BENITEC BIOPHARMA

silencing genes for life™

# BENITEC BIOPHARMA LTD **ANNUAL REPORT** 2014

# Contents



Cover Image (left to right):
**Dr Michael Graham**, Benitec's Chief Scientist and discoverer of ddRNAi and
**Dr David Suhy**, Benitec's Senior Vice President of Research & Development and creator of TT-034.

# Chairman's and CEO's letter

Dear Shareholder,

We are pleased to present Benitec Biopharma's Annual Report for 2014.

Once in a generation a technology is developed that has the potential to radically change the current approach to disease treatment. Before penicillin there was fresh air and mercury baths. Think of what medicine was like before X-rays, MRI, organ transplants, IVF, or monoclonal antibodies. Now we are on the verge of turning the knowledge from the human genome project into targeted gene therapy drugs for a number of currently untreatable or incurable diseases. Benitec Biopharma's gene silencing technology represents such a transformational technology for medicine.

During the last year Benitec has made very significant progress toward delivering on this potential. This can be seen by comparing Benitec today with the company's key performance indicators 12 months ago. In September 2013 the company had a market capitalisation of AUD$24.8 million, a share price of AUD$0.29, AUD$1.58 million in the bank, few institutional investors and no programs in the clinic.

The Board and management team are very proud to report that one year later Benitec has a market capitalisation of around AUD$110 million, over AUD$30 million in the bank, 10 institutional healthcare investors and our lead compound, TT034 a "single shot cure" for Hepatitis C is in the clinic.

These achievements have been made against the backdrop of a significant rise in the acceptance of RNAi as a treatment modality. siRNA-based companies such as Alnylam, Dicerna and Arrowhead also saw large increases in their valuation over the past 12 months. Your Board believes that Benitec is well positioned to continue to leverage the success of RNAi through the commercialisation of ddRNAi.

Benitec became a clinical stage biotechnology company when, in January 2014, the US Food and Drug Administration (FDA) provided the company with clearance to began a phase I/II(a) clinical trial for TT-034. The fact that this clearance to proceed was provided within 30 days of the Investigational New Drug (IND) Application being submitted was a major validation of the work that our team put into this program. Even more important when considering that this was the first time the FDA had provided clearance for the commencement of a clinical trial for a systemically delivered ddRNAi therapeutic. The progress and challenges of the trial and our measures in response have been reported on in Company announcements and we remain confident and committed to this program.

In February 2014 with the assistance of Lodge Partners (Melbourne) and Maxim Investment Bank (New York) Benitec was able to raise over AUD$30 million in a private placement, predominantly from US-based healthcare institutional investors. This raising was important for a number of reasons; first it validated ddRNAi's position in the RNAi therapeutic space, specialist healthcare institutions who had invested in US-based RNAi companies such as Alnylam, Dicerna and Arrowhead were acknowledging the opportunity that Benitec represented. Secondly these funds will enable Benitec to advance TT-034 to the conclusion of a Phase II(b) trial at which point we believe the drug, if successful, should deliver optimal partnering value. Thirdly, as a result of securing these funds, Benitec was able to open the Company's own laboratory in Northern California providing the Company with the capability of advancing the other programs in our pipeline such as Hepatitis B, AMD, Lung Cancer and OPMD. Being able to advance these programs through the pre-clinical pathway highlights the depth and strength of Benitec's approach to commercialising ddRNAi.

During May 2014 Benitec's Senior Vice President of Research and Development, Dr David Suhy was present at Duke Medical Research Unit when the first patient in our groundbreaking trial was given a sub-therapeutic dose of TT-034. It was particularly gratifying for Dr Suhy to be present at this significant event; Dr Suhy first drew his proposed structure for TT-034 on a white board in California eight years earlier. In June 2014, the independent Data Safety Monitoring Board (DSMB) for the TT-034 trial gave the all clear to dose the second patient, indicating that they saw no treatment-related adverse events with the first patient. Importantly laboratory results from the first patient demonstrated that TT-034 had been able to transduce liver cells and produce small but detectable amounts of shRNA, a very encouraging result considering this dose was sub-therapeutic.

In a further significant development for Benitec's ddRNAi technology, our licensee Calimmune, was given approval by the FDA to begin treating their second cohort of patients in the company's groundbreaking Phase I/II trial of Cal-1, a stem cell based therapeutic candidate for HIV/AIDS therapeutic. This approval was further evidence of the safety of ddRNAi technology.

Benitec has continued an aggressive strategy to raise the company's profile and increase awareness of our achievements, and during 2013 – 2014 we have presented at or attended the following events:

- Ausbiotech 2013 – Brisbane
- Over 30 investor and partnering meetings around the 2014 JP Morgan Healthcare Conference – San Francisco
- ASX Spotlight - New York & London
- BioPharma Europe - Barcelona
- Bio 2014 - San Diego
- Three Tickers – Brisbane and Melbourne
- Broker Meets Biotech – Perth & Brisbane

It is becoming clear from these meetings that both investors and pharmaceutical industry representatives are now much more aware and interested in the potential that Benitec and ddRNAi offers as a value proposition than they were twelve months ago.

The last 12 months has in many ways been transformational for your Company. Whilst many challenges remain in bringing a first-in-man therapy through to clinical validation, Benitec now has the resources to achieve its goals. We thank you for your ongoing support and look forward to an exciting next twelve months.

**Peter Francis**
Chairman

**Peter French**
CEO and Managing Director

# Directors' Report

Back (from left to right): Dr David Suhy, Mr Carl Stubbings, Mr Iain Ross, Dr John Chiplin, Dr Michael Graham. Front (from left to right): Dr Peter French, Mr Peter Francis, Mr Greg West

The Directors of Benitec Biopharma Limited ('the Company' or 'Benitec') and its controlled entities ('the Group') present their report for the financial year ended 30 June 2014.

## NON-EXECUTIVE DIRECTORS

The following persons were Directors of Benitec Biopharma Limited during or since the end of the financial year.

### Names, qualifications experience and special responsibilities

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

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

*Other Current Directorships of Listed Companies:* None

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

**Mr Kevin Buchi** BA, MBA, CPA
Non-Executive Director
Appointed 14 April 2013

Mr. Buchi served as Chief Executive Officer of Cephalon, Inc. through its $6.8 billion acquisition by Teva Pharmaceutical Industries in October 2011. After the acquisition Mr. Buchi served as Corporate Vice President, Global Branded Products of Teva Pharmaceuticals. Mr. Buchi joined Cephalon in 1991 and held various positions, including Chief Operating Officer, Chief Financial Officer and Head of Business Development prior to being appointed CEO.

Mr. Buchi currently serves as President and CEO and a member of the Board of Directors of TetraLogic Pharmaceuticals. Mr Buchi is also on the Board of Directors of Stemline Therapeutics, Inc., Forward Pharma A/S, Alexza Pharmaceuticals, Inc. and Epirus Biopharmaceuticals.

Mr Buchi originally trained as a synthetic organic chemist for the Eastman Kodak Company graduating from Cornell University with a Bachelor of Arts degree in chemistry. He holds Master's degree in management from Kellogg Graduate School of Management at Northwestern University and is a Certified Public Accountant.

*Other Current Directorships of Listed Companies*
Stemline Therapeutics, Inc. and Alexza Pharmaceuticals, Inc.

*Former Directorships of Listed Companies in last three years*
Mesoblast Limited (Australia).

**Dr Mel Bridges** BAPPSC, FAICD
Non-Executive Director
Appointed 12 October 2007
Resigned 18 June 2014

Dr Mel Bridges has more than 30 years' experience as a CEO and public company director in the global biotechnology and healthcare industry. During this period, he founded and managed successful diagnostics, biotechnology and medical device businesses. He has successfully raised in excess of $300 million investment capital in the healthcare/biotech sector and been directly involved in over $1 billion in M&A and related transactions.

The businesses that Dr Bridges 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.

Dr Bridges has an Honorary Doctorate from Queensland University of Technology

Other Current Directorships of Listed Companies

ALS Ltd, Tissue Therapies Ltd.

Former Directorships of Listed Companies in last three years

Alchemia Limited (October 2003 to July 2013), Genetic Technologies Limited (December 2011 to November 2012), Leaf Energy Limited (August 2010 to September 2012), and Genera Biosystems Limited (December 2008 to November 2010).

Dr Bridges retired from the Board in June 2014.

**Dr John Chiplin** PH.D.
Non-Executive Director
Appointed 1 February 2010

Dr. Chiplin is CEO of Polynoma LLC, an immuno-oncology company currently running one of the world's largest (Phase III) melanoma trials. Prior to Polynoma, he was the founding CEO of Arana Therapeutics, a world leading antibody developer, and a director of Domantis, Inc., prior to their acquisition by Cephalon & GSK respectively.

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

*Other Current Directorships of Listed Companies*: None

*Former Directorships of Listed Companies in the last three years*
Arana Therapeutics Ltd., Calzada Ltd., Healthlinx, Ltd., Progen Pharmaceuticals Ltd., and Medistem, Inc.

**Mr Iain Ross** BSc, CH.D.
Non-Executive Director
Appointed 1 June 2010

Mr Ross brings over 30 years' experience in the international life sciences sector to the Board of Benitec. Following a career with Sandoz, Fisons, Hoffman La Roche and Celltech, he has undertaken and had input to a number of company turnarounds and start-ups as a board member on behalf of banks and private equity groups. He has led and participated in 4 IPOs, has direct experience of life science mergers and acquisitions both in the UK and USA and has raised more than £250m in the biotech sector.

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

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

*Former Directorships of Listed Companies in last three years:* Coms plc

## CHIEF EXECUTIVE OFFICER & MANAGING DIRECTOR

**Dr Peter French** MBA, PH.D.
Chief Executive Officer and Managing Director
Appointed 26 August 2013

Peter French is a cell and molecular biologist who has been extensively involved in both basic and clinical medical research and commercialisation of biological intellectual property. He has an MBA in Technology Management and a PhD in cell biology. Dr French is a Past President of the Australia and New Zealand Society for Cell and Developmental Biology, and represented Australia's biological scientists on the Board of FASTS, Australia's peak government lobbying organization for science and technology. Dr French has conducted cell and molecular research in a broad range of areas relevant to Benitec's DNA-directed RNAi based therapeutic technology, including cancer, HIV/AIDS, neurobiology, immunology and inflammatory disease.

He obtained his PhD in 1987 for work performed at CSIRO on the characterisation of the keratin composition of the developing wool fibre. He carried out postdoctoral research at the Children's Medical Research Foundation, Sydney, on the role of glycoprotein expression in neuronal development. In 1989 he became Principal Scientific Officer and Manager of the Centre for Immunology, St Vincent's Hospital, Sydney. Over the past 15 years Dr French has been extensively involved in Australia's biotechnology industry, initially founding the stem cell company Cryosite (ASX:CTE), and then taking up leadership roles at other biotechnology companies prior to joining Benitec in 2009 as its Chief Scientific Officer. Peter was appointed Chief Executive Officer of Benitec in June 2010 and Managing Director in August 2013.

*Other Current Directorships of Listed Companies:* None

*Former Directorships of Listed Companies in last three years:* None

## COMPANY SECRETARY

**Mr Greg West** CA
Appointed 26 May 2011

Mr West is a Chartered Accountant with experience in the Biotech sector. He is a Director and Audit Committee Chairman of UOWE Limited (a business arm of Wollongong University), and a Director and Audit Committee Chairman of IDP Education Pty Ltd and Education Australia Limited. He worked at PWC and has held senior finance executive roles in financial services and investment banking with Bankers Trust, Deutsche Bank, NZI, and with other financial institutions.

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

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

| Director | Number of Ordinary Shares (*after the July 2014 securities consolidation) | Number of Options over Ordinary Shares (*after the July 2014 securities consolidation) |
|---|---|---|
| Mr Peter Francis | 327,250 | 1,716,924 |
| Dr Peter French | 342,554 | 2,849,231 |
| Mr Kevin Buchi | 615,385 | 646,154 |
| Dr John Chiplin | 263,020 | 410,563 |
| Mr Iain Ross | 66,364 | 407,500 |

* A resolution to consolidate the Company's securities (shares, options and warrants) was approved at the General Meeting on 17 July 2013. The securities consolidation was on a 25:1 basis meaning that shareholders have 1 consolidated security for every 25 securities held before Friday 19 July 2013. Capital raisings and securities consolidation are referred to on page 12.

Unless otherwise stated, all numbers of securities in this document are after the 19 July 2013 consolidation.

## CORPORATE INFORMATION

### Corporate Structure

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

### Principal Activities

Benitec Biopharma Limited is an ASX-listed biotechnology company (ASX: BLT, OTC: BTEBY) based in Sydney, Australia. The company has a pipeline of in-house and partnered therapeutic programs based on its patented gene-silencing technology, ddRNAi. Benitec is developing treatments for chronic and life-threatening human conditions such as Hepatitis C, Hepatitis B, wet age-related macular degeneration, cancer-associated pain, drug resistant lung cancer and oculopharyngeal muscular dystrophy based on this technology. In addition, Benitec has licensed ddRNAi technology to other biopharmaceutical companies who are progressing their programs towards the clinic for applications including HIV/AIDS, retinitis pigmentosa and Huntington's disease. Benitec generates revenue from licensing its technology and research and development grants.

The principal activities of the Group during the year were progressing programs through the clinic, the commercialisation of Benitec's unique Intellectual Property, development of the Company's therapeutic pipeline and pre-clinical programs, funding, and protection and building the IP estate.

### Employees

The Group had 13 employees as at 30 June 2014 (2013: 7 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

### Operating review

Benitec's ddRNAi approach is significantly different to other gene silencing methodologies: it induces the target cell to continuously manufacture specific silencing molecules resulting in long term silencing of the disease-associated gene after just a single treatment. While there are other technologies for inhibiting gene activity, in most cases these treatments must be regularly re-administered. It is believed that only ddRNAi is able to achieve long-term gene silencing from a single treatment administration.

The key elements of Benitec's strategy to generate a competitive and appropriate return for stakeholders are to:

- Validate that ddRNAi will be safe and effective in a clinical setting. The Company has made substantial progress towards this goal, namely:
  - In late May 2014, the Duke Medical Research Unit, commenced dosing in the Company's "first-in-man" clinical trial of its hepatitis C virus (HCV) treatment, TT-034. Demonstrating its safety and efficacy should be a significant value inflection point in addition to "validating" ddRNAi as a transformational platform for targeting multiple diseases. This would be expected to enhance interest from pharmaceutical companies in collaborating with Benitec on developing ddRNAi therapies in areas of mutual interest.
  - In December Benitec's collaborator, University of NSW Children's Cancer Institute, was able to confirm increased survival in a preclinical in-vivo lung cancer model. The Company filed a pre-pre IND submission with the US Food and Drug Administration (FDA) to discuss options for preclinical toxicology testing.
- Optimise the Company's share register by consolidating the number of shares issued and expanding the number of institutional investors.
  - In July 2013 Benitec announced a 25:1 consolidation of the Company's stock. The post consolidation share price of $0.27.5 has been significantly improved on the company trading above $1.00 for the majority of 2014.
  - In February 2014 Benitec announced that the company had completed a $31.5M private placement which included US and international institutional investors including: RA Capital Management, Perceptive Advisors, Special Situation Funds and Sabby Management.
  - In June 2014 Benitec advised it had established a sponsored Level 1 American Depositary Receipt (ADR) program facility trading in the Over-The-Counter (OTC) market in the United States. The Benitec ticker for the ADR is: BTEBY. The primary benefit of the ADR program is to widen the secondary capital market for the Company allowing Benitec shares to be traded more easily for U.S. investors.

- Secure funding to accelerate the clinical development of Benitec's programs. The $31.5 million capital raise finalised in April is enabling the Company to:
  - Fund TT-034 into Phase I/II(b) and to advance other programs in the Company's pipeline with particular emphasis on lung cancer, AMD and HBV.
  - Expand the Company's in-house capability with the opening of its own laboratory in northern California.
  - Appoint key personnel: Benitec has recruited a number of experienced and highly qualified scientific, program management and Intellectual Property resources to support the accelerated clinical development of the Company's programs.

Successful execution of these elements is enhancing Benitec's opportunities to engage with the pharmaceutical industry and achieve successful commercial outcomes for the Company's programs.

## Strategic Advantage

Benitec's ddRNAi technology is a form of RNA interference (RNAi) that can 'silence' or shut down disease-causing genes. Recently there has been an increasing awareness of the value of gene silencing and RNAi as a therapeutic modality; Companies operating in this segment – such as Alnylam, Arrowhead, Dicerna, Tekmira, Bluebird Bio and Isis – have seen significant increases in their valuation. In particular, Alnylam has grown its company's market capitalisation from around $1 Billion to over $4 Billion over the last two years. Benitec's ddRNAi technology has a number of differential advantages over RNAi: the most important is its ability to silence a disease-causing gene for long periods with a single administration, whereas conventional RNAi requires continuous administration.

Big pharma is demonstrating a renewed interest in RNAi and gene therapy. Benitec's ddRNAi technology offers an optimised combination of these approaches, and the TT-034 clinical trial, if successful, will provide validation of the technology for treating a wide range of diseases.

## In-house Programs

| Focus | Indication | Partners/Collaborators | Discovery | Pre-clinical | Clinical |
|---|---|---|---|---|---|
| Infectious Disease | Hepatitis C | | | | |
| | Hepatitis B | Biomics Biotechnology (JV) | | | |
| Cancer | Non Small Cell* Lung Cancer | University of New South Wales (RC) | | | |
| | Cancer Associated Pain | Stanford University (RC) | | | |
| Ocular Disease | AMD** | Stanford University (RC) | | | |
| Genetic Disease | OPMD*** | Royal Holloway London University (RC) | | | |

RC = research collaboration
JV = joint venture

*and other chemotherapy-resistant cancers
**Age-Related Macular Degeneration
***Oculopharyngeal Muscular Dystrophy, and orphan disease

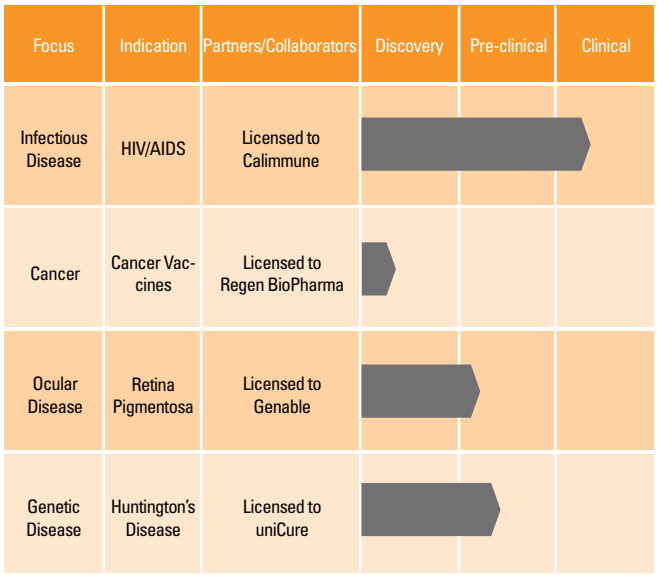
Benitec has six in-house development programs underway. Following the acquisition of Tacere in November 2012, the Company decided to put most of these programs on hold whilst focusing on advancing the hepatitis C therapeutic, TT-034, towards the clinic. With the securing of the major fund raising in April 2014, the Company is re-activating the other pipeline programs. Highlights over the previous 12 months include:

- **Hepatitis C – "TT-034".** In 2014 TT-034 became Benitec's first clinical stage treatment achieving the following key milestones:
  - Allowance by the FDA to proceed with a clinical trial for TT-034 was received in mid-January. Of particular note, the New Drug Application (NDA) was accepted by the Agency within 30 days of receipt with no significant changes.
  - Commencement of screening and patient recruitment at Duke Medical Research Unit.
  - The first patient was dosed in late May.
  - The first patient experienced no treatment-related adverse events and, importantly, there was evidence of liver transduction and production of short hairpin RNAs (shRNA).
  - Approval by the Data Safety Monitoring Board (DSMB) to proceed with the clinical trial with no modification following review of the safety parameters of the first patient after 6 weeks following the single administration.
  - A paper describing TT-034 was accepted for publication in the prestigious scientific journal Nature Molecular Therapy Nucleic Acids.
  - University of California San Diego (UCSD) has joined the Duke Clinical Research Unit to concurrently screen and enrol patients, boosting patient recruitment.
- **Chemotherapy-resistant lung cancer – "Tribetarna™".** Benitec's lung cancer program targeting the gene responsible for chemotherapy resistance, beta III tubulin, has made encouraging progress toward the clinic. Significant milestones in the last 12 months include:
  - Significantly increased survival observed in a preclinical in vivo model of lung cancer following intravenous administration of the ddRNAi-based therapeutic, Tribetarna™ in combination with cisplatin, confirming previously reported results.
  - Dr Craig Lewis appointed Chief Medical Adviser. Dr Lewis is a medical oncologist at Sydney's Prince of Wales Hospital; he has a major interest in clinical trial research in lung cancer, breast cancer and sarcoma.
  - Professor Maria Kavallaris (Benitec's collaborator on Tribetarna™) was acknowledged by the prestigious National Health and Medical Research Council (NHMRC)'s List of High Achievers in Health and Medical Research Award.
  - Pre-pre IND submission filed with the US FDA and a teleconference held to discuss guidance on appropriate toxicology studies to be conducted for this first-in-man therapeutic approach.
- **Wet age-related macular degeneration (AMD)**. A focus of Benitec's US laboratory has been the testing and optimisation of suitable vectors to deliver ddRNAi constructs to the retina. In parallel the Company has identified suitable animal models to complete the validation of this therapy. The single-administration approach permits the possibility of use as a prophylactic, preventing any development of retinal damage before AMD develops thus offering both a treatment and a preventative solution to this important healthcare problem.

- **Hepatitis B – 'Hepbarna™'** Hepatitis B virus (HBV) infection is currently incurable and represents a significantly larger public health problem than HCV. Hepbarna™ is similar in design to TT-034, utilizing the same delivery vector, enabling it to leverage much of the toxicity and biodistribution data obtained in the Company's HCV clinical development program. In conjunction with the Company's collaborator, Biomics Biotechnologies, Benitec is optimising the design of DNA constructs, and the Company's US laboratory is preparing to undertake a range of in vitro validation experiments.
- **Neuropathic pain.** The research collaboration with Professor David Yeomans at Stanford University will focus in the first instance on re-validating the previously developed constructs in vivo.
- **Genetic disease – 'Pabparna™'**. Benitec's treatment for oculopharyngeal muscular dystrophy (OPMD) – which is being developed in collaboration with the Royal Holloway, University of London – continues to progress.

## Licensed Programs

In addition to the Company's in-house development programs, Benitec has licensed its ddRNAi technology to four biotech companies. As each of these companies advances their clinical development their success further validates ddRNAi. Each program is outlined below:




- **HIV/AIDS** – Benitec's US-based licensee Calimmune Inc. has recently received approval to commence dosing patients in the second cohort of their Phase I/II stem cell-based clinical trial in people living with HIV/AIDS. Approval to move into the second group of patients confirms that there were no safety issues or treatment-related adverse events observed during the dosing of the first cohort. The Cal-1 therapy utilises ddRNAi-based gene silencing technology along with additional proprietary technology to reduce the ability of HIV to enter immune cells. The trial is entitled *"Safety Study of a Dual Anti-HIV Gene Transfer Construct to Treat HIV-1 Infection"*.
- **Huntington's disease** – Benitec's non-exclusive license allows uniQure to develop a treatment for Huntington's disease using the company's ddRNAi gene silencing technology. uniQure listed on the NASDAQ in early 2014, raising around $90M so is wel resourced to be able to advance this program towards the clinic.
- **Retinitis pigmentosa** – Benitec's licensee Genable Technologies Ltd is developing GT308 for retinitis pigmentosa using ddRNAi to silence the disease-causing mutant gene. Genable was been granted orphan drug designation from the FDA; this status means Genable will gain seven years of market exclusivity in the US once the product is approved.
- **Breast cancer** – Benitec has granted a license to Regen Biopharma for the development of a ddRNAi-based therapy called dCellVax. Regen recently announced the successful silencing of the IDO gene in dendritic cells, an approach that in animal models has demonstrated the ability to induce regression of breast cancer.

## Intellectual Property

Benitec's patent estate includes a combination of technology patents and program-specific patents. Technology patents are based on research in the 1990's conducted by Dr Michael Graham (now Chief Scientist at Benitec) and colleagues at CSIRO. These patents form the basis for a dominant position in DNA-directed gene silencing for therapeutic use in humans. The program patents are aimed at establishing strategic patent protection for Benitec's programs in development in key jurisdictions including the US, Europe, Australia, China, Japan and Canada

**Key developments:**

- International patent application filed for the AMD program. This patent filing is aimed at the use of ddRNAi in the treatment of wet age-related macular degeneration including identifying target sequences for RNAi activity.
- European opposition hearing was conducted for the Graham European patent EP1555317 in the presence of patent opponents, BASF SE and Galapagos NV. Despite a favourable preliminary ruling, the formal hearing reversed its initial findings and upheld the opposition, revoking this Graham patent. Benitec, along with CSIRO, has the opportunity to appeal this decision. The Graham patent family also includes two pending applications in Europe, EP070008204 and EP10183258.
- Benitec has licensed third party IP to strengthen its position in Europe. The company has executed a license agreement with Galapagos NV in Europe, which grants Benitec the rights to use RNAi in human therapeutics and diagnostics under the Galapagos patent EP1444346. The rights include the right to sub-license.
- The European Waterhouse patent EP1068311 has been scheduled for an opposition hearing at The Hague in January 2015. The opponents to this patent are BASF SE, Strawman Limited, Carnegie Institution of Washington/University of Washington and Syngenta International AG. The preliminary review from the EPO is favourable.

## Technology patents

| Title | Patent number | Filing date | Status |
|---|---|---|---|
| Genetic constructs for delaying or repressing the expression of a target gene (Graham patent family)[1] | US 6,573,099 | 19 June 1998 | Graham patent family member; granted 3 June 2003; Re-examination Certificate (US90/008096) issued 8 March 2011 |
| Control of gene expression (Graham family patent) | WO199904929 | 19 March 1999 | **Granted** US (8067383, 8168774, 7754697, 8048670, 8053419), Australia, Canada, Europe (under opposition), UK, Hong Kong, India, Japan, Korea, Mexico, New Zealand, Singapore, South Africa **Pending** US, Brazil, China, Europe, Japan, Mexico |
| Methods and means for obtaining modified phenotypes (Waterhouse patent family)[2] | WO1999053050 | 7 April 1999 | **Granted** US, Australia, China, Europe (under opposition), New Zealand **Pending** US, Canada, Europe, Japan |
| Genetic Silencing | WO2001070949 | 16 March 2001 | **Granted** Singapore, South Africa, UK **Pending** Brazil |
| Double-stranded nucleic acid | WO2004106517 | 3 June 2004 | **Granted** Australia, New Zealand, Singapore, South Africa |

[1] Benitec has an exclusive, irrevocable worldwide license from CSIRO for human therapeutics
[2] Benitec has an exclusive, irrevocable worldwide license from CSIRO for human therapeutics

## Program specific patents

| Title | Patent number | Filing date | Status |
|---|---|---|---|
| Multiple promoter expression cassettes for simultaneous delivery of RNAi agents (Hepatitis C) | WO2005087926 | 4 March 2005 | **Granted** US (7727970, 8283461, 8691967), Australia, Canada, China, Europe, Israel, Japan, Korea **Pending** China, Europe |
| RNAi expression constructs (Hepatitis C) | WO2006084209 | 3 February 2006 | **Granted** US (7803611, 8076471), Australia, China, New Zealand **Pending** US, Europe, Canada, Hong Kong, |
| RNAi expression constructs with liver-specific enhancer/promoter (Hepatitis virus) | US 8,008,468 | 16 February 2006 | **Granted** on 30 August 2011 |
| Minigene expression cassette (Hepatitis) | US 8,129,510 | 30 March 2007 | **Granted** on 6 March 2012 |
| HBV treatment (Hepatitis B) | WO2012055362 | 27 October 2011 | **Pending** Australia, Brazil, Canada, China, Hong Kong, Europe, India, Korea, Russia, US |
| Pain treatment | WO2013126963 | 28 February 2013 | PCT filed |
| Age related macular degeneration treatment (AMD) | WO2014107763 | 8 January 2014 | PCT filed |

## Commercialisation

Business development has remained a major focus for Benitec in 2013 – 2014. Executing an appropriate partnering agreement with a suitable commercial pharmaceutical company is a key goal for the Company. The review and subsequent allowance to proceed with the TT-034 clinical trial by the FDA combined with agreement by the DSMB to dose the second patient in this "first-in-man" clinical trial has created a significant increase in interest from the pharmaceutical industry. These successes provide early stage validation of ddRNAi in the Company's other programs, any one of which could be a "company maker" in their own right.

The $31.5 million injection of capital will enable Benitec to negotiate with potential partners from a strong financial position.

## Raising Benitec's profile

Benitec's commercial profile continues to grow. Two more firms initiated coverage of Benitec during 2013 – 2014: Shaw Stockbrokers recommended a "buy" rating with target price of $3.00 and New York-based Maxim Group also recommended a "buy" rating with a target price of $4.00. Lodge Partners, who had initiated coverage in 2012 – 2103, updated their target price to $3.20 maintaining their "buy" recommendation.

Benitec continued to raise its profile as an innovator and leader in gene silencing with Dr Peter French appearing on ABC TV's "The Business" and "The 7:30 Report". Dr Peter French also recorded an in-depth interview on Brisbane Radio 4BC.

## Cash Flows

The Company cash flows consist of income from licensing the Company's technology, proceeds from issue of shares, interest income, Research and Development grant receipts, payments to employees and suppliers to exploit the Company's intellectual property portfolio and the maintenance of the required regulatory corporate structures.

## Capital raisings - June & July 2013

Benitec announced a capital management update on 6 June 2013, including details of a Private Placement and share purchase plan (SPP). The private placement raised $7,900,000 and was subscribed to by several new institutional investors, along with Benitec management and directors and existing sophisticated investors at $0.275 per share (after consolidation). The June & July 2013 placement was made in two stages:

- $412,000 was raised under the Company's 15% placement capacity, in accordance with ASX Listing Rule 7.1, and settled on 14 June 2013; and
- $7,488,000 was raised following shareholder approval, settled on 24 July 2013.

A General Meeting was held on 17 July 2013 where shareholders approved the second stage of the private placement, together with a 25-for-1 consolidation of the Company's issued securities. The securities consolidation means that shareholders have 1 consolidated security for every 25 securities held before Friday 19 July 2013. All numbers of securities in this report are after the consolidation on 19 July 2013.

Benitec has entered into agreements to raise AUD 31,496,514 from international institutional investors comprising leading US healthcare and biotechnology funds.

In the print media, Benitec featured in *The Australian Way, QANTAS'* in-flight magazine, *Business Review Weekly*, and *Hospital & Aged Care*, as well as being featured in stories in *The Australian, Brisbane Time*s and *The Geelong Independent*.

Benitec completed production of a video summarising ddRNAi's mode of action highlighting its advantages compared with conventional RNAi; the video can be viewed on the Company's website http://www.benitec.com/videos.php

## Financial Overview

Benitec's net loss for the year to 30 June 2014 was $7,039,109 compared to a net loss of $3,847,960 for the previous corresponding period. Operating revenue of $1,373,773 (2013: $1,464,182) included Research and Development Grants received totalling $775,833 (2013: $824,333). Expenses totalled $8,867,247 (June 2013: $4,952,142)

Benitec's current assets at 30 June 2014 were $34,447,525 (June 2013: $1,722,590), with current liabilities of $954,680 (June 2013: $1,110,370).

The SPP raised $2,820,000 and closed on 29 July 2013. The SPP was conducted on the same terms as the private placement, with shares allotted to participants in the SPP on 6 August 2013.

## Capital raisings – February and April 2014

On 24 February 2014 Benitec announced it has entered into agreements for a Private Placement to raise AUD $31,496,514 from international institutional investors who include US based RA Capital Management, Perceptive Advisors, Special Situations Funds and Sabby Management, as well as existing Australian investors. The international institutional investors comprised leading US healthcare and biotechnology funds and their participation represents significant support for and recognition of Benitec's ddRNAi development programs.

The Placement involved the purchase of 29,435,994 ordinary shares at a price of AUD $1.07 per ordinary share. In addition, the investors received free attaching options expiring in five-years to purchase 13,246,204 ordinary shares at an exercise price of AUD $1.26 per ordinary share. The February and April 2014 Placement was made in two stages:

- $15,748,255 representing 14,717,995 ordinary shares, with 6,623,099 options. The placement was made without shareholder approval on 28 February 2014; and was ratified by shareholders' at a general meeting on 10 April 2014; and
- $15,748,259 representing 14,717,999 ordinary shares, with 6,623,105 options. The placement was made after receiving shareholder approval at a general meeting on 10 April 2014.

## Ordinary Shares

67,867,428 ordinary shares were issued during the year through private placements at prices ranging from $0.275 to $1.07 per share. In addition, 955,002 ordinary shares were released from escrow to the Tacere vendors during the year at $0.375 per share.

## Options

At the date of this Directors' Report, the Company has a total of 23,320,173 options to acquire ordinary shares in the Company. Unless otherwise noted, all options are unlisted, restricted and are categorised as follows:

| | |
|---|---|
| Employee Share Option Plan | 5,288,000 |
| Directors' Options | 3,320,000 |
| Warrants | 245,078 |
| Unlisted Options | 14,467,095 |
| **Total** | **23,320,173** |

Further details of the unissued shares under option are provided in Note 16(b)

**Employees Share Option Plan (ESOP)**
Options issued to employees are made through the Employee Share Option Plan (ESOP). The expiry dates for options granted under the ESOP are set out below. The expiry date for options held by any employee who has resigned will be determined by the Board or will expire within twelve months of resignation. The Board has the power to adjust, amend and cancel the ESOP. Non-Executive Directors are excluded from the ESOP.

Options on issue under the Employees Share Option Plan are:

| Grant Date | Expiry Date | Exercise Price | Number |
|---|---|---|---|
| 13 July 2010 | 19 August 2014 | $0.510 | 260,000 |
| 17 November 2011 | 17 November 2016 | $1.250 | 1,800,000 |
| 7 February 2012 | 7 February 2017 | $1.250 | 168,000 |
| 18 July 2012 | 18 July 2017 | $1.250 | 400,000 |
| 16 November 2012 | 16 November 2017 | $1.250 | 400,000 |
| 22 August 2013 | 22 August 2018 | $1.250 | 2,080,000 |
| 15 May 14 | 15 May 19 | $1.500 | 180,000 |
| **Total** | | | **5,288,000** |

There were no ESOP options which lapsed during the financial year.

Non-Executive Director Options on issue were:

| Grant Date | Expiry Date | Exercise Price | Number |
|---|---|---|---|
| 13 July 2010 | 19 August 2014 | $0.5700 | 120,000 |
| 26 September 2011 | 26 September 2016 | $1.2500 | 1,600,000 |
| 26 September 2011 | 26 September 2016 | $1.2500 | 1,200,000 |
| 10 November 2013 | 18 May 2018 | $0.6250 | 400,000 |
| **Total** | | | **3,320,000** |

**Summary of Shares, Options and Warrants on Issue – 30 June 2014**
The Company had 114,898,992 listed ordinary shares and no listed options on issue at reporting date. There are 14,467,095 unlisted options and 245,078 warrants on issue, details of which are included in note 16 (b) to the financial statements.

**Unissued Shares**
As at the date of this report, there were 23,320,173 options over unissued ordinary shares, details of which are included in note 16 (b) to the financial statements. Option holders do not have the right, by virtue of the option, to participate in any share issue of the Company or any related body corporate or in the interest issue of any other registered scheme related to the Company.

**Shares issued as a result of the exercise of Options**
During the year 547,088 shares were issued on the exercise of options issued by the Company (2013: nil).

## Significant changes in the state of affairs

During the year the Company commenced a US based Phase I/IIa clinical trial in Hepatitis C and arranged net equity funding of $39.6 million. These and other important events in the year are considered in the 'Operation of Operations' section of this Directors Report. Other than this, there were no significant changes in the Company's state of affairs.

## Significant events after the reporting date

No other matters or circumstances have arisen since 30 June 2014 which have significantly affected or may significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group, in subsequent financial years.

## Likely developments and expected results

Benitec will continue to progress programs through the clinic, seek commercialisation opportunities with big Pharma and others for the Company's unique Intellectual Property; develop its therapeutic pipeline and pre-clinical programs, protect and build the Company's IP estate and secure adequate funding.

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

## Environmental regulation

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

## Meetings of Directors

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

| | Board of Directors | | Risk & Audit Committee | |
|---|---|---|---|---|
| | Attended | Held | Attended | Held |
| Peter Francis | 13 | 13 | 2 | 2 |
| Peter French | 11 | 11 | - | - |
| John Chiplin | 13 | 13 | 2 | 2 |
| Kevin Buchi | 11 | 13 | - | - |
| Iain Ross | 11 | 13 | - | - |
| Mel Bridges | 11 | 13 | 2 | 2 |

**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, with Dr John Chiplin acting as Chairman.

The Audit and Risk Committee was chaired by Dr Bridges and met twice during the financial year. Mr Iain Ross now chairs the Audit and Risk Committee.

## Remuneration report (audited)

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

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

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

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

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

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

Executives may be invited to participate in the Employee Share Option Plan.

Australian executives or directors receive a superannuation guarantee contribution required by the government and do not receive any other retirement benefits.

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

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

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

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

**Details of Remuneration for Year Ended 30 June 2014**

**Table 1.** Non-Executive Director Remuneration for the year ended 30 June 2014

| | | Short Term | | | Post Employment | | Equity | Total | % of remuneration |
|---|---|---|---|---|---|---|---|---|---|
| | | Salary & Fees | Cash Bonus | Non Monetary Benefits | Super-annuation | Termination Benefits | Options | | consisting of options |
| | | $ | $ | $ | $ | $ | $ | $ | |
| Peter Francis | 2014 | 113,328 | - | - | - | - | 27,556 | 140,884 | 19.6% |
| | 2013 | 113,328 | - | - | - | - | 137,728 | 251,056 | 54.9% |
| John Chiplin | 2014 | 53,000 | - | - | - | - | 6,890 | 59,890 | 11.5% |
| | 2013 | 50,000 | - | - | - | - | 34,444 | 84,444 | 40.8% |
| Iain Ross | 2014 | 58,000 | - | - | - | - | 6,890 | 64,890 | 10.6% |
| | 2013 | 50,000 | - | - | - | - | 34,444 | 84,444 | 40.8% |
| Kevin Buchi | 2014 | 53,000 | - | - | - | - | 103,098 | 156,098 | 66.0% |
| | 2013 | 10,972 | - | - | - | - | - | 10,972 | 0.0% |
| Mel Bridges | 2014 | 58,000 | - | - | - | - | 6,890 | 64,890 | 10.6% |
| | 2013 | 55,000 | - | - | - | - | 34,444 | 89,444 | 38.5% |

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

**Table 2.** Remuneration of key management personnel for the year ended 30 June 2014

| | | Short Term | | | Post Employment | | Equity | Total | % of remuneration | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | Salary & Fees | Cash Bonus | Non Monetary Benefits | Super-annuation | Termination Benefits | Options | | consisting of options | Perfor-mance based |
| | | $ | $ | $ | $ | $ | $ | $ | | |
| Peter French | 2014 | 300,000 | 150,000 | - | 17,775 | - | 126,061 | 539,836 | 21.2% | 46.5% |
| | 2013 | 249,800 | - | - | 15,775 | - | 104,167 | 369,742 | 28.2% | 28.2% |
| Carl Stubbings | 2014 | 252,000 | 50,000 | - | 17,775 | - | 19,391 | 339,166 | 5.7% | 20.4% |
| | 2013 | 240,000 | - | - | 15,775 | - | 54,166 | 309,941 | 17.5% | 17.5% |
| Michael Graham | 2014 | 195,000 | 30,000 | - | 17,775 | - | 10,417 | 253,192 | 4.1% | 16.0% |
| | 2013 | 185,000 | - | - | 15,775 | - | 52,083 | 252,858 | 20.6% | 20.6% |
| David Suhy | 2014 | 217,902 | 87,160 | - | - | - | 25,360 | 330,422 | 7.7% | 34.1% |
| | 2013 | 135,662 | - | - | - | - | 38,710 | 174,372 | 22.2% | 22.2% |
| Greg West | 2014 | 217,391 | 50,000 | - | 17,775 | - | 15,461 | 300,627 | 5.1% | 21.8% |
| | 2013 | 162,333 | - | - | 14,610 | - | 2,790 | 179,733 | 1.6% | 1.6% |

| | Fixed remuneration | At risk - STI | At risk - Options |
|---|---|---|---|
| Peter French | 53.5% | 25.3% | 21.2% |
| Carl Stubbings | 79.6% | 14.7% | 5.7% |
| Michael Graham | 84.0% | 11.9% | 4.1% |
| David Suhy | 65.9% | 26.4% | 7.7% |
| Greg West | 78.2% | 16.7% | 5.1% |

**Options Issued as part of remuneration for the year ended 30 June 2014**

Options can be issued to executives as part of their remuneration. Options are issued to executives to increase goal congruence with Company objectives. During the year ended 30 June 2014, 2,080,000 options (2013: 800,000) were granted to executives and the 2013 Annual General Meeting approved the grant of 400,000 options to Director Kevin Buchi. There were no other options issued to directors as part of their remuneration.

| | Balance 1 July 13 | Granted as Remuneration | Options Acquired | Options Exercised | Balance at 30 June 14 | Total Vested at 30 June 14 | Total Exercisable at 30 June 14 |
|---|---|---|---|---|---|---|---|
| **Directors** | | | | | | | |
| Peter Francis | 1,660,000 | - | 36,924 | - | 1,696,924 | 1,696,924 | 1,696,924 |
| Mel Bridges | 460,000 | - | 61,539 | - | 521,539 | 521,539 | 521,539 |
| John Chiplin | 410,563 | - | 61,539 | 61,539 | 410,563 | 410,563 | 410,563 |
| Iain Ross | 407,500 | - | - | - | 407,500 | 407,500 | 407,500 |
| Kevin Buchi | 246,154 | 400,000 | - | - | 646,154 | 512,820 | 512,820 |
| | 3,184,217 | 400,000 | 160,002 | 61,539 | 3,682,680 | 3,549,346 | 3,549,346 |
| **Specified Executives** | | | | | | | |
| Peter French | 1,449,231 | 1,400,000 | - | - | 2,849,231 | 1,449,231 | 1,449,231 |
| Carl Stubbings | 412,308 | 200,000 | - | - | 612,308 | 145,641 | 145,641 |
| Mick Graham | 600,000 | - | - | - | 600,000 | 600,000 | 600,000 |
| David Suhy | 400,000 | 200,000 | - | - | 600,000 | 133,333 | 133,333 |
| Greg West | 120,000 | 280,000 | - | - | 400,000 | 80,000 | 80,000 |
| | 2,981,539 | 2,080,000 | - | - | 5,061,539 | 2,408,205 | 2,408,205 |

* Refers to securities purchased during the financial year not as part of remuneration.

**Options Issued to Directors and Specified Executives in the year ended 30 June 2014**

| | Percentage remuneration that are options | Number granted in the year to 30 June 2014 | Grant date | Value per option at grant date ($) | Number vested | Number lapsed | Exercise price ($) | Vesting and first exercise date | Last exercise date |
|---|---|---|---|---|---|---|---|---|---|
| **Non-Executive Directors** | | | | | | | | | |
| Kevin Buchi | 66.0% | 400,000 | 10-Nov-13 | $ 0.42 | 266,666 | - | $ 0.63 | 10-Nov-13 | 18-May-18 |
| **Specified Executives** | | | | | | | | | |
| Peter French | 21.2% | 1,400,000 | 22-Aug-13 | $ 0.18 | - | - | $ 1.25 | 22-Aug-14 | 22-Aug-18 |
| Carl Stubbings | 5.7% | 200,000 | 22-Aug-13 | $ 0.18 | - | - | $ 1.25 | 22-Aug-14 | 22-Aug-18 |
| David Suhy | 7.7% | 200,000 | 22-Aug-13 | $ 0.18 | - | - | $ 1.25 | 22-Aug-14 | 22-Aug-18 |
| Greg West | 5.1% | 280,000 | 22-Aug-13 | $ 0.18 | - | - | $ 1.25 | 22-Aug-14 | 22-Aug-18 |

The options were provided at no cost to the recipients. All options expire on the earlier of their expiry date or termination of the individual's employment or an expiry date which may be determined by the Board. The Board has the power to adjust, amend and cancel the ESOP. Non-Executive Directors are excluded from the ESOP.

There were no options issued to staff or directors in the period since the end of the financial year and the issuing of this report.

**Number of Shares held by Key Management Personnel**
No shares were granted as remuneration to staff or directors

| | Balance 1 July 2013 | Received as Remuneration | Upon Options Exercised | Securities Purchased | Balance 30 June 14 |
|---|---|---|---|---|---|
| **Non-Executive Directors** | | | | | |
| Peter Francis | 89,487 | - | - | 237,763 | 327,250 |
| Mel Bridges | 165,200 | - | - | 226,544 | 391,744 |
| John Chiplin | 47,634 | - | 61,539 | 153,847 | 263,020 |
| Iain Ross | 30,000 | - | - | 36,364 | 66,364 |
| Kevin Buchi | 615,385 | - | - | - | 615,385 |
| | 947,706 | - | 61,539 | 654,518 | 1,663,763 |
| **Specified Executives** | | | | | |
| Peter French | 332,615 | - | - | 9,939 | 342,554 |
| Carl Stubbings | 37,009 | - | - | 87,470 | 124,479 |
| Michael Graham | 47,448 | - | - | - | 47,448 |
| David Suhy | - | - | - | - | - |
| Greg West | - | - | - | - | - |
| | 417,072 | - | - | 97,409 | 514,481 |

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

| | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 |
|---|---|---|---|---|---|---|
| Loss per share (cents per share) | (7.62) | (8.25) | (10.75) | (17.00) | (5.25) | (20.00) |
| Dividends (cents per share) | - | - | - | - | - | - |
| Net loss ($ 000's) | (6,889) | (3,488) | (4,113) | (3,535) | (4,641) | -2,471 |
| Share price ($'s) | 1.15 | 0.38 | 0.43 | 0.70 | 0.65 | 0.58 |

**Payments to Related Parties of Directors**
Legal services at normal commercial rates totalling $119,804 (2013: $103,492) were provided by Francis Abourizk Lightowlers, a law firm in which Mr Peter Francis is a partner and has a beneficial interest.

Consultancy fees were paid for executive duties totalling $40,000 (2013: $40,000) provided by NewStar Ventures Ltd, a corporation in which Dr John Chiplin is a director and has a beneficial interest.

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

The employment conditions of Carl Stubbings, the Chief Business Officer, are formalised in a contract of employment dated 28 May 2012. Mr Stubbing's appointment with the Company may be terminated with the Company giving three months' notice or by Mr Stubbings giving three months' notice. The Company may elect to pay Mr Stubbings an equal amount to that proportion of his salary equivalent to three month's pay in lieu of notice, together with any outstanding entitlements due to him. The Company may, at any time, by notice in writing terminate the contract immediately in the event of serious misconduct.

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

The employment conditions of Dr David Suhy, Senior Vice President, Research and Development, are formalised in a contract of employment dated 28 August 2012. Dr Suhy's appointment with the Company may be terminated with the Company effectively giving three months' notice. The Company may elect to pay Dr Suhy an equal amount to that proportion of his salary equivalent to three month's pay in lieu of notice, together with any outstanding entitlements due to him. The Company may, at any time, by notice in writing terminate the contract immediately in the event of serious misconduct.

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

This concludes the Remuneration Report which has been audited.

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

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

## CORPORATE GOVERNANCE

In recognising the need for the highest standards of corporate behaviour and accountability, the Directors of Benitec Biopharma Limited observe the ASX principles of corporate governance. The Company's corporate governance statement is included on page 16 of this annual report.

## AUDITOR INDEPENDENCE

The Directors received the declaration included on page 15 of this annual report from the auditor of Benitec Biopharma Limited.

The directors are satisfied that the provision of non-audit services during the year is compatible with the general standard of independence for auditors imposed by the Corporations Act. The Directors and management assess the provision of non-audit services before engagement to be satisfied that the auditor did not compromise the auditor independence requirements of the Corporations Act.

## PROCEEDINGS ON BEHALF OF COMPANY

No person has applied for leave of Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

## NON-AUDIT SERVICES

Non-audit services provided by Grant Thornton, the Company's auditors, during the year ended 30 June 2014 relate to taxation advice and corporate advisory services for which fees of $24,000 (2013: $43,230) were paid.

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

**Peter Francis**
Chairman

Sydney
22 August 2014

# Auditor's Independence Declaration

Level 17, 383 Kent Street
Sydney NSW 2000

Correspondence to:
Locked Bag Q800
QVB Post Office
Sydney NSW 1230

T +61 2 8297 2400
F +61 2 9299 4445
E info.nsw@au.gt.com
W www.grantthornton.com.au

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

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of Benitec Biopharma Limited for the year ended 30 June 2014, I declare that, to the best of my knowledge and belief, there have been:

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

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

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

N J Bradley
Partner - Audit & Assurance

Sydney, 22 August 2014

# Corporate Governance Statement

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

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

## PRINCIPLE 1
## Lay solid foundations for management and oversight

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

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

## PRINCIPLE 2
## Structure the Board to add value

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

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

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

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

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

The Company's Constitution provides that:

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

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

The Board carries out a Board performance assessment on an annual basis. In the last review, the Board undertook a detailed review of its performance and that of its committees and individual Directors. This involved a self-assessment process which required the completion and evaluation of questionnaires on Board and management matters. The results of this review were collated and analysed by the Board. Following recent changes to the Board, the next review is expected to take place during the year ended 30 June 2015.

## PRINCIPLE 3
## Promote ethical and responsible decision-making

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

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

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

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

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

# Corporate Governance Statement

## Diversity Policy

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

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

| | 2014 | 2015 | 2016 |
|---|---|---|---|
| Women on the Board | - | - | - |
| Women in senior management roles | 3 | 4 | 5 |
| Women employees in the company | 5 | 6 | 6 |

## PRINCIPLE 4
## Safeguard integrity in financial reporting

The Board has established an Audit and Risk Committee which meets at least twice through the year. Mr Iain Ross has been appointed to chair the Committee and Mr Peter Francis is the other independent director on the Committee. Dr Mel Bridges chaired the Audit and Risk Committee until his retirement on 18 June 2014.

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

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

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

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

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

All other directors, the auditors and the Chief Financial Officer are invited to attend Committee meetings. The Committee meets with the auditors without management in attendance so that there can be open and frank communication between the Committee and the auditor.

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

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

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

## PRINCIPLE 5
## Make timely and balanced disclosure

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

Any market sensitive information is discussed by the Board before it is approved to be released to the market. The Company's procedure is to lodge the information with the ASX and make it available on the Company's website shortly thereafter. All executives of the Company have been made aware of the Company's obligations with regard to the continuous disclosure regime.

## PRINCIPLE 6
## Respect the rights of shareholders

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

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

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

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

## PRINCIPLE 7
## Recognise and manage risk

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

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

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

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

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

## PRINCIPLE 8
## Remunerate fairly and responsibly

After considering the size and nature of the Company business the Board have accepted the responsibilities of the Remuneration and Nomination Committee rather than establishing separate committee. The Board, acting as the Remuneration and Nomination Committee, ensures 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 Company's remuneration policy is described in the Remuneration Report contained within the Directors' Report.

The 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 appropriate to carry out the duties of the Committee.

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

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the Year Ended 30 June 2014

| | Note | 2014 $ | 2013 $ |
|---|---|---|---|
| **Continuing Operations** | | | |
| Revenue | 2 | 597,940 | 639,849 |
| Other income | 2 | 775,833 | 824,333 |
| | | 1,373,773 | 1,464,182 |
| Royalties & licence fees | | (192,753) | (30,000) |
| Research and development | | (3,757,869) | (1,280,012) |
| Employment related | | (2,444,015) | (1,832,065) |
| Share based expense | | (355,116) | (518,749) |
| Impairment costs | | - | (1,503,296) |
| Travel related costs | | (585,359) | (345,826) |
| Consultants costs | | (652,839) | (336,570) |
| Occupancy costs | | (121,582) | (100,153) |
| Corporate expenses | | (646,315) | (531,686) |
| Foreign exchange translation | | (111,399) | 1,526,215 |
| | | (8,867,247) | (4,952,142) |
| Loss before income tax | | (7,493,474) | (3,487,960) |
| Income tax benefit | 4 | 454,365 | - |
| **Loss for the year attributable to members of the parent entity** | | **(7,039,109)** | **(3,487,960)** |
| Other Comprehensive Income | | | |
| *Items that may be reclassified subsequently to profit and loss* | | | |
| Other Comprehensive Income for the year, Foreign exchange translation, net of tax | | 7,747 | (1,313,792) |
| **Total Comprehensive Income for the year** | | **(7,031,362)** | **(4,801,752)** |
| **Total Comprehensive Income attributable to members of the parent entity** | | **(7,031,362)** | **(4,801,752)** |
| *Earnings per share (cents per share)* | | | |
| Basic and diluted for loss for the year attributable to ordinary equity holders of the parent entity | | | |
| Cents per share, with the comparative adjusted for the share consolidation at 25:1 in July 2013 | 6 | (7.81) | (8.25) |

This statement should be read in conjunction with the notes to the financial statements.

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2014

| | Note | 2014 $ | 2013 $ |
|---|---|---|---|
| **CURRENT ASSETS** | | | |
| Cash and cash equivalents | 8 | 31,359,199 | 1,587,299 |
| Trade and other receivables | 9 | 121,587 | 105,073 |
| Other current assets | 10 | 2,966,739 | 30,218 |
| **TOTAL CURRENT ASSETS** | | **34,447,525** | **1,722,590** |
| **NON-CURRENT ASSETS** | | | |
| Property, plant and equipment | 12 | 47,677 | 28,120 |
| **TOTAL NON-CURRENT ASSETS** | | **47,677** | **28,120** |
| **TOTAL ASSETS** | | **34,495,202** | **1,750,710** |
| **CURRENT LIABILITIES** | | | |
| Trade and other payables | 13 | 788,169 | 1,011,733 |
| Provisions | 15 | 166,511 | 98,637 |
| **TOTAL CURRENT LIABILITIES** | | **954,680** | **1,110,370** |
| **TOTAL LIABILITIES** | | **954,680** | **1,110,370** |
| **NET ASSETS** | | **33,540,522** | **640,340** |
| **EQUITY** | | | |
| Contributed equity | 16 | 129,185,676 | 89,609,248 |
| Reserves | 17 | 640,773 | 277,910 |
| Accumulated losses | | (96,285,927) | (89,246,818) |
| **TOTAL EQUITY** | | **33,540,522** | **640,340** |

This statement should be read in conjunction with the notes to the financial statements.

## CONSOLIDATED STATEMENT OF CASH FLOWS

For the Year Ended 30 June 2014

| | Note | 2014 $ | 2013 $ |
|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| Receipts from customers | | 260,310 | 566,754 |
| Research and development grants | | 775,833 | 824,333 |
| Interest received | | 321,116 | 133,011 |
| Income tax benefit | | 454,365 | |
| Payments to suppliers and employees | | (11,081,963) | (4,256,694) |
| **Net cash used in operating activities** | **8** | **(9,270,339)** | **(2,732,596)** |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| Business acquisition | 26 | - | 143,603 |
| Purchase of property, plant and equipment | | (32,365) | (9,889) |
| **Net cash provided by investing activities** | | **(32,365)** | **133,714** |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | |
| Net proceeds from issue of shares | | 39,075,618 | 1,086,844 |
| **Net cash provided by financing activities** | | **39,075,618** | **1,086,844** |
| **Net decrease in cash held** | | **29,772,914** | **(1,512,038)** |
| Exchange differences on cash and cash equivalents | | (1,014) | 23,457 |
| Cash and cash equivalents, beginning of year | | 1,587,299 | 3,075,880 |
| **Cash and cash equivalents, end of year** | **8** | **31,359,199** | **1,587,299** |

This statement should be read in conjunction with the notes to the financial statements.

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the Year Ended 30 June 2014

| | Contributed Equity | Share-based Payments Reserve | Foreign exchange translation Reserve | Accumulated Losses | Total |
|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ |
| **Balance at 1 July 2012** | **87,348,819** | **1,394,142** | **-** | **(86,080,047)** | **2,662,914** |
| Loss for the year | - | - | - | (3,487,960) | (3,487,960) |
| Other comprehensive income for year | - | - | (1,313,792) | - | (1,313,792) |
| Total comprehensive income for year | - | - | (1,313,792) | (3,487,960) | (4,801,752) |
| Share issue to Tacere on business acquisition | 1,173,585 | - | - | - | 1,173,585 |
| Transfer to Accumulated Losses the Share Based Payments Reserve no longer required | - | (321,189) | - | (321,189) | - |
| Share Based Payments | - | 518,749 | - | - | 518,749 |
| Share issues, net of transaction costs | 1,086,844 | - | - | - | 1,086,844 |
| Transactions with owners | 2,260,429 | 197,560 | - | 321,189 | 2,779,178 |
| **Balance 30 June 2013** | **89,609,248** | **1,591,702** | **(1,313,792)** | **(89,246,818)** | **640,340** |
| Loss for the year | - | - | - | (7,039,109) | (7,039,109) |
| Other comprehensive income for year | - | - | 7,747 | - | 7,747 |
| Total comprehensive income for year | - | - | 7,747 | (7,039,109) | (7,031,362) |
| Share Based Payments | - | 355,116 | - | - | 355,116 |
| Share issues, net of transaction costs | 39,576,428 | - | - | - | 39,576,428 |
| Transactions with owners | 39,576,428 | 355,116 | - | - | 39,781,544 |
| **Balance 30 June 2014** | **129,185,676** | **1,946,818** | **(1,306,045)** | **(96,285,927)** | **33,540,522** |

This statement should be read in conjunction with the notes to the financial statements.

## NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### (a) Basis of Preparation

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

The consolidated general purpose financial statements of the Group have been prepared in accordance with the requirements of the *Corporations Act 2001*, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board. Compliance with Australian Accounting Standards results in full compliance with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). Benitec Biopharma Limited is a for-profit entity for the purpose of preparing financial statements. The consolidated financial statements for the year ended 30 June 2014 (including comparatives) were approved and authorised for issue by the board of directors on 22 August 2014.

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

### (b) Principles of Consolidation

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

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

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

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

### (c) Accounting Standards

**New and revised standards that are effective for these financial statements**

A number of new and revised standards are effective for annual periods beginning on or after 1 July 2013. Information on these new standards is presented below.

**AASB 10 Consolidated Financial Statements**

AASB 10 supersedes AASB 127 *Consolidated and Separate Financial Statements* (AASB 127) and AASB Interpretation 112 *Consolidation - Special Purpose Entities*. AASB 10 revises the definition of control and provides extensive new guidance on its application. These new requirements have the potential to affect which of the Group's investees are considered to be subsidiaries and therefore to change the scope of consolidation. The requirements on consolidation procedures, accounting for changes in non-controlling interests and accounting for loss of control of a subsidiary are unchanged.

Management has reviewed its control assessments in accordance with AASB 10 and has concluded that there is no effect on the classification (as subsidiaries or otherwise) of any of the Group's investees held during the period or comparative periods covered by these financial statements.

**AASB 11 Joint Arrangements**

AASB 11 supersedes AASB 131 *Interests in Joint Ventures* (AAS 131) and AASB Interpretation 113 J*ointly Controlled Entities- Non-Monetary-Contributions by Venturers*. AASB 11 revises the categories of joint arrangement, and the criteria for classification into the categories, with the objective of more closely aligning the accounting with the investor's rights and obligations relating to the arrangement. In addition, AASB 131's option of using proportionate consolidation for arrangements classified as jointly controlled entities under that Standard has been eliminated. AASB 11 now requires the use of the equity method for arrangements classified as joint ventures (as for investments in associates).

**AASB 13 Fair Value Measurement**

AASB 13 clarifies the definition of fair value and provides related guidance and enhanced disclosures about fair value measurements. It does not affect which items are required to be fair-valued. The scope of AASB 13 is broad and it applies for both financial and non-financial items for which other Australian Accounting Standards require or permit fair value measurements or disclosures about fair value measurements, except in certain circumstances.

AASB 13 applies prospectively for annual periods beginning on or after 1 January 2013. Its disclosure requirements need not be applied to comparative information in the first year of application. The Group has however included as comparative information the AASB 13 disclosures that were required previously by AASB *7 Financial Instruments: Disclosures*.

**Amendments to AASB 119 Employee Benefits**

The 2011 amendments to AASB 119 made a number of changes to the accounting for employee benefits. The amendments which impact the Group related to the following:

- Under the amendments, employee benefits 'expected to be settled wholly' (as opposed to 'due to be settled' under the superseded version of AASB 119) within 12 months after the end of the reporting period are short-term benefits, and are therefore not discounted when calculating leave liabilities. As the Group does not expect all annual leave for all employees to be used wholly within 12 months of the end of reporting period, annual leave is included in 'other long-term benefit' and discounted when calculating the leave liability. This change has had no impact on the presentation of annual leave as a current liability in accordance with AASB 101 Presentation of Financial Statements.

Management have assessed the impact of this change and noted that it is not material to the Group for the year ended 30 June 2013 and 30 June 2014.

**Accounting Standards issued but not yet effective and not been adopted early by the Group**

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

Information on new standards, amendments and interpretations that are expected to be relevant to the Group's financial statements is provided below. Certain other new standards and interpretations have been issued but are not expected to have a material impact on the Group's financial statements.

**AASB 2014-1 Amendments to Australian Accounting Standards**
Part A of AASB 2014-1 makes amendments to various Australian Accounting Standards arising from the issuance by the International Accounting Standards Board (IASB) of International Financial Reporting Standards Annual Improvements to IFRSs 2010-2012 Cycle and Annual Improvements to IFRSs 2011-2013 Cycle. Among other improvements, the amendments arising from Annual Improvements to IFRSs 2010-2012 Cycle:

(a) clarify that the definition of a 'related party' includes a management entity that provides key management personnel services to the reporting entity (either directly or through a group entity); and

(b) amend AASB 8 Operating Segments to explicitly require the disclosure of judgements made by management in applying the aggregation criteria.

Part E of AASB 2014-1 makes amendments to Australian Accounting Standards to reflect the AASB's decision to defer the mandatory application date of AASB 9 Financial Instruments to annual reporting periods beginning on or after 1 January 2018. Part E also makes amendments to numerous Australian Accounting Standards as a consequence of the introduction of Chapter 6 Hedge Accounting into AASB 9 and to amend reduced disclosure requirements for AASB 7 Financial Instruments: Disclosures and AASB 101 Presentation of Financial Statements.

**Accounting for Acquisitions of Interests in Joint Operations**
The amendments to IFRS 11 state that an acquirer of an interest in a joint operation in which the activity of the joint operation constitutes a 'business', as defined in IFRS 3 Business Combinations, should:

- apply all of the principles on business combinations accounting in IFRS 3 and other IFRSs except principles that conflict with the guidance of IFRS 11. This requirement also applies to the acquisition of additional interests in an existing joint operation that results in the acquirer retaining joint control of the joint operation (note that this requirement applies to the additional interest only, i.e. the existing interest is not remeasured) and to the formation of a joint operation when an existing business is contributed to the joint operation by one of the parties that participate in the joint operation; and
- provide disclosures for business combinations as required by IFRS 3 and other IFRSs.

The Australian Accounting Standards Board (AASB) is expected to issue the equivalent Australian amendment shortly.

**AASB 9 Financial Instruments**
AASB 9 introduces new requirements for the classification and measurement of financial assets and liabilities. These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. The main changes are:

(a) Financial assets that are debt instruments will be classified based on (1) the objective of the entity's business model for managing the financial assets; and (2) the characteristics of the contractual cash flows.

(b) Allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income (instead of in profit or loss). Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument.

(c) Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases.

(d) Where the fair value option is used for financial liabilities the change in fair value is to be accounted for as follows:

- The change attributable to changes in credit risk are presented in other comprehensive income (OCI); and
- The remaining change is presented in profit or loss.

If this approach creates or enlarges an accounting mismatch in the profit or loss, the effect of the changes in credit risk are also presented in profit or loss.

## (d) Revenue

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

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

Research and Development Grant revenue is recognised as income when it is received.

## (e) Income Tax

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

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

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

profits will be available against which deductible temporary differences can be utilised.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the consolidated entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

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

## (f) Critical Accounting Estimates and Judgments

The Directors evaluate estimates and judgments incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Group.

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

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

**Key judgements – compound financial instruments**
The Group measures the fair value of the liability component using the prevailing market interest rate for similar convertible instruments.

## (g) Impairment of Non-Financial Assets

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

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

## (h) Cash and Cash Equivalents

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

## (i) Trade and Other Receivables

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

## (j) Property, Plant and Equipment

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

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

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

**Depreciation**
The depreciable amount of all fixed assets including capitalised lease assets is depreciated on a diminishing value basis over their useful lives to the consolidated entity commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciation rates used for plant and equipment were 20-33 %. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the statement of comprehensive income. When assets which have been

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

## (k) Leases

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

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

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

## (l) Financial Instruments

**Recognition**
Financial instruments are initially measured at cost on trade date, which includes transaction costs, when the related contractual rights or obligations exist. Subsequent to initial recognition these instruments are measured as set out below.

**Loans and receivables**
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are stated at amortised cost using the effective interest rate method.

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

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

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

**Impairment**
At each reporting date, the group assess whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged or significant decline in the value of the instrument is considered to determine whether impairment has arisen. Impairment losses are recognised in the statement of comprehensive income.

## (m) Intangibles

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

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

**Goodwill**
Goodwill, representing the excess of the cost of acquisition over the fair value of the identifiable assets, liabilities and contingent liabilities acquired, is recognised as an asset and not amortised, but tested at least annually for impairment and whenever there is an indication that the goodwill may be impaired. Any impairment is recognised immediately in profit or loss and is not subsequently reversed

Refer to Note 1 (g) for a description of impairment testing procedures.

## (n) Trade and Other Payables

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

## (o) Employee Benefits

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

## (p) Provisions

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

## (q) Contributed Equity

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

## (r) Share-based Payment Transactions

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

The cost of these equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined using a Black-Scholes model.

In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of Benitec Biopharma Limited ('market conditions').

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

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

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

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

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

## (s) Earnings per Share

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

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

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

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

## (t) Foreign Currency Transactions and Balances

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

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

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

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

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

## (u) Goods and Services Tax (GST)

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

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

## (v) Comparative Figures

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

## (w) Going Concern

The directors have prepared the financial statements on a going concern basis after taking into consideration the net loss for the year of $7,039,109 and the cash and cash equivalents balance of $31,359,199, The directors have recognised the capital raisings in 2013 and 2014, performed a review of the cash flow forecasts, considered the cash flow needs of the Group, and believe that the strategies in place are appropriate to generate funding which will be sufficient to maintain the going concern status of the Group. If these strategies are unsuccessful then the Group may need to realise its assets and extinguish liabilities other than in the ordinary course of business and at amounts different to those disclosed in the financial report.

| | 2014 $ | 2013 $ |
|---|---|---|

## NOTE 2: REVENUE FROM CONTINUING OPERATIONS

| | | |
|---|---|---|
| **Revenue** | | |
| Licensing revenue and royalties | 276,824 | 521,140 |
| Finance income - interest received | 321,116 | 118,709 |
| | 597,940 | 639,849 |
| **Other income** | | |
| Federal Government Research and Development Grants | 775,833 | 824,333 |
| **Total revenue and other income** | **1,373,773** | **1,464,182** |

## NOTE 3: LOSS FOR THE YEAR

| | | |
|---|---|---|
| **(a) Expenses incurred by continuing operations** | | |
| **Items included in Statement of Comprehensive Income** | | |
| **Depreciation** | | |
| *Included in Occupancy expenses* | | |
| Depreciation of plant and equipment | 12,808 | 29,794 |
| **Employee benefits expense** | | |
| *Included in Employment related expenses* | | |
| Wages and salaries | 2,109,860 | 1,759,745 |
| Superannuation costs | 89,090 | 72,320 |
| **(b) Expenses** | | |
| Research and development costs consist of: | | |
| Project expenses | 3,310,014 | 1,075,844 |
| Other IP related expenses | 447,855 | 204,168 |
| | 3,757,869 | 1,280,012 |

## NOTE 4: INCOME TAX EXPENSE

| | | |
|---|---|---|
| (a) The prima facie tax on loss from ordinary activities before income tax is reconciled to the income tax as follows: | | |
| Prima facie tax payable on loss from ordinary activities before income tax at 30% (2013: 30%) | (2,248,042) | (1,046,388) |
| *Add Tax effect of:* | | |
| Non-deductible share-based payment expense | 106,535 | 155,625 |
| Non-assessable foreign currency translation provision | (2,324) | 457,865 |
| Non-deductible legal fees | 15,906 | 9,326 |
| Capital items deductible | (231,942) | (58,863) |
| Other non-deductible items | 19,500 | 46,843 |
| Deductible items not included in operating result | 4,800 | (48,354) |
| Deferred tax asset not brought to account | 2,335,567 | 483,947 |
| Income tax benefit | - | - |
| Income tax benefit reported in the income statement | 454,365 | - |

The income tax benefit was a cash refund of income tax in the US in Tacere Therapeutics Inc. (a wholly owned subsidiary).

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

(c) As at 30 June 2014, the Tax Consolidated Group has estimated carry-forward tax losses of $13,103,412 (2013: $11,751,713) calculated at 30% of the accumulated annual Australian tax losses. The tax losses have not been recognised in the financial statements and the capacity of the Tax Consolidated Group to use the tax losses will be subject to conforming with regulatory tests. The deferred tax asset relating to temporary differences (calculated at 30%) was $49,953 (2013: $29,591).

The Tax Consolidated Group also has Australian capital tax losses for which no deferred tax asset is recognised in the financial statements of $381,588 (2013: $381,588). The capacity of the Tax Consolidated Group to use the capital tax losses will be subject to conforming with regulatory tests.

The recoupment of available tax losses as at 30 June 2014 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.

| | 2014<br>$ | 2013<br>$ |
|---|---|---|

## NOTE 5: AUDITOR'S REMUNERATION

| | | |
|---|---|---|
| **Audit Services** | | |
| Remuneration of Grant Thornton Audit Pty Ltd for: | | |
| - auditing or reviewing the financial report | 73,238 | 54,000 |
| **Other Services** | | |
| Remuneration of Grant Thornton Australia Limited for: | | |
| - taxation compliance and corporate advisory services | 24,000 | 43,230 |

## NOTE 6: EARNINGS PER SHARE

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

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

| | 2014<br>$ | 2013<br>$ |
|---|---|---|
| Loss after income tax used in the calculation of basic EPS and dilutive EPS | (7,039,109) | (3,487,960) |
| | **Number** | **Number** |
| Weighted average number of ordinary shares for basic and diluted earnings per share | 90,432,177 | 41,688,975 |
| Weighted average number of converted, lapsed or cancelled potential ordinary shares included in diluted earnings per share | - | - |

Outstanding options to acquire ordinary shares are not considered dilutive for the years ended 30 June 2014 and 30 June 2013.

**Classification of securities**

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

## NOTE 7: KEY MANAGEMENT PERSONNEL

### (a) Details of Key Management Personnel

**(i) Non-Executive Directors**

| | | |
|---|---|---|
| Mr Peter Francis | Chairman - Non-Executive | Appointed on 23 February 2006 |
| Dr John Chiplin | Director - Non-Executive | Appointed on 1 February 2010 |
| Mr Iain Ross | Director - Non-Executive | Appointed on 1 June 2010 |
| Mr Kevin Buchi | Director - Non-Executive | Appointed on 11 April 2014 |
| Dr Mel Bridges | Director - Non-Executive | Appointed on 12 October 2007<br>Resigned 18 June 2014 |

**(ii) Specified Executives**

| | | |
|---|---|---|
| Dr Peter French | Chief Executive Officer and Managing Director | Appointed as Managing Director on 26 August 2014<br>Appointed Chief Executive Officer on 4 June 2010<br>Appointed Chief Scientific Officer on 4 August 2009 |
| Dr Michael Graham | Chief Scientific Officer | Appointed on 1 January 2012 |
| Mr Greg West | Company Secretary | Appointed on 26 May 2011 |
| Mr Carl Stubbings | Chief Business Officer | Appointed on 2 July 2012 |
| Dr David Suhy | Senior VP Research and Development | Appointed on 1 October 2012 |

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

| | 2014 $ | 2013 $ |
|---|---|---|
| Short term employee benefits | | |
| Salaries including bonuses | 1,859,719 | 1,252,095 |
| Post-employment benefits | | |
| Superannuation | 71,100 | 61,935 |
| Share-based payments | 348,013 | 492,976 |
| Total Remuneration | 2,278,832 | 1,807,006 |

During the year no key management personnel exercised options which were granted either under ESOP or by a General Meeting of Members to Non-Executive Directors

## NOTE 8: CASH AND CASH EQUIVALENTS

| | | |
|---|---|---|
| Cash at bank | 288,945 | 614,746 |
| Deposits at call | 31,070,254 | 972,553 |
| | 31,359,199 | 1,587,299 |
| **Reconciliation of Cash Flow from Operations with Loss after Income Tax** | | |
| Loss after Income Tax | (7,039,109) | (3,487,960) |
| **Non-cash flows included in operating loss:** | | |
| Impairment | - | 1,503,296 |
| Foreign exchange on intercompany balances | - | (1,526,215) |
| Depreciation | 12,808 | 29,794 |
| Share-based payments | 355,116 | 518,749 |
| Foreign currency translation unrealised | 8,761 | (23,457) |
| **Changes in assets and liabilities:** | | |
| (Increase)/decrease in other assets | (2,936,521) | (13,163) |
| Decrease in receivables | (16,514) | 22,393 |
| Decrease/(increase) in payables | 277,246 | 200,452 |
| Increase/(decrease) in employee provisions | 67,874 | 43,515 |
| Net cash flows from operations | (9,270,339) | (2,732,596) |

| | 2014 $ | 2013 $ |
|---|---|---|

## NOTE 9: TRADE AND OTHER RECEIVABLES

| | | |
|---|---|---|
| CURRENT | | |
| Sundry Debtors | 121,587 | 105,073 |

## NOTE 10: OTHER ASSETS

| | | |
|---|---|---|
| CURRENT | | |
| Prepayments | 26,679 | 14,190 |
| Prepaid clinical trials * | 2,700,000 | - |
| Other current assets | 240,060 | 16,028 |
| | 2,966,739 | 30,218 |

* Prepaid clinical trials - The Company announced on 3 June 2013 that it had committed to moving its non-small cell lung cancer therapeutic, into clinical development. The Company is using European-based clinical research organisation Clinical Trials Group (CTGCRO) to manage both the initial clinical development and trials. The Company made prepayments in the September quarter 2013 in order to secure favourable commercial terms with CTGCRO for the conduct of the trials.

## NOTE 11: CONTROLLED ENTITIES

### (a) Controlled entities:

| | Country of Incorporation | Percentage Owned 2014 | Percentage Owned 2013 |
|---|---|---|---|
| **Parent Entity:** | | | |
| Benitec Biopharma Limited | Australia | | |
| **Controlled entities of Benitec Biopharma Limited:** | | | |
| Benitec Australia Limited | Australia | 100% | 100% |
| Benitec Biopharma Limited | United Kingdom | 100% | 100% |
| Benitec, Inc. | USA | 100% | 100% |
| Benitec LLC | USA | 100% | 100% |
| RNAi Therapeutics, Inc. | USA | 100% | 100% |
| Tacere Therapeutics, Inc. | USA | 100% | 100% |

### (b) Controlled entities acquired or disposed:

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

| | 2014 $ | 2013 $ |
|---|---|---|

## NOTE 12: PROPERTY, PLANT AND EQUIPMENT

| | | |
|---|---|---|
| At cost | 127,795 | 95,431 |
| Accumulated depreciation | (80,118) | (67,311) |
| Total Property, Plant and Equipment | 47,677 | 28,120 |

*Movements in Carrying Amounts*

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

| | Leasehold Improvement $ | Plant and Equipment $ | Total $ |
|---|---|---|---|
| Balance at 30 June 2012 | 11,760 | 19,043 | 30,803 |
| Additions | - | 27,111 | 27,111 |
| Less Disposals | - | - | - |
| Depreciation expense | (1,550) | (28,244) | (29,794) |
| Balance at 30 June 2013 | 10,210 | 17,910 | 28,120 |
| Additions | - | 32,365 | 32,365 |
| Less Disposals | - | - | - |
| Depreciation expense | (1,550) | (11,258) | (12,808) |
| **Balance at 30 June 2014** | **8,660** | **39,016** | **47,677** |

## NOTE 13: GOODWILL

The net carrying amount of goodwill can be analysed as follows:

| | $ |
|---|---|
| **Gross carrying amount** | |
| Balance at 30 June 2012 | - |
| Acquired through business combination | 1,503,296 |
| Balance at 30 June 2013 | 1,503,296 |
| Acquired through business combination | - |
| Balance at 30 June 2014 | 1,503,296 |
| **Accumulated impairment** | |
| Balance at 30 June 2012 | - |
| Impairment loss recognised in the year | (1,503,296) |
| Balance at 30 June 2013 | (1,503,296) |
| Impairment loss recognised in the year | - |
| Balance at 30 June 2014 | (1,503,296) |
| **Net book value** | |
| At 30 June 2013 | - |
| As at 30 June 2014 | - |

### Goodwill Impairment

A review of the carrying value of the goodwill which arose on the acquisition of Tacere Therapeutics Inc. was undertaken in the 2013 financial year. The recoverable amounts of the cash generating units to which the goodwill was allocated were determined based on value-in-use calculations. This review identified that the full value of the goodwill should be impaired and as such a non-cash impairment charge of $1,503,296 was booked in the 2013 financial year.

## NOTE 14: TRADE AND OTHER PAYABLES

| | 2014 $ | 2013 $ |
|---|---|---|
| CURRENT | | |
| *Unsecured liabilities* | | |
| Trade creditors | 572,557 | 279,994 |
| Sundry creditors and accrued expenses | 215,612 | 374,560 |
| Deferred consideration - Tacere vendors | - | 357,179 |
| | 788,169 | 1,011,733 |

## NOTE 15: PROVISIONS

| | | |
|---|---|---|
| CURRENT | | |
| Provision for employee benefits | 166,511 | 98,637 |

## NOTE 16: CONTRIBUTED EQUITY

The share capital of the Company consists only of fully paid ordinary shares; the shares do not have a par value. All shares are equally eligible to receive dividends and the repayment of capital and represent one vote at the shareholders' meeting of the Company. The Board monitors capital funding requirements in its competitive landscape and continues to actively manage its cash requirements as part of a broader capital management program to ensure adequate capital is in place to fund the company's operations.

**(a) Ordinary Shares, reported in post consolidation share numbers for 2014 and 2013**

114,898,992 (2013: 46,076,562) issued and fully paid ordinary shares

| | | |
|---|---|---|
| Contributed Equity at the beginning of the reporting period, (after applying the 25:1 consolidation) | 89,609,248 | 87,348,819 |
| Placements in March to June 2013 | - | 1,262,000 |
| Placement in July 2013 | 7,618,326 | - |
| Share Purchase Plan August 2013 | 2,820,000 | - |
| Issued to Tacere shareholders on purchase of Tacere | - | 1,173,585 |
| Tacere escrow shares released October 2013 | 357,190 | - |
| Options exercised during the year | 185,503 | - |
| Placements in February and April 2014 | 31,496,504 | - |
| Transaction costs relating to share issues during the year | (2,901,095) | (175,156) |
| Contributed Equity at the close of the reporting period | 129,185,676 | 89,609,248 |
| | Number | Number |
| At the beginning of reporting period | 46,076,562 | 38,825,141 |
| Shares issued during the year | 68,822,430 | 7,251,421 |
| | 114,898,992 | 46,076,562 |

**(b) Share options**

At the end of the financial year, there were 23,320,173 unissued ordinary shares (2013: 17,594,313) over which options were outstanding.

| Details | Expiry Date | Exercise Price | Number |
|---|---|---|---|
| Strategic Advisor warrants | 4 August 2014 | 22.500 | 245,078 |
| ESOP Options | 19 August 2014 | 0.510 | 260,000 |
| NED Options | 19 August 2014 | 0.570 | 120,000 |
| Unlisted Options - placement | 18 February 2015 | 0.325 | 662,767 |
| Unlisted other options | 10 April 2015 | 2.500 | 480,000 |

## NOTE 15: CONTRIBUTED EQUITY (continued)

| | | | |
|---|---|---|---|
| Unlisted other options | 23 October 2015 | 4.250 | 78,125 |
| NED Options | 26 September 2016 | 1.250 | 1,600,000 |
| ESOP Options | 17 November 2016 | 1.250 | 1,800,000 |
| NED Options | 26 September 2016 | 1.250 | 1,200,000 |
| ESOP Options | 7 February 2017 | 1.250 | 168,000 |
| ESOP Options | 18 July 2017 | 1.250 | 400,000 |
| ESOP Options | 16 November 2017 | 1.250 | 400,000 |
| NED Options | 18 May 2018 | 0.625 | 400,000 |
| ESOP Options | 22 August 2018 | 1.250 | 2,080,000 |
| Unlisted options - placement | 28 February 2019 | 1.260 | 13,246,203 |
| ESOP Options | 15 May 2019 | 1.500 | 180,000 |
| | | | 23,320,173 |

Since 30 June 2013, the following options were issued under the ESOP:

| Expiry date | Exercise price | Issue date | Number | Weighted average share price | Volatility | Risk free rate |
|---|---|---|---|---|---|---|
| 22 August 2018 | 1.250 | 22 August 2013 | 2,080,000 | $0.29 | 112% | 3.55% |
| 15 May 2019 | 1.500 | 15 May 2014 | 180,000 | $0.30 | 100% | 2.60% |
| | | | 2,260,000 | | | |

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

The following information was factored in to the Black-Scholes model for the options issued under ESOP this year:

i. weighted average share price as shown above
ii. exercise prices were as shown above
iii. expected volatility was as shown above and was determined by reference to Bloomberg for the Benitec share price based on historical volatility
iv. option life is 5 years
v. The risk-free interest rate used was as shown above

There were no options issued to staff or directors in the period from 30 June 2014 to the date this report was issued.

| | 2014 $ | 2013 $ |
|---|---|---|
| **NOTE 17: RESERVES** | | |
| **Share-based payments reserve** | | |
| At the beginning of the reporting period | 1,591,702 | 1,394,142 |
| Share based payments | 355,116 | 518,749 |
| Transferred to Accumulated Losses Reserve no longer required | - | (321,189) |
| | 1,946,818 | 1,591,702 |
| **Foreign currency translation reserve** | | |
| At the beginning of the reporting period | (1,313,792) | - |
| Foreign currency translation | 7,747 | (1,313,792) |
| | (1,306,045) | (1,313,792) |
| **Total Reserves** | **640,773** | **277,910** |

**Nature and purpose of Reserves**

*Share Based Payments Reserve*

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

*Foreign currency translation reserve*

The Foreign currency translation reserve represents the currency translation movements of subsidiary company balances denominated in foreign currencies at year end.

## NOTE 18: OPERATING SEGMENTS

**Business Segments**

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

**Geographical Segments**

Business operations are principally conducted in Australia, with laboratory and other activities in the USA.

| Geographical location | Segment Revenues | | Segment Results | | Carrying Amount of Segment Assets | |
|---|---|---|---|---|---|---|
| | 2014 $ | 2013 $ | 2014 $ | 2013 $ | 2014 $ | 2013 $ |
| Australia | | | (7,495,377) | (3,220,240) | 34,433,803 | 1,507,350 |
| External customers | 274,413 | 521,140 | | | | |
| Interest revenue | 321,116 | 118,709 | | | | |
| Other income | 775,833 | 823,354 | | | | |
| | 1,371,362 | 1,463,203 | | | | |
| United States of America | | | 1,903 | (267,720) | 61,399 | 243,360 |
| External customers | 2,411 | - | | | | |
| Interest revenue | - | - | | | | |
| Other income | - | 979 | | | | |
| | 2,411 | 979 | | | | |
| | 1,373,773 | 1,464,182 | (7,493,474) | (3,487,960) | 34,495,202 | 1,750,710 |

**Accounting Policies**

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

## NOTE 19: FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

### Risk Exposures and Responses

**Interest rate risk**

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

| | 2014 $ | 2013 $ |
|---|---|---|
| Financial Assets | | |
| Cash and cash equivalents | 31,359,199 | 1,587,299 |
| Financial Liabilities | - | - |
| Net Exposure | 31,359,199 | 1,587,299 |

The policy is to analyse the Company's interest rate exposure across the Groups financial assets and liabilities. Consideration is given to the return on funds invested, alternative financing, the mix of fixed and variable interest rates and hedging positions. The Group currently has short term deposits at variable interest rates. The average interest rate applying to cash deposits in the year was 3.67% (2013 4.00%).

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

At 30 June 2014, if interest rates had moved, as illustrated in the table below, with all other variables held constant, the judgment of reasonably possible movements in post-tax profit and equity would have been as follows:

| | Post Tax Result Higher/ (Lower) | | Equity Higher/ (Lower) | |
|---|---|---|---|---|
| | 2014 $ | 2013 $ | 2014 $ | 2013 $ |
| +1% (100 basis points) | 143,625 | 12,797 | 143,625 | 12,797 |
| -0.5% (50 basis points) | (71,812) | (6,399) | (71,812) | (6,399) |

**Liquidity risk**

The Group's objective is to obtain revenue from commercialisation and to continue to access funding markets. The Group has a pipeline of programs to take its research and development to the clinic and potentially originate licensing transactions with pharmaceutical companies. Trade payables and other financial liabilities originate from the financing of the ongoing research and development programs in addition to the operations of the business generally.

The table below reflects all contractually fixed pay-offs and receivables for settlement, repayments and interest resulting from recognised financial assets and liabilities as at 30 June 2014. ash flows for financial assets and liabilities with fixed amount or timing are presented with their respective discounted cash flows for the respective upcoming fiscal years.

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

| | 2014 $ | 2013 $ |
|---|---|---|
| 6 months or less | 788,169 | 1,011,733 |
| 6-12 months | - | - |
| 1-5 years | - | - |
| Over 5 years | - | - |
| | 788,169 | 1,011,733 |

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

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

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

| | ≤6 months | 6-12 months | 1-5 years | >5 years | Total |
|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ |
| **Financial assets** | | | | | |
| Cash and cash equivalents | 23,359,199 | 8,000,000 | - | - | 31,359,199 |
| Trade and other receivables | 121,587 | - | - | - | 121,587 |
| **Financial Liabilities** | | | | | |
| Trade and other payables | (788,169) | - | - | - | (788,169) |
| Net Maturity | 22,692,617 | 8,000,000 | - | - | 30,692,617 |

**Foreign currency risk**
The Group has transactional currency exposures. Such exposure arises from licensing fees and royalties as well as expenditure by the Group in currencies other than the unit's measurement currency. With the exception of unrealised movements on intercompany loans, foreign currency income and expenditure accounts for less than 15% of the Groups transactions and therefore management have assessed that movements in foreign exchange would not materially impact the financial statements.

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

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

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

## NOTE 20: FINANCIAL INSTRUMENTS

### Fair values

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

## NOTE 21: SHARE BASED PAYMENTS

### Benitec Biopharma Limited Employees Share Option Plan (ESOP):

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

**Share Options granted during the year**
The following options were issued to executives by Benitec Biopharma Limited under its ESOP and are unlisted.

| Executive | Grant Date | Number | Exercise Price | Expiry Date |
|---|---|---|---|---|
| Peter French | 22 August 2013 | 1,400,000 | $1.250 | 22 August 2018 |
| David Suhy | 22 August 2013 | 200,000 | $1.250 | 22 August 2018 |
| Greg West | 22 August 2013 | 280,000 | $1.250 | 22 August 2018 |
| Carl Stubbings | 22 August 2013 | 200,000 | $1.250 | 22 August 2018 |
| Tin Mao | 15 May 2014 | 90,000 | $1.500 | 15 May 2019 |
| Shin-chu Kao | 15 May 2014 | 90,000 | $1.500 | 15 May 2019 |
| | | 2,260,000 | | |

## NOTE 21: SHARE BASED PAYMENTS (continued)

There were no options issued to directors in the year to 30 June 2014. The closing market price of an ordinary share of Benitec Biopharma Limited (ASX Code: BLT) on the Australian Securities Exchange at 30 June 2014 was $1.15 (30 June 2013: $0.375, after adjusting for the securities consolidation in July 2013)

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

| | 2014 Number | 2014 WAEP | 2013 Number | 2013 WAEP |
|---|---|---|---|---|
| Outstanding at the beginning of the year | 3,028,000 | 1.200 | 2,440,000 | 1.147 |
| Granted during the year | 2,260,000 | 1.270 | 800,000 | 1.250 |
| Exercised during the year | - | - | - | - |
| Lapsed or forfeited during the year | - | - | -212,000 | 0.792 |
| Outstanding at the end of the year | 5,288,000 | 1.229 | 3,028,000 | 1.200 |
| Options exercisable at the end of the year | 2,178,667 | | 1,456,000 | |

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

| Grant Date | Expiry Date | Exercise Price | 2014 Number | 2013 Number |
|---|---|---|---|---|
| 13 July 2010 | 19 August 2014 | $0.510 | 260,000 | 260,000 |
| 17 November 2011 | 17 November 2016 | $1.250 | 1,800,000 | 1,800,000 |
| 7 February 2012 | 7 February 2017 | $1.250 | 168,000 | 168,000 |
| 18 July 2012 | 18 July 2017 | $1.250 | 400,000 | 400,000 |
| 16 November 2012 | 16 November 2017 | $1.250 | 400,000 | 400,000 |
| 22 August 2013 | 22 August 2018 | $1.250 | 2,080,000 | - |
| 28 May 2014 | 18 May 2019 | $1.500 | 180,000 | - |
| | | | 5,288,000 | 3,028,000 |

The weighted average remaining life of the options issued under the ESOP at 30 June 2014 was 3 years and 3 months. (2013: 3 years and 4 months)

## NOTE 22: EVENTS SUBSEQUENT TO REPORTING DATE

No matters or circumstances have arisen since 30 June 2014 which have significantly affected or may significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group, in subsequent financial years.

## NOTE 23: CONTINGENT LIABILITIES

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

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

### Scientific work on the therapeutic programs

On 18 December 2012 Benitec announced the appointment of Synteract Inc. as the Company's Clinical Research Organisation responsible for the progression of TT-034 into Phase I/II (a) Clinical Trials in the USA. Benitec has negotiated a contract with favourable commercial terms, in some instances requiring prepayment, for Synteract to continue to manage the Clinical Trials throughout 2014 and 2015.

Benitec announced plans on 3 June 2014 to progress its non-small cell lung cancer (NSCLC) therapeutic Tribetarna™ into Phase II clinical trials in late 2014 calendar year. The Company had reached agreement to use European-based clinical research organisation Clinical Trials Group (CTGCRO) to manage the trial, and subsequently negotiated favourable commercial terms which included prepayments covering the clinical trial

and consulting services.

The Company has contracted for scientific work on the therapeutic programs, as described above, and payments due within the next twelve months total approximately $2,092,500 (2013: $4,178,261)

## NOTE 24: CAPITAL MANAGEMENT POLICIES AND PROCEDURES

The Group's capital management objectives are to ensure the Group has the ability to fund its activities, to continue as a going concern; and to provide value to shareholders.

The Group's capital management plan targets appropriate cash levels to service expected future cash flow needs based on the forecasts for current and future programs and business running costs. Management assesses the Group's capital requirements in order to maintain an efficient overall financing structure. The Group manages the capital structure and makes adjustments to it in the light of changes in access to funding, business conditions and the risk characteristics of the business. In order to maintain appropriate funding the Group may issue new shares. The amounts managed as capital by the Group for the reporting periods under review are as shown in the statement of financial position.

## NOTE 25: RELATED PARTY TRANSACTIONS

| | 2014 $ | 2013 $ |
|---|---|---|
| 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. | 108,913 | 103,492 |
| Consultancy fees for executive duties paid/payable to NewStar Ventures Ltd, a corporation in which Dr John Chiplin is a director and has a beneficial interest. | 40,000 | 40,000 |

Transactions between related parties are on normal commercial terms and the conditions no more favourable than those available to other non-related parties. There are no outstanding balances as at 30 June 2014 (2013: nil).

## NOTE 26: BUSINESS COMBINATION – TACERE THERAPEUTICS INC. ACQUISITION IN OCTOBER 2012

Benitec announced an agreement to acquire the US-based RNA interference (RNAi) therapeutics company Tacere Therapeutics Inc. ('Tacere') on 11 October 2012. The acquisition was completed on 30 October 2012 when Benitec acquired 100% of the issued share capital and voting rights of Tacere, a company based in the United States. Tacere was a privately held drug development company with a Phase I/II ready program in hepatitis C (HCV) that uses Benitec's novel gene silencing technology.

Benitec acquired Tacere's extensive HCV program data and materials, as well as an advanced preclinical program for the eye disease macular degeneration, The Tacere acquisition provided Benitec with the opportunity to commence Phase I/II clinical trials in 2014.

The consideration for the acquisition was an issue of shares in Benitec Biopharma Limited for USD $1,530,765 plus a potential cash royalty on future licensing revenue. The shares issued as consideration represented 9.5% of the issued capital at the time of the acquisition.

Further, the agreements with the Tacere vendors provided for AUD $357,179 Benitec Biopharma Limited shares (included in the acquisition consideration) be treated as reserve shares and not issued to the Tacere vendors for a period of 12 months from acquisition. The reserve shares are accounted for as a creditor in 2013 (refer to note 6). The reserve shares were established by an agreement with the Tacere vendors for the purposes of satisfying indemnities to Benitec, if required. The Tacere Vendors also provided a cash escrow of USD $360,000 to provide Benitec with additional security should certain pre-acquisition liabilities emerge.

Impairment costs, relating to the goodwill on the acquisition of Tacere of $1,503,296 were recognised in the 2013 financial year. The Tacere acquisition goodwill is the excess of the consideration over the fair value of the identifiable assets acquired less liabilities assumed. The immediate write off of the goodwill, following the impairment review, was considered to be the most appropriate accounting treatment as the intellectual property is a preclinical trial and hence the future economic benefit is uncertain.

## NOTE 26: BUSINESS COMBINATION – TACERE THERAPEUTICS INC. ACQUISITION IN OCTOBER 2012 (continued)

Financial details of the business combination made in the previous financial year (year ended 30 June 2013) were:

| | $ |
|---|---|
| **Fair value of consideration transferred** | |
| Consideration for the acquisition in October 2012 was the issue of 102,321,345 (pre-consolidation) shares in Benitec Biopharma Limited, plus a potential cash royalty on future licensing revenue | 1,530,765 |
| Recognised amounts of identifiable net assets | |
| Property, plant and equipment | 17,567 |
| Cash and cash equivalents | 138,760 |
| Amount owing to Benitec Biopharma Limited | (126,882) |
| Other liabilities | (1,976) |
| Identifiable net assets | 27,469 |
| Goodwill on acquisition impaired in the June 2013 financial statements | 1,503,296 |
| Net cash inflow on acquisition | 143,603 |
| Acquisition related costs recognised as an expense in the Group corporate expenses | 77,104 |
| Post-acquisition loss of Tacere in the period to 30 June 2013 | 267,720 |
| Post-acquisition loss of Tacere in the period to 30 June 2014 | 1,903 |

## NOTE 27: BENITEC BIOPHARMA LIMITED PARENT COMPANY INFORMATION

| | Parent Entity | |
|---|---|---|
| | 2014 $ | 2013 $ |
| **ASSETS** | | |
| Current assets | 34,386,167 | 1,478,422 |
| Non-current assets | 181,547 | 48,999 |
| **TOTAL ASSETS** | **34,567,714** | **1,527,421** |
| **LIABILITIES** | | |
| Current liabilities | 1,311,608 | 1,165,652 |
| Non-current liabilities | - | - |
| **TOTAL LIABILITIES** | **1,311,608** | **1,165,652** |
| **NET ASSETS** | **33,256,106** | **361,769** |
| **EQUITY** | | |
| Contributed equity | 129,185,675 | 89,609,248 |
| Share based payments reserve | 2,096,818 | 1,591,702 |
| Accumulated losses | (98,026,387) | (90,839,181) |
| **TOTAL EQUITY** | **33,256,106** | **361,769** |
| **FINANCIAL PERFORMANCE** | | |
| Loss for the year | (7,037,206) | (4,885,852) |
| Other comprehensive income | - | - |
| **TOTAL COMPREHENSIVE INCOME** | **(7,037,206)** | **(4,885,852)** |

**Contingent liabilities**
The parent entity had no contingent liabilities as at 30 June 2014 (2013: nil), other than the contingent liabilities described in note 22.

**Capital commitments**
The parent entity has no capital commitments as at 30 June 2014 (2013: nil).

**Significant accounting policies**
The accounting policies of the parent are consistent with those of the consolidated entity (Note 1)

# Directors' Declaration

1. In the opinion of the Directors:

   (a) the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including:
      (i) giving a true and fair view of the financial position and performance of the Company and consolidated entity; and
      (ii) complying with Australian Accounting Standards, including the Interpretations, and the Corporations Regulations 2001.
   (b) the financial statements and notes thereto also comply with International Financial Reporting Standards, as disclosed in Note 1; and
   (c) as indicated in note 1(w), there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
   (d) The remuneration disclosures contained in the Remuneration Report comply with s300A of the Corporations Act 2001

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

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

On behalf of the Directors

Peter Francis

Director

Sydney

22 August 2014

# Independent Audit Report

Level 17, 383 Kent Street
Sydney NSW 2000

Correspondence to:
Locked Bag Q800
QVB Post Office
Sydney NSW 1230

T +61 2 8297 2400
F +61 2 9299 4445
E info.nsw@au.gt.com
W www.grantthornton.com.au

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

### Report on the financial report

We have audited the accompanying financial report of Benitec Biopharma Limited (the "Company"), which comprises the consolidated statement of financial position as at 30 June 2014, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the consolidated entity comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

### Directors' responsibility for the financial report

The Directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001. The Directors' responsibility also includes such internal control as the Directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. The Directors also state, in the notes to the financial report, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, the financial statements comply 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. Those standards require us to comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

Grant Thornton

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the Company's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial report.

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

**Independence**

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

**Auditor's opinion**

In our opinion:

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

  i giving a true and fair view of the Company's financial position as at 30 June 2014 and of its performance for the year ended on that date; and

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

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

**Report on the remuneration report**

We have audited the remuneration report included in pages 15 to 19 of the directors' report for the year ended 30 June 2014. 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.

# Independent Audit Report

Grant Thornton

**Auditor's opinion on the remuneration report**

In our opinion, the remuneration report of Benitec Biopharma Limited for the year ended 30 June 2014, complies with section 300A of the Corporations Act 2001.

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

N J Bradley
Partner - Audit & Assurance

Sydney, 22 August 2014

# Shareholder Information

## 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 23 September 2014 are detailed below.

| Range | Fully Paid Ordinary Shares (ASX:BLT) | |
|---|---|---|
| | Number of holders | Number of shares held |
| 1 - 1,000 | 944 | 537,815 |
| 1,001 - 5,000 | 1,547 | 4,378,010 |
| 5,001 - 10,000 | 563 | 4,471,682 |
| 10,001 - 100,000 | 822 | 25,281,581 |
| 100,001 - 9,999,999,999 | 117 | 80,549,905 |
| | 3,993 | 115,218,993 |

### b) Marketable parcels

The number of holdings of ordinary shares less than a marketable parcel of $500 as at 23 September 2014 is 409.

### c) Substantial Shareholders

The names of substantial shareholders listed in the Company's register as at 23 September 2014 were:

| Holder | Number Of Ordinary Shares Held | % Of Issued Capital |
|---|---|---|
| RA Capital Management LLC | 14,018,691 | 12.2 |
| Dr Christopher Bremner | 8,013,201 | 7.0 |
| Dalit Pty Ltd | 5,780,497 | 5.0 |

### 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.

# Shareholder Information

## e) 20 Largest Ordinary Shareholders as at 23 September 2014

| Holder | Number Of Ordinary Shares Held | % Of Issued Capital |
|---|---|---|
| Citicorp Nominees Pty Limited | 18,439,997 | 16.00 |
| National Nominees Limited | 12,461,673 | 10.82 |
| Dalit Pty Ltd | 5,339,848 | 4.63 |
| MJGD Nominees Pty Ltd | 4,323,463 | 3.75 |
| J P Morgan Nominees Australia Limited | 4,073,729 | 3.54 |
| Irwin Biotech Nominees P/L <Bioa A/C> | 3,510,088 | 3.05 |
| National Nominees Limited <Db A/C> | 2,407,418 | 2.09 |
| CSIRO | 1,924,658 | 1.67 |
| HSBC Custody Nominees (Australia) Limited - A/C 2 | 1,855,773 | 1.61 |
| Dr Russell Kay Hancock | 1,050,000 | 0.91 |
| Tigcorp Nominees Pty Ltd | 872,892 | 0.76 |
| Mr Paul Leonard Grimshaw + Mr Dayne Paul Grimshaw <Paul Grimshaw Family Super Fun> | 751,594 | 0.65 |
| Hokkaido Venture Capital Co Ltd | 653,416 | 0.57 |
| HSBC Custody Nominees (Australia) Limited | 611,644 | 0.53 |
| Montclair Pty Ltd | 593,134 | 0.51 |
| Promega Corporation | 519,854 | 0.45 |
| Merrill Lynch (Australia) Nominees Pty Limited | 487,504 | 0.42 |
| Wilson Engineering Wa Pty Ltd <Wilson Super Fund A/C> | 450,000 | 0.39 |
| Sara Renison | 447,098 | 0.39 |
| Mr Jason Scott Ellenport + Mrs Vicky Ellenport <Ellenport Super Fund A/C> | 440,681 | 0.38 |
| **Totals: Top 20 holders of fully paid ordinary shares** | **61,214,464** | **53.13** |
| **Total remaining holders balance** | **54,004,529** | **46.87** |

# Shareholder Information

## f) Restricted securities

There are no securities on issue subject to restriction agreements.

## i) Unquoted securities

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

| Details | Expiry Date | Exercise Price | Number |
|---|---|---|---|
| Strategic Advisor warrants | 4 August 2014 | 22.500 | 245,078 |
| ESOP Options | 19 August 2014 | 0.510 | 260,000 |
| NED Options | 19 August 2014 | 0.570 | 120,000 |
| Unlisted Options - placement | 18 February 2015 | 0.325 | 662,767 |
| Unlisted other options | 10 April 2015 | 2.500 | 480,000 |
| Unlisted other options | 23 October 2015 | 4.250 | 78,125 |
| NED Options | 26 September 2016 | 1.250 | 1,600,000 |
| ESOP Options | 17 November 2016 | 1.250 | 1,800,000 |
| NED Options | 26 September 2016 | 1.250 | 1,200,000 |
| ESOP Options | 7 February 2017 | 1.250 | 168,000 |
| ESOP Options | 18 July 2017 | 1.250 | 400,000 |
| ESOP Options | 16 November 2017 | 1.250 | 400,000 |
| NED Options | 18 May 2018 | 0.625 | 400,000 |
| ESOP Options | 22 August 2018 | 1.250 | 2,080,000 |
| Unlisted options - placement | 28 February 2019 | 1.260 | 13,246,203 |
| ESOP Options | 15 May 2019 | 1.500 | 180,000 |
| | | | **23,320,173** |

## 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 Securities Exchange Limited (ASX : BLT) and through a Level 1 American Depositary Receipt (ADR) program in the Over-The-Counter (OTC : BTEBY) market in the United States.

# Corporate Directory

**BENITEC BIOPHARMA LIMITED**

ABN 64 068 943 662

**Directors**

| | |
|---|---|
| Mr Peter Francis | Non-Executive Chairman |
| Dr Peter French | Chief Executive Officer and Managing Director |
| Dr John Chiplin | Non-Executive Director |
| Mr Iain Ross | Non-Executive Director |
| Mr Kevin Buchi | Non-Executive Director |

**Chief Executive Officer and Managing Director**

Dr Peter French

**Company Secretary**

Mr Greg West

**Registered Office**

Level 16
356 Collins Street
Melbourne Vic 3000
Australia

**Principal Place of Business**

F6A/1-15 Barr Street
Balmain NSW 2041
Australia

**Auditors**

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

**Bankers**

Westpac Banking Corporation
274 Darling Street
Balmain NSW 2041

**Share Registry**

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

**Stock Exchange Listing**

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

BENITEC
BIOPHARMA
silencing genes for life™

**Benitec Biopharma Ltd**

ABN 64 068 943 662

F6A / 1-15 Barr Street
Balmain NSW 2041 Australia

Tel: +61 (0) 2 9555 6986
Email: info@benitec.com

**www.benitec.com**