post Employment		Equity	Total
Specified Executives	Salary, Fees & Commission	Cash Bonus	Non–Cash Benefits	Super–annuation	Termination Benefits	Options	
2010							
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
Specified Executives							
2009							
Peter French	–	–	–	–	–	–	–
Sue MacLeman	288,242	90,000	–	21,095	–	70,400	469,737
John Rawling	118,486	9,174	–	11,489	–	10,460	149,609
	406,728	99,174	–	32,584	-	80,860	619,346

(d) Options Granted As Remuneration

In respect of the specified directors and specified executives, there were no options granted as remuneration.

(e) Shares Issued on Exercise of Remuneration Options

In respect of the specified directors and specified executives, there were no shares issued on exercise of remuneration options.

(f) Options and Rights Holdings

Number of Options held by Key Management Personnel

	Balance 01-Jul-09	Granted as Remun.	Options Aquired	Options Exercised/ Lapsed	Balance at 30-Jun-10	Total Vested at 30-Jun-10	Total Exercisable at 30-Jun-10
Specified Directors							
Peter Francis	2,474,350	–	–	–	2,474,350	1,141,017	1,141,017
Mel Bridges	1,333,333	–	–	–	1,333,333	444,444	444,444
Sub–total	**3,807,683**	**–**	**–**	**–**	**3,807,683**	**1,585,461**	**1,585,461**
Specified Executives							
Sue MacLeman	6,000,000	–	–	–	6,000,000	5,000,000	5,000,000
John Rawling	1,300,000	–	–	–	1,300,000	1,200,000	1,200,000
Peter French	–	–	–	–	–	–	–
Sub–total	**7,300,000**	**–**	**–**	**–**	**7,300,000**	**6,200,000**	**6,200,000**
Total	**11,107,683**	**–**	**–**	**–**	**11,107,683**	**7,785,461**	**7,785,461**

(g) Shareholdings

Number of Shares held by Specified Directors and Specified Executives

	Balance 01–Jul–09	Received as Remun.	Upon Options Exercised	Net Change Other*	Balance 30–Jun–10
Specified Directors					
Peter Francis	474,350	–	–	–	474,350
Mel Bridges	200,000	–	–	–	200,000
John Chiplin	–	–	–	–	–
Iain Ross	–	–	–	–	–
Sub–total	**674,350**	**–**	**–**	**–**	**674,350**
Specified Executives					
Peter French	–	–	–	–	–
Sue MacLeman	–	–	–	–	–
John Rawling	–	–	–	–	–
Sub–total	**–**	**–**	**–**	**–**	**–**
Total	**674,350**	**–**	**–**	**–**	**674,350**

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

(h) Remuneration Practices

The Company's policy for determining the nature and amount of emoluments of board members and senior executives of the Company is as follows:

The Board of Directors of Benitec Limited is responsible for determining and reviewing compensation arrangements for the directors, the chief executive officer and the executive team. The Board's remuneration policy has been implemented to ensure that the remuneration package properly reflects the person's duties and responsibilities, with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality board and executive team. The policy seeks to provide remuneration and benefits that encourage high standards of performance and demonstrate the value the Company places on its officers by being equitable, consistent with individual performance and experience, and market competitive. Such officers are given the opportunity to receive their base emolument in a variety of forms, including cash and fringe benefits such as motor vehicles. It is intended that the manner of payment chosen will be optimal for the recipient without creating any additional cost to the Company.

To assist in achieving these objectives, the Board links the nature and amount of executive officers' emoluments to the Company's financial and operational performance. All executives have the opportunity to qualify for participation in the Benitec Employee Share Option Plan, which provides incentives where specified performance criteria are met. The purpose of the Plan is to recognise employees who have contributed to the success of the Company, to provide an incentive to achieve long term objectives of the Company and foster and promote loyalty between the Company and its employees.

The current employment agreement with the Chief Executive Officer has a six month notice period. The Chief Executive Officer's appointment with the Company may be terminated by him providing 2 months notice and the Company by providing 6 months notice in writing. The Company may elect to pay the Chief Executive Officer an amount equal to 6 months' pay in lieu of notice, together with any outstanding entitlement due to him.

	CONSOLIDATED	
	2010	2009
	$	$

NOTE 8: CASH AND CASH EQUIVALENTS

Cash at bank	172,662	218,427
Deposits at call	478,345	1,648,178
	651,007	1,866,605

Reconciliation of Cash Flow from Operations with Loss after Income Tax

Loss after Income Tax	(4,640,671)	(2,470,671)
Non-cash flows included in operating loss:		
Interest received	(30,249)	(77,402)
Depreciation	3,686	5,416
Share-based payments	73,829	154,214
CSIRO IP settlement	2,004,851	–
Foreign currency translation unrealised	22,018	–
Provisions and non-cash adjustments	167,159	2,337
Changes in assets and liabilities:		
(Increase)/decrease in trade and other receivables	(243,549)	(22,184)
(Increase)/decrease in other current assets	(12,424)	29,727
Increase/(decrease) in trade and other payables	293,250	148,401
Net cash flows from operations	(2,362,100)	(2,230,162)

NOTE 9: TRADE AND OTHER RECEIVABLES

CURRENT

Sundry Debtors	350,470	106,921

NOTE 10: OTHER ASSETS

CURRENT

Prepayments	13,064	13,900
Other current assets	15,000	1,740
	28,064	15,640

	CONSOLIDATED 2010 $	CONSOLIDATED 2009 $

NOTE 11: CONTROLLED ENTITIES

(a) Controlled entities:

	Country of Incorporation	Percentage Owned 2010	Percentage Owned 2009
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.

NOTE 12: PROPERTY, PLANT AND EQUIPMENT

Plant and Equipment

	2010 $	2009 $
At cost	23,645	21,121
Accumulated depreciation	(16,024)	(12,339)
Total Property, Plant and Equipment	7,621	8,782

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.

	CONSOLIDATED Plant & Equipment $	CONSOLIDATED Total $
Balance at 30 June 2008	14,018	14,018
Additions	180	180
Depreciation expense	(5,416)	(5,416)
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

	CONSOLIDATED 2010 $	2009 $
NOTE 13: TRADE AND OTHER PAYABLES		
CURRENT		
Unsecured liabilities		
Trade creditors	695,845	137,428
Sundry creditors and accrued expenses	121,884	307,142
	817,729	444,570
NON-CURRENT		
Unsecured liabilities		
Sundry creditors and accrued expenses	231,826	347,735

NOTE 14: BORROWINGS

	2010 $	2009 $
Convertible Note	459,655	–

On 1 April 2010, the Company entered into a convertible note facility with La Jolla Cove Investors, Inc. (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.

At 30 June 2010, the Company had drawn down US$500,000 under this facility. The agreement provided that shareholder approval be obtained to enter into the full facility. The convertible note facility was approved at a General Meeting of shareholders held on 30 June 2010.

International and Australian accounting standards classify the convertible note as a compound financial instrument. Consequently the convertible note is split into a liability and equity component based on the present value of its cash flows to the maturity date. This liability versus equity component was calculated using a 13% discount factor. The result was that the amount drawn down of US$500,000 has a liability component of A$483,501 and an equity component of A$77,156. Subsequently, there was a partial conversion of the note on 11 June 2010 with 1,899,363 ordinary shares being issued in accordance with the facility's terms for conversion of US$43,775 of the amount outstanding.

NOTE 15: PROVISIONS

	2010 $	2009 $
CURRENT		
Provision for employee entitlements	74,626	56,859
Provision for patent costs	75,000	–
	149,626	56,859
NON-CURRENT		
Provision for patent costs	75,000	–
	75,000	–

	CONSOLIDATED 2010 $	CONSOLIDATED 2009 $

NOTE 16: CONTRIBUTED EQUITY

	2010 $	2009 $
415,004,245 (2009: 352,500,230) fully paid ordinary shares	77,487,593	74,836,046

(a) Ordinary Shares

	2010 $	2009 $
At the beginning of the reporting period	74,836,046	72,728,840
Shares issued during the year	2,667,418	2,150,027
Transaction costs relating to share issues	(23,190)	(42,821)
Convertible Note conversion	7,319	–
At reporting date	77,487,593	74,836,046

	No.	No.
At the beginning of reporting period	352,500,230	291,954,879
Shares issued during the year	62,504,015	60,545,351
At reporting date	415,004,245	352,500,230

(b) Share options

At the end of the financial year, there were 157,064,579 unissued ordinary shares (2009: 138,499,913) 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 BLTOA	56,081,915	03-Apr-11	$0.15
Employee share options plan options	3,000,000	04-Sep-11	$0.0224
Employee share options plan options	1,000,000	14-Dec-11	$0.0599
Employee share options plan options	3,300,000	31-Dec-12	$0.115
Non-executive director options	4,666,666	31-Dec-12	$0.131
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
	157,064,579		

Since 30 June 2010, no options have been issued under the ESOP.

Employee share options plan options	6,500,000	19-Aug-14	$0.03
Employee share options plan options	5,000,000	09-Jun-13	$0.0425

	CONSOLIDATED	
	2010	2009
	$	$

NOTE 17: RESERVES

Convertible Note Equity Reserve		
At the beginning of the reporting period	–	–
Equity component of convertible note	77,156	–
Transfer to Contributed Equity upon partial conversion of convertible note	(7,319)	
At reporting date	69,837	–
Share–based Payments Reserve		
At the beginning of the reporting period	2,565,405	2,411,191
Fair value of options vested during year	73,829	154,214
At reporting date	2,639,234	2,565,405

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: SEGMENT REPORTING

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 Results

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	
	2010	2009	2010	2009	2010	2009
	$	$	$	$	$	$
Geographical location						
Australia	182,033	361,554	(4,623,814)	(2,369,637)	1,007,012	1,960,606
United States of America	–	13	(14,698)	(77,980)	30,150	17,342
United Kingdom	–	–	(2,159)	(23,054)	–	–
	182,033	361,567	(4,640,671)	(2,470,671)	1,037,162	1,977,948

NOTE 18: SEGMENT REPORTING (CONT.)

Accounting Policies

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

NOTE 19: FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise receivables, payables, cash and short-term deposits 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 balance 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:

	CONSOLIDATED GROUP	
	2010	2009
	$	$
Financial Assets		
Cash and cash equivalents	651,007	1,866,605
Financial Liabilities	–	–
Net Exposure	651,007	1,866,605

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 2.50% (2009: 4.14%).

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

At 30 June 2010, 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:

	Post Tax Result Higher/(Lower)		Equity Higher/(Lower)	
	2009 $	2008 $	2009 $	2008 $
Consolidated				
+1% (100 basis points)	12,098	13,729	12,098	13,729
– 0.5% (50 basis points)	(6,049)	(6,865)	(6,049)	(6,865)

The movements in operating result are due to higher/lower interest income from cash balances. The sensitivity is lower in 2010 than in 2009 due to lower cash balances and further reductions in interest rates during the year

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 2010. 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:

	CONSOLIDATED GROUP	
	2010 $	2009 $
6 months or less	57,955	–
6–12 months	57,955	–
1–5 years	231,826	–
Over 5 years	–	–
	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 consolidated entity'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
	$	$	$	$	$
Consolidated Group					
Financial assets					
Cash and cash equivalents	651,007	–	–	–	651,007
Trade and other receivables	350,470	–	–	–	350,470
Financial Liabilities					
Trade and other payables	(759,774)	(57,955)	(231,826)	–	(1,049,555)
Borrowings	–	–	(459,655)	–	(459,655)
Net Maturity	241,703	(57,955)	(691,481)	–	(507,733)

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

Forecast liquidity reserves as at 30 June 2010 is as follows:

	30 JUNE	
	2011	2012-2015
	$'000	$'000
Opening balance for the period	651	1,877
Operating inflows	129	577
Operating outflows	(3,032)	(8,002)
Capital expenditure	(20)	–
Financing proceeds	4,149	8,632
Closing balance for the period	1,877	3,084

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 balance 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.

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

Two employees who had previously been granted options left the Company on 28 November 2008. The Board determined that no further vesting of options held by these employees would take place and that vested options held by these employees would expire no later than 28 November 2009.

Share Options granted during the year

No options were granted to executives during the year.

After year end, the following options have been issued to directors and executives:

Name	Grant Date	No.	Exercise Price	Expiry Date
Peter French	13 July 2010	5,000,000	$0.03	19 August 2014
Peter French	13 July 2010	5,000,000	$0.0425	9 June 2013
John Rawling	13 July 2010	1,500,000	$0.03	19 August 2014
		11,500,000		

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

Peter Francis	13 July 2010	1,500,000	$0.03364	19 August 2014
Mel Bridges	13 July 2010	1,500,000	$0.03364	19 August 2014
		3,000,000		

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

The closing market price of an ordinary share of Benitec Limited (ASX Code: BLT) on the Australian Stock Exchange at 30 June 2010 was $0.032 (30 June 2009: $0.025)

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

	2010 No.	20010 WAEP	2009 No.	2009 WAEP
Outstanding at the beginning of the year	8,808,334	$0.145	9,200,000	$0.145
Granted during the year	–	–	–	–
Exercised during the year	–	–	–	–
Lapsed or forfeited during the year	(1,508,334)	$0.524	(391,666)	$0.090
Outstanding at the end of the year	7,300,000	$0.071	8,808,334	$0.149

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

		CONSOLIDATED GROUP	
		2010	2009
Expiry Date and Exercise Price	Grant Date	$	$
28 July 2009 @ $0.50 each	29-Jul-02	–	100,000
28 July 2009 @ $1.00 each	29-Jul-02	–	100,000
28 July 2009 @ $1.50 each	29-Jul-02	–	150,000
29 July 2009 @ $2.00 each	29-Jul-02	–	150,000
4 September 2011 @ $0.0224 each	04-Sep-06	3,000,000	3,000,000
14 December 2011 @ $0.0599 each	14-Dec-06	1,000,000	1,000,000
8 October 2012 @ $0.114 each	08-Oct-07	–	1,000,000
31 December 2012 @ $0.115 each	21-Feb-08	3,300,000	3,308,334
		7,300,000	8,808,334

NOTE 22: EVENTS SUBSEQUENT TO BALANCE SHEET DATE

There have been no material events subsequent to balance sheet date.

NOTE 23: RELATED PARTY TRANSACTIONS

During the 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. 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 the following:

- To pay CSIRO an amount of $300,000 in full satisfaction of costs relating to past Nucleonics litigation costs following written notice from CSIRO that one or more commercial claims have been reissued from the re-examination proceedings of the '099 patent; and
- 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.

It is noted that the first matter is payable only upon a favourable outcome in respect of the USPTO hearing on the re-examination of the '099 Graham patent whilst the third matter will only become payable upon insolvency.

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:

NOTE 24: RELATED PARTY TRANSACTIONS (CONT.)

	CONSOLIDATED GROUP	
	2010	2009
	$	$
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.	88,214	134,355
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.	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.	21,375	–

NOTE 25: BENITEC LIMITED PARENT COMPANY INFORMATION

	PARENT EQUITY	
	2010	2009
	$	$
ASSETS		
Current assets	999,391	1,951,735
Non-current assets	7,634	8,795
TOTAL ASSETS	1,007,025	1,960,530
LIABILITIES		
Current liabilities	955,042	497,062
Non-current liabilities	766,481	347,735
TOTAL LIABILITIES	1,571,523	834,797
NET ASSETS/(DEFICIENCY)	(714,498)	1,125,733
EQUITY		
Contributed equity	77,557,430	74,736,046
Reserves	2,639,234	2,565,405
Accumulated losses	(80,911,162)	(76,275,718)
TOTAL EQUITY	(714,498)	1,125,733
FINANCIAL PERFORMANCE		
Loss for the year	(4,613,426)	(2,371,537)
Other comprehensive income	–	–
TOTAL COMPREHENSIVE INCOME	(4,613,426)	(2,371,537)

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
21 September 2010

RSM Bird Cameron Partners
Chartered Accountants

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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 consolidated entity"), which comprises the statement of financial position as at 30 June 2010, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, a summary of significant accounting policies, other explanatory notes 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 and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1(a), the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the consolidated 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. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's 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 entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

RSM! Bird Cameron Partners
Chartered Accountants

Auditor's Independence Declaration

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 2010 and of its performance for the year ended on that date; and

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

(b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1(a).

Material Uncertainty Regarding Continuation as a Going Concern

Without qualifying our opinion, we draw attention to Note 1(a) in the financial report which indicates that the company and consolidated entity incurred net losses of $4,613,426 and $4,640,671 respectively and the consolidated entity had operating cash outflows of $2,362,100 during the year ended 30 June 2010, and as of that date, the company's and consolidated entity's total liabilities exceeded total assets by $714,498 and $696,674 respectively. These conditions, along with other matters as set forth in Note 1(a), indicate the existence of a material uncertainty which may cast significant doubt about the company and consolidated entity's ability to continue as going concerns and, therefore, whether they will realise their assets and extinguish their liabilities in the normal course of business and at the amounts stated in the financial report.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 14 to 16 of the directors' report for the financial year ended 30 June 2010. 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

In our opinion the Remuneration Report of Benitec Limited for the financial year ended 30 June 2010 complies with section 300A of the *Corporations Act 2001*.

RSM Bird Cameron Partners

RSM BIRD CAMERON PARTNERS
Chartered Accountants

Melbourne
21 September 2010

Miano

R B MIANO
Partner

1. SHARE AND OPTION HOLDING INFORMATION

a) Distribution of Equity Security Holders

The number of holders and amount of holdings by a range of holding sizes of the ordinary shares and options as at 30 September 2010 are detailed below.

Holding Size	Ordinary Shares (ASX: BLT)		Options (ASX: BLT)		Options (ASX: BLTOA)	
	No. of holders	No. of Shares held	No. of holders	No. of Shares Held	No. of holders	No. of Options Held
1-1,000	59	11,585	11	4,183	32	10,347
1,001 - 5,000	67	59,499	28	21,338	59	45,705
5,001 – 10,000	548	1,781,753	157	412,621	276	751,895
10,001 – 100,000	416	3,412,330	72	506,885	104	730,106
100,001 – and over	1,452	435,496,551	148	45,728,880	199	54,543,862
	2,542	440,761,718	416	46,673,907	670	56,081,915

b) Marketable parcels

The number of holdings of ordinary shares less than a marketable parcel of $500 is 1,201.

c) Substantial Shareholders

The names of substantial shareholders listed in the Company's register as at 30 September 2010 were:

Holder	Number of Ordinary Shares Held	% Held of Issued Capital
Dr Christopher Bremner	117,240,932	25.91%
CSIRO	44,156,355	9.78%

d) Voting rights

The voting rights attached to each class of equity security are as follows:

Each ordinary share holder is entitled to one vote when a poll is called, otherwise each member present at a meeting or by proxy has one vote on a show of hands.

Option holders do not have any voting rights until the option is converted into an ordinary share.

e) 20 Largest Ordinary Shareholders as at 31 July 2009

Holder	Number of Ordinary Shares Held	% Held of Issued Capital
Dr Christopher Bremner	117,240,932	26.60
CSIRO	44,156,355	10.02
JP Morgan Nominees Australia Limited <Cash Income A/C>	22,589,417	5.13
ANZIEX Nominees Limited	21,000,000	4.76
Sigma-Aldrich Pty Limited	19,531,250	4.43
Citicorp Nominees Pty Limited	16,666,671	3.78
Promega Corporation	12,996,339	2.95
HSBC Custody Nominees (Australia) Limited	11,108,837	2.52
La Jolla Cove Investors Inc	6,574,621	1.49
Mr Jeffrey Connor	4,000,000	0.91
UBS Wealth Management Australia Nominees Pty Ltd	3,666,653	0.83
Mr Trevor Gregory Burke	3,262,144	0.74
Kanilo Pty Limited	2,800,000	0.64
Mr Trevor Harold Ahern + Mrs Suzanne Margaret Ahern <Ahern Pastoral Co PL S/F A/C>	2,591,350	0.59
Deponent Services Pty Ltd <Lambert Super Fund A/C>	2,489,641	0.56
Mr Andrew David Macknamara	2,355,000	0.53
Done Nominees Pty Limited <Done Super Plan A/C>	2,292,515	0.52
Mr Mato Veselcic + Ms Rebecca Macdonald	2,212,000	0.50
Clifton Garages Nominees Pty Ltd <Clifton Garages Nom Unit A/C>	2,141,712	0.49
Mr Ross Dunstan + Mrs Cheryl Hamilton <R & C Investments S/F A/C>	1,788,063	0.41
TOTAL	**301,463,500**	**68.40**
SHARES ON ISSUE AT 30 SEPTEMBER 2010	**440,761,718**	

f) 20 Largest Optionholders (ASX: BLTO) as at 30 September 2010

Holder	Number of Options Held	% Held of Options
Dr Christopher Bremner	25,408,240	54.44
Mr Jeffrey Connor	4,000,000	8.57
Citicorp Nominees Pty Limited	2,049,121	4.39
Mr Ian Domaille	1,666,000	3.57
Mr Matthew Burford	1,550,000	3.32
Goffacan Pty Ltd	1,400,000	3.00
Mr Ahmet Aykenar	600,000	1.29
Mr Flara Raffoul	540,634	1.16
Mr Walter Melville Dower	500,000	1.07
Resolute Securities Pty Ltd <Blue Family Super Fund A/C>	480,942	1.03
Dr Warna Karunasena & Mrs Alankarage Sriyani Karunasena	425,982	0.91
Goffacan Pty Ltd <KMM Family A/C>	400,000	0.86
HSBC Custody Nominees (Australia) Limited	374,832	0.80
Mr Wayne Andrew Gibson	347,921	0.75
Mr Adam Arthur Phillipe	241,000	0.52
Queenstown Unlimited Limited	240,268	0.51
UBS Nominees Pty Ltd <TP00014 15 A/C>	240,000	0.51
Mr Simon John Moran & Mrs Christine Joyce Moran <Wirrilda Super Fund A/C>	186,708	0.40
Mr David Burton Gibson	159,959	0.34
Phoenix Services Australia Pty Limited	157,620	0.34
TOTAL	**40,969,227**	**87.78**
LISTED OPTIONS BLTO ON ISSUE AT 30 SEPTEMBER 2010	**46,673,907**	

g) 20 Largest Optionholders (ASX: BLTOA) as at 30 September 2010

Holder	Number of Options Held	% Held of Options
Dr Christopher Bremner	19,969,200	35.61
ANZIEX Nominees Pty Ltd	11,000,000	19.61
Arkwright Developments Pty Ltd <Findlay Fund Account>	7,496,440	13.37
ANZ Nominees Limited <Cash Income A/C>	1,785,039	3.18
UBS Nominees Pty Ltd	1,359,126	2.42
Dr Warna Karunasena + Mrs Alankarage Sriyani Karunasena	911,820	1.63
JPMorgan Nominees Australia Limited <Cash Income A/C>	864,339	1.54
UBS Wealth Management Australia Nominees Pty Ltd	671,135	1.20
Mr David Burton Gibson	653,883	1.17
Mrs Jennifer Mollett	500,000	0.89
Mr Ian Horrocks + Mrs Jenni Lightowlers <Lightowlers Family Super A/C>	474,350	0.85

g) 20 Largest Optionholders (ASX: BLTOA) as at 31 July 2009 (cont.)

Holder	Number of Options Held	% Held of Options
Clifton Garages Nominees Pty Ltd <Clifton Garages Nom Unit A/C>	462,663	0.82
Fitel Nominees Limited	454,545	0.81
Mr John Alexander Hunt + Mrs Irene Lucy May Hunt <J & I Hunt S/F A/C>	375,758	0.67
Fayara Securities Pty Limited	278,730	0.50
Mr Michael Dalling + Mr Neil Bishop <Michael Dalling Super A/C>	273,266	0.49
Mr Glen Johnson	220,000	0.39
A J McDonald Pty Ltd	202,273	0.36
Mr Andrew Robert Brown	200,000	0.36
International Business Network (Services) Pty Ltd	200,000	0.36
TOTAL	**48,352,567**	**86.22**
LISTED OPTIONS BLTOA ON ISSUE AT 30 SEPTEMBER 2010	**56,081,915**	

h. Restricted securities

There are no securities on issue subject to restriction agreements.

i. Unquoted securities

As at the date of this report, the Company has unquoted securities as follows:

Details of Security	Grant Date	Expiry Date	Exercise Price	Number
Options – Other	30-Sep-03	30-Sep-13	$0.03	17,560
Options – Other	06-Nov-08 & 06-Feb-09	31-Dec-12	$0.10	22,244,444
Options - Other	24-Feb-10	10-Apr-15	$0.10	12,000,000
Strategic Advisor Warrants	4-Aug-04	4-Aug-14	$0.90	6,126,962
Options - Directors	17-May-04	30-Sep-13	$0.17	1,953,125
Options - NED	28-Nov-08	31-Dec-12	$0.131	4,666,666
Options - ESOP	4-Sep-06	4-Sep-11	$0.0224	3,000,000
Options - ESOP	14-Dec-06	14-Dec-11	$0.0599	1,000,000
Options - ESOP	21-Feb-08	21-Feb-13	$0.115	3,300,000
Options - ESOP	13-Jul-10	19-Aug-14	$0.03	6,500,000
Options - ESOP	13-Jul-10	19-Aug-14	$0.03364	3,000,000
Options - ESOP	13-Jul-10	9-Jun-13	$0.0425	5,000,000
TOTAL				**68,808,757**

2. ON-MARKET BUY BACK

There is currently no on-market buy back.

3. LISTING ON EXCHANGES

Trading of the Company's securities is available on the Australian Stock Exchange.

LIST OF PATENT
A. BENITEC OWNED PATENTS

		Inventors	EX	Number	Status
Title	**MULTIPLE PROMOTER EXPRESSION CASSETTES FOR SIMULTANEOUS DELIVERY OF RNAi AGENTS (105)** (Licensed to Tacere Therapeutics for HCV)				
Description	A genetic construct comprising a multi-promoter expression cassette comprising at least three promoter/RNAi/terminator components wherein each promoter/RNAi/terminator component comprises a promoter element, a terminator element and an RNAi species operably linked to the promoter element and the terminator element, and wherein each of the RNAi species is different from one another.	Roelvink, Suhy, Kolykhalov,	EX	Number	Status
			NZ	550284	Granted August 2009
			NZ	575361 (Divisional of 550284)	Exam in progress
			AU	200522084	Accepted 22 April 2010
			EP	05727680.0	Exam in progress
			CA	2558771	Exam requested
			CN	200580013979.5	Exam in progress
			IL	177862	Exam in progress
			JP	2007-502094	Exam in progress
			KR	2006-7020986	Exam requested April 2010
			US	7727970 (11/072592)	Granted 1 June 2010 Expires 18 May 2027
			US	12/723466	Filed 22 March 2010
Title	**GENETIC SILENCING (106))**				
Description	A method of inducing, promoting or otherwise facilitating a change in the phenotype of an animal cell orgroup of animal cells including a animal comprising said cells. The modulation of phenotypic expression is conveniently accomplished via genotypic manipulation through such means as reducing translation of transcript to proteinaceous product. The ability to induce, promote or otherwise facilitate the silencing of expressible genetic sequences provides a means for modulating the phenotype in, for example, the medical, veterinary and the animal husbandry industries. Expressible genetic sequences contemplated by the present invention including not only genes normally resident in a particular animal cell (i.e. indigenous genes) but also genes introduced through recombinant means or through infection by pathogenic agents such as viruses.	Graham, Rice, Murphy, Reed	JP	2001-569332	Exam requested
			BR	PI0109269-3	Pending
			UK	GB2377221	Granted
			SG	91678	Granted
			ZA	2002/07428	Granted
Title	**DOUBLE-STRANDED NUCLEIC ACID (107)**				
Description	A ribonucleic acid (RNA) for use as interfering RNA in gene silencing techniques to silence a target gene comprising in a 5' to 3' direction at least four sequences being a first and second effector sequence 17 to 21 nucleotides in length; a sequence substantially complementary to the second effector sequence; and a sequence substantially complementary to the first effector sequence; wherein the complementary sequences are capable of forming double stranded regions with their respective effector sequences and wherein at least one of the four sequences is substantially identical to the predicted transcript of a region of the target gene; and the RNA further comprising a spacing sequence of one or more nucleotides, the spacing sequence being located between and spacing the first effector sequence and the second effector sequence, or between the sequence substantially complementary to the second effector sequence and the sequence substantially complementary to the first effector sequence.	Roelvink, Suhy, Kolykhalov,	AU	2004243347	Granted
			AU	2009202763 (Divisional of 2004243347)	Exam requested
			NZ	543815	Granted
			NZ	575242 (divisional of 543815)	Exam in progress
			EP	04735856.9	Exam requested
			CA	2527907	Exam requested
			JP	2006-508084	Exam requested
			ZA	2005/09813	Granted
			SG	200507474-5	Granted
			IL	172191	Exam in progress
			US	10/861191	Exam in progress

LIST OF PATENT
A. BENITEC OWNED PATENTS (CONT.)

		Inventors	EX	Number	Status
Title	THERAPEUTIC RNAI AGENTS FOR TREATING PSORIASIS (109)				
Description	Compositions and methods suitable for delivering RNAi agents against genetic targets in skin tissues so as to treat psoriasis.	Reed, Brashears	AU	2005299672	Exam requested
			EP	05812449.6	Exam in progress
			CA	2583826	Application filed
Title	RNAi AGENTS FOR MAINTENANCE OF STEM CELLS (112)				
	Compositions and methods suitable for delivering RNAi agents against genetic targets in stem cells so as to direct cell growth and differentiation.	Brashears, Evertsz.	AU	2006204120	Exam requested
			US	11/794726	Exam in progress
			EP	06717315.3	Exam requested
			IL	184434	Exam in progress
			CA	2593509	Exam requested
			SG	200908615-8 (Divisional of 200704975-2)	Application filed
			JP	2007-550422	Exam requested
Title	RNAi EXPRESSION CONSTRUCTS (single promoter) (114)				
Description	Compositions and methods suitable for expressing 1-x RNAi agents against a gene or genes in cells, tissues or organs of interest in vitro and in vivo so as to treat diseases or disorders.	Roelvink, Suhy, Kolykhalov, Couto	US	11/347028	Allowed 18 May 2010
			CN	200680010811.3	Exam in progress
			HK	08112495.7	Application filed
			EP	06734372.3	Lapsed
			EP	09015950.0 (Divisional of 06734372.3)	Application filed
			US PCT case	11/883645	Application filed
			CA	2596711	Application filed
			AU	2006210443	Exam requested
			IL	185315 (patent of addition to IL177862)	Exam in progress
			NZ	560936	Accepted 16 March 2010
			NZ	582671 (Divisional of 560936)	Exam in progress
Title	RNAi EXPRESSION CONSTRUCTS WITH LIVER-SPECIFIC ENHANCER/PROMOTER (115)				
Description	An expression construct comprising: one or more enhancer elements selected from the group consisting of ApoE enhancer elements and SynEnh enhancer elements; one or more liver-specific promoters; and one or more RNAi constructs that provide one or more RNAi agents.	Roelvink, Suhy, Kolykhalov, Kay, Giering	US	11/355516	Exam in Progress

LIST OF PATENT
A. BENITEC OWNED PATENTS (CONT.)

		Inventors	EX	Number	Status
Title	MULTIPLE RNAi EXPRESSION CASSETTES FOR SIMULTANEOUS DELIVERY OF RNAi AGENTS RELATED TO HETEROZYGOTIC EXPRESSION PATTERNS (116)				
Description	Compositions and methods suitable for expressing y-x multiple-RNAi agents against an allele or alleles of interest in cells, tissues or organs of interest in vitro and in vivo so as to treat diseases.	Reed, Brashears	US	12/371211 (Continuation of 11/413628)	Exam in progress
			IL	186872	Exam in progress
			CN	200680022921.1	Exam in progress
			CA	2606002	Application filed
			EP	06758809.5	Exam in progress
			AU	2006239169	Application filed
			HK	09100523.7	Application filed
Title	MINIGENE EXPRESSION CASSETTE				
Description	Methods and compositions for expressing a gene or nucleotide sequence of interest are provided. The compositions include an expression cassette that includes a synthetic enhancer, a transthyretin promoter, and a nucleotide sequence operably under the control of the synthetic enhancer and the transthyretin promoter. The expression cassette may be used in an AAV vector, such as a self-complementary AAV vector.	Kay, Hebert, Roelvink, Suhy	US	11/731198	Exam in progress

B. LICENSED PATENTS

		Inventors	Country	Number	Earliest Priority Date	Status
Title	MULTIPLE RNAi EXPRESSION CASSETTES FOR SIMULTANEOUS DELIVERY OF RNAi AGENTS RELATED TO HETEROZYGOTIC EXPRESSION PATTERNS (116)					
Description	A method of modifying gene expression and to synthetic genes for modifying endogenous gene expression in a cell, tissue or organ of a transgenic organism, in particular a transgenic animal or plant. More particularly, the present invention utilises recombinant DNA technology to post-transcriptionally modify or modulate the expression of a target gene in a cell, tissue, organ or whole organism, thereby producing novel phenotypes. Novel synthetic genes and genetic constructs which are capable or repressing delaying or otherwise reducing the expression of an endogenous gene or a target gene in an organism when introduced thereto are also provided.	Waterhouse, Graham, Wang, Rice	US	10/346,853	20 Mar 1998	C Pending
			US	11/218,999	20 Mar 1998	CIP Pending
			US	10/646,070	20 Mar 1998	C Allowed
			US	10/759,841	20 Mar 1998	C Pending
			US	10/821,726	20 Mar 1998	C Pending
			US	11/180,928	20 Mar 1998	Abandoned
			US	90/007,247	19 Jun 1998	Pending
			US	90/008,096 (merged with '247)	20 Mar 1998	Pending
Title	GENETIC CONSTRUCTS FOR DELAYING OR REPRESSING THE EXPRESSION OF A TARGET GENE ('099)					
Description	Synthetic genes for modifying endogenous gene expression in a cell, tissue or organ of a transgenic organism, in particular a transgenic animal or plant. More particularly, the present invention provides novel synthetic genes and genetic constructs which are capable of repressing delaying or otherwise reducing the expression of an endogenous gene or a target gene in an organism when introduced thereto.	Graham, Rice	US	6,573,099		Re-exam

B. LICENSED PATENTS (CONT.)

		Inventors	Country	Number	Earliest Priority Date	Status
Title	CONTROL OF GENE EXPRESSION WO99/49029					
Description	A method of modifying gene expression and to synthetic genes for modifying endogenous gene expression in a cell, tissue or organ of a transgenic organism, in particular a transgenic animal or plant. More particularly, the present invention utilises recombinant DNA technology post-transcriptionally modify or modulate the expression of a target gene in a cell, tissue, organ or whole organism, thereby producing novel phenotypes. Novel synthetic genes and genetic constructs which are capable or repressing delaying or otherwise reducing the expression of an endogenous gene or a target gene in an organism when introduced thereto are also provided.	Graham, Rice, Waterhouse, Wang	AU	743316		Granted
			AU	2005202658		Granted
			AU	2005211538		Granted
			AU	2005209648		Granted
			AU	2007201023		Lapsed
			AU	2008249157		Pending
			BR	PI9908967.0		Pending
			BR	PI9917642.4		Pending
			CA	2323726		Granted
			CA	2487328		Pending
			CA	2513336		Pending
			CN	200510083325.1		Pending
			CN	200910206175		Pending
			CZ	295108		Granted
			EP	04015041.9		Pending
			EP	05013010.3		Pending
			EP	07008204.5		Pending
			UK	GB 2353282		Granted
			HK	1035742		Granted
			HG	PO5000631		Pending
			HG	PO101225		Pending
			IN	3413/DELNP/2005		Pending
			IN	3901/DELNP/2005		Pending
			IN	2000/00169/DE		Allowed
			JP	2000-537990		Granted
			JP	2005-223953		Granted
			JP	2007-302237		Granted
			JP	2009-161847		Pending
			KR	7010419/00		Pending
			KR	10-2010-7006892 Divisional of 7010419/00		Pending

B. LICENSED PATENTS (CONT.)

		Inventors	Country	Number	Earliest Priority Date	Status
Title	CONTROL OF GENE EXPRESSION WO99/49029 (CONT.)					
Description	A method of modifying gene expression and to synthetic genes for modifying endogenous gene expression in a cell, tissue or organ of a transgenic organism, in particular a transgenic animal or plant. More particularly, the present invention utilises recombinant DNA technology post-transcriptionally modify or modulate the expression of a target gene in a cell, tissue, organ or whole organism, thereby producing novel phenotypes. Novel synthetic genes and genetic constructs which are capable or repressing delaying or otherwise reducing the expression of an endogenous gene or a target gene in an organism when introduced thereto are also provided.	Graham, Rice, Waterhouse, Wang	KR	7005341/2006		Pending
			MX	PA/a/2000/008631		Pending
			MX	PA/a/2005/006838		Pending
			NZ	506648		Granted
			NZ	547283		Granted
			PL	P-387775		Pending
			PL	P-377017		Pending
			SG	75542		Granted
			SG	200205122.5		Granted
			SG	141233		Granted
			SL	PP1372-2000		Pending
			ZA	2000/4507		Granted

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 John Rawling

Registered Office

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356 Collins Street
Melbourne Vic 3000
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Auditors

RSM Bird Cameron Partners
Level 8 Rialto South Tower
525 Collins Street
Melbourne Vic 3000

Bankers

Westpac Banking Corporation
Business Banking
759 Burke Road
Camberwell Vic 3124

Share Registry

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Services Pty Limited
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452 Johnston Street
Abbotsford Vic 3067

Stock Exchange Listing

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

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