



Benitec

Annual Report 2008

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Dear Shareholders,

This has again been a challenging but significant year for Benitec. The past year has continued the major rebuilding of the Company.

We have successfully strengthened the Benitec team during the past year. Our CEO Sue MacLeman was appointed a Director of the Company and Mel Bridges joined the Board as a Non-Executive Director. We also appointed Dr Jason Smythe as Chief Scientific Officer.

We have also had some other key activities during the year including finalisation of Nucleonics Inc litigation in favour of Benitec, significant progress with the USPTO re-examination and progression of the fully owned Benitec patents through patent examination.

There has also been progress in our R&D programme. In the last 12 months Benitec has established a high-level network of potential collaborators in the fields of gene therapy, gene silencing and RNAi research and development.

The City of Hope Stem Cell project has also progressed with all patients expected to be treated by December 2008. A further update on this human pilot HIV Lymphoma Stem Cell study will be provided at the RNAi meeting in Boston in October 2008.

The City of Hope IPCP T cell programme is also progressing with the filing of the IND and commencement of human trials to take place soon.

There has also been success in licensing and business development activities. In January 2008, the Company's licensee Tacere Therapeutics, Inc. announced that it had entered into a collaboration and license agreement with pharmaceutical company Pfizer Inc to develop and commercialise its Hepatitis C virus (HCV) compound TT-033. This deal is a validation of the Benitec technology from the world's biggest pharmaceutical company. We have been very active over the past year making a number of presentations to both potential investors and major international conferences.

The other major activity for the Company has been the renegotiation of terms with CSIRO in a way that benefits both parties and improves opportunities for collaboration moving forward. We are hopeful that these negotiations will be resolved soon.

In May 2008, Benitec announced a proposed fully underwritten non-renounceable rights issue to raise approximately \$5.1 million before costs. Unfortunately the rights issue was subsequently suspended after feedback from the market and the underwriter that the CSIRO Agreements needed adjustment before further significant investment or merger and acquisition transactions could be transacted in the market. As noted above, negotiations with CSIRO are continuing and we expect to reinstate this capital raising upon the successful conclusion of these negotiations.

Our CEO Sue MacLeman and her team worked extremely hard this year and should be congratulated on their success to date. I also note the contribution made by my fellow Directors who have contributed to the rebuilding of your company.

We are pleased with the progress made to date and the exciting opportunities Benitec has ahead. I look forward to seeing you at the Annual General Meeting on 19 November 2008.



Peter Francis
Chairman

DR KEN REED, BSc, MSc, PhD, FATSE

Dr Reed was the scientific founder of Benitec, whose gene silencing technology came from research conducted at the Queensland Agricultural Biotechnology Centre (QABC) and CSIRO. He was appointed to Chair the Scientific Advisory Board on 22 April 2008.

DR JOHN J ROSSI, PhD

Dr. Rossi is the Lidow family Professor and Chair of the Division of Molecular Biology, Beckman Research Institute of the City of Hope, and Dean, Graduate School of Biological Sciences, Beckman Research Institute of the City of Hope. Dr. Rossi received his doctoral training in genetics at the University of Connecticut in Storrs and postdoctoral training in molecular genetics at Brown University. His research has focused on RNA biology and clinical applications of small RNAs. His group was the first to demonstrate that hammerhead ribozymes could be used for inhibition of HIV replication.

This research program led to two clinical trials in which ribozyme genes have been transduced into hematopoietic stem cells for autologous transplant in HIV infected individuals. He is the recipient of an NIH Merit award for his work on ribozymes and HIV. Work in the laboratory continues to focus upon mechanisms of small RNA mediated inhibition of gene expression and RNA based therapeutics, with recent emphasis on function and applications of RNA interference and expressed short hairpin RNAs for therapeutic treatment of HIV and cancers. He has published over 200 peer reviewed articles and numerous reviews and commentaries on RNAi based therapeutics.

PROFESSOR CY STEIN, MD, PhD

Cy Stein is Head of Medical Genitourinary Oncology and Professor of Medicine, Urology and Molecular Pharmacology at the Albert Einstein College of Medicine, New York. He also serves as an Attending Physician at the Montefiore Medical Center and is a Diplomate of nearly 20 years' standing of both the American Board of Internal Medicine and the American Board of Oncology. Professor Stein's distinguished career in research and treatment of cancers has seen him involved for the past 15 years with leading preclinical and clinical trials of nucleic acid therapies for cancers, with increasing emphasis in recent years on RNA interference.

PROFESSOR BRYAN WILLIAMS, PhD Hon FRSNZ

Professor Williams was appointed the Director of the Monash Institute of Medical Research on 1 January 2006 and also heads up the Centre for Cancer Research at the Institute. Prior to this appointment, Professor Williams was the Chairman of the Department of Cancer Biology at the Lerner Research Institute of the Cleveland Clinic Foundation in Cleveland, Ohio, USA, a position he had held since 1991. He was also an Associate Director of the Case Comprehensive Cancer Centre at Case Western Reserve University in Cleveland. He has previously worked in New Zealand, England, Canada and America. His research interests have included molecular biology of tumour suppression and focusing on the role tumour suppressor genes may play in regulating cell growth, differentiation and apoptosis. His research on Wilms Tumour (a cancer of the kidney that primarily affects children) continues, as does his work on protein kinase R, an important cellular signalling molecule and other projects on innate immunity. In 1990 Bryan was the recipient of the Milstein Award from the International Society for Interferon Research in recognition for his outstanding contributions to advancing interferons for treatment of human disease.

DR DAVID CRUMP

Dr Crump is a qualified medical practitioner with comprehensive and diverse experience in drug discovery, preclinical development, clinical research, and strategic drug development from a period of almost 15 years with Amrad Corporation Ltd. (subsequently Zenyth Therapeutics Limited) where until early 2007 he was Medical Director and Head of Development. He has been responsible for leading project teams successfully progressing drug candidates from the identification of a suitable drug development candidate through manufacture, formal preclinical testing, obtaining regulatory approval and into Phase I and Phase II clinical trials in Australia, Europe and North America. He has drug development experience in a diverse range of therapeutic areas including inflammatory diseases, oncology, neurology, pain medicine and virology, and has particular experience in the strategic development of drugs within the context of the Australian commercial and biotechnology environments.

Your Directors submit their report for the year ended 30 June 2008.

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 and Brisbane, 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. Peter has extensive experience in technology commercialisation and is a Non-executive Director of Xceed Capital Limited and PolyNovo Biomaterials Limited.

Other Current Directorships of Listed Companies

Xceed Capital Limited.

Former Directorships of Listed Companies in last three years

None.

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 also co-founded the listed company Panbio Ltd.

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 Limited, Impedimed Limited.

Former Directorships of Listed Companies in last three years

Peptech Limited, Arana Therapeutics Limited.

DR KEN REED BSC, MSc, PhD, FATSE

Non-Executive Director

Appointed 19 May 2000

Dr Reed was the scientific founder of Benitec, whose gene silencing technology came from research conducted at the Queensland Agricultural Biotechnology Centre (QABC) and CSIRO. Ken was the founding director of QABC and previously a co-founder of Advanced Breeding Technology Pty Ltd, the first company to commercialise the use of PCR. He was Deputy Chair of the inaugural Australian Biotechnology Advisory Council and served for many years on the Australian Government's Genetic Manipulation Advisory Committee and the board of the Australian Genome Research Facility. Dr Reed is a Fellow of the Academy of Technological Sciences and Engineering.

Other Current Directorships of Listed Companies

None.

Former Directorships of Listed Companies in last three years

None.

MS SUE MACLEMAN BPharm, MMrkg, FACPP, FAICD

Chief Executive Officer and Managing Director

Appointed 1 July 2007

Ms Sue MacLeman has extensive international senior management and leadership experience in product development and commercialization in the biotechnology and pharmaceutical sector.

Sue graduated with a Bachelor of Pharmacy from the University of Queensland in 1984. In addition to pharmacy qualifications, Ms MacLeman has completed a Fellowship with the Australian College of Pharmacy Practice, Masters of Marketing at Melbourne University (Melbourne Business School) and is currently enrolled in a Masters of Commercial Law at Deakin University. She is also a Fellow of the Australian Institute of Company Directors and is a Director of AusBiotech Ltd.

In 1991 she joined the pharmaceutical industry with Schering Plough in the biotechnology business unit. She then went on to work with Amgen Inc and Bristol Myers Squibb Pharmaceuticals in the areas of medical, marketing, sales management and business development. In 2002 she took up the position of global Vice President for Agenix Ltd where she was responsible for the product development of the molecular clot imaging project. From 2004 to 2006 she was the CEO of a publicly listed biotechnology and investment company EQiTX Ltd. She joined Benitec Ltd as CEO in September 2006 and was appointed to the Board on 1 July 2007.

Other Current Directorships of Listed Companies

None.

Former Directorships of Listed Companies in last three years

None.

Departing Directors

DR MICHAEL DALLING AM

Dr Dalling was appointed a director on 24 March 2006 and resigned on 23 February 2008.

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. He is currently also Company Secretary and Chief Financial Officer of Polynovo Biomaterials Limited.

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 Ken Reed	1,011,000	1,333,333
Ms Sue MacLeman	-	6,000,000

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 13 of the financial statements.

Principal Activities

Benitec is an RNAi-based therapeutics company using its proprietary DNA-directed RNA interference (ddRNAi) technology to develop therapies for the treatment of life threatening diseases with significant unmet need and commercial attractiveness. The Company's primary therapeutic program focuses on human immunodeficiency virus (HIV). The company's other projects are in the area of infectious diseases and cancer. The Company 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 Company during the year was the management, funding and commercialisation of these projects.

Employees

The consolidated entity employed 5 employees as at 30 June 2008 (2007: 3 employees).

DIVIDENDS

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

OPERATING AND FINANCIAL REVIEW

Overview of Operations

The past year has continued the major rebuilding of the Company although progress with major issues has been varied.

We have successfully strengthened the Benitec team during the past year. In July 2007, our CEO Sue MacLeman was appointed a Director of the Company in recognition of the significant contribution she has made and continues to make to Benitec. In October 2007 Mel Bridges joined the Board as a Non-Executive Director. Mel is well known for his outstanding and successful contribution to the Australian biotech sector and we are reaping the benefits of his substantial industry knowledge and experience.

At around the same time, we were also successful in obtaining the services of Dr Jason Smythe as Chief Scientific Officer. Jason has an extremely impressive international curriculum vitae and he has proved to be a valuable addition to the team with his extensive knowledge and experience in Benitec's field.

Litigation Update

In July 2007, the Company was advised that the US Federal Circuit had issued its decision in the Benitec v. Nucleonics appeal, affirming the initial US District Court decision to dismiss the Nucleonics' challenge for lack of subject matter jurisdiction.

Nucleonics then filed in the US Supreme Court to have the matter heard. However in April 2008, the US Supreme Court denied this request thus ending nearly four years of litigation in the US courts.

Patent Activities

- *Patent Reexamination – USA*

One of the key issues for the Company is the ongoing patent reexamination in the US. Nucleonics initiated a third party Reexamination at the U.S. Patent and Trademark Office ("USPTO") on 4 October 2004, providing the USPTO with art it asserted invalidated U.S. Patent No. 6,573,099 ("099 Patent"). The USPTO rejected the claims based on the provided art. Benitec successfully overcame the references, and the USPTO withdrew all rejections but instituted new rejections on additional art it had uncovered. Benitec then filed a response, which it believed overcame the rejections of Record.

Nucleonics then requested a second Reexamination, adding art it asserted invalidated the '099 Patent. The USPTO merged the two Reexaminations and sent out an Office Action completely withdrawing most of the earlier rejections it made, modifying other rejections, and adding rejections based on the art Nucleonics provided in its second Reexamination request.

Benitec reviewed this new material and believes it does not raise any issues that would preclude patentability of the invention disclosed in the '099 Patent. Benitec also believes it has strong arguments for overcoming the art of record. Benitec responded to the rejections found in the merged Reexaminations in April 2007. During an interview with the Examiner in early July 2007, the Company had the opportunity to discuss confusing aspects of the evidence antedating the Fire patent and removing it as prior art.

On 15 August 2007, Nucleonics' counsel filed a third-party submission to enter an Examination Report from the European Patent Office for a patent application claiming priority to the '099 Patent under re-examination. Benitec considered this submission to be improper and to have the potential to confuse the issues involved in the '099 Patent Reexamination. Consequently, Benitec has confronted the issue directly and submitted a request to preclude entry of the improper material.

In April 2008 a non final office action was issued by the USPTO in response to Benitec's response filed in April 2007. Benitec filed a response to this non final office action on 11 July 2008. This was after a meeting on 10 June 2008 with Examiners to clarify the art and respond to questions regarding the science.

A follow up meeting is planned in the next few months to discuss this response in more detail and to include the supervisor of the art unit handling all RNAi technology. The second interview is intended to work through any further questions about the claims. It is difficult to say with any certainty what the next steps in this process will be as Examiners are not restricted in the time to address the response or the timing of the review.

- *Other Patent Matters*

In the last 12 months progress has also been made with the Benitec fully owned patent families and in July 2008 the New Zealand Patent Office granted Patent no. 543815 (W02004/106517) focused on producing "Double-Stranded Nucleic Acid constructs for therapeutic and related applications of RNA interference (RNAi)". Examination is continuing for the two patent families that recently entered national phase: "Multiple promoter expression cassettes for simultaneous delivery of RNAi agents" and "RNAi expression constructs". A list of patents is included on page 60 of this report.

R&D Progress

In the last 12 months Benitec has established a high-level network of potential collaborators in the fields of gene therapy, gene silencing and RNAi research and development.

Key research relationships (formal and informal) currently exist with the following groups in the areas of target identification and delivery technology:

- Division of Molecular Biology: City of Hope (Duarte, California USA);
- Gene & Stem Cell Therapy Group: Centenary Institute of Cancer Medicine and Cell Biology (NSW Australia);
- Gene Therapy Research Unit: Children's Medical Research Institute & Westmead Children's Hospital (NSW Australia);
- Centre for Reproduction and Development: Monash Institute of Medical Research (Victoria Australia);
- The WHO Collaborating Centre for Virus Reference and Research (Victoria Australia); and
- Division of Basic Science and Vaccine Research: Institute of Human Virology (Maryland USA).

- *City of Hope HIV Stem cell Project*

In 2006 the estimated number of people living with HIV had increased to approximately 39.5 million. In the same year there were approximately 2.9 million deaths due to AIDS and 4.3 million new HIV infections. Of these cases in 2006 approximately 2.14 million people with HIV lived in the US and Western and Central Europe.

The HIV/AIDS market is currently valued at \$6.8 billion and is projected to grow to at least \$10 billion by 2014. Although current treatment regimens may slow the replication rate of the HIV virus they are not curative, and the emergence of drug resistant HIV virus continues to be a major clinical problem.

Despite the tremendous success of the highly active antiretroviral treatment (HAART) regimens for the treatment of HIV infection there remain significant deficiencies in current therapies.

In response to this pressing need for new therapeutic paradigms the Benitec / City of Hope (COH) research program was initiated in 2004.

Benitec has had a long-standing relationship with researchers at the COH biomedical research and treatment centre located in California, USA. Benitec has joined with the COH team as a collaborator (not a clinical trial sponsor) in the current pilot study of the rHIV7-shI-TAR-CCR5RZ lentivirus construct in late stage HIV-1 infected patients undergoing bone marrow ablation and auto-transplantation for lymphoma.

A Pilot Study of the Safety and Feasibility of Stem Cell Therapy for AIDS Lymphoma using Stem Cells Treated with a Lentiviral Vector-encoding Multiple anti-HIV RNA's is still ongoing at the City of Hope in Duarte, California.

This project represents Benitec's first clinical activity in the field of RNAi therapeutics. The clinical study is proposed to be fully recruited by the end of 2008. The primary objective of the study is to determine the safety and feasibility of treating AIDS patients with an antiviral construct in conjunction with autologous haematopoietic stem cell transplantation for intermediate to high-grade AIDS-related lymphoma.

The rHIV7-shI-TAR-CCR5RZ construct contains three distinct antiviral agents, namely;

- i ribozyme against mRNA for the HIV-1 receptor protein CCR5 (CCR5RZ);
- ii TAR RNA decoy (to sequester HIV-1 Tat protein); and
- iii ddRNAi molecule targeted to the common HIV Tat / Rev exon (shI).

Data from the human pilot HIV Lymphoma stem cell study has been presented by Dr John Rossi at the Keystone RNAi, MicroRNA and Non-Coding RNA conference (March 2008, Whistler) and Dr John Zaia at the ASGT Conference (May 2008, Boston). A further update will be provided at the RNAi meeting in Boston in October 2008.

The IND Annual Report on this clinical study was submitted to the US FDA on 26 August 2008 confirming (i) that there have been no serious adverse events or reactions with the two patients treated to date (currently in follow-up) and (ii) that the remaining three patients will have completed their treatment by end-December 2008.

- *T cell Programme*

Benitec is also involved in a collaboration with the City of Hope for a T cell HIV/AIDS project. This consortium program involves five collaborative partners, namely:

- i Beckman Research Institute, COH (BRICOH, Duarte CA);
- ii Colorado State University (CSU, Fort Collins, CO);
- iii Fred Hutchinson Cancer Research Centre (FHCR/WU, Seattle WA);
- iv International Therapeutics Inc (ITI, Seattle, WA); and
- v University of Pennsylvania (UPENN, Philadelphia, PA).

This program is a multi-project effort centred at COH to investigate HIV-based vector delivery of anti-HIV RNA (initially pHIV7-shI-TAR-CCR5RZ) to CD4+ peripheral blood T-cells (as opposed to the CD34+ stem cells targeted in the clinical pilot study above) as a clinical modality.

The IPCP Program is funded by a US\$7 million National Institutes of Health (USA) grant awarded specifically to fund development of this vector (pHIV7-shI-TAR-CCR5RZ). This funding will conclude in August 2008. The IND proposal is expected to be submitted in Q3 2008 and the trial to commence by Q1 2009.

In addition to the above projects the internal Benitec programme is expected to be expanded once the capital raising has been completed. This will allow the Scientific Advisory Board endorsed Science Operational Plan to be implemented including the establishment of fully operational R&D Labs and Facilities, recruitment of Senior Scientific staff & Research Assistant staff and progression of internal projects including the Hepatitis B and cancer projects.

New Licensing and Opportunities

In January 2008, the Company's licensee Tacere Therapeutics, Inc. announced that it had entered into a collaboration and license agreement with pharmaceutical company Pfizer Inc to develop and commercialise its Hepatitis C virus (HCV) compound TT-033. This deal is a validation of the Benitec ddRNAi "expressed" approach for treating chronic infectious diseases from the world's biggest pharmaceutical company. It is the first expressed RNAi drug to be partnered with a major pharmaceutical company and it is a resounding commercial validation of Benitec's technology. This deal is significant for the Company as it holds an equity stake in Tacere and will also receive milestone and royalty payments from Tacere upon the commercialisation of this drug.

In March 2008, Tacere announced a further license agreement, this time with Oncolys BioPharma Inc (Tokyo) to develop and commercialise Tacere's RNA interference (RNAi)-based hepatitis C virus (HCV) compound TT-033 throughout Asia. The potential benefits to the Company are similar to the Pfizer deal.

Roadshows and Presentations

The Company has been very active over the past year making a number of presentations to both potential investors and major international conferences. These include BioPartnering Europe (October 2007, London), Intersuisse Asia Pacific LifeScience Forum (October 2007, London), AusBiotech National Conference "Smart Targeting in Global Markets" (October 2007, Brisbane), BioPartnering North America (February 2008, Vancouver) and Bio08 (June 2008, San Diego). Data from the human pilot HIV Lymphoma stem cell study being conducted by the City of Hope using Benitec technology has also been presented by Dr John Rossi at the Keystone RNAi, MicroRNA and Non-Coding RNA conference (March 2008, Whistler) and Dr John Zaia at the ASGT Conference (May 2008, Boston). A further update from this study will be provided at the RNAi meeting in Boston in October 2008.

CSIRO Negotiations

The renegotiation of terms with CSIRO in a way that benefits both parties and to improve opportunities for collaboration moving forward has been a long ongoing process. The delays in these negotiations have contributed to a decline in the Company's share price and we understand that this has distressed many shareholders. The Company is hopeful that these negotiations will be resolved soon.

Capital Raising

Both the loan from Dr Chris Bremner and the Promega Convertible Note were converted into equity in October 2007, demonstrating strong support from two of the Company's major shareholders.

In May 2008, the Company announced a proposed fully underwritten non-renounceable rights issue to raise approximately \$5.1 million before costs. Unfortunately the rights issue was subsequently suspended after feedback from the market and the underwriter that the CSIRO Agreements needed adjustment before further significant investment or merger and acquisition transactions could be transacted in the market. As noted above, negotiations with CSIRO are continuing and the Company expects to reinstate this capital raising upon the successful conclusion of these negotiations.

Financial Overview

Benitec's net loss for the year ended 30 June 2008 was \$2,774,690 compared to a net loss of \$2,746,753 for the previous financial year.

Operating revenue from continuing operations for the 12 months to 30 June 2008 was \$482,969, down from \$485,957 in the previous financial year. Other income during the year was \$76,725, compared to \$nil in the previous financial year. The other income represents the writeback of a doubtful debt and realised foreign exchange gains upon payment of overseas creditors.

Operating expenses relating to continuing operations for the financial year were \$3,334,384 up from \$2,494,313 in the previous year. Employment related costs increased due to the employment of additional staff during the year whilst corporate costs increased significantly due to the corporate advisory and legal costs in respect of ongoing discussions and negotiations with CSIRO. The net cost of discontinued operations was \$nil as compared to \$738,397 in the previous financial year, which addressed both the unsustainable costs being incurred in the US operation and significant overheads at a corporate level.

Benitec's current assets balance at 30 June 2008 was \$1,991,960 (2007: \$5,208,050), with current liabilities of \$662,193 (2007: \$1,572,659). Net tangible assets have fallen to 0.3 cents per share from 1.3 cents per share last year.

The decrease in net tangible assets reflected the decision to suspend the proposed rights issue in May 2008. This capital raising, which was expected to raise \$5 million, would have resulted in a significant increase in the net assets and provided sufficient cash to fund the operations for a further two years. It is expected that this raising will be reactivated once the current CSIRO negotiations have been completed.

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 corporate head office, 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 \$252,850, net of costs, to provide funding for the ongoing operations, and to support the evaluation of other project opportunities.

Ordinary Shares

There were five share issues during the financial year. The details are:

- 1,137 ordinary shares issued in July 2007 at a price of \$0.15 upon exercise of listed options BLTOA;
- 1,781,735 ordinary shares issued to Promega Corp in October 2007 at a price of \$0.105 per share upon conversion of a promissory note;
- 2,522,860 ordinary shares issued to Dr Christopher Bremner in October 2007 at a price of \$0.021 per share upon conversion of a loan;
- 1,000,000 ordinary shares issued in November 2007 at a price of \$0.0224 per share upon exercise of ESOP options; and
- 666 ordinary shares issued in April 2008 at a price of \$0.32 per share upon exercise of listed options BLTO.

Options

At the date of this Directors' Report, the Company has a total of 78,046,228 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
Employee Share Option Plan	9,200,000
NED Options	4,666,666
Directors' Options	1,953,125
Strategic Advisor Warrants	6,126,962
Other	17,560
Total	78,046,228

Listed Options

56,083,052 Listed Options were issued in April 2007 as part of the rights issue. These options have the right to acquire one ordinary share at \$0.15 with an expiry date of 3 April 2011. A total of 1,137 of these options were exercised on 24 July 2007.

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
29 July 2002	28 July 2009	\$0.50	100,000
29 July 2002	28 July 2009	\$1.00	100,000
29 July 2002	28 July 2009	\$1.50	150,000
29 July 2002	28 July 2009	\$2.00	150,000
4 September 2006	4 September 2011	\$0.0224	3,000,000
20 November 2006	20 November 2011	\$0.0626	250,000
14 December 2006	14 December 2011	\$0.0599	1,000,000
1 July 2007	1 July 2012	\$0.1255	125,000
21 February 2008	8 October 2012	\$0.114	1,000,000
21 February 2008	31 December 2012	\$0.115	3,325,000
Total			9,200,000

The following ESOP options lapsed or were exercised during the financial year:

Original Expiry Date	Exercise Price	No. Lapsed	No. Exercised
14 September 2011	\$0.0224	–	1,000,000
1 July 2012	\$0.1255	125,000	–
Total		125,000	1,000,000

The lapsed options represent ESOP options issued to employees who departed the Company during the financial year. Under the terms and conditions of the ESOP, ESOP options automatically lapse if they are not exercised within a period of up to six months from cessation of employment. The lapsed options represent options which had not vested at the time of departure. 1,000,000 options were exercised during the financial year by the former Company Secretary.

NED Options

A total of 5,999,999 NED Options were granted by shareholders to the Non-Executive Directors at the Company's 2007 Annual General Meeting. 1,333,333 NED Options lapsed upon the resignation of Dr Mike Dalling as a Director on 23 February 2008.

Other Options

The other categories, being Directors' Options, Strategic Advisor Warrants and Other Options were all issued during the period when Benitec conducted its operations in the US.

Summary of Shares, Options and Warrants on Issue – 30 June 2008

As a result of the issue of shares and options, the Company has 291,954,879 listed ordinary shares and 56,081,915 listed options on issue. There are also 15,837,351 unlisted options and 6,126,962 warrants on issue, full details of which are included in note 16 to the financial statements.

Unissued Shares

As at the date of this report, there were 78,046,228 unissued ordinary shares (78,046,228 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 1,001,803 shares were issued on the exercise of options issued by the Company (2007: 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 matter or circumstance has arisen since 30 June 2008 which has significantly affected or may significantly affect the operations of the consolidated entity, the results of those operations or the state of affairs of the consolidated entity, in subsequent financial years.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

The Board of Directors intends to raise further capital to support ongoing operations. The team will also move to further develop the HIV stem cell and T-cell projects with our collaborators at the City of Hope and also collaborate on new projects through co-investment in infectious disease and cancer. The company will also be exploring in- and out-licensing opportunities in the human therapeutic area. The company will continue to work closely with the company's patent attorneys and CSIRO on the patent re-exam in the USA.

Further information on likely developments in the operations of the consolidated entity 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 consolidated entity. 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 consolidated entity's operations are not subject to any significant environmental regulations under either Commonwealth or State legislation.

MEETINGS OF DIRECTORS

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

	Board of Directors		Risk & Audit Committee	
	Attended	Held	Attended	Held
<i>Current Directors</i>				
Peter Francis	8	8	1	1
Mel Bridges	5	5	1	1
Mike Dalling	4	5	–	–
Ken Reed	6	8	–	–
Sue MacLeman	7	8	1	1

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 was formed following the appointment of Mr Bridges and met once 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 2008

Table 1. Non-Executive Director remuneration for the year ended 30 June 2008

		Short Term			Post Employment		Equity	Total	% of remuneration consisting of options
		Salary & Fees \$	Cash Bonus \$	Non Monetary Benefits \$	Super-annuation. \$	Termination Benefits \$	Options \$		
Peter Francis	2008	53,750	-	-	-	-	10,111	63,861	15.8%
	2007	45,000	100,000	-	-	-	-	145,000	-
Mel Bridges	2008	38,943	-	-	-	-	6,741	45,684	14.8%
	2007	-	-	-	-	-	-	-	-
Mike Dalling	2008	30,389	-	-	-	-	-	30,389	-
	2007	45,000	100,000	-	-	-	-	145,000	-
Ken Reed	2008	44,828	-	-	4,034	-	6,741	55,603	12.1%
	2007	45,000	-	-	-	-	-	45,000	-

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 2008

		Short Term			Post Employment		Equity	Total	% of remuneration consisting of options
		Salary & Fees \$	Cash Bonus \$	Non Monetary Benefits \$	Super-annuation. \$	Termination Benefits \$	Options \$		
Sue MacLeman (1)	2008	275,229	70,000	-	24,771	-	61,447	431,447	14.2%
	2007	182,174	120,000	-	16,874	-	39,353	358,401	11.0%
John Rawling (2)	2008	113,532	8,000	-	14,968	-	13,742	150,242	9.1%
	2007	39,755	-	-	3,578	-	27,118	70,451	38.5%
Jason Smythe (3)	2008	129,449	-	-	9,609	-	55,800	194,858	28.6%
	2007	-	-	-	-	-	-	-	-
John Morrison (4)	2008	135,394	8,000	-	15,199	5,240	5,899	169,732	3.5%
	2007	96,640	-	-	14,496	-	6,614	117,750	5.6%

(1) Ms MacLeman was appointed Chief Executive Officer on 4 September 2006 and became a Director on 1 July 2007.

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

(3) Dr Smythe was appointed Chief Scientific Officer on 8 October 2007.

(4) Dr Morrison joined the Company on 28 November 2006 as Business Development and Licensing Manager and left on 24 April 2008.

Options Issued as Part of Remuneration for the Year Ended 30 June 2008

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 2008, 4,325,000 options were granted to Sue MacLeman, John Rawling, Jason Smythe, John Morrison and Georgina Russell under the terms of their employment agreements. No options were issued to directors as part of their remuneration during the year.

Table 3. Options granted as part of remuneration for the year ended 30 June 2008

Fully vested options over ordinary shares were granted as follows:

	Vested	Granted	Value	Terms and Conditions for each Grant			
	No.	No.	\$	Grant Date	Value per option at grant date \$	Exercise price per share \$	Expiry Date
Sue MacLeman	1,000,000	3,000,000	172,800	21-Feb-08	0.064	0.115	21-Feb-13
John Rawling	100,000	300,000	17,280	21-Feb-08	0.064	0.115	21-Feb-13
Jason Smythe	1,000,000	1,000,000	55,800	21-Feb-08	0.062	0.114	08-Oct-12
John Morrison	125,000	250,000	8,376	01-Jul-07	0.067	0.126	01-Jul-12
Georgina Russell	8,333	25,000	1,440	21-Feb-08	0.064	0.115	21-Feb-13

Payments to Related Parties of Directors

Legal services at normal commercial rates totalling \$192,560 (2007:\$ 144,595) were provided by Francis Abourizk Lightowlers, a law firm in which Mr Peter Francis is a partner and has a beneficial interest.

Employment Contracts

The employment conditions of Ms Sue MacLeman, the Managing Director, are formalised in a contract of employment. The current employment contract commenced on 4 September 2006 upon her appointment as Chief Executive Officer. Ms MacLeman's appointment with the Company may be terminated with the Company giving 6 months notice or by Ms MacLeman giving 2 months notice. The Company may elect to pay Ms MacLeman an equal amount to that proportion of her salary equivalent to 6 months pay in lieu of notice, together with any outstanding entitlements due to her. The Company may, at any time, by notice in writing terminate Ms MacLeman's contract immediately in the event of serious misconduct. If during the period of employment, there is an acquisition of a beneficial ownership of greater than 50% of the capital of the Company, Ms MacLeman will receive the equivalent of 12 months' salary as a bonus where the market value of the Company is greater than or equal to \$75 million as determined by the greater of the last sale price on the day the change of ownership occurred or the final price paid by the acquirer of the beneficial interest resulting in the change of ownership, or the equivalent of 6 months' salary as a bonus, where the market value of the Company is less than \$75 million but greater than or equal to \$50 million as determined by the greater of the last sale price on the day the change of ownership occurred or the final price paid by the acquirer of the beneficial interest resulting in the change of ownership. If there is a beneficial disposal by the Company during the period of employment, Ms MacLeman will receive where the sale value is greater than \$20 million, but less than \$40 million, a bonus equivalent to 3 months' salary, where the sale value is greater than \$40 million, but less than \$75 million, a bonus equivalent to 6 months' salary; or where the sale value is greater than \$75 million, a bonus equivalent to 12 months' salary.

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.

The employment conditions of Dr Jason Smythe, the Chief Scientific Officer, are formalised in a contract of employment. The current employment contract with Dr Smythe commenced on 8 October 2007. Dr Smythe's appointment with the Company may be terminated with the Company giving 2 month's notice or by Dr Smythe giving 2 month's notice. The Company may elect to pay Dr Smythe 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 Dr Smythe'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 2008.

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



Peter Francis
Chairman

Melbourne, Victoria
25 September 2008

RSM Bird Cameron Partners

Chartered Accountants

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525 Collins Street Melbourne VIC 3000
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T +61 3 9286 1800 F +61 3 9286 1999
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AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the financial report of Benitec Limited for the financial year ended 30 June 2008, 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
Chartered Accountants



R B MIANO
Partner

Melbourne
25 September 2008

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Liability limited by a
scheme approved under
Professional Standards
Legislation

Major Offices in:
Perth, Sydney, Melbourne,
Adelaide and Canberra
ABN 36 965 185 036

RSM Bird Cameron Partners is an
independent member firm of RSM
International, an affiliation of independent
accounting and consulting firms.



The Board of Directors is responsible for the corporate governance 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 best practice recommendations. In the sections below, comments are made in relation to each ASX Corporate Governance Council principle.

PRINCIPLE 1 LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

There is clear segregation between the Board and management. 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. The Board has adopted a formal charter that sets out their responsibilities. This charter is posted on the Company's website www.benitec.com.

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 three independent Non-Executive Directors (NEDs) and one Executive Director. 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 the following:

- 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 does not have any previous association with the Company or any other relationships that is relevant to his independence.
- Dr Reed is one of the inventors of the intellectual property assets of the Company and served as its Director of Research & Development until mid 2004. He has continued since that time as a Non-Executive Director and is also currently chair of the Scientific Advisory Board. Notwithstanding these past and present associations, the Board is satisfied that they will not interfere with the independent exercise of his judgment.

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 of the Directors currently in office.

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 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.

To encourage intelligent and responsible decision making, the Board also accepts 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 three times through the year. Its members are the independent Australian-based NEDs, Mel Bridges (who chairs the Committee) and Peter Francis. The Board considers it impractical to include Dr Reed on the Committee as he is currently based overseas.

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.

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

The main objective of the Committee is to assist the Board in reviewing any matters of significance affecting financial reporting and compliance of the 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 all 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 avoid 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 ENCOURAGE ENHANCED PERFORMANCE

The Board carries out a Board performance assessment on an annual basis. In June 2008, the Board undertook the most recent 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 are currently being analysed by the Board.

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.

PRINCIPLE 9 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 small number of employees of the Company.

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 salaries to the Executive Director and 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.

PRINCIPLE 10 RECOGNISE THE LEGITIMATE INTERESTS OF STAKEHOLDERS

The Board has established a formal Code of Conduct which documents the Company's approach to stakeholders. The Company expects its Directors and employees to act with the utmost integrity with all stakeholders. The Company does not make political donations but its Directors and employees do participate in a number of industry bodies that promote and support the industries in which the Company works.

The Code of Conduct is posted on the Company's website.

INCOME STATEMENT

For the Year Ended 30 June 2008

	NOTE	CONSOLIDATED		PARENT	
		2008	2007	2008	2007
		\$	\$	\$	\$
Revenue	2	482,969	485,957	482,917	80,450
Other income	2	76,725	–	20,053	–
		559,694	485,957	502,970	80,450
Royalties & licence fees		(115,625)	(116,061)	(252,831)	(163,216)
Research and development		(595,012)	(741,482)	(595,012)	(741,482)
Employment related	3	(1,353,299)	(913,618)	(1,354,051)	(913,618)
Travel related costs		(163,603)	(160,448)	(163,603)	(160,448)
Consultants costs		(270,139)	(206,411)	(263,222)	(206,411)
Occupancy costs		(114,240)	(69,146)	(111,704)	(69,146)
Corporate expenses	3	(722,466)	(287,147)	(671,154)	(301,684)
Impairment expense	3	–	–	(124,858)	(593,437)
		(3,334,384)	(2,494,313)	(3,536,435)	(3,419,442)
Loss before income tax		(2,774,690)	(2,008,356)	(3,033,465)	(3,068,992)
Income tax expense	4	–	–	–	–
Loss from continuing operations		(2,774,690)	(2,008,356)	(3,033,465)	(3,068,992)
Loss from discontinued operations	5	–	(738,397)	–	–
Loss attributable to members of the parent entity		(2,774,690)	(2,746,753)	(3,033,465)	(3,068,992)
<i>Earnings per share (cents per share)</i>					
Basic and diluted for loss for the year attributable to ordinary equity holders of the parent					
	7	(0.96)	(1.29)		
Basic and diluted for loss from continuing operations attributable to ordinary equity holders of the parent					
	7	(0.96)	(0.94)		

The accompanying notes form part of these financial statements

BALANCE SHEET

As at 30 June 2008

	NOTE	CONSOLIDATED		PARENT	
		2008	2007	2008	2007
		\$	\$	\$	\$
CURRENT ASSETS					
Cash and cash equivalents	9	1,844,226	4,960,351	1,707,506	4,739,579
Trade and other receivables	10	116,618	241,508	116,618	104,778
Other current assets	11	45,366	6,191	45,366	5,602
TOTAL CURRENT ASSETS		2,006,210	5,208,050	1,869,490	4,849,959
NON-CURRENT ASSETS					
Other financial assets	12	-	-	13	13
Property, plant and equipment	14	14,018	8,002	14,018	8,002
TOTAL NON-CURRENT ASSETS		14,018	8,002	14,031	8,015
TOTAL ASSETS		2,020,228	5,216,052	1,883,521	4,857,974
CURRENT LIABILITIES					
Trade and other payables	15	607,671	1,541,894	593,149	1,047,226
Provisions		54,522	30,765	54,522	30,765
TOTAL CURRENT LIABILITIES		662,193	1,572,659	647,671	1,077,991
TOTAL LIABILITIES		662,193	1,572,659	647,671	1,077,991
NET ASSETS		1,358,035	3,643,393	1,235,850	3,779,983
EQUITY					
Contributed equity	16	72,728,840	72,475,990	72,728,840	72,475,990
Reserves	17	2,411,191	2,174,709	2,411,191	2,174,709
Accumulated losses		(73,781,996)	(71,007,306)	(73,904,181)	(70,870,716)
TOTAL EQUITY		1,358,035	3,643,393	1,235,850	3,779,983

The accompanying notes form part of these financial statements

CASH FLOW STATEMENT

For the Year Ended 30 June 2008

	NOTE	CONSOLIDATED		PARENT	
		2008	2007	2008	2007
		\$	\$	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers (inclusive of GST)		380,632	730,847	380,632	-
Payments to suppliers and employees (inclusive of GST)		(3,663,821)	(2,708,111)	(3,488,083)	(1,741,843)
Net cash used in operating activities	9	(3,283,189)	(1,977,264)	(3,107,451)	(1,741,843)
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest received		196,674	82,209	196,622	79,227
Purchase of property, plant and equipment		(10,803)	(9,030)	(10,803)	(9,030)
Net cash provided by investing activities		185,871	73,179	185,819	70,197
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from issue of securities		14,117	4,984,464	14,117	4,984,464
Proceeds from borrowings		-	1,000,000	-	1,000,000
Loans to related entities		-	-	(124,858)	(135,796)
Net cash provided by/(used in) financing activities		14,117	5,984,464	(110,741)	5,848,668
Net increase/(decrease) in cash held		(3,083,201)	4,080,379	(3,032,373)	4,177,022
Exchange rate changes		(32,924)	(20,768)	-	-
Cash at 1 July		4,960,351	900,740	4,739,579	562,557
Cash at 30 June		1,844,226	4,960,351	1,707,206	4,739,579

The accompanying notes form part of these financial statements

STATEMENT OF CHANGES IN EQUITY

For the Year Ended 30 June 2008

	Contributed Equity \$	Share-based Payments Reserve \$	Accumulated Losses \$	Total \$
CONSOLIDATED				
Balance at 1 July 2006	66,229,567	2,093,624	(68,260,553)	62,638
Loss attributable to members of parent entity	-	-	(2,746,753)	(2,746,753)
Fair value of options vested during period	-	81,085	-	81,085
Share issues, net of transaction costs	6,246,423	-	-	6,246,423
Balance 30 June 2007	72,475,990	2,174,709	(71,007,306)	3,643,393
Loss attributable to members of parent entity	-	-	(2,774,690)	(2,774,690)
Fair value of options vested during period	-	236,482	-	236,482
Share issues, net of transaction costs	252,850	-	-	252,850
Balance 30 June 2008	72,728,840	2,411,191	(73,781,996)	1,358,035
PARENT				
Balance at 1 July 2006	66,229,567	2,093,624	(67,801,724)	521,467
Loss attributable to members of parent entity	-	-	(3,068,992)	(3,068,992)
Fair value of options vested during period	-	81,085	-	81,085
Share issues, net of transaction costs	6,246,423	-	-	6,246,423
Balance 30 June 2007	72,475,990	2,174,709	(70,870,716)	3,779,983
Loss attributable to members of parent entity	-	-	(3,033,465)	(3,033,465)
Fair value of options vested during period	-	236,482	-	236,482
Share issues, net of transaction costs	252,850	-	-	252,850
Balance 30 June 2008	72,728,840	2,411,191	(73,904,181)	1,235,850

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, Urgent Issues Group interpretations and the Corporations Act 2001.

The financial report covers the economic entity of Benitec Limited and controlled entities, and Benitec Limited as an individual parent entity. 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.

This financial report has been prepared on a going concern basis. During the year ended 30 June 2008, the consolidated entity incurred a loss of \$2,774,690 (2007: loss \$2,746,753) and had operating cash outflows of \$3,283,189 (2007: \$1,977,264). The ability of the consolidated entity to continue as a going concern 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 consolidated entity's operations are subject to considerable risks due primarily to the nature of the development and commercialisation being undertaken; and
- ii. to allow the consolidated entity to execute its longer term plans, it will be necessary to raise additional capital in the near future.

The Directors cannot be certain of the success of the intended fund raising activities. However, in May 2008 the consolidated entity announced a proposed fully underwritten non-renounceable rights issue to raise approximately \$5.1 million before costs. The rights issue was suspended after feedback from the market and the underwriter that the CSIRO Agreements needed renegotiation before the capital raising could be transacted. Negotiations with CSIRO are continuing and the consolidated entity expects to reinstate the fully underwritten capital raising upon the successful conclusion of these negotiations.

In the meantime the Directors plan to continue the consolidated entity'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 consolidated entity 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 consolidated entity 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 statements take no account of the consequences, if any, of the effects of unsuccessful product development or commercialisation, nor of the inability of the consolidated entity to obtain adequate funding.

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.

(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 13 to the financial statements. All controlled entities have a June financial year-end.

(c) New Accounting Standards and Interpretations

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective have not been adopted by the consolidated entity for the annual reporting period ending 30 June 2008. Those that may be applicable to the consolidated entity are outlined in the table below.

Reference	Title	Summary	Application Date of Standard	Impact on Financial Report	Application Date for consolidated entity
AASB 101 (revised) and AASB 2007-8	Presentation of Financial Statements and consequential amendments to other Australian Accounting Standards	Introduces a statement of comprehensive income. Other revisions include impacts on the presentation of items in the statement of changes in equity, new presentation requirements for restatements or reclassifications of items in the financial statements, changes in the presentation requirements for dividends and changes to the titles of the financial statements.	1 January 2009	These amendments are only expected to affect the presentation of the consolidated entity's financial report and will not have a direct impact on the measurement and recognition of amounts disclosed in the financial report. The consolidated entity has not determined at this stage whether to present a single statement of comprehensive income or two separate statements.	1 July 2009
AASB 2008-1	Amendments to Australian Accounting Standard – Share-based Payments: Vesting Conditions and Cancellations	The amendments clarify the definition of 'vesting conditions', introducing the term 'non-vesting conditions' for conditions other than vesting conditions as specifically defined and prescribe the accounting treatment of an award that is effectively cancelled because a non-vesting condition is not satisfied.	1 January 2009	The consolidated entity has share-based payment arrangements that may be affected by these amendments. However, the Company has not yet determined the extent of the impact, if any.	1 July 2009
AASB 2008-5 and AASB 2008-6	Improvements to Australian Accounting Standards	The improvements project is an annual project that provides a mechanism for making non-urgent, but necessary, amendments to IFRSs.	AASB 2008-5: 1 January 2009 AASB 2008-6: 1 July 2009.	The consolidated entity has not yet determined the extent of the impact of the amendments, if any.	1 July 2009

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

(c) New Accounting Standards and Interpretations (continued)

Since 1 July 2007, the consolidated entity has adopted the following standards, mandatory for annual periods beginning on or after 1 January 2007. Adoption of the standards did not have any effect on the financial position or performance of the consolidated entity.

- AASB 7 Financial Instruments: Disclosures;
- AASB 2005-10 Amendments to Australian Accounting Standards (AASB 132, 101, 114, 117, 133, 1, 4, 1023 and 1038);
- AASB 2007-4 Amendments to Australian Accounting Standards arising from ED 151 and other Amendments (AASB 1, 2, 3, 4, 5, 6, 7, 102, 107, 108, 110, 112, 114, 116, 117, 118, 119, 120, 121, 127, 128, 129, 130, 131, 132, 133, 134, 136, 138, 139, 141, 1023 and 1038); and
- AASB 2007-7 Amendments to Australian Accounting Standards (AASB 1, 2, 4, 5, 107 and 128).

(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 subsidiaries have 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 consolidated entity.

Key estimates - impairment

The consolidated entity 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 consolidated entity 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 22.

Key judgements - tax losses

Given the company's and each individual entities history of recent losses, the consolidated entity 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 consolidated entity 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 consolidated entity 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.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

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.

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.

Financial assets at fair value through profit and loss

A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Derivatives are also categorised as held for trading unless they are designated as hedges. Realised and unrealised gains and losses arising from changes in the fair value of these assets are included in the income statement in the period in which they arise.

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.

Available-for-sale financial assets

Available-for-sale financial assets include any financial assets not included in the above categories. Available-for-sale financial assets are reflected at fair value. Unrealised gains and losses arising from changes in fair value are taken directly to equity.

Financial liabilities

Non-derivative financial liabilities are recognised at amortised cost, comprising original debt less principal payments and amortisation.

Derivative instruments

Derivative instruments are measured at fair value. Gains and losses arising from changes in fair value are taken to the income statement unless they are designated as hedges.

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 consolidated entity'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.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

(p) Provisions

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

(q) Contributed Equity

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

(r) Share-based Payment Transactions

Benefits are provided to employees of the consolidated entity 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 consolidated entity'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		PARENT	
	2008	2007	2008	2007
	\$	\$	\$	\$
NOTE 2: REVENUE FROM CONTINUING OPERATIONS				
Revenue				
- Licensing revenue and royalties	287,373	402,589	287,373	-
- Finance income - interest received	195,596	83,368	195,544	80,450
	482,969	485,957	482,917	80,450
Other income				
- Doubtful debt recovery	55,775	-	-	-
- realised gain on foreign currency translation	20,013	-	20,013	-
- sundry income	937	-	40	-
	76,725	-	20,053	-
TOTAL REVENUE AND OTHER INCOME	559,694	485,957	502,970	80,450

NOTE 3: LOSS FOR THE YEAR

(a) Expenses incurred by continuing operations

Borrowing costs

Included in Corporate expenses

Interest payable - other persons	9,395	2,097	-	-
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Depreciation included in income statement

Included in Occupancy expenses

Depreciation of plant and equipment	4,787	2,136	-	-
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Employee benefits expense included

in income statement

Included in Employment related expenses

Wages and salaries	808,906	552,624	808,906	565,348
Superannuation costs	70,312	51,629	70,312	51,629
Share-based payments expense	236,481	81,085	236,481	81,085
	1,115,699	685,338	1,115,699	698,062

Impairment expense included in income statement

Current trade and other receivables (refer Note 10)	-	-	124,858	593,437
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(b) Revenues and Expenses:

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

Expenses

Research and development costs consist of:

IP litigation expenses	36,320	430,845	36,320	430,845
Other IP related expenses	298,116	310,637	298,116	310,637
	334,436	741,482	334,436	741,482

	CONSOLIDATED		PARENT	
	2008	2007	2008	2007
	\$	\$	\$	\$

NOTE 4: INCOME TAX EXPENSE

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

Prima facie tax payable on profit/(loss) from ordinary activities before income tax at 30% (2007: 30%)	(832,407)	(824,026)	(910,040)	(920,698)
Add Tax effect of:				
Non-deductible share-based payment expense	70,944	24,326	70,944	24,326
Non-deductible impairment expense	-	-	37,457	178,031
Overseas entities losses	-	87,476	-	-
Foreign exchange translation	7,876	14,550	6	8,956
Other non deductible items	181,959	32,896	181,959	32,896
Future income tax benefit not brought to account	571,628	664,778	619,674	676,489
Add Tax effect of:				
Recoupment of prior year tax losses not previously brought to account	-	-	-	-
Income tax expense reported in the income statement	-	-	-	-

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

(c) Deferred Tax Asset not brought to account

As at 30 June 2008, the Tax Consolidated Group has a net Deferred Tax Asset arising from significant available tax losses (calculated at 30%), which has not been recognised in the financial statements.

The recoupment of available tax losses as at 30 June 2008 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		PARENT	
2008	2007	2008	2007
\$	\$	\$	\$

NOTE 5: DISCONTINUED OPERATIONS

On April 17 and 22 June 2006 the economic entity announced its intention to scale back and ultimately close its in-house clinical program based in the United States. Office equipment and other items were divested prior to 30 June 2006. Certain activities were relocated to Australia and the costs of those activities have been included in the costs of continuing operations.

The financial performance of the discontinued operation to the date of sale which is included in the loss from discontinued operations per the income statement is as follows:

Revenue	
Other revenue	-
Expenses	(738,397)
Loss on sale or write down of equipment	-
Loss before income tax	(738,397)
Income tax expense	-
Loss attributable to members of the parent entity	(738,397)

Basic and diluted earnings per share for loss from discontinued operations attributable to ordinary equity holders of the parent

cents	cents
-	(0.35)

NOTE 6: AUDITOR'S REMUNERATION

Remuneration of the auditor of the parent entity for:

- auditing or reviewing the financial report	33,800	35,000	33,800	35,000
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Remuneration of other auditors of subsidiaries for:

- auditing or reviewing the financial report of subsidiaries	8,297	17,212	-	-
	42,097	52,212	33,800	35,000

CONSOLIDATED
2008 2007
\$ \$

NOTE 7: 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:

Loss after income tax used in the calculation of basic EPS and dilutive EPS	(2,820,816)	(2,746,753)
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	No.	No.
Weighted average number of ordinary shares for basic and diluted earnings per share	290,278,098	213,592,676
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 2008 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 8: 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
Dr Mike Dalling	Director - Non-Executive	Appointed on 24 March 2006, resigned on 23 February 2008
Mr Mel Bridges	Director - Non-Executive	Appointed on 12 October 2007
Dr Ken Reed	Director - Non-Executive	Appointed on 19 May 2000

(ii) Specified Executives

Ms Sue MacLeman	Chief Executive Officer	Appointed on 4 September 2006
Mr John Rawling	Company Secretary/CFO	Appointed on 2 January 2007
Dr John Morrison	Business Development and Licensing Manager	Appointed on 20 November 2006, resigned on 24 April 2008
Dr Jason Smythe	Chief Scientific Officer	Appointed on 8 October 2007

NOTE 8: DIRECTOR AND EXECUTIVE DISCLOSURES (CONT.)

(b) Specified Directors' Remuneration

Specific Directors	Short Term			Post	Equity	Other	Total
	Salary, Fee & Commiss.	Cash Bonus	Non-Cash Benefits	Employ. Super- annuation	Options		
2008							
Peter Francis	53,750	-	-	-	10,111	-	63,861
Mike Dalling	30,389	-	-	-	-	-	30,389
Mel Bridges	38,943	-	-	-	6,741	-	45,684
Ken Reed	44,828	-	-	4,034	6,741	-	55,603
	167,910	-	-	4,034	23,593	-	195,537

Specific Directors

2007							
Peter Francis	45,000	100,000	-	-	-	-	145,000
Mike Dalling	45,000	100,000	-	-	-	-	145,000
Mel Bridges	-	-	-	-	-	-	-
Ken Reed	45,000	-	-	-	-	-	45,000
	135,000	200,000	-	-	-	-	335,000

(c) Specified Executives' Remuneration

Specific Directors	Short Term			Post		Equity	Total
	Salary, Fee & Commiss.	Cash Bonus	Non-Cash Benefits	Super- annuation	Employment Termination Benefits	Options	
2008							
Sue MacLeman	275,229	70,000	-	24,771	-	61,447	431,447
John Rawling	113,532	8,000	-	14,968	-	13,742	150,242
John Morrison	135,394	8,000	-	15,199	5,240	5,898	169,731
Jason Smythe	129,449	-	-	9,609	-	55,800	194,858
	653,604	86,000	-	64,547	5,240	136,887	946,278

Specific Directors

2007							
Sue MacLeman	182,174	120,000	-	16,874	-	39,353	358,401
John Rawling	39,755	-	-	3,578	-	27,118	70,451
John Morrison	96,640	-	-	14,496	-	6,614	117,750
Jason Smythe	-	-	-	-	-	-	-
	318,569	120,000	-	34,948	-	73,085	546,602

(d) Options Granted As Remuneration

	Vested No.	Grant No.	Grant Date	Terms & Conditions for each			
				Value per Option at Grant Date \$	Exercise Price \$	First Exercise Date	Last Exercise Date
Specified Executives							
Peter Francis	–	2,000,000	28-Nov-07	0.052	0.131	28-Nov-08	31-Dec-12
Mike Dalling	–	1,333,333	28-Nov-07	0.052	0.131	*	*
Mel Bridges	–	1,333,333	28-Nov-07	0.052	0.131	28-Nov-08	31-Dec-12
Ken Reed	–	1,333,333	28-Nov-07	0.052	0.131	28-Nov-08	31-Dec-12
Sue MacLeman	1,000,000	3,000,000	21-Feb-08	0.064	0.115	21-Feb-08	21-Feb-13
John Rawling	100,000	300,000	21-Feb-08	0.064	0.115	21-Feb-08	21-Feb-13
John Morrison	125,000	250,000	01-Jul-07	0.067	0.126	01-Jul-07	31-Oct-08**
Jason Smythe	1,000,000	1,000,000	21-Feb-08	0.062	0.114	21-Feb-08	08-Oct-12

Shareholders resolved to grant options to Directors at the parent's Annual General Meeting on 28-Nov-07.

Options granted to the Non-Executive Directors vested one third on 28-Nov-08, one third on 28-Nov-09 and one third on 28-Nov-10.

Options granted to Sue MacLeman and John Rawling vested one third upon grant, one third on 21-Feb-09 and one third on 21-Feb-10.

Options granted to Dr Morrison vested one half upon grant and one half on 01-Jul-08.

Options granted to Dr Smythe were issued pursuant to his employment agreement and vested 100% upon grant.

* Dr Dalling resigned as a Director of Benitec on 23-Feb-08. Under the terms of the options, his options lapsed at this time.

** Dr Morrison left Benitec on 2 April 2008. The Directors resolved to set an expiry date of 31-Oct-08 for the options which had vested at the time of his departure.

(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.

NOTE 8: DIRECTOR AND EXECUTIVE DISCLOSURES (CONT.)

(f) Options and Rights Holdings

Number of Options held by Key Management Personnel

	Balance 1-Jul-07	Granted as Remun.	Options Aquired	Options Exercised/ Lapsed	Balance at 30-Jun-08	Total Vested at 30-Jun-08	Total Exercisable at 30-Jun-08
Specified Directors							
Peter Francis	474,350	2,000,000	-	-	2,474,350	474,350	474,350
Mike Dalling*	474,350	1,333,333	-	(1,807,683)	-	-	-
Mel Bridges	-	1,333,333	-	-	1,333,333	-	-
Ken Reed	1,000,000	1,333,333	-	-	2,333,333	1,000,000	1,000,000
Sub-total	1,948,700	5,999,999	-	(1,807,683)	6,141,016	1,474,350	1,474,350
Specified Executives							
Sue MacLeman	3,000,000	3,000,000	-	-	6,000,000	4,000,000	4,000,000
John Rawling	1,000,000	300,000	-	-	1,300,000	1,100,000	1,100,000
John Morrison*	261,364	250,000	-	(511,364)	-	-	-
Jason Smythe	-	1,000,000	-	-	1,000,000	1,000,000	1,000,000
Sub-total	4,261,364	4,550,000	-	(511,364)	8,300,000	6,100,000	6,100,000
Total	6,210,064	10,549,999	-	(2,319,047)	14,441,016	7,574,350	7,574,350

(g) Shareholdings

Number of Shares held by Specified Directors and Specified Executives

	Balance 1-Jul-06	Received as Remun.	Upon Options Exercised	Net Change Other*	Balance 30-Jun-07
Specified Directors					
Peter Francis	474,350	-	-	-	474,350
Mike Dalling**	474,350	-	-	(474,350)	-
Ken Reed	1,011,000	-	-	-	1,011,000
Sub-total	1,959,700	-	-	(474,350)	1,485,350
Specified Executives					
Sue MacLeman	-	-	-	-	-
John Rawling	-	-	-	-	-
John Morrison**	61,364	-	-	(61,364)	-
Jason Smythe	-	-	-	-	-
Sub-total	61,364	-	-	(61,364)	-
Total	2,021,064	-	-	(535,714)	1,485,350

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

** Dr Dalling and Dr Morrison both left the Company during the 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 her 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 her.

	CONSOLIDATED		PARENT	
	2008	2007	2008	2007
	\$	\$	\$	\$

NOTE 9: CASH AND CASH EQUIVALENTS

Cash at bank	207,782	4,700,121	81,342	4,485,260
Deposits at call	1,636,444	260,230	1,626,164	254,319
	1,844,226	4,960,351	1,707,506	4,739,579

Reconciliation of Cash Flow from Operations with Loss after Income Tax

Loss after Income Tax	(2,774,690)	(2,746,753)	(3,033,465)	(3,068,992)
Non-cash flows included in operating loss:				
Interest received	(196,674)	(82,209)	(196,622)	(79,227)
Depreciation	4,787	2,136	4,787	2,136
Share-based payments	236,482	81,085	236,482	81,085
Impairment expense	–	–	124,858	593,437
Provisions and non-cash adjustments	23,757	30,765	23,757	30,765
Exchange (gain)/loss	32,924	(27,731)	(766)	(29,852)
Changes in assets and liabilities:				
(Increase)/Decrease in trade and other receivables	124,890	1,078,208	(11,840)	(532,834)
(Increase)/Decrease in other current assets	(24,925)	58,737	(25,514)	(5,602)
Increase/(Decrease) in trade and other payables	(709,740)	(371,502)	(229,914)	1,267,241
Net cash flows from operations	(3,283,189)	(1,977,264)	(3,107,451)	(1,741,843)

	CONSOLIDATED		PARENT	
	2008	2007	2008	2007
	\$	\$	\$	\$

NOTE 10: TRADE AND OTHER RECEIVABLES

CURRENT

Sundry Debtors	116,618	241,508	116,618	104,778
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An impairment expense of \$124,858 (2007: \$593,437) was booked in the parent entity accounts to reflect the view of the Board that it is unlikely that the parent entity will be able to recover amounts receivable from wholly owned subsidiaries.

NOTE 11: OTHER ASSETS

CURRENT

Prepayments	36,193	589	36,193	-
Other current assets	9,173	5,602	9,173	5,602
	45,366	6,191	45,366	5,602

NOTE 12: OTHER FINANCIAL ASSETS

NON-CURRENT

Unlisted investments, at cost:

- Shares in controlled entities	-	-	13	13
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NOTE 13: CONTROLLED ENTITIES

(a) Controlled entities:

	Country of Incorporation	Percentage Owned	
		2008	2007
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.

	CONSOLIDATED		PARENT	
	2008	2007	2008	2007
	\$	\$	\$	\$

NOTE 14: PROPERTY, PLANT AND EQUIPMENT

Plant and Equipment

At cost	20,941	10,138	20,941	10,138
Accumulated depreciation	(6,923)	(2,136)	(6,923)	(2,136)
Total Property, Plant and Equipment	14,018	8,002	14,018	8,002

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		PARENT	
	Plant & Equipment	Total	Plant & Equipment	Total
	\$	\$	\$	\$
Balance at 30 June 2006	–	–	–	–
Additions	10,138	10,138	10,138	10,138
Depreciation expense	(2,136)	(2,136)	(2,136)	(2,136)
Balance at 30 June 2007	8,002	8,002	8,002	8,002
Additions	10,803	10,803	10,803	10,803
Depreciation expense	(4,787)	(4,787)	(4,787)	(4,787)
Balance at 30 June 2008	14,018	14,018	14,018	14,018

NOTE 15: TRADE AND OTHER PAYABLES

	CONSOLIDATED		PARENT	
	2008	2007	2008	2007
	\$	\$	\$	\$

CURRENT

Unsecured liabilities

Trade creditors	204,242	649,700	204,242	316,457
Sundry creditors and accrued expenses	403,429	652,677	403,429	446,762
Unsecured loan Dr C. Bremner	–	52,980	–	52,980
Promissory note – Promega Corporation*	–	186,537	–	186,537
	607,671	1,541,894	607,671	1,047,226

* The convertible Promissory note provided by the Company to Promega Corporation had a face value of USD\$158,333. It was converted on 10 October 2007 into 1,781,735 ordinary shares.

	CONSOLIDATED		PARENT	
	2008	2007	2008	2007
	\$	\$	\$	\$

NOTE 16: CONTRIBUTED EQUITY

291,954,879 (2007: 286,648,481)

fully paid ordinary shares	72,728,840	72,475,990	72,728,840	72,475,990
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(a) Ordinary Shares

At the beginning of the reporting period	72,475,990	63,146,830	72,475,990	63,146,830
Shares issued during the year	263,087	6,494,494	263,087	6,494,494
Transaction costs relating to share issues	(10,237)	(248,071)	(10,237)	(248,071)
At reporting date	72,728,840	72,475,990	72,728,840	72,475,990

	No.	No.	No.	No.
At the beginning of reporting period	286,648,481	172,524,637	286,648,481	172,524,637
Shares issued during the year	5,306,398	114,123,844	5,306,398	114,123,844
At reporting date	291,954,879	286,648,481	291,954,879	286,648,481

(b) Share options

At the end of the financial year, there were 78,046,228 unissued ordinary shares (2007: 111,363,768) over which options were outstanding:

Details	No. of Options	Expiry Date	Exercise Price
Listed Options BLTOA	56,081,915	03-Apr-11	\$0.15
Employee share options plan options	100,000	28-Jul-09	\$0.50
Employee share options plan options	100,000	28-Jul-09	\$1.00
Employee share options plan options	150,000	28-Jul-09	\$1.50
Employee share options plan options	150,000	29-Jul-09	\$2.00
Employee share options plan options	3,000,000	04-Sep-11	\$0.0224
Employee share options plan options	250,000	20-Nov-11	\$0.0626
Employee share options plan options	1,000,000	14-Dec-11	\$0.0599
Employee share options plan options	125,000	31-Oct-08	\$0.1255
Employee share options plan options	1,000,000	08-Oct-12	\$0.114
Employee share options plan options	3,325,000	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 Advisor Warrants	6,126,962	04-Aug-14	\$0.90
Other	17,560	30-Sep-13	\$0.03
	78,046,228		

Since 30 June 2008, no options have been issued under the ESOP.

	CONSOLIDATED		PARENT	
	2008	2007	2008	2007
	\$	\$	\$	\$

NOTE 17: RESERVES

Share-based Payments Reserve

At the beginning of the reporting period	2,174,709	2,093,624	2,174,709	2,093,624
Fair value of options vested during year	236,482	81,085	236,482	81,085
At reporting date	2,411,191	2,174,709	2,411,191	2,174,709

Nature and purpose of Reserves

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: CONTINGENT LIABILITIES

Benitec has received invoices from CSIRO totalling approximately \$200,000 which claim the recovery of their costs associated with the USPTO patent Reexamination of the '099 Patent. These costs were not authorised by the Company nor is the Company aware of any agreement under which there may be grounds for CSIRO to recover them from Benitec. The Directors are not aware of any circumstance or information which would lead them to believe that this liability will crystallise and consequently no provision is included in this financial report in respect of this matter.

There were no other contingent liabilities to be reported at the reporting date.

NOTE 19: SEGMENT REPORTING

Segment Revenues from External Customers

The consolidated entity 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.

Segment Results

Business operations are conducted in Australia following the closure of the US operations in July 2006.

	Segment Revenues from External Customers		Segment Results		Carrying Amount of Segment Assets	
	2008	2007	2008	2007	2008	2007
	\$	\$	\$	\$	\$	\$
Geographical location						
Australia	503,867	485,957	(2,571,516)	(2,460,336)	1,883,508	4,857,961
United States of America	55,827	–	(181,879)	(281,008)	136,720	358,091
United Kingdom	–	–	(21,295)	(5,409)	–	–
	559,694	485,957	(2,774,690)	(2,746,753)	2,020,228	5,216,052

NOTE 19: SEGMENT REPORTING (CONT.)

Carrying Amount of Segment Assets

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 20: **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 consolidated entity 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		PARENT	
	2008	2007	2008	2007
	\$	\$	\$	\$
Financial Assets				
Cash and cash equivalents	1,884,226	4,960,351	1,707,506	4,739,579
Financial Liabilities	-	-	-	-
Net Exposure	1,884,226	4,960,351	1,707,506	4,739,579

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 consolidated entity currently has short term deposits at variable interest rates. The average interest rate applying to cash in the year was 6.15% (2007: 3.84%)

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

At 30 June 2008, 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		Equity	
	Higher/(Lower)		Higher/(Lower)	
	2008	2007	2008	2007
	\$	\$	\$	\$
Consolidated				
+1% (100 basis points)	32,649	21,263	32,649	21,263
-0.5% (50 basis points)	(16,325)	(10,632)	(16,325)	(10,632)
Parent				
+1% (100 basis points)	29,930	18,978	29,930	18,978
-0.5% (50 basis points)	(14,965)	(9,489)	(14,965)	(9,489)

The movements in operating result are due to higher/lower interest income from cash balances. The sensitivity is lower in 2008 than in 2007 due to lower balances of short term deposits during the year.

Liquidity risk

The consolidated entity'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 consolidated entity's policy is that not more than 40% of borrowings should mature in any 12 month period.

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 2008. 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 consolidated entity's financial liabilities are:

	CONSOLIDATED		PARENT	
	2008	2007	2008	2007
	\$	\$	\$	\$
6 months or less	25,584	17,160	25,584	17,160
6-12 months	3,164	2,122	3,164	2,122
1-5 years	-	-	-	-
Over 5 years	-	-	-	-
	28,748	19,282	28,748	19,282

NOTE 20: FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT.)

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					
Financial assets					
Cash and cash equivalents	1,844,226	-	-	-	1,844,226
Trade and other receivables	116,618	-	-	-	116,618
Financial Liabilities					
Trade and other payables	(607,671)	-	-	-	(607,671)
Net Maturity	1,353,173	-	-	-	1,353,173
Parent					
Financial assets					
Cash and cash equivalents	1,707,506	-	-	-	1,707,506
Trade and other receivables	116,618	-	-	-	116,618
Financial Liabilities					
Trade and other payables	(593,149)	-	-	-	(593,149)
Net Maturity	1,230,975	-	-	-	1,230,975

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

Forecast liquidity reserves as at 30 June 2008 is as follows:

	30 JUNE	
	2009 \$'000	2010-2013 \$'000
Opening balance for the period	1,844	3,634
Operating inflows	496	2,000
Operating outflows	(3,446)	(14,000)
Capital expenditure	(162)	(240)
Financing proceeds	4,902	12,000
Closing balance for the period	3,634	3,394

Foreign currency risk

The consolidated entity 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 consolidated entity whilst revenue is received on an irregular basis. In future periods, it is expected that the consolidated entity 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 consolidated entity, which comprise cash and cash equivalents, and trade and other receivables. The consolidated entity'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 consolidated entity does not hold any credit derivatives to offset its credit exposure. The consolidated entity trades only with recognised, creditworthy third parties and as such collateral is not requested nor is it in the consolidated entity's policy to securitise its trade and other receivables.

It is the consolidated entity'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 consolidated entity's exposure to bad debts is not significant.

There are no significant concentrations of credit risk within the consolidated entity.

NOTE 21: FINANCIAL INSTRUMENTS**Fair values**

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

NOTE 22: SHARE BASED PAYMENTS**Benitec Limited Employees Share Option Plan (ESOP):****Description of plan**

The consolidated entity 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

On 1 July 2007, the Board granted 250,000 share options under the ESOP to Dr John Morrison. The options vested 50% upon grant and 50% in 12 months from grant date.

On 21 February 2008, the Board confirmed the issue of 1,000,000 share options under the ESOP to Dr Jason Smythe in accordance with the terms of his employment agreement. The options vested upon grant.

On 21 February 2008, the Board also granted 3,325,000 share options under the ESOP to executives. The options vest one third upon grant, one third 12 months from grant date and the balance 24 months from grant date.

NOTE 22: SHARE BASED PAYMENTS (CONT.)

Share Options granted during the year

All of the options above were granted to executives. On 28 November 2007, shareholders at the Company's Annual General Meeting granted 5,999,999 options to Non-Executive Directors of Benitec Limited.

The fair value of options is estimated at the date of grant using the Black-Scholes model. The following table gives the assumptions made in determining the fair value of the options granted in the year to 30 June 2008.

	Dividend Yield	Expected Volatility	Risk-free interest rate	Expected life of Option	Share price at grant date
J. Morrison	Nil	60%	6.14%	5 years	\$0.115
J. Smythe	Nil	60%	6.61%	5 years	\$0.105
S. MacLeman	Nil	60%	6.61%	5 years	\$0.105
J. Rawling	Nil	60%	6.61%	5 years	\$0.105
G. Russell	Nil	60%	6.61%	5 years	\$0.105

The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur.

The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

No options have been issued to directors and executives after year end.

All options issued by Benitec Limited under its ESOP are unlisted.

The closing market price of an ordinary share of Benitec Limited (ASX Code: BLT) on the Australian Stock Exchange at 30 June 2008 was \$0.075 (30 June 2007: \$0.115)

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

	2008 No.	2008 WAEP	2007 No.	2007 WAEP
Outstanding at the beginning of the year	5,750,000	\$0.150	10,082,300	\$0.207
Granted during the year	4,575,000	\$0.115	5,250,000	\$0.035
Exercised during the year	(1,000,000)	\$0.022	-	-
Lapsed during the year	(125,000)	\$0.126	(9,582,300)	\$0.148
Outstanding at the end of the year	9,200,000	\$0.145	5,750,000	\$0.150

Details of share options outstanding as at end of year:

Expiry Date and Exercise Price	Grant Date	Consolidated		Parent	
		2007	2006	2007	2006
		\$	\$	\$	\$
28 July 2009 @ \$0.50 each	29-Jul-02	100,000	100,000	100,000	100,000
28 July 2009 @ \$1.00 each	29-Jul-02	100,000	100,000	100,000	100,000
28 July 2009 @ \$1.50 each	29-Jul-02	150,000	150,000	150,000	150,000
29 July 2009 @ \$2.00 each	29-Jul-02	150,000	150,000	150,000	150,000
4 September 2011 @ \$0.0224 each	04-Sep-06	3,000,000	3,000,000	3,000,000	3,000,000
14 September 2011 @ \$0.0224 each	14-Sep-06	-	1,000,000	-	1,000,000
20 November 2011 @ \$0.0626 each	20-Nov-06	250,000	250,000	250,000	250,000
14 December 2011 @ \$0.0599 each	14-Dec-06	1,000,000	1,000,000	1,000,000	1,000,000
1 July 2012 @ \$0.126 each	01-Jul-07	125,000	-	125,000	-
8 October 2012 @ \$0.114 each	08-Oct-07	1,000,000	-	1,000,000	-
31 December 2012 @ \$0.115 each	21-Feb-08	3,325,000	-	3,325,000	-
		9,200,000	5,750,000	9,200,000	5,750,000

NOTE 23: EVENTS SUBSEQUENT TO BALANCE SHEET DATE

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

NOTE 24: RELATED PARTY TRANSACTIONS

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

	CONSOLIDATED		PARENT	
	2008	2007	2008	2007
	\$	\$	\$	\$
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.	192,560	144,595	192,560	144,595
Travel and accommodation services paid / payable to Corporate Travel Management, a travel agency in which the son of Dr Mike Dalling is a director and has a beneficial interest	25,987	68,499	25,987	68,499

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

1. In the opinion of the directors:

- (a) the financial statements, notes and the additional disclosures included in the directors' report designated as audited, of the company and of the consolidated entity are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2008 and of their performance for the year ended on that date; and
 - (ii) complying with Accounting Standards, the Corporations Regulations 2001 and the International Financial Reporting Standards; and
- (b) As indicated in Note 1(a), there are reasonable grounds to believe that the consolidated entity 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 for the financial year ended 30 June 2008.

On behalf of the Board



Peter Francis

Director

Melbourne

25 September 2008

RSM Bird Cameron Partners

Chartered Accountants

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 525 Collins Street Melbourne VIC 3000
 PO Box 248 Collins Street West VIC 8007
 T +61 3 9286 1800 F +61 3 9286 1999
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INDEPENDENT AUDITOR'S REPORT**TO THE MEMBERS OF****BENITEC LIMITED****Report on the Financial Report**

We have audited the accompanying financial report of Benitec Limited ("the company"), which comprises the balance sheet as at 30 June 2008, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, 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 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.

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Major Offices in:
 Perth, Sydney, Melbourne,
 Adelaide and Canberra
 ABN 36 965 185 036

RSM Bird Cameron Partners is an
 independent member firm of RSM
 International, an affiliation of independent
 accounting and consulting firms.



Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, provided to the directors of Benitec Limited on 25 September 2008, would be in the same terms if provided to the directors as at the date of this auditor's report.

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 company's and consolidated entity's financial position as at 30 June 2008 and of their performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1(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 consolidated entity incurred a net loss of \$2,774,690 and had operating cash outflows of \$3,283,189 during the year ended 30 June 2008. 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 consolidated entity's ability to continue as a going concern and, therefore, whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 12 to 14 of the directors' report for the financial year ended 30 June 2008. 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 2008 complies with section 300A of the *Corporations Act 2001*.



RSM BIRD CAMERON PARTNERS
Chartered Accountants



R B MIANO
Partner

Melbourne
26 September 2008

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 31 August 2008 are detailed below.

Holding Size	Ordinary Shares (ASX: BLT)		Options (ASX: BLTOA)	
	No. of holders	No. of Shares Held	No. of holders	No. of Options Held
1-1,000	138	84,225	93	56,120
1,001 - 5,000	636	2,102,755	286	784,392
5,001 – 10,000	465	3,867,036	107	750,555
10,001 – 100,000	1,163	43,319,844	170	4,775,666
100,001 – and over	264	242,581,019	30	49,715,182
	2,666	291,954,879	686	56,081,915

b) Marketable parcels

The number of holdings of ordinary shares less than a marketable parcel of \$500 is 810.

c) Substantial Shareholders

The names of substantial shareholders listed in the Company's register as at 31 August 2008 were:

Holder	Number of Ordinary Shares Held	% Held of Issued Capital
Dr Christopher Bremner	57,588,248	19.73%
Merrill Lynch (Australia) Nominees Pty Ltd	21,000,000	7.19%
Sigma-Aldrich Pty Limited	19,531,250	6.69%
Promega Corporation	15,996,339	5.48%

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 August 2008

Holder	Number of Ordinary Shares Held	% Held of Issued Capital
Dr Christopher Bremner	57,588,248	19.73
Merrill Lynch (Australia) Nominees Pty Limited <Berndale A/C>	21,000,000	7.19
Sigma-Aldrich Pty Limited	19,531,250	6.69
Promega Corporation	15,996,339	5.48
Citicorp Nominees Pty Limited	14,653,594	5.02
ANZ Nominees Limited <Cash Income A/C>	7,195,646	2.46
HSBC Custody Nominees (Australia) Limited	6,596,820	2.26
Mr Robert Lakelin & Mrs Roslyn Lakelin <Super Fund TM A/C>	4,515,268	1.55
National Nominees Limited	4,123,011	1.41
UBS Wealth Management Australia Nominees Pty Ltd	3,578,666	1.23
Kanilo Pty Limited	2,800,000	0.96
Mr Andrew David Macknamara	2,550,000	0.87
Done Nominees Pty Limited <Done Super Plan A/C>	2,292,515	0.79
Ms Anne Tang	2,205,000	0.76
Mr Manfred Adolf Reiter & Ms Elizabeth Christine Meixner <Skymar Super Fund A/C>	1,800,000	0.62
John Alexander & Irene Lucy May Hunt J&I Hunt S/F A/C>	1,779,091	0.61
Feta Nominees Pty Ltd	1,726,164	0.59
Mr Trevor Harold Ahern & Mrs Suzanne Margaret Ahern <Ahern Pastoral Co PL S/F A/C>	1,650,000	0.57
Clifton Garages Nominees Pty Ltd < Clifton Garages Nom Unit A/C>	1,642,014	0.56
Merrill Lynch (Australia) Nominees Pty Limited	1,565,288	0.54
TOTAL	174,788,874	59.89
SHARES ON ISSUE AT 31 AUGUST 2008	291,954,879	

f) 20 Largest Option holders (ASX: BLTOA) as at 31 August 2008

Holder	Number of Options Held	% Held of Options
Dr Christopher Bremner	19,969,200	35.61
Merrill Lynch (Australia) Nominees Pty Limited <Berndale A/C>	11,000,000	19.61
Arkwright Developments Pty Ltd <Findlay Fund Account>	7,496,440	13.37
Invia Custodian Pty Limited <White A/C>	1,785,039	3.18
Invia Custodian Pty Limited <Black A/C>	1,359,126	2.42
ANZ Nominees Limited <Cash Income A/C>	864,339	1.54
Dr Warna & Mrs Alankarage Sriyani Karunasena	840,000	1.50
David Burton Gibson	791,155	1.41
UBS Wealth Management Australia Nominees Pty Ltd	671,135	1.20
Mrs Jennifer Mollett	500,000	0.89
Mr Peter Francis & Mrs Jenni Lightowlers <Lightowlers Family Super A/C>	474,350	0.85
Fitel Nominees Limited	454,545	0.81
Mr John Alexander & Mrs Irene Lucy May Hunt <J&I Hunt S/F A/C>	375,758	0.67
Clifton Garages Nominees Pty Ltd <Clifton Garages Nom Unit A/C>	287,663	0.51
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
Rajeshkumar Harikrushna Soni	202,273	0.36
A J McDonald Pty Ltd	202,273	0.36
Mr Andrew Robert Brown	200,000	0.36
TOTAL	48,243,019	86.03
LISTED OPTIONS BLTOA ON ISSUE AT 31 AUGUST 2008	56,081,915	

g) Restricted securities

There are no securities on issue subject to restriction agreements.

h) Unquoted securities

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

<u>Details of Security</u>	<u>Grant Date</u>	<u>Expiry Date</u>	<u>Exercise Price</u>	<u>Number</u>
Options - ESOP	29-Jul-02	28-Jul-09	\$0.50	100,000
Options - ESOP	29-Jul-02	28-Jul-09	\$1.00	100,000
Options - ESOP	29-Jul-02	28-Jul-09	\$1.50	150,000
Options - ESOP	29-Jul-02	28-Jul-09	\$2.00	150,000
Options - Other	30-Sep-03	30-Sep-13	\$0.03	17,560
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 - ESOP	4-Sep-06	4-Sep-11	\$0.0224	3,000,000
Options - ESOP	20-Nov-06	20-Nov-11	\$0.0626	250,000
Options - ESOP	14-Dec-06	14-Dec-11	\$0.0599	1,000,000
Options - ESOP	1-Jul-07	1-Jul-12	\$0.1255	125,000
Options - NED	28-Nov-08	31-Dec-12	\$0.131	4,666,666
Options - ESOP	21-Feb-08	8-Oct-12	\$0.114	1,000,000
Options - ESOP	21-Feb-08	31-Dec-12	\$0.115	3,325,000
TOTAL				21,964,313

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 PATENTS

Patent/Application Number	Invention Title	Inventor(s)	Patent Summary
6,573,099 (US)	GENETIC CONSTRUCTS FOR DELAYING OR REPRESSING THE EXPRESSION OF A TARGET GENE*	Graham, Michael W Rice, Robert N	The present invention relates generally 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 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.
PCT/ AU99/00195 (WO99/49029) AU 29163/99 CA 2,323,726 CZ PV2000-3346 (295108) GB GB2353282 HK 01105904.3 NZ 506648 SG 200004917-1 ZA 2000/4507	CONTROL OF GENE EXPRESSION*	Graham, Michael W Rice, Robert N Waterhouse, Peter Wang, MingBo	The present invention relates generally to 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.
US 10/821,726 US 11/180,928 US 11,218,999	SYNTHETIC GENES AND GENETIC CONSTRUCTS COMPRISING THE SAME*	Waterhouse, Peter Graham, Michael Wang, MingBo Smith, Neil	The present invention relates generally to 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.
WO99/53050	METHODS AND MEANS FOR OBTAINING MODIFIED PHENOTYPES*	Waterhouse, Peter; Graham, Michael Wang, MingBo Smith, Neil	Methods and means are provided for reducing the phenotypic expression of a nucleic acid of interest in eukaryotic cells, particularly in plant cells, by introducing chimeric genes encoding sense and antisense RNA molecules directed towards the target nucleic acid, which are capable of forming a double stranded RNA region by base-pairing between the regions with the sense and antisense nucleotide sequence or by introducing the RNA molecules themselves. Preferably, the RNA molecules comprises simultaneously both sense and antisense nucleotide sequence.

LIST OF PATENTS

Patent/Application Number	Invention Title	Inventor(s)	Patent Summary
GB2377221 (GB), P-91678 (SG) 2002/7428 (ZA) AU01/000297 0170904 (WO)	GENETIC SILENCING	Graham, Michael W Rice, Robert N Reed, Kenneth C Murphy, Kathleen	The present invention relates generally to a method of inducing, promoting or otherwise facilitating a change in the phenotype of an animal cell or group 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.
10/861191 (US) 2527907 (CA) 04735856.9 (EP) 172191	DOUBLE-STRANDED NUCLEIC ACID	Graham, Michael W Rice, Robert N Roelvink, Petrus W Suhy, David A Kolkykhalov, Alexander A Harrison, Bruce T Reed, Kenneth C	The invention is directed towards constructs for RNAi techniques. The invention provides 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 a first effector sequence, a second effector sequence, 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 these sequences is substantially identical to the predicted transcript of a region of the target gene, and a nucleic acid construct encoding such an RNA.
11/072592 (US) PCT/ US2005/0017447 2005/087926 (WO) 2005222084 (AU) 2558771 (CA) 0580013979.5 (CN) 05727680.0 (EP) 177862 (IL) 2007-502094 (JP) 20067020986 (KR) 550284 (NZ)	MULTIPLE PROMOTER EXPRESSION CASSETTES FOR SIMULTANEOUS DELIVERY OF RNAI AGENTS	Roelvink, Petrus W Suhy, David A Kolkykhalov, Alexander A	The present invention provides multiple-promoter expression cassettes for simultaneous delivery of RNAi, preferably to mammalian cells in vivo.

LIST OF PATENTS

Patent/Application Number	Invention Title	Inventor(s)	Patent Summary
11/256666 (US) US05/038139 (WO)	THERAPEUTIC RNAi AGENTS FOR TREATING PSORIASIS	Reed, Kenneth C Brashears, Sarah J	The present invention provides compositions and methods suitable for delivering RNAi agents against genetic targets in skin tissues so as to treat psoriasis.
11/347028 (US) US06/004003 (WO)	RNAi EXPRESSION CONSTRUCTS	Roelvink, Petrus W Suhy David A Kolkykhalov, Alexander A Couto, Linda	The present invention provides 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.
11/355516 (US)	RNAi EXPRESSION CONSTRUCTS WITH LIVER-SPECIFIC ENHANCER/PROMOTER	Roelvink, Petrus W Suhy, David A Kolkykhalov, Alexander A Kay, Mark A Giering, Jeffery C	The present invention provides compositions and methods suitable for RNAi specifically in the liver so as to treat diseases or disorders.
11/413628 (US) US06/016507 (WO)	MULTIPLE RNAi EXPRESSION CASSETTES FOR SIMULTANEOUS DELIVERY OF RNAi AGENTS RELATED TO HETEROZYGOTIC EXPRESSION PATTERNS	Evertsz, Elisabeth Brashears, Sarah J	The present invention provides 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.
60/792008 (US)	DIFFERENTIAL EXPRESSION OF SHORT HAIRPIN RNA BY MUTAGENIZED OR HYBRID RNA POL III PROMOTERS	Roelvink, Petrus W Suhy, David A	The present invention provides 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.
11/244314 (US)	MODULATION OF HAIR GROWTH	Reed, Kenneth C	The present invention provides methods and compositions including RNAi agents for modulating the growth, development, or maintenance of hair or hair follicles in vertebrate animals.

LIST OF PATENTS

Patent/Application Number	Invention Title	Inventor(s)	Patent Summary
GB2377221(GB), P-91678 (SG) 2002/7428 (ZA) AU01/000297 0170904 (WO)	GENETIC SILENCING	Graham, Michael W Rice, Robert N Reed, Kenneth C Murphy, Kathleen	The present invention relates generally to a method of inducing, promoting or otherwise facilitating a change in the phenotype of an animal cell or group 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.
10/861191 (US) 2527907 (CA) 04735856.9 (EP) 172191	DOUBLE-STRANDED NUCLEIC ACID	Graham, Michael W Rice, Robert N Roelvink, Petrus W Suhy, David A Kolkykhalov, Alexander A Harrison, Bruce T Reed, Kenneth C	The invention is directed towards constructs for RNAi techniques. The invention provides 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 a first effector sequence, a second effector sequence, 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 these sequences is substantially identical to the predicted transcript of a region of the target gene, and a nucleic acid construct encoding such an RNA.
11/072592 (US) PCT/ US2005/0017447 2005/087926 (WO) 2005222084 (AU) 2558771 (CA) 0580013979.5 (CN) 05727680.0 (EP) 177862 (IL) 2007-502094 (JP) 20067020986 (KR) 550284 (NZ)	MULTIPLE PROMOTER EXPRESSION CASSETTES FOR SIMULTANEOUS DELIVERY OF RNAI AGENTS	Roelvink, Petrus W Suhy, David A Kolkykhalov, Alexander A	The present invention provides multiple-promoter expression cassettes for simultaneous delivery of RNAi, preferably to mammalian cells in vivo.

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BENITEC LIMITED

ABN 64 068 943 662

Directors

Mr Peter Francis
(Non-Executive Chairman)

Mr Mel Bridges
(Non-Executive Director)

Dr Ken Reed
(Non-Executive Director)

Ms Sue MacLeman
(Managing Director and
Chief Executive Officer)

Company Secretary

Mr John Rawling

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Australia

Principal Place of Business

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Solicitors

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Rialto Towers
525 Collins Street
Melbourne Vic 3000

Auditors

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

Bankers

Westpac Banking Corporation
Business Banking
Level 8
360 Collins Street
Melbourne Vic 3000

Share Registry

Computershare Investor
Services Pty Limited
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Melbourne Vic 3067

Stock Exchange Listing

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



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