



BENITEC LIMITED

ABN 64 068 943 662

ANNUAL REPORT

FOR THE YEAR ENDED

30 JUNE 2006

General Information

Benitec Limited

ABN 64 068 943 662

Directors

Mr Peter Francis (Non-Executive Chairman)

Dr Michael Dalling (Non-Executive Director)

Dr Ken Reed (Non-Executive Director)

Company Secretary

Mr Paul McMahon

Registered Office

Level 16

356 Collins Street

Melbourne Vic 3000

Australia

Solicitors

Minter Ellison

Rialto Towers

525 Collins Street

Melbourne Vic 3000

Auditors

RSM Bird Cameron Partners

Level 12

60 Castlereagh Street

Sydney NSW 2000

Bankers

Westpac Banking Corporation

Private Bank

60 Martin Place

Sydney NSW 2000

Share Registry

Computershare Ltd

Level 19

307 Queen Street

Brisbane Qld 4000

Stock Exchange Listing

The Company is listed on the Australian Stock Exchange Limited

ASX Code: BLT

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DIRECTORS' REPORT

Your Directors submit their report for the year ended 30 June 2006.

DIRECTORS

The names and details of the Company's Directors in office during the financial year and until the date of this report are as follows. Directors were in office for this entire period unless otherwise stated.

Names, qualifications experience and special responsibilities

Peter Francis

LLB, GRAD DIP (INTELLECTUAL PROPERTY)

Non-Executive Chairman
Appointed 23 February 2006

Mr. Peter Francis is a partner at Francis Abourizk Lightowlers (FAL), a firm of commercial and technology lawyers with offices in Melbourne and Brisbane, Australia. He is a legal specialist in the areas of intellectual property and licensing and provides legal advice to a large number of corporations and research bodies. Mr. Francis has extensive experience in technology commercialisation and is a founder and Non-executive Director of Boron Molecular Pty Ltd. and a Non-executive Director of Xceed Biotechnology Ltd and PolyNovo Pty Ltd.

Other Current Directorships of Listed Companies
Xceed Biotechnology Limited.

Former Directorships of Listed Companies in last three years
None.

Dr Michael Dalling AM

MAGRSC, PHD

Non-Executive Director
Appointed 24 March 2006

Dr Dalling has wide ranging experience in technology development, intellectual property management, and commercialisation. He has been involved in several biotechnology start ups, mergers, and acquisitions. Dr Dalling is currently Chairman of the Biomedical Imaging Development CRC, Chairman of Biomass Conversion Technologies Pty Ltd, a Director of Neural Diagnostics Pty Ltd, and a Board member of the Innovative Dairy Products CRC and the Birchip Cropping Group. Dr Dalling was appointed a Member in the General Division of the Order of Australia on 26 January 2006 for service to the biotechnology industry through contributions to research and development organizations and commercialisation efforts to benefit Australian companies, producers, and consumers.

Other Current Directorships of Listed Companies
None.

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

Dr Ken Reed FATSE

BSc, MSc, PhD

Non-Executive Director
Appointed 19 May 2000

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

Other Current Directorships of Listed Companies
None.

Former Directorships of Listed Companies in last three years
None.

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Departing Directors

Mr Raymond Whitten	Mr Whitten was appointed a director on 28 November 2002 and resigned on 23 February 2006.
Ms Sara Cunningham	Ms Cunningham was appointed a director on 9 February 2005 and resigned on 22 June 2006.
Mr Robert Thomas	Mr Thomas was appointed a director on 7 May 2004 and resigned on 3 August 2005.
Mr Alex Cappello	Mr Cappello was appointed a director on 3 February 2005 and resigned on 17 April 2006.
Mr John McKinley	Mr McKinley was appointed a director in May 2002 and resigned on 15 November 2005.
Mr Michael Catelani	Mr Catelani was appointed a director on 8 February 2006 and resigned on 22 June 2006.

COMPANY SECRETARY

Mr Paul McMahon BBUS, MCorpLAW, ACIS, CPA Appointed 25 September 2006	Mr McMahon is a CPA and chartered secretary who brings extensive financial management experience to Benitec. He holds qualifications in accountancy and company law, and his experience includes working for ANZ Banking Group, Strategic Industry Research Foundation and the Shedden Engineering Group.
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Departing Company Secretaries

Mr Ray Iacono	Mr Iacono was appointed company secretary on 23 February 2006 and resigned on 25 September 2006.
Mr Raymond Whitten	Mr Whitten was appointed company secretary on 1 March 2005 and resigned on 23 February 2006.
Ms Sarah Brashears	Ms Brashears was appointed company secretary on 1 March 2005 and resigned on 23 February 2006.

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

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

<u>Director</u>	<u>Number of Ordinary Shares</u>	<u>Number of Options over Ordinary Shares</u>
Dr Ken Reed	1,011,000	-

CORPORATE INFORMATION

Corporate Structure

Benitec Limited is a company limited by shares that is incorporated and domiciled in Australia. Benitec Limited has prepared a consolidated financial report incorporating the entities that it controlled during the financial year, which are outlined in note 14 of the financial statements.

Principal Activities

Benitec is an RNAi-based therapeutics company using its proprietary DNA-directed RNA interference (ddRNAi) technology to develop therapies for the treatment of currently incurable diseases. The Company's primary therapeutic program focuses on human immunodeficiency virus (HIV). The Company also licenses its technology outside of its core in-house programs in order to generate revenue to support its corporate and operational activities.

The principal activity of the Company during the year was the management, funding and commercialisation of these projects.

Employees

The consolidated entity employed 1 employee as at 30 June 2006 (2005: 20 employees).

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DIVIDENDS

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

OPERATING AND FINANCIAL REVIEW

Overview of Operations

This has been a challenging but significant year for Benitec.

In April 2006, the Board was restructured and immediately commenced a strategic review to refocus the business and put together a turn around plan to deliver improved shareholder value in 2007 and beyond. This plan is now being implemented.

In the foreseeable future, Benitec will focus its resources on exploiting its Gene Silencing intellectual property portfolio through licensing and collaborations, rather than operate its own R&D group.

The new business and technical strategy will result in a significantly lower cost model of value creation which should increase shareholder value. Benitec will move to a model of co-investment and /or licensing to bring in additional revenues. This will spread technology risk across projects and further expand opportunities beyond the Company's already impressive portfolio of R&D collaborators and licensees.

One consequence of this change in strategy has been the closure of Benitec's USA operations. The restructure will effectively eliminate costs of over \$7,000,000 incurred during the financial year.

This decision has not affected Benitec's collaboration with the City of Hope center in California where a HIV AIDS drug candidate is due to enter Phase I human trials this year. Benitec recently announced that it had out licensed the HCV project to a California based company Tacere Therapeutics Inc.

In parallel Benitec has been able to re-negotiate its key alliance with CSIRO and now enjoys a more equitable and collaborative relationship with one of the world's largest government R&D agencies.

The first phase of this process of change and re-direction has been completed with the recruitment of Sue MacLeman as the Company's new CEO. Sue is a very experienced and proven biotechnology executive and will add critical momentum to Benitec's recovery. Sue brings to Benitec extensive management and leadership skills in product development and commercialization in the biotechnology and pharmaceutical sectors. Sue holds qualifications in business, pharmacy and marketing, and her experience includes working with local and international companies including Agenix Ltd, EQiTX Limited, Bristol-Myers Squibb Pharmaceuticals, Amgen Inc and Schering-Plough.

Financial Overview

Benitec's net loss for the 12 months to 30 June 2006 was \$7,676,840 compared to a net loss of \$14,187,432 for the previous financial year.

Operating revenue from continuing operations for the 12 months to 30 June 2006 was \$2,313,668, up from \$923,200 in the previous financial year. Other income increased to \$1,481,196 from \$222,867. The increases in revenue were due primarily to the grant of an exclusive license of the Benitec's ddRNAi technology for use in the research reagent field to Sigma-Aldrich and the inclusion of \$1,376,444 relating to the settlement of litigation.

Operating expenses relating to continuing operations for the financial year were \$4,289,294 down from \$8,316,575 in the corresponding period last year. The reduction was due to the settlement of litigation ending legal costs and cost reduction measures put in place during the financial year.

The net costs of operations that are to be discontinued were \$7,182,410 as compared to \$7,082,857 in the previous financial year.

Benitec's cash balance and debtors balance at 30 June 2006 was \$2,285,384, with current liabilities of \$2,222,746.

Review of Financial Condition

During the year, the Company used funds from the successful share placement to further develop both the HIV and HCV projects, to evaluate other project opportunities and to support the US operations.

Cash Flows

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

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Settlement of Litigation

During the period, Benitec resolved a number of ongoing legal issues, allowing it to move forward with its drug development efforts without undue distraction. Benitec and Promega Corporation settled their contract dispute. As part of the settlement, Promega was granted a worldwide non-exclusive license to make and sell ddRNAi-based research products. Promega also received payment in the form of cash and continuing royalties from certain licensees. Further, the Australian Patent Office completed its review of the Benitec's Australian patents, and the patents were upheld. The US Patent and Trade Mark Office re-examination of the Benitec's key patents remains unresolved as at the date of this report.

In respect of the Nucleonics, Inc. litigation, the United States District Court of the State of Delaware granted Benitec's motion to dismiss the patent infringement litigation. Nucleonics, Inc. has appealed this decision and the matter remains unresolved.

Upon the successful conclusion of the Promega dispute, Benitec's was able to leverage its research reagent rights, which were peripheral to the central mission of development of human therapeutics, into a significant strategic partnership with Sigma-Aldrich Corporation. Sigma is a major force in the RNAi field worldwide and this partnership will allow Benitec to expand the use of its technology in basic and applied life sciences. The license agreement with Sigma validates Benitec's IP estate as one of the major portfolios in the field, while the significant equity investment made by Sigma demonstrates their recognition of Benitec's long-term value.

CAPITAL RAISINGS / CAPITAL STRUCTURE

During the year under review, the Company raised \$3.4 million to provide funding for the ongoing operations, further development of both the in-house Hepatitis C project and the HIV lymphoma project at the City of Hope and to support the evaluation of other project opportunities.

Ordinary Shares

The Company undertook two share placements during the financial year. The details are:

- 13,507,118 issued ordinary shares in November 2005 at an issue price of \$0.17 per share to raise \$2,296,210; and
- 6,024,132 issued ordinary shares in December 2005 at an issue price of \$0.17 per share to raise \$1,024,102.

Ordinary shares were also issued as a result of:

- the satisfaction of an amount payable of US\$137,250 resulting in the issue of 797,101 ordinary shares in May 2006 at an issue price of \$0.22 per share for a value of \$175,362; and
- the exercise of 94,320 options resulting in the issue of 94,320 ordinary shares in May 2006 at an issue price of \$0.03 per share for total consideration of \$2,830.

Options

At the date of this Directors' Report, the Company has a total of 59,613,016 options to acquire ordinary shares in the Company. Unless otherwise noted, all options are unlisted, restricted and are categorised as follows:

Type	Number
Listed Options (BLTO)	41,433,069
Employee Share Option Plan	10,082,300
Directors' Options	1,953,125
Strategic Advisor Warrants	6,126,962
Other	17,560
Total	59,613,016

Listed Options

10,011,643 Listed Options were issued in December 2005 as part of the share placement to Sigma-Aldrich Pty Limited approved at the 2005 Annual General Meeting. A further 1,001,164 Listed Options were issued in May 2006 as part of the payment to strategic advisor and investment banker in respect of a capital raising. These options have the right to acquire one ordinary share at \$0.32 with an expiry date of 6 April 2008.

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Employees Share Option Plan (ESOP)

Employee Options are regulated by the Plan which has been previously announced. In summary, all options falling under the ESOP expire on the dates set out below. Options held by any employee who resigned earlier will expire on a time determined by the Board or otherwise in six months. The Board has the power to adjust, amend and cancel the ESOP.

Grant Date	Expiry Date	Exercise Price	Number
29 July 2002	28 July 2009	\$0.50	150,000
29 July 2002	28 July 2009	\$1.00	100,000
29 July 2002	28 July 2009	\$1.50	150,000
29 July 2002	28 July 2009	\$2.00	150,000
17 May 2004	30 September 2013	\$0.03	159,373
17 May 2004	30 September 2013	\$0.07	2,927
16 June 2005	16 June 2012	\$0.145	5,830,000
19 July 2005	19 July 2012	\$0.145	3,540,000
Total			10,082,300

Directors' Options

On 31 December 2005, a total of 4,750,000 Director's Options lapsed. In May 2006, a further 1,953,125 Director's Options were issued to Cappello Capital Corp, a firm of which Mr Cappello is the Chief Executive Officer, in satisfaction of strategic advisory and investment banking services provided to the Company. There are now 1,953,125 Director's Options outstanding.

Strategic Advisor Warrants

The Strategic Advisor Warrants were granted on 4 August 2004 to Cappello Capital Corp., an investment banking firm of which Mr Cappello is the Chief Executive Officer. During the year, one third of these warrants expired, leaving a total of 6,126,962 outstanding. These warrants expire 4 August 2014 and have an exercise price of \$0.90.

Other Options

Other options were granted on 17 May 2004, expire on 30 September 2013, and have an exercise price of \$0.03.

Summary of Shares, Options and Warrants on Issue – 30 June 2006

As a result of the issue of shares and options, the Company has 172,524,637 listed ordinary shares, 41,433,069 listed options on issue. There are also 12,052,985 unlisted options and 6,126,962 warrants on issue, full details of which are included in note 17 to the financial statements.

Unissued Shares

As at the date of this report, there were 59,613,016 unissued ordinary shares (59,613,016 at the reporting date). Refer to note 17 of the financial statements for further details of the options outstanding.

Option holders do not have the right, by virtue of the option, to participate in any share issue of the Company or any related body corporate or in the interest issue of any other registered scheme.

Shares issued as a result of the exercise of Options

94,320 shares were issued during the year on the exercise of options issued by the Company (2005: nil).

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

In April 2006 the Board was restructured and immediately commenced a strategic review to refocus the business and put together a turn around plan to deliver improved shareholder value in 2007 and beyond. This resulted in a change of strategy to a move to a low cost business model of co-investment and outlicensing.

One consequence of this change in strategy was the closure of the Benitec USA operations. In April 2006 Benitec announced that it had implemented a cost reduction plan within its US subsidiary in order to preserve capital while continuing to progress its drug development programs. In June 2006 Benitec announced that it has shut down its US operations, terminating its remaining US employees.

Adoption of Australian Equivalents to IFRS

As a result of the introduction of Australian equivalents to International Financial Reporting Standards (AIFRS), the company's financial report has been prepared in accordance with those Standards. A reconciliation of adjustments arising on the transition to AIFRS is included in Note 2 to this report.

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SIGNIFICANT EVENTS AFTER THE BALANCE DATE

The Company and CSIRO signed an agreement in August 2006 to restructure the royalty obligations for Benitec's lead human therapeutic projects. Benitec's likely first products will be gene silencing therapeutics for serious diseases such as Hepatitis C viral infection and HIV AIDS. Its HIV drug candidate is due to enter Phase I human trials in late 2006.

Benitec has exclusive commercialisation rights for human applications of a substantial patent estate owned or co-owned by Benitec and CSIRO. Under the arrangements entered into in 2003, Benitec was required to pay CSIRO a portion of the revenues from product sales, licensing revenues or contract research, whether or not Benitec had itself invested in the development of that product.

Whilst Benitec's current rights to exploit the patents in the human field remain unaffected under the restructured arrangements, the applicable royalty is reduced for those therapeutic programs into which Benitec has made significant investment - as described below.

Further, CSIRO will now manage the substantial platform patent portfolio. CSIRO will meet the up-front patent costs, and Benitec will repay these costs to the CSIRO with downstream incomes.

In early October 2006 the Directors have also announced that US-based life sciences company Promega Corporation has acquired an equity stake in Benitec. Promega Corporation has acquired 15,944,504 ordinary shares in Benitec representing an 8% shareholding.

Promega Corporation has been issued these shares in Benitec to convert US\$175,000 in debt. Promega has also been issued a convertible promissory note to purchase a further US\$158,333 in shares in 12 months. The price per share will be the average trading price of Benitec shares sixty days prior to that date, less a discount of 20 percent.

In mid October the company also announced that Benitec executed an RNAi licence deal with US Company Tacere Therapeutics Inc. Benitec has secured upfront payments, a scale of milestone payments and a potential future royalty stream by licensing its gene silencing technology for treating Hepatitis C. Benitec will also receive a 5 percent equity stake in Tacere.

The license and material transfer agreement allows Tacere to use Benitec's materials, rights and know-how to develop and commercialise an RNAi-based therapeutic for treating Hepatitis C in humans.

No other matter or circumstance has arisen since 30 June 2006 which has significantly affected or may significantly affect the operations of the consolidated entity, the results of those operations or the state of affairs of the consolidated entity, in subsequent financial years.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

The Board of Directors intends to recapitalise the company to support ongoing operations through a capital raising. It is expected that the prospectus will be fully underwritten and will be sent to shareholders in Q4 2006. The team will also move to further develop the HIV lymphoma project with our collaborators at the City of Hope and also collaborate on new projects through co-investment. The company will also be exploring out-licensing opportunities in the human therapeutic area. The company will continue to try and resolve any ongoing litigation and work closely with the company's patent attorneys and CSIRO on the patent re-exam in the USA.

The future of the Company is dependent on the success of a future capital raising, which will have a significant impact on strengthening the financial position of the Company and enable it to continue its investment activities in the commercial development of therapeutics. This capital raising is expected to be completed by the end of December 2006.

Further information on likely developments in the operations of the consolidated entity has not been included in this report because at this stage the directors believe it would be likely to result in unreasonable prejudice to the consolidated entity. As Benitec Limited is listed on the Australian Stock Exchange, it is subject to the continuous disclosure requirements of the ASX Listing Rules which require immediate disclosure to the market of information that is likely to have a material effect on the price or value of Benitec Limited's securities.

ENVIRONMENTAL REGULATION

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

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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	
	Attended	Held
<i>Current Directors</i>		
P Francis	8	8
M Dalling	5	5
K Reed	17	17
<i>Departing Directors</i>		
R Whitten	9	9
S Cunningham	17	17
M Catelani	9	9
R Thomas	6	6
A Cappello	8	13
J McKinley	4	6

Committee membership

Due to the small number of Directors, it was determined that the Board would undertake all of the duties of properly constituted Audit & Compliance and Remuneration Committees.

REMUNERATION REPORT

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

Remuneration Philosophy

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

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

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

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

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

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

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

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

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Performance Based Remuneration

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

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

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

Details of Remuneration for Year Ended 30 June 2006

Table 1. Director remuneration for the year ended 30 June 2006

		Short Term			Post	Equity	Other	Total
		Salary & Fees	Cash Bonus	Non Monetary Benefits	Employment Superannuation	Options		
		\$	\$	\$	\$	\$	\$	
Peter Francis (1)	2006	18,750	-	-	-	-	-	18,750
	2005	-	-	-	-	-	-	-
Michael Dalling (2)	2006	12,263	-	-	-	-	-	12,263
	2005	-	-	-	-	-	-	-
Kenneth Reed	2006	58,192	-	-	3,212	-	-	61,404
	2005	115,686	-	-	1,187	-	-	116,873
Raymond Whitten (3)	2006	181,659	-	-	172	-	-	181,831
	2005	143,580	-	-	2,197	-	69,128	214,905
Sara Cunningham (4)	2006	379,395	-	-	-	142,500	-	521,895
	2005	119,982	33,251	-	-	-	-	153,233
Robert Thomas (5)	2006	45,833	-	-	4,125	-	-	49,958
	2005	50,000	-	-	4,500	-	12,500	67,000
Alex Cappello (6)	2006	40,747	-	-	-	-	441,468	482,215
	2005	18,247	-	-	-	-	609,270	627,517
John McKinley (7)	2006	33,072	-	-	-	-	-	33,072
	2005	378,228	-	-	-	-	22,498	400,726
Michael Catelani (8)	2006	281,114	-	-	-	-	-	281,114
	2005	-	-	-	-	-	-	-

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

Table 2. Remuneration of the 5 named executives who receive the highest remuneration for the year ended 30 June 2006

		Short Term			Post	Equity	Other	Total
		Salary & Fees	Cash Bonus	Non Monetary Benefits	Employment Superannuation	Options		
		\$	\$	\$	\$	\$	\$	
Sarah Cunningham (4)	2006	-	-	-	-	-	-	-
	2005	152,678	-	-	-	-	-	152,678
Sarah Brashears (9)	2006	190,539	-	-	-	-	-	190,539
	2005	266,010	-	-	-	208,000	-	474,010
Michael Catelani (8)	2006	-	-	-	-	-	-	-
	2005	58,234	-	-	-	156,000	-	214,234

- (1) Mr Francis was appointed a Non-Executive Director on 8 February 2006 and Non-Executive Chairman on 23 February 2006.
- (2) Dr Dalling was appointed a Non-Executive Director on 24 March 2006.
- (3) Mr Whitten was Executive Chairman until he resigned on 23 February 2006.
- (4) Ms Cunningham was appointed an Executive Director on 9 February 2005 until she resigned on 22 June 2006.
- (5) Mr Thomas was a Non-Executive Director until he resigned on 3 August 2006.
- (6) Mr Cappello was a Non-Executive Director until he resigned on 17 April 2006.
- (7) Mr McKinley was a Non-Executive Director until he resigned on 15 November 2005.
- (8) Mr Catelani was Chief Financial Officer and appointed Executive Director on 8 February 2006 until he resigned on 22 June 2006.
- (9) Ms Brashears was Company Secretary and Vice President, Intellectual Property and Legal Affairs until she resigned on 23 February 2006.

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Options Issued as Part of Remuneration for the Year Ended 30 June 2006

Options can be issued to executives as part of their remuneration. The options are not issued based on performance criteria, but are issued to the executives of the Company to increase goal congruence between executives, directors, and shareholders. During the year ended 30 June 2006, 3,000,000 options were granted to Sara Cunningham as part of her remuneration. No other options were issued to directors as part of their remuneration.

Table 3. Options granted as part of remuneration for the year ended 30 June 2006

Fully vested options over ordinary shares were granted as follows:

	Vested <i>No.</i>	Granted <i>No.</i>	Value <i>\$</i>	Terms & Conditions for each Grant				
				<i>Grant Date</i>	<i>Value per option at grant date</i> <i>\$</i>	<i>Exercise price per share</i> <i>\$</i>	<i>Expiry Date</i>	<i>% of remuneration consisting of options</i>
Sara Cunningham	3,000,000	3,000,000	142,500	19-Jul-05	0.0475	0.145	19-Jul-12	27.3

Payments to Related Parties of Directors

Legal services at normal commercial rates totalling \$2,930 (2005:\$nil) were provided by Francis Abourizk Lightowlers, a law firm in which Mr Peter Francis is a partner and has a beneficial interest.

Fees totalling \$36,240 (2005:\$400,726) for the services of Mr John McKinley as a non-executive director of the Company were paid to Technology Investment and Management Ltd and Management Services & Technology Limited, corporations in which he has a beneficial interest.

Employment Contracts of Directors and Senior Executives

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

The employment conditions of Mr Paul McMahan, the new part time CFO and company secretary, is formalised in a contract of employment. The current employment contract with the CFO commenced on 12 September 2006. Mr McMahan's appointment with the company may be terminated with the Company giving 6 month's notice or by Mr McMahan giving 2 month's notice. The company may elect to pay Mr McMahan an equal amount to that proportion of his salary equivalent to 6 month's pay in lieu of notice, together with any outstanding entitlements due to him. The Company may, at any time, by notice in writing terminate Mr McMahan's contract immediately in the event of serious misconduct.

The employment conditions of former executives, Ms Sara Cunningham, Executive Director and CEO, Mr Michael Catelani, Chief Financial Officer, and Ms Sarah Brashears, Vice President of Intellectual Property and Legal Affairs, were formalised in contracts of employment.

The employment contracts of Ms Brashears stipulated, among other things, that she was eligible to receive up to twelve weeks of severance pay in the event of an involuntary termination of employment. The employment contract of Mr Catelani and Ms Cunningham stipulated, among other things, that they were eligible to receive twelve months severance pay in the event of an involuntary termination of employment resulting from a change of

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control of the Company. In all three cases, if the employment voluntarily terminated or was terminated for cause, no severance payments were payable. Further, in the case of a change of control, all unvested options would immediately vest.

Ms Brashears resigned on 23 February 2006 whilst Ms Cunningham and Mr Catelani resigned on 22 June 2006. In all three cases, the Company negotiated a termination settlement which was less than that stipulated in their employment agreements.

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

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

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

CORPORATE GOVERNANCE

In recognising the need for the highest standards of corporate behaviour and accountability, the Directors of Benitec Limited adhere to strict principles of corporate governance. The Company's corporate governance statement is included on page 13 of this annual report.

AUDITOR INDEPENDENCE

The directors received the declaration included on page 16 of this annual report from the auditor of Benitec Limited.

PROCEEDINGS ON BEHALF OF COMPANY

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

NON-AUDIT SERVICES

The Board is 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 2001. The directors are satisfied that the services disclosed below did not compromise the external auditor's independence for the following reasons:

- all non-audit services are reviewed and approved by the Board prior to commencement to ensure they do not adversely affect the integrity and objectivity of the auditor; and
- the nature of the services provided does not compromise the general principles relating to auditor independence as set out in the Institute of Chartered Accountants in Australia and CPA Australia's Professional Statement F1: Professional Independence.

However, there were no non-audit services provided by external auditors during the year ended 30 June 2006.

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



Peter Francis
Chairman
Melbourne, Victoria
14 October 2006

CORPORATE GOVERNANCE STATEMENT

ROLES AND RESPONSIBILITIES

The Board of Directors is responsible for the governance of the corporate and operational affairs of Benitec Limited and its controlled entities. The primary role of the Board is to ensure the long-term health and prosperity of the Company which it accomplishes by:

- setting objectives, goals, and strategic direction for the Company with a view to maximising shareholder value,
- adopting an annual budget and monitoring financial performance,
- ensuring adequate internal controls exist and are appropriately monitored for compliance,
- ensuring significant business risks are identified and appropriately managed,
- selecting, appointing, and reviewing the performance of the Chief Executive Officer (CEO),
- selecting and appointing new directors, • setting the highest business standards and code for ethical behaviour, and
- reviewing the performance of both executive and non-executive directors.

The Board has delegated authority to the CEO to manage the business of the Company. Matters which are not covered by delegation require Board approval. Among such matters requiring additional Board approval are material capital expenditure or expenditure outside the ordinary course of business, approval of major elements of strategy (including any significant changes in direction), approval of the interim and final accounts and related reports to the ASX, and proposals for the issue of securities by the Company.

Board papers make the Board aware of current and forthcoming issues relevant to the Company's operations and performance and Board meetings are held at regular intervals. These papers contain the monthly and year-to-date performance of all projects compared with budget and papers relating to particularly significant issues. The Board may seek further information on any issue from the executive.

An annual Board strategy meeting is held in conjunction with senior management at which the strategic direction for the Company in the short and longer term is reviewed and agreed.

CURRENT BOARD COMPOSITION

At the date of this statement, the Board comprises three Non-Executive Directors (NEDs). The members of the Board and brief resumes are contained in a schedule in the Directors' Report.

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 at least twice a year in absence of management and at such other times as they may determine.

The Company acknowledges the importance of having independent directors as determined by objective criteria. As importantly, the Company is committed to having a Board whose members have the capacity to act independently and have the composite skills to optimise the financial performance of the Company and return to shareholders.

The Company recognises that independent directors are important in assuring shareholders that the Board is properly fulfilling its role and is diligent in holding senior management accountable for its performance.

The Company's Constitution provides that:

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

PROMOTION OF ETHICAL AND RESPONSIBLE DECISION MAKING

The Board insists on honest, fair, and diligent conduct of its directors when dealing with staff, shareholders, customers, regulatory authorities, and the community. The practice of the Board and its management should not depart from the ASX Principles in any significant way.

Policies on share trading by directors and senior managers are applied and reviewed regularly. These disciplines are enforced upon all employees and contractors of the Company.

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

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constitution allows a director to enter into any contract with the Company other than that of auditor for the Company, subject to the law.

To encourage intelligent and responsible decision making, the Board also accepts that directors are able to seek independent professional advice for Company related matters at the Company's expense, subject to the instruction and estimated cost being approved by the chairman in advance as being respectively necessary and reasonable.

AUDIT COMMITTEE – INTEGRITY OF FINANCIAL REPORTING

The Board has assumed all of the responsibilities of the Committee at this time. Audit Committee matters are dealt with in the general business of board meetings.

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

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

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

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 Company will require that the external audit engagement partner and review partner be rotated every five years.

TIMELY AND BALANCED DISCLOSURE

The Board is committed to inform the shareholders and 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 ASX Listing Rule 3.1.

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 its website, www.benitec.com.

COMMUNICATION WITH SHAREHOLDERS

The Board ensures that the 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.

RISK MANAGEMENT AND INTERNAL CONTROL

The Company recognises the need for risk management and internal control. The Board supports the ASX Principles in relation to this matter. All Board members are responsible for reviewing the risk profile of the Company in the areas of market, liquidity, equity, credit, operational, and regulatory compliance risks and reviewing the Company's risk management framework and any variations to it. Due to the nature and size of the Company, risk management is discussed regularly in Board meetings.

Given their specific skill and roles, Mr Peter Francis and Ms Sue MacLeman are responsible for raising awareness of all operational risks, including research and projects to the Board members. Their roles include providing intelligent recommendations to the Board members to make an informed decision in relation to these risks.

Other non-operational risks are handled by appropriate directors according to their ability and area of expertise and reported/recommended in the Board meetings for discussion and approval.

As the Company grows and increases in its complexity, a Risk Management Committee may be formed to assist the Board in assessing risks and making recommendations. Where appropriate or desirable, such committee will seek external advice from experts.

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BOARD MANAGEMENT AND PERFORMANCE ASSESSMENTS

The Board performs an annual review of individual performance of its members. One third of the number of directors is required to stand for re-election at the AGM. This is normally achieved by voluntary termination by the longest serving directors.

The Chairman conducts review on the performance of the NEDs and committees and the overall effectiveness of the Board. The review covers the following matters:

- the Board's effectiveness in the development of the Company's business and operations and the functionality of each committee in performing its duties;
- interaction between Board members and between Board members and the management team;
- Board functionality – to monitor and control operations, compliance, and management; and
- the standard of conduct of Board members.

This review will then be summarized and reported at the Board meeting to improve the effectiveness of the Board.

The performances of key executives are reviewed formally by the NEDs. The assessment covers:

- the Company's economic performance,
- commercial achievements,
- achievements against targets,
- project management,
- budget comparison,
- personnel management and personal and ethical conduct, and
- feedback from staff, shareholders, and customers.

The CEO reviews the management team periodically and provides reports as needed to Board members.

DIRECTOR AND EXECUTIVE REMUNERATION – REMUNERATION COMMITTEE

The Remuneration Committee assists the Board in ensuring that the economic entity's remuneration levels are appropriate in the markets in which it operates and are applied, and seen to be applied, fairly. The Board has assumed all of the responsibilities of the Committee at this time. The Committee has the responsibility to:

- review and approve, on behalf of the Board, annual budgets which include recommendations for annual CEO remuneration, as well as allocations made under the Company's option schemes.
- review remuneration arrangements relating to individuals or groups of individuals (including directors) in appropriately material circumstances; such circumstances may include but are not limited to:
 - a) recommendations of the Board relating to the cessation of employment of senior executives and
 - b) recommendations of the Board involving significant exceptions to policy. The Committee may approve such arrangements unless they are significant, in which case the Committee will make a recommendation to the Board.
- review and recommend to the Board:
 - a) proposals for changes to remuneration levels which are referred to the Board by the Chairman or CEO; and
 - b) remuneration recommendations relating to the Executive Chairman or CEO.

The Committee meetings have been held in conjunction with the main board meetings as needed. The Committee has access to senior management of the Company and may consult independent experts where the Committee considers it necessary to carry out its duties.

Currently, the Company pays salaries to the Executive Directors and director's fees to the NEDs. As stated in the Directors' Report, businesses associated with directors may receive fees for professional services provided to the Company.

STAKEHOLDER CODE OF CONDUCT

The Board is cognisant of ASX and ASIC guidelines on Corporate Governance and regularly reviews its own governance process to ensure continuous compliance with ASX, ASIC and all other regulatory bodies having relevant authority over any of the Company's activities.

RSM Bird Cameron Partners

Chartered Accountants

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**AUDITOR'S INDEPENDENCE DECLARATION
UNDER SECTION 307C OF THE CORPORATIONS ACT 2001
TO THE DIRECTORS OF BENITEC LIMITED**

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2006 there have been:

- (i) No contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the review; and
- (b) No contraventions of any applicable code of professional conduct in relation to the audit.



RSM Bird Cameron Partners
Sydney, New South Wales



H R Moll
Partner

Dated this 14 day of October 2006

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Liability limited by a
scheme approved under
Professional Standards
Legislation

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

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



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Income Statement

For the Year Ended 30 June 2006

	Note	Consolidated		Parent	
		2006	2005	2006	2005
		\$	\$	\$	\$
Revenue	3	2,313,668	989,133	-	10,449
Other income	3	1,481,196	222,867	104,275	111,733
Research and development		(2,153,248)	(3,063,984)	-	-
Marketing costs		(155,017)	(572,763)	(155,017)	(10,031)
Occupancy costs		-	(56,252)	-	-
Administration expenses	4	(1,908,512)	(4,492,897)	(1,662,351)	(2,114,399)
Impairment expense	4	-	-	(53,925,738)	-
Borrowing costs	4	-	(17,717)	-	-
Foreign currency translation loss		(72,517)	-	600,603	(603,220)
Other expenses		-	(112,962)	-	-
Loss before income tax		<u>(494,430)</u>	<u>(7,104,575)</u>	<u>(55,038,228)</u>	<u>(2,605,468)</u>
Income tax expense	5	-	-	-	-
Loss from continuing operations		<u>(494,430)</u>	<u>(7,104,575)</u>	<u>(55,038,228)</u>	<u>(2,605,468)</u>
Loss from discontinued operations	6	(7,182,410)	(7,082,857)	-	-
Loss attributable to members of the parent entity		<u><u>(7,676,840)</u></u>	<u><u>(14,187,432)</u></u>	<u><u>(55,038,228)</u></u>	<u><u>(2,605,468)</u></u>
<i>Earnings per share (cents per share)</i>					
Basic and diluted for loss for the year attributable to ordinary equity holders of the parent	7	(4.68)	(14.33)		
Basic and diluted for loss from continuing operations attributable to ordinary equity holders of the parent	7	(0.30)	(7.17)		

The accompanying notes form part of these financial statements

BENITEC LIMITED – 2006 ANNUAL REPORT

Balance Sheet
As at 30 June 2006

	Note	Consolidated		Parent	
		2006	2005	2006	2005
		\$	\$	\$	\$
CURRENT ASSETS					
Cash and cash equivalents	10	900,740	6,067,736	562,557	5,563,968
Trade and other receivables	11	1,319,716	102,832	29,585	37,064,497
Other current assets	12	64,928	729,582	-	9,792
TOTAL CURRENT ASSETS		2,285,384	6,900,150	592,142	42,638,257
NON-CURRENT ASSETS					
Other financial assets	13	-	-	13	9,528,926
Property, plant and equipment	15	-	889,396	-	-
TOTAL NON-CURRENT ASSETS		-	889,396	13	9,528,926
TOTAL ASSETS		2,285,384	7,789,546	592,155	52,167,183
CURRENT LIABILITIES					
Trade and other payables	16	2,222,747	3,574,287	70,689	238,744
TOTAL CURRENT LIABILITIES		2,222,747	3,574,287	70,689	238,744
NON-CURRENT LIABILITIES					
Trade and other payables	16	-	2,100	-	-
TOTAL NON-CURRENT LIABILITIES		-	2,100	-	-
TOTAL LIABILITIES		2,222,747	3,576,387	70,689	238,744
NET ASSETS		62,637	4,213,159	521,466	51,928,439
EQUITY					
Contributed Equity	17	66,229,567	63,146,830	66,229,567	63,146,830
Reserves	18	2,093,623	1,650,042	2,093,623	1,545,105
Accumulated Losses		(68,260,553)	(60,583,713)	(67,801,724)	(12,763,496)
TOTAL EQUITY		62,637	4,213,159	521,466	51,928,439

The accompanying notes form part of these financial statements

BENITEC LIMITED – 2006 ANNUAL REPORT

Cash Flow Statement

For the Year Ended 30 June 2006

	Note	Consolidated		Parent	
		2006	2005	2006	2005
		\$	\$	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers		2,313,668	962,955	-	10,449
Payments to suppliers and employees		(10,690,195)	(14,342,182)	(5,105,686)	(14,311,986)
Interest received		104,752	113,879	104,275	111,733
Borrowing costs		-	(17,717)	-	-
Government grants and tax rebates received		-	65,933	-	-
Other cash receipts		-	67,529	-	-
Net cash used in operating activities	10	<u>(8,271,775)</u>	<u>(13,149,603)</u>	<u>(5,001,411)</u>	<u>(14,189,804)</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Proceeds from sale of property, plant and equipment		-	39,755	-	-
Purchase of property, plant and equipment		(11,708)	(808,888)	-	-
Net cash used in investing activities		<u>(11,708)</u>	<u>(769,133)</u>	<u>-</u>	<u>-</u>
CASH FLOWS FROM FINANCING ACTIVITIES					
Repayment of borrowings		-	(45,908)	-	-
Proceeds from issue of securities		3,082,737	15,364,786	-	15,364,786
Net cash provided by financing activities		<u>3,082,737</u>	<u>15,318,878</u>	<u>-</u>	<u>15,364,786</u>
Net increase in cash held		(5,200,746)	1,400,142	(5,001,411)	1,174,982
Exchange rate changes		33,749	-	-	-
Cash at 1 July		<u>6,067,737</u>	<u>4,667,595</u>	<u>5,563,968</u>	<u>4,388,986</u>
Cash at 30 June		<u>900,740</u>	<u>6,067,737</u>	<u>562,557</u>	<u>5,563,968</u>

The accompanying notes form part of these financial statements

BENITEC LIMITED – 2006 ANNUAL REPORT

**Statement of Changes in Equity
For the Year Ended 30 June 2006**

	Contributed Equity	Option Reserve	Foreign Currency Translation Reserve	Accumulated Losses	Total
	\$	\$	\$	\$	\$
CONSOLIDATED					
Balance at 1 July 2004	47,931,610	869,580	1,634	(46,396,281)	2,406,543
Loss attributable to members of parent entity	-	-	-	(14,187,432)	(14,187,432)
Foreign exchange translation of subsidiary	-	-	103,302	-	103,302
Fair value of options vested during period	-	675,526	-	-	675,526
Share issues, net of transaction costs	15,215,220	-	-	-	15,215,220
Balance 30 June 2005	63,146,830	1,545,106	104,936	(60,583,713)	4,213,159
Loss attributable to members of parent entity	-	-	-	(7,676,840)	(7,676,840)
Foreign exchange translation of subsidiary	-	-	(104,936)	-	(104,936)
Fair value of options vested during period	-	548,518	-	-	548,518
Share issues, net of transaction costs	3,082,737	-	-	-	3,082,737
Balance 30 June 2006	66,229,567	2,093,624	-	(68,260,553)	62,638
PARENT					
Balance at 1 July 2004	47,931,610	869,580	-	(10,158,028)	38,643,162
Loss attributable to members of parent entity	-	-	-	(2,605,468)	(2,605,468)
Foreign exchange translation of subsidiary	-	-	-	-	-
Fair value of options vested during period	-	675,525	-	-	675,525
Share issues, net of transaction costs	15,215,220	-	-	-	15,215,220
Balance 30 June 2005	63,146,830	1,545,105	-	(12,763,496)	51,928,439
Loss attributable to members of parent entity	-	-	-	(55,038,228)	(55,038,228)
Foreign exchange translation of subsidiary	-	-	-	-	-
Fair value of options vested during period	-	548,518	-	-	548,518
Share issues, net of transaction costs	3,082,737	-	-	-	3,082,737
Balance 30 June 2006	66,229,567	2,093,623	-	(67,801,724)	521,466

The accompanying notes form part of these financial statements

BENITEC LIMITED – 2006 ANNUAL REPORT

Notes to the Financial Statements for the Year Ended 30 June 2006

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Preparation

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

The financial report covers the economic entity of Benitec Limited and controlled entities, and Benitec Limited as an individual parent entity. Benitec Limited is a listed public company, incorporated and domiciled in Australia.

The financial report of Benitec Limited and controlled entities, and Benitec Limited as an individual parent entity comply with all Australian equivalents to International Financial Reporting Standards (AIFRS) in their entirety.

In accordance with the requirements of AASB 1: First-time Adoption of Australian Equivalents to International Financial Reporting Standards, adjustments to the parent entity and consolidated entity accounts resulting from the introduction of AIFRS have been applied retrospectively to 2005 comparative figures excluding cases where optional exemptions available under AASB 1 have been applied. These consolidated accounts are the first financial statements of Benitec Limited to be prepared in accordance with Australian equivalents to IFRS.

Reconciliations of the transition from previous Australian Generally Accepted Accounting Principles ("GAAP") to AIFRS have been included in note 2 to this report.

This financial report has been prepared on a going concern basis, which assumes sufficient funding from capital raising, and completion of income generating commercial agreements or, if necessary, reduction in activities or action to realise asset value.

Further details of the assumptions used in making this assessment are set out in the following paragraphs.

In common with start-up biotechnology companies:

- i. the Company's operations are subject to considerable risks due primarily to the nature of the development and commercialisation being undertaken; and
- ii. to allow the Company to execute its longer term plans, it will be necessary to raise additional capital in the near future.

The Directors cannot be certain of the success of the intended fund raising activities. However, the Directors currently plan to continue the Company's operations on the basis of matters referred to above, and believe that such activities will allow the raising of sufficient funds together with the existing net assets, for the Company to operate in its normal manner for a period of not less than twelve months from the date of this report. In the event that such arrangements are not entered into, there is significant uncertainty whether the Company and the consolidated entity will continue as going concerns and, therefore, whether they will realise their assets and extinguish their liabilities in the normal course of business and at the amounts stated in the financial report.

The financial statements take no account of the consequences, if any, of the effects of unsuccessful product development or commercialisation, nor of the inability of the Company to obtain adequate funding.

BENITEC LIMITED – 2006 ANNUAL REPORT

Notes to the Financial Statements for the Year Ended 30 June 2006

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Preparation (continued)

The financial report does not include adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that might be necessary should the Company and consolidated entity not continue as going concerns.

The Company has recently finalised negotiations with US biotech company Tacere Therapeutics Inc. to license access to the Company's Hepatitis C project and intellectual property. This project will generate positive cash flow, which will help reduce the external cash needs of the Company.

Having regard to the current market conditions and the Company's development programs, the Directors are implementing or continuing the following actions to provide additional funds and to form the basis for fund raising:

- a) capital raising through a private placement and a public offering;
- b) entering into a corporate/commercial arrangement with another organisation; and
- c) closure of US operations thus reducing substantially monthly cash expenditure.

There is significant inherent uncertainty in the Company's ability to achieve sufficient success in the above initiatives, as these activities are dependent on future events. Thus, if fundraising activities do not raise sufficient funds to allow Benitec Limited to continue the principal development programs, the Company will continue to scale back its programs until further funding is obtained.

The financial report has been prepared in accordance with the historical convention.

(b) Principles of Consolidation

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

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

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

Minority equity interests in the equity and results of the entities that are controlled are shown as a separate item in the consolidated financial report.

A list of controlled entities is contained in note 14 to the financial statements. All controlled entities have a June financial year-end.

(c) Revenue

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

Notes to the Financial Statements for the Year Ended 30 June 2006

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(d) Income Tax

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

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

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

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

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

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

(e) Critical accounting estimates and judgments

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

Key estimates - impairment

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

Key estimates - share-based payments transactions

The group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined using a Black-Scholes model, using the assumptions detailed in note 22.

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.

Notes to the Financial Statements for the Year Ended 30 June 2006

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(f) Impairment of assets

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

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

(g) Cash and Cash Equivalents

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

(h) Trade and other receivables

Trade receivables, which generally have 30-90 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.

(i) 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.

The cost of fixed assets constructed within the economic entity includes the cost of materials, direct labour, borrowing costs and an appropriate proportion of fixed and variable overheads.

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

Notes to the Financial Statements for the Year Ended 30 June 2006

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(i) Property, Plant and Equipment (continued)

Depreciation

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

The depreciation rates used for each class of depreciable assets are:

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

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the income statement. When revalued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

(j) Leases

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

Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated on a straight-line basis over their estimated useful lives where it is likely that the economic entity will obtain ownership of the asset or over the term of the lease.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

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

Notes to the Financial Statements for the Year Ended 30 June 2006

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(k) Financial Instruments

Recognition

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

Financial assets at fair value through profit and loss

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

Loans and receivables

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

Held-to-maturity investments

These investments have fixed maturities, and it is the group's intention to hold these investments to maturity. Any held-to-maturity investments held by the group are stated at amortised cost using the effective interest rate method.

Available-for-sale financial assets

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

Financial liabilities

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

Derivative instruments

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

Fair value

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

Impairment

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

Notes to the Financial Statements for the Year Ended 30 June 2006

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(l) Intangibles

Goodwill

Goodwill and goodwill on consolidation are initially recorded at the amount by which the purchase price for a business or for an ownership interest in a controlled entity exceeds the fair value attributed to its net assets at date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisition of associates is included in investments in associates. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Patents and trademarks

Patents and trademarks are recognised at cost of acquisition. Patents and trademarks have a definite life and are carried at cost less any accumulated amortisation and any impairment losses. Patents and trademarks are amortised over their useful life.

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.

(m) 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.

(n) Employee Benefits

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

(o) Provisions

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

(p) Contributed Equity

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

Notes to the Financial Statements for the Year Ended 30 June 2006

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(q) Share-based payment transactions

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

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

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

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

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

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

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

The group has applied the requirements of AASB 1 'First-time Adoption of Australian Equivalents to International Financial Reporting Standards' in respect of equity-settled awards and has applied AASB 2 'Share-Based Payments' only to equity instruments granted after 7 November 2002 that had not vested on or before 1 January 2005.

(r) 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;

Notes to the Financial Statements for the Year Ended 30 June 2006

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(r) Earnings per Share (continued)

- 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.

(s) Foreign Currency Transactions and Balances

Functional and presentation currency

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

Transaction and balances

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

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

Group companies

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

Assets and liabilities are translated at year-end exchange rates prevailing at that reporting date.

Income and expenses are translated at average exchange rates for the period.

Retained profits are translated at the exchange rates prevailing at the date of the transaction.

Exchange differences arising on translation of foreign operations are transferred directly to the group's foreign currency translation reserve in the balance sheet. These differences are recognised in the income statement in the period in which the operation is disposed.

(t) Goods and Services Tax (GST)

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

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

(u) Comparative Figures

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

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Notes to the Financial Statements for the Year Ended 30 June 2006

NOTE 2: IMPACT OF FIRST-TIME ADOPTION OF AIFRS

The impacts of adopting AIFRS on the total equity and loss after tax under previous Australian GAAP are illustrated below.

Reconciliation of total equity as presented under previous Australian GAAP to that under AIFRS

	Note	Consolidated		Parent	
		30-Jun-05 \$	1-Jul-04 \$	30-Jun-05 \$	1-Jul-04 \$
Total equity under previous Australian GAAP		24,879,189	24,226,534	51,928,439	38,643,163
Property plant and equipment	(a)	(14,100)	1,633	-	-
Intangible assets	(b)	(20,651,930)	(21,821,627)	-	-
Trade and other payables	(c)	(92,723)	(44,982)	-	-
Short-term provisions	(c)	92,723	44,982	-	-
TOTAL EQUITY under AIFRS		4,213,159	2,406,540	51,928,439	38,643,163

(a) Property Plant & Equipment :

Effect of translating foreign subsidiaries property plant & equipment at the year end rates. Under old GAAP these balances were translated at a historical rate.

(b) Goodwill:

Under AASB 3, goodwill is no longer amortised but subject to annual impairment testing. All goodwill was found to be impaired at 1 July 2004.

(c) Employment Entitlements:

Employee leave entitlements meet the definition of an accrual. Previously these have been recognised as a provision.

Reconciliation of Loss before tax under previous Australian GAAP to that under AIFRS

	Note	Consolidated 30-Jun-05 \$	Parent 30-Jun-05 \$
Prior year loss before tax as previously reported		(14,562,565)	(1,929,943)
Change of calculation of foreign currency exchange losses	(a)	(119,039)	-
Derecognition of Amortisation of Goodwill	(b)	1,169,698	-
Share-based payment expense	(c)	(675,526)	(675,525)
		(14,187,432)	(2,605,468)

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Notes to the Financial Statements for the Year Ended 30 June 2006

NOTE 2: IMPACT OF FIRST-TIME ADOPTION OF AIFRS (continued)

(a) Change of calculation of foreign currency exchange losses

Effect of translating foreign subsidiaries property plant & equipment at the year end rates. Under old GAAP these balances were translated at a historical rate.

(b) Derecognition of Amortisation of Goodwill

Under AASB 3, goodwill is no longer amortised but subject to annual impairment testing. All goodwill was found to be impaired at 1 July 2004.

(c) Share-based payments

Share-based payment costs are charged to the income statement under AASB 2 'Share-based Payment', but not under AGAAP.

Explanation of material adjustments to the cashflow statements

There are no material differences between the cash flow statement presented under AIFRS and the cash flow statement presented under previous Australian GAAP.

	Consolidated		Parent	
	2006	2005	2006	2005
	\$	\$	\$	\$
NOTE 3: REVENUE FROM CONTINUING OPERATIONS				
Revenue				
-Licensing revenue and royalties	2,313,668	923,200	-	10,449
-Government grants and rebates received	-	65,933	-	-
	2,313,668	989,133	-	10,449
Other income				
-Finance income - bank interest receivable	104,752	113,879	104,275	111,733
-Settlement of IP dispute	1,376,444	-	-	-
-Net gain on disposal of plant and equipment	-	39,755	-	-
-Other revenue	-	69,233	-	-
	1,481,196	222,867	104,275	111,733
TOTAL REVENUE AND OTHER INCOME	3,794,864	1,212,000	104,275	122,182

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Notes to the Financial Statements for the Year Ended 30 June 2006

	Consolidated		Parent	
	2006	2005	2006	2005
	\$	\$	\$	\$
NOTE 4: LOSS FOR THE YEAR				
(a) Expenses incurred by continuing operations				
Borrowing costs				
Interest payable - other persons	-	17,717	-	-
Depreciation included in income statement				
<i>Included in Administration expenses</i>				
Depreciation of plant and equipment	21,131	17,477	-	-
<i>Included in Loss from discontinued operations</i>				
Depreciation of plant and equipment	316,623	182,375	-	-
Employee benefits expense included in income statement				
<i>Included in Administration expenses</i>				
Wages and salaries	155,348		155,348	-
Superannuation costs	7,509		7,509	-
Expense of share-based payments	548,518	-	548,518	-
	711,375	-	711,375	-
Finance costs				
<i>Included in Loss from discontinued operations</i>				
Loan written off	205,508	-	-	-
Impairment expense included in income statement				
Current trade and other receivables (refer Note 11)	-	-	44,396,825	-
Non-current financial assets (refer Note 13)	-	-	9,528,913	-
	-	-	53,925,738	-

(b) Significant Revenues and Expenses:

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

Revenue

Government grants and rebates received consist of:

-Austrade grants received	-	65,933	-	-
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Expenses

Research and development costs consist of:

-IP litigation expenses	1,088,879	110,416	-	-
-Other IP related expenses	1,064,369	2,953,568	-	-
	2,153,248	3,063,984	-	-

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Notes to the Financial Statements for the Year Ended 30 June 2006

	Consolidated		Parent	
	2006	2005	2006	2005
	\$	\$	\$	\$
NOTE 5: INCOME TAX EXPENSE				
(a) The prima facie tax on profit/(loss) from ordinary activities before income tax is reconciled to the income tax as follows:				
Prima facie tax payable on profit from ordinary activities before income tax at 30% (2005: 30%)	(2,303,052)	(4,256,230)	(16,511,468)	(781,642)
<i>Add Tax effect of:</i>				
Non-deductible depreciation	101,326	65,523	-	-
Non-deductible share-based payment expense	164,555	202,658	164,555	202,658
Non-deductible impairment expense	-	-	16,177,721	-
Overseas entities establishment costs	-	22,828	-	-
Capital items expensed not deductible for tax	646,730	801,391	-	-
Overseas entities losses	2,563,073	2,339,243	-	-
Foreign exchange translation losses not deductible	-	35,711	-	-
Other non deductible items	48,493	(21,636)	-	-
Future income tax benefit not brought to account	-	810,512	169,192	578,984
<i>Add Tax effect of:</i>				
Recoupment of prior year tax losses not previously brought to account	(1,221,125)	-	-	-
<hr/>				
Income tax expense reported in the income statement	-	-	-	-

- (b) The parent entity, acting as the Head Entity, notified the Australian Taxation Office on 12 February 2004 that it had formed a Tax Consolidated Group applicable as from 1 July 2002. Members of the group have entered into a tax sharing arrangement in order to allocate income tax expense to the wholly owned subsidiaries on a pro-rata basis. In addition the agreement provides for the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations. At the balance date, the possibility of default is remote.
- (c) As at 30 June 2006, the consolidated Group has a net Deferred Tax Asset arising from significant available tax losses (calculated at 30%), which has not been recognised in the financial statements.

The recoupment of available tax losses as at 30 June 2006 is contingent upon the following:

- (i) the Company and 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 company and the consolidated group from realising the benefit from the 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.

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Notes to the Financial Statements for the Year Ended 30 June 2006

NOTE 6: DISCONTINUED OPERATIONS

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

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

	Consolidated		Parent	
	2006	2005	2006	2005
	\$	\$	\$	\$
Other revenue	92,197	69,329	-	-
Expenses	(6,907,802)	(7,152,186)	-	-
Loss on sale or write down of equipment	(366,805)	-	-	-
Loss before income tax	(7,182,410)	(7,082,857)	-	-
Income tax expense	-	-	-	-
Loss attributable to members of the parent entity	(7,182,410)	(7,082,857)	-	-
Basic and diluted earnings per share for loss from continuing operations attributable to ordinary equity holders of the parent	(4.38)	(7.16)		

NOTE 7: AUDITOR'S REMUNERATION

Remuneration of the auditor of the parent entity for:

-auditing or reviewing the financial report	52,500	60,576	29,500	50,575
Remuneration of other auditors of subsidiaries for:				
-auditing or reviewing the financial report of subsidiaries	-	-	-	-
	52,500	60,576	29,500	50,575

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Notes to the Financial Statements for the Year Ended 30 June 2006

NOTE 8: EARNINGS PER SHARE

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

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

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

	Consolidated	
	2006	2005
	\$	\$
Loss after income tax used in the calculation of basic EPS and dilutive EPS	(7,676,840)	(14,187,432)
	No.	No.
Weighted average number of ordinary shares for basic and diluted earnings per share	164,102,696	99,024,272
Weighted average number of converted, lapsed or cancelled potential ordinary shares included in diluted earnings per share	-	-

All options to acquire ordinary shares are not considered dilutive for the year ended 30 June 2006 and the comparative period.

Classification of securities

No securities or convertible debt instruments could be classified as potential ordinary shares under AASB 1027 and therefore have not been included in determination of dilutive EPS.

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Notes to the Financial Statements for the Year Ended 30 June 2006

NOTE 9: DIRECTOR AND EXECUTIVE DISCLOSURES

(a) Details of Specified Directors and Specified Executives

(i) Specified Directors

Mr Peter Francis	Chairman - Non-Executive	Appointed on 23 February 2006
Dr Michael Dalling	Director - Non-Executive	Appointed on 24 March 2006
Mr Raymond Whitten	Director - Non-Executive	Resigned on 23 February 2006
Ms Sara M. Cunningham	Director - Chief Executive Officer	Resigned on 22 June 2006
Mr Robert B. Thomas	Director - Non-Executive	Resigned on 3 August 2006
Mr Alexander Cappello	Director - Non-Executive	Resigned on 17 April 2006
Mr John A. McKinley	Director - Non-Executive	Resigned on 15 November 2005
Dr Kenneth C. Reed	Director - Non-Executive	Appointed on 19 May 2000
Mr Michael J. Catelani	Director - Chief Financial Officer	Appointed on 8 February 2006, resigned on 22 June 2006

(ii) Specified Executives

Ms Sarah J. Brashears	Vice President - IP & Legal Affairs	Resigned on 23 February 2006
Mr Michael J. Catelani	Chief Financial Officer	Resigned on 22 June 2006

(b) Specified Directors' Remuneration

2006	Short Term			Post Employment	Equity	Other	Total
	Salary, Fees & Commissions	Cash Bonus	Non-Cash Benefits	Superannuation	Options		
Specified Directors							
Mr Peter Francis	18,750	-	-	-	-	-	18,750
Dr Michael Dalling	12,263	-	-	-	-	-	12,263
Dr Kenneth Reed	58,192	-	-	3,212	-	-	61,404
Mr Raymond Whitten	181,659	-	-	172	-	-	181,831
Ms Sara Cunningham	379,395	-	-	-	142,500	-	521,895
Mr Robert Thomas	45,833	-	-	4,125	-	-	49,958
Mr Alexander Cappello	40,747	-	-	-	-	441,468	482,215
Mr John McKinley	33,072	-	-	-	-	-	33,072
Mr Michael Catelani	281,114	-	-	-	-	-	281,114
	1,051,025	-	-	7,509	142,500	441,468	1,642,502

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Notes to the Financial Statements for the Year Ended 30 June 2006

NOTE 9: DIRECTOR AND EXECUTIVE DISCLOSURES (continued)

2005	Short Term			Post Employment	Equity	Other	Total
	Salary, Fees & Commissions	Cash Bonus	Non-Cash Benefits	Super-annuation	Options		
Specified Directors							
Mr Raymond Whitten	143,580	-	-	2,197	-	69,128	214,905
Ms Sara Cunningham	119,982	33,251	-	-	-	-	153,233
Mr Robert Thomas	50,000	-	-	4,500	-	12,500	67,000
Mr Alexander Cappello	18,247	-	-	-	-	609,270	627,517
Mr John McKinley	378,228	-	-	-	-	22,498	400,726
Dr Kenneth Reed	115,686	-	-	1,187	-	-	116,873
	825,723	33,251	-	7,884	-	713,396	1,580,254

(c) Specified Executives' Remuneration

2006	Short Term			Post Employment	Equity	Other	Total
	Salary, Fees & Commissions	Cash Bonus	Non-Cash Benefits	Super-annuation	Options		
Specified Executives							
Ms Sarah Brashears	190,539	-	-	-	-	-	190,539
Mr Michael Catelani	281,114	-	-	-	-	-	281,114
	471,653	-	-	-	-	-	471,653

2005	Short Term			Post Employment	Equity	Other	Total
	Salary, Fees & Commissions	Cash Bonus	Non-Cash Benefits	Super-annuation	Options		
Specified Executives							
Ms Sara Cunningham	152,678	-	-	-	-	-	152,678
Ms Sarah Brashears	266,010	-	-	-	208,000	-	474,010
Mr Michael Catelani	58,234	-	-	-	156,000	-	214,234
	476,922	-	-	-	364,000	-	840,922

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Notes to the Financial Statements for the Year Ended 30 June 2006

NOTE 9: DIRECTOR AND EXECUTIVE DISCLOSURES (continued)

(d) Options Granted As Remuneration

Specified Directors	Vested No.	Granted No.	Grant Date	Value per Option at Grant Date \$	Terms & Conditions for each Grant		
					Exercise Price \$	First Exercise Date	Last Exercise Date
Ms Sara Cunningham	3,000,000	3,000,000	19-Jul-05	0.0475	0.145	19-Jul-05	19-Jul-12

All grants of options vest monthly over a two year period beginning on the executive's date of hire and are exercisable on or before 16 June 2012.

No specified executives were granted options during the year.

(e) Shares Issued on Exercise of Remuneration Options

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

(f) Options and Rights Holdings

Number of Options held by Specified Directors and Executives

	Balance 1-Jul-05	Granted as Remuneration	Options Acquired	Options Exercised/ Lapsed	Balance at 30-Jun-06*	Total Vested at 30-Jun-06	Total Exercisable at 30-Jun-06
Specified Directors							
Mr Raymond Whitten	3,868,850	-	-	-	3,868,850	3,868,850	3,868,850
Ms Sara Cunningham	50,000	3,000,000	-	-	3,050,000	1,425,000	1,425,000
Mr Robert Thomas	1,038,974	-	-	-	1,038,974	1,038,974	1,038,974
Mr Alexander Cappello	9,190,442	-	-	(3,063,480)	6,126,962	6,126,962	6,126,962
Mr John McKinley	1,500,000	-	-	-	1,500,000	1,500,000	1,500,000
Dr Kenneth Reed	1,000,000	-	-	-	1,000,000	1,000,000	1,000,000
Sub-total	16,648,266	3,000,000	-	(3,063,480)	16,584,786	14,959,786	14,959,786
Specified Executives							
Ms Sarah Brashears	2,000,000	-	-	-	2,000,000	1,583,333	1,583,333
Mr Michael Catelani	1,500,000	-	-	-	1,500,000	875,000	875,000
Sub-total	3,500,000	-	-	-	3,500,000	2,458,333	2,458,333
Total	20,148,266	3,000,000	-	(3,063,480)	20,084,786	17,418,119	17,418,119

* Mr Whitten, Ms Cunningham, Mr Thomas, Mr Cappello and Mr McKinley all resigned as directors of the company during the financial year.

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Notes to the Financial Statements for the Year Ended 30 June 2006

NOTE 9: DIRECTOR AND EXECUTIVE DISCLOSURES (continued)

(g) Shareholdings

Number of Shares held by Specified Directors and Specified Executives

	Balance 1-Jul-05	Received as Remuneration	Upon Options Exercised	Net Change Other *	Balance 30-Jun-06**
Specified Directors					
Mr Peter Francis	-	-	-	-	-
Dr Michael Dalling	-	-	-	-	-
Dr Kenneth Reed	1,011,000	-	-	-	1,011,000
Mr Raymond Whitten	14,339,253	-	-	(245,000)	14,094,253
Ms Sara Cunningham	1,075,000	-	-	-	1,075,000
Mr Robert Thomas	2,436,948	-	-	-	2,436,948
Mr Alexander Cappello	-	-	-	-	-
Mr John McKinley	500,000	-	-	-	500,000
Sub-total	19,362,201	-	-	(245,000)	19,117,201
Specified Executives					
Ms Sarah Brashears	-	-	-	-	-
Mr Michael Catelani	-	-	-	-	-
Sub-total	-	-	-	-	-
Total	19,362,201	-	-	(245,000)	19,117,201

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

**Mr Whitten, Ms Cunningham, Mr Thomas, Mr Cappello and Mr McKinley all resigned as directors of the company during the financial year.

(h) Remuneration Practices

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

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

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

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

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Notes to the Financial Statements for the Year Ended 30 June 2006

	Consolidated		Parent	
	2006	2005	2006	2005
	\$	\$	\$	\$
NOTE 10: CASH AND CASH EQUIVALENTS				
Cash at bank	900,740	6,067,736	562,557	5,563,968

Reconciliation of Cash Flow from Operations with Loss after Income Tax

Loss after Income Tax	(7,676,840)	(14,187,432)	(55,038,228)	(2,605,468)
Non-cash flows included in operating loss:				
Depreciation	337,754	218,408	-	-
Share-based payments	548,518	675,526	548,518	675,526
Impairment expense	-	-	53,925,738	-
Loss/(Gain) on sale of property, plant and equipment	(175,964)	(39,755)	-	-
Write down of non-current assets	-	(72,121)	-	-
Provisions and non-cash adjustments	-	87,500	-	453,651
Exchange (gain)/loss	-	-	-	(603,220)
Changes in assets and liabilities:				
(Increase) Decrease in trade and other receivables	(1,216,884)	(62,332)	(3,928,956)	(12,274,775)
(Increase) Decrease in prepayments	174,303	(170,726)	-	-
(Increase) Decrease in other current assets	490,351	(503,417)	9,792	(9,792)
Increase (Decrease) in trade and other payables	(737,733)	904,746	(168,055)	174,274
Net cash flows from operations	(8,256,495)	(13,149,603)	(4,651,190)	(14,189,805)

NOTE 11: TRADE AND OTHER RECEIVABLES

CURRENT

Sundry Debtors	1,319,716	102,832	29,585	-
Amounts receivable from:				
-wholly owned subsidiaries	-	-	-	37,064,497
	1,319,716	102,832	29,585	37,064,497

An impairment of \$44,396,825 (2005: \$nil) was booked to reflect the view of the Board that it is unlikely that the parent entity will be able to recover amounts receivable from wholly owned subsidiaries.

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Notes to the Financial Statements for the Year Ended 30 June 2006

	Consolidated		Parent	
	2006	2005	2006	2005
	\$	\$	\$	\$

NOTE 12: OTHER ASSETS

CURRENT

Prepayments	-	174,303	-	-
Other current assets	64,928	555,279	-	9,792
	<u>64,928</u>	<u>729,582</u>	<u>-</u>	<u>9,792</u>

NOTE 13: OTHER FINANCIAL ASSETS

NON-CURRENT

Unlisted investments, at cost:

-Shares in controlled entities	-	-	13	9,528,926
	<u>-</u>	<u>-</u>	<u>13</u>	<u>9,528,926</u>

An impairment of \$9,528,913 (2005: \$nil) was booked to ensure that the carrying value of the investments did not exceed the amount recoverable from investments in wholly owned subsidiaries.

NOTE 14: CONTROLLED ENTITIES

(a) Controlled entities and their contribution to consolidated profit/(loss):

	Country of Incorporation	Percentage Owned	
		2006	2005
Parent Entity:			
Benitec Limited	Australia		
Controlled entities of Benitec Limited:			
Benitec Australia Limited	Australia	100%	100%
Benitec Limited	United Kingdom	100%	100%
RNAi Therapeutics, Inc.	USA	100%	100%
Benitec, Inc.	USA	100%	100%
Benitec LLC	USA	100%	100%

(b) Controlled entities acquired or disposed:

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

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Notes to the Financial Statements for the Year Ended 30 June 2006

	Consolidated		Parent	
	2006	2005	2006	2005
	\$	\$	\$	\$

NOTE 15: PROPERTY, PLANT AND EQUIPMENT

Plant and Equipment

At cost	-	1,207,613	-	-
Accumulated depreciation	-	(318,217)	-	-
Total Property, Plant and Equipment	-	889,396	-	-

a. Movements in Carrying Amounts

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

	Consolidated		Parent	
	Plant and Equipment	Total	Plant and Equipment	Total
	\$	\$		
Balance at the beginning of year	889,396	889,396	-	-
Additions	11,017	11,017	-	-
Disposals	(581,744)	(581,744)	-	-
Depreciation expense	(337,754)	(337,754)	-	-
Foreign currency translation	19,085	19,085	-	-
Carrying amount at the end of year	-	-	-	-

NOTE 16: TRADE AND OTHER PAYABLES

	2006	2005	2006	2005
	\$	\$	\$	\$
CURRENT				
Unsecured liabilities				
Trade creditors	1,346,819	818,822	48,190	49,973
Sundry creditors and accrued expenses	870,788	2,063,635	22,499	92,069
Employee entitlements	5,139	92,723	-	-
Deferred rent	-	599,107	-	-
Amounts payable to:				
-wholly-owned subsidiary	-	-	-	96,702
	<u>2,222,746</u>	<u>3,574,287</u>	<u>70,689</u>	<u>238,744</u>
NON-CURRENT				
Unsecured liabilities				
State income taxes	-	2,100	-	-

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Notes to the Financial Statements for the Year Ended 30 June 2006

	Consolidated		Parent	
	2006	2005	2006	2005
	\$	\$	\$	\$

NOTE 17: CONTRIBUTED EQUITY

172,524,637 (2005: 152,101,966) fully paid ordinary shares

	66,229,567	63,146,830	66,229,567	63,146,830
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(a) Ordinary Shares

At the beginning of the reporting period	63,146,830	47,931,611	63,146,830	47,931,611
Shares issued during the year	3,400,217	15,531,467	3,400,217	15,531,467
Transaction costs relating to share issues	(317,480)	(316,248)	(317,480)	(316,248)
At reporting date	66,229,567	63,146,830	66,229,567	63,146,830

	No.	No.	No.	No.
At the beginning of reporting period	152,101,966	81,620,163	152,101,966	81,620,163
Shares issued during the year	20,422,671	70,481,803	20,422,671	70,481,803
At reporting date	172,524,637	152,101,966	172,524,637	152,101,966

(b) Share options

At the end of the financial year, there were 59,613,016 unissued ordinary shares over which options were outstanding:

Details	No. of Options	Expiry Date	Exercise Price
Listed options	41,433,069	06-Apr-08	\$0.32
Employee share options plan options	150,000	28-Jul-09	\$0.50
Employee share options plan options	100,000	28-Jul-09	\$1.00
Employee share options plan options	150,000	28-Jul-09	\$1.50
Employee share options plan options	150,000	29-Jul-09	\$2.00
Employee share options plan options	5,830,000	16-Jun-12	\$0.145
Employee share options plan options	3,540,000	19-Jul-12	\$0.145
Employee share options plan options	159,373	30-Sep-13	\$0.03
Employee share options plan options	2,927	30-Sep-13	\$0.07
Directors' options	1,953,125	23-Oct-15	\$0.17
Strategic Advisor Warrants	6,126,962	04-Aug-14	\$0.90
Other	17,560	30-Sep-13	\$0.03
	59,613,016		

Since 30 June 2006, no further options have been issued or exercised.

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Notes to the Financial Statements for the Year Ended 30 June 2006

	Consolidated		Parent	
	2006	2005	2006	2005
	\$	\$	\$	\$
NOTE 18: RESERVES				
Option Reserve				
At the beginning of the reporting period	1,545,105	869,580	1,545,105	869,580
Fair value of options vested during year	548,518	675,525	548,518	675,525
At reporting date	2,093,623	1,545,105	2,093,623	1,545,105
Foreign Currency Translation Reserve				
At the beginning of the reporting period	104,936	1,634	-	-
Foreign currency translation of subsidiary	(104,936)	103,302	-	-
At reporting date	-	104,936	-	-
Total Reserves at reporting date	2,093,623	1,650,042	2,093,623	1,545,105

Nature and purpose of reserves

Option Reserve

The option reserve records items recognised as expenses on valuation of employee share options.

Foreign Currency Translation Reserve

The foreign currency translation reserve records exchange differences arising on translation of a foreign controlled subsidiary.

NOTE 19: CONTINGENT LIABILITIES

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

NOTE 20: SEGMENT REPORTING

Business Segments

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

Geographical Segments

Business operations are conducted in Australia while US located subsidiaries started their operations on 16 May 2004.

	Segment Revenues from External Customers		Carrying Amount of Segment Assets		Acquisitions of Non-Current Segment Assets	
	2006	2005	2006	2005	2006	2005
	\$	\$	\$	\$	\$	\$
Geographical location						
Australia	2,313,668	582,127	1,441,552	5,735,670	-	-
United States of America	-	341,073	843,832	2,053,876	-	808,888
United Kingdom	-	-	-	-	-	-
	2,313,668	923,200	2,285,384	7,789,546	-	808,888

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.

Notes to the Financial Statements for the Year Ended 30 June 2006

NOTE 21: FINANCIAL INSTRUMENTS

(a) Financial Risk Management

The group's financial instruments consist mainly of cash, short term deposits with banks, accounts receivable and payable, and loans to and from subsidiaries.

The main purpose of non-derivative financial instruments is to raise finance for group operations.

It is, and has been throughout the period under review, the group's policy that no trading in financial instruments shall be undertaken.

The main risks arising from the group's financial instruments are interest rate risk and credit risk. The board reviews and agrees policies for managing each of these risks and they are summarised below.

i. Treasury Risk Management

The board and management of the group meet on a regular basis to analyse currency and interest rate exposure and to evaluate treasury management strategies in the context of the most recent economic conditions and forecasts.

ii. Financial Risks

The main risks the group is exposed to through its financial instruments are interest rate risk, credit risk and foreign currency risk.

Interest Rate Risk

The group has no exposure to market risk for changes in interest rates as it has no long-term debt obligations.

Credit Risk

Credit risk represents the loss that would be recognised if counterparties fail to perform as contracted.

With respect to credit risk arising from the financial assets of the Group, which comprise cash and cash equivalents and receivables, the Group's exposure to credit risk arises from default of the counter party, with a maximum exposure equal to the carrying amount of these instruments.

There were no significant concentrations of credit risk within the group.

Foreign Currency Risk

The group is exposed to fluctuations in foreign currencies arising from the sale and purchase of goods and services in currencies other than the group's measurement currency. Refer to Note 21(b) for further details.

(b) Financial Instruments

Fair Values

All financial assets and liabilities have been recognised at the balance date at their net fair value.

Interest Rate Risk

The following table sets out the carrying amount, by maturity, of the financial instruments that are exposed to interest rate risk:

	<1 year \$	>1-<2 years \$	>2-<3 years \$	>3-<4 years \$	>4-<5 years \$	Total \$
Year ended 30 June 2006						
<i>CONSOLIDATED</i>						
<i>Floating Rate</i>						
Cash assets	900,740	-	-	-	-	900,740
<i>PARENT</i>						
<i>Floating Rate</i>						
Cash assets	562,557	-	-	-	-	562,557
Year ended 30 June 2005						
<i>CONSOLIDATED</i>						
<i>Floating Rate</i>						
Cash assets	6,067,736	-	-	-	-	6,067,736
<i>PARENT</i>						
<i>Floating Rate</i>						
Cash assets	5,563,968	-	-	-	-	5,563,968

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Notes to the Financial Statements for the Year Ended 30 June 2006

NOTE 22: SHARE BASED PAYMENTS

Benitec Limited Employees Share Option Plan (ESOP):

Description of plan

The company may from time to time issue employees options to acquire shares in the company at a fixed price on the market. Each option when exercised will then entitle the option holder to one share in Benitec Limited (ASX Code: BLT). All options are exercisable on or before an expiry date, do not carry any voting or dividend rights and are not transferable except on death of the option holder.

Transactions during the year

On 19 July 2005, 3,540,000 share options with an exercise price of \$0.145 each were granted to employees under the ESOP. The options vest monthly over a two year period and are exercisable on or before 19 July 2012.

Share Options Granted to Executives

Included in the options granted above, 3,000,000 share options were granted to Ms Sara M. Cunningham, CEO. This issue was subsequently approved at a general meeting of shareholders.

The fair value of options are estimated at the date of grant using the Black-Scholes model. The following table gives the assumptions made in determining the fair value of the options granted in the year to 30 June 2006.

Dividend yield	-	%
Expected volatility	22.66	%
Risk-free interest rate	3.22	%
Expected life of option	7.00	years
Share price at grant date	\$0.145	

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

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

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

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

The closing market price of an ordinary share of Benitec Limited (ASX Code: BLT) on the Australian Stock Exchange at 30 June 2006 was \$0.04 (30 June 2005: \$0.125)

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Notes to the Financial Statements for the year ended 30 June 2006

NOTE 22: SHARE BASED PAYMENTS (continued)

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

	2006 No.	2006 WAEP	2005 No.	2005 WAEP
Outstanding at the beginning of the year	6,826,620	\$0.261	996,620	\$0.937
Granted during the year	3,540,000	\$0.145	5,830,000	\$0.145
Exercised during the year	(94,320)	\$0.030	-	-
Lapsed during the year	(190,000)	\$1.059	-	-
Outstanding at the end of the year	10,082,300	\$0.207	6,826,620	\$0.261

Details of share options outstanding as at end of year:

Expiry Date and Exercise Price	Grant Date	Consolidated		Parent	
		2006 No.	2005 No.	2006 No.	2005 No.
28 July 2009 @ \$0.50 each	29-Jul-02	100,000	190,000	100,000	190,000
28 July 2009 @ \$1.00 each	29-Jul-02	150,000	175,000	150,000	175,000
28 July 2009 @ \$1.50 each	27-Aug-03	150,000	187,500	150,000	187,500
29 July 2009 @ \$2.00 each	27-Aug-03	150,000	187,500	150,000	187,500
16 June 2012 @ \$0.145 each	16-Jun-05	5,830,000	5,830,000	5,830,000	5,830,000
19 July 2012 @ \$0.145 each	19-Jul-05	3,540,000	-	3,540,000	-
30 September 2013 @ \$0.03 each	17-May-04	159,373	253,693	159,373	253,693
30 September 2013 @ \$0.07 each	17-May-04	2,927	2,927	2,927	2,927
		10,082,300	6,826,620	10,082,300	6,826,620

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Notes to the Financial Statements for the year ended 30 June 2006

NOTE 23: EVENTS SUBSEQUENT TO BALANCE SHEET DATE

The Company and CSIRO signed an agreement in August 2006 to restructure the royalty obligations for Benitec's lead human therapeutic projects. Benitec's likely first products will be gene silencing therapeutics for serious diseases such as Hepatitis C viral infection and HIV AIDS. Its HIV drug candidate is due to enter Phase I human trials this year.

Benitec has exclusive commercialisation rights for human applications of a substantial patent estate owned or co-owned by Benitec and CSIRO. Under the arrangements entered into in 2003, Benitec was required to pay CSIRO a portion of the revenues from product sales, licensing revenues or contract research, whether or not Benitec had itself invested in the development of that product.

Whilst Benitec's current rights to exploit the patents in the human field remain unaffected under the restructured arrangements, the applicable royalty is reduced for those therapeutic programs into which Benitec has made significant investment - as described below.

Further, CSIRO will now manage the substantial platform patent portfolio. CSIRO will meet the up-front patent costs, and Benitec will repay these costs to the CSIRO with downstream incomes.

In October 2006 the Directors have also announced that US-based life sciences company Promega Corporation has acquired an equity stake in Benitec. Promega has acquired 15,944,504 ordinary shares in Benitec representing a 8% shareholding.

Promega has been issued these shares in Benitec to convert US\$175,000 in debt. Promega has also been issued a convertible promissory note to purchase a further US\$158,333 in shares in 12 months. The price per share will be the average trading price of Benitec shares sixty days prior to that date, less a discount of 20 percent.

In October 2006, the company also announced that Benitec executed a RNAi licence deal with US Company Tacere Therapeutics Inc. Benitec has secured upfront payments, a scale of milestone payments and a potential future royalty stream by licensing its gene silencing technology for treating Hepatitis C. Benitec will also receive a 5 percent equity stake in Tacere.

The license and material transfer agreement allows Tacere to use Benitec's materials, rights and know-how to develop and commercialise an RNAi-based therapeutic for treating Hepatitis C in humans.

NOTE 24: RELATED PARTY TRANSACTIONS

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

	Consolidated		Parent	
	2006	2005	2006	2005
	\$	\$	\$	\$
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.	2,930	-	2,930	-
All fees paid to Mr John McKinley as Executive Chairman and Chief Executive Officer were paid to Technology Investment and Management Ltd and Management Services & Technology Limited in which he has a beneficial interest.	36,240	400,726	36,240	400,726

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Notes to the Financial Statements for the year ended 30 June 2006

NOTE 25: STATEMENT OF COMPLIANCE

The financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the financial report, comprising the financial statements and notes thereto, complies with International Financial Reporting Standards (IFRS).

This is the first financial report prepared based on AIFRS and comparatives for the year ended 30 June 2005 have been restated accordingly. Reconciliations of AIFRS equity and the loss for 30 June 2005 to the balances reported in the 30 June 2005 financial report and at transition to AIFRS are detailed in note 2.

Except for the revised AASB 119 *Employee Benefits* and the consequential amendments contained in AASB 2004-3, the adoption of which had no impact on the Group's Financial Report, Australian Accounting Standards and UIG Interpretations that have recently been amended but are not yet effective have not been adopted by the Group and are outlined below.

<i>Reference and Title:</i>	AASB 2005-5: Amendments to Australian Accounting Standards [AASB 1 & AASB 139]
<i>Summary:</i>	Consequential amendments made to AASB 1 due to the issue of UIG Interpretation 4. Consequential amendments made to AASB 139 due to the issue of UIG Interpretation 5.
<i>Application date of standard:</i>	For annual reporting periods beginning on or after 1 January 2006.
<i>Impact on Group Financial Report:</i>	These requirements are consistent with the Group's existing accounting policies or relate to transactions that the Group has not entered into and therefore no impact is expected on the Group's Financial Report.
<i>Application date for Group:</i>	1-Jul-06
<i>Reference and Title:</i>	AASB 2005-6: Amendments to Australian Accounting Standards [AASB 3]
<i>Summary:</i>	The definition of "contribution by owners" is removed and the AASB 3 scope exclusion for business combinations involving entities or businesses under common control is adopted.
<i>Application date of standard:</i>	For annual reporting periods beginning on or after 1 January 2006.
<i>Impact on Group Financial Report:</i>	These requirements are consistent with the Group's existing accounting policies or relate to transactions the Group has not entered into and therefore no impact is expected on the Group's Financial Report.
<i>Application date for Group:</i>	1-Jul-06
<i>Reference and Title:</i>	AASB 2005-9: Amendments to Australian Accounting Standards [AASB 4, AASB 1023, AASB 139 & AASB 132]
<i>Summary:</i>	The amendments provide guidance as to which standard applies to financial guarantee contracts under certain circumstances.
<i>Application date of standard:</i>	For annual reporting periods beginning on or after 1 January 2006.
<i>Impact on Group Financial Report:</i>	The impacts of these amendments on the Group's Financial Report have not yet been determined.
<i>Application date for Group:</i>	1-Jul-06

BENITEC LIMITED – 2006 ANNUAL REPORT

Notes to the Financial Statements for the year ended 30 June 2006

NOTE 25: STATEMENT OF COMPLIANCE (continued)

<i>Reference and Title:</i>	AASB 2005-10: Amendments to Australian Accounting Standards [AASB 132, AASB 101, AASB 114, AASB 117, AASB 133, AASB 139, AASB 1, AASB 4, AASB 1023 & AASB 1038]
<i>Summary:</i>	These amendments arise from the release in August 2005 of AASB 7 <i>Financial Instruments: Disclosures</i> .
<i>Application date of standard:</i>	For annual reporting periods beginning on or after 1 January 2007.
<i>Impact on Group Financial Report:</i>	AASB 7 is a disclosure standard and so will have no direct impact on the amounts included in the Group's financial statements. However, the amendments will result in changes to the disclosures included in the Group's Financial Report in relation to financial instruments.
<i>Application date for Group:</i>	1-Jul-07
<i>Reference and Title:</i>	AASB 2006-1: Amendments to Australian Accounting Standards [AASB 121]
<i>Summary:</i>	These amendments clarify the requirements relating to an entity's investment in foreign operations and assist the financial reporting of entities with investments in operations that have a different functional currency.
<i>Application date of standard:</i>	For annual reporting periods ending on or after 31 December 2006.
<i>Impact on Group Financial Report:</i>	These requirements are consistent with the Group's existing accounting policies or relate to transactions the Group has not entered into and therefore no impact is expected on the Group's Financial Report.
<i>Application date for Group:</i>	1-Jul-06
<i>Reference and Title:</i>	AASB 7: Financial Instruments: Disclosure (new standard)
<i>Summary:</i>	Addresses disclosure issues where AASB 2005-4 Amendments to Australian Accounting Standards (relating to the Fair Value Option) has not been applied.
<i>Application date of standard:</i>	For annual reporting periods beginning on or after 1 January 2007.
<i>Impact on Group Financial Report:</i>	These changes are consistent with the Group's existing accounting policies or relate to transactions the Group has not entered into and therefore no impact is expected on the Group's Financial Report.
<i>Application date for Group:</i>	1-Jul-07
<i>Reference and Title:</i>	AASB 119: Employee Benefits Disclosures (new standard)
<i>Summary:</i>	Addresses issues for post employment benefit plans.
<i>Application date of standard:</i>	For annual reporting periods beginning on or after 1 January 2006.
<i>Impact on Group Financial Report:</i>	These requirements are consistent with the Group's existing accounting policies or relate to transactions the Group has not entered into and therefore no impact is expected on the Group's Financial Report.
<i>Application date for Group:</i>	1-Jul-06
<i>Reference and Title:</i>	UIG 4: Determining whether an Arrangement contains a Lease
<i>Summary:</i>	This interpretation specifies criteria for determining whether an arrangement is, or contains, a lease.
<i>Application date of standard:</i>	For annual reporting periods beginning on or after 1 January 2006.
<i>Impact on Group Financial Report:</i>	The impacts of these amendments on the Group's Financial Report have not yet been determined.
<i>Application date for Group:</i>	1-Jul-06

BENITEC LIMITED – 2006 ANNUAL REPORT

Notes to the Financial Statements for the year ended 30 June 2006

NOTE 25: STATEMENT OF COMPLIANCE (continued)

<i>Reference and Title:</i>	UIG 5: Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
<i>Summary:</i>	Addresses the accounting for rights to interests arising from decommissioning, restoration and rehabilitation funds and for additional contributions to such a fund.
<i>Application date of standard:</i>	For annual reporting periods beginning on or after 1 January 2006.
<i>Impact on Group Financial Report:</i>	The Group has no interests in such funds and therefore no impact is expected on the Group's Financial Report.
<i>Application date for Group:</i>	1-Jul-06
<i>Reference and Title:</i>	UIG 7: Applying the Restatement Approach under AASB 129 Financial Reporting in Hyperinflationary Economies
<i>Summary:</i>	Addresses the requirement in AASB 129 for financial statements to be stated in terms of the measuring unit current at the reporting date when they are reported in the currency of a hyperinflationary economy.
<i>Application date of standard:</i>	For annual reporting periods beginning on or after 1 March 2006.
<i>Impact on Group Financial Report:</i>	The Group has no investments in foreign operations operating in hyperinflationary economies and therefore no impact is expected on the Group's Financial Report.
<i>Application date for Group:</i>	1-Jul-06
<i>Reference and Title:</i>	UIG 8: Scope of AASB 2 Share-based Payments
<i>Summary:</i>	Clarifies the scope of AASB 2 and includes transactions in which the entity cannot identify specifically some or all of the goods or services received as consideration.
<i>Application date of standard:</i>	For annual reporting periods beginning on or after 1 May 2006.
<i>Impact on Group Financial Report:</i>	Unless the Group enters into share-based payment arrangements unrelated to employee services in future reporting periods, no impact is expected on the Group's Financial Report.
<i>Application date for Group:</i>	1-Jul-06
<i>Reference and Title:</i>	UIG 9: Reassessment of Embedded Derivatives
<i>Summary:</i>	Clarifies that an entity reassesses whether an embedded derivative contained in a host contract is required to be separated from the host contract and accounted for as a derivative under AASB 139 only when there is a change in the terms of the contract that significantly modifies the cash flows that otherwise would be required.
<i>Application date of standard:</i>	For annual reporting periods beginning on or after 1 June 2006.
<i>Impact on Group Financial Report:</i>	Unless the Group enters into arrangements containing embedded derivatives in future reporting periods, no impact is expected on the Group's Financial Report.
<i>Application date for Group:</i>	1-Jul-06

BENITEC LIMITED – 2006 ANNUAL REPORT

Notes to the Financial Statements for the year ended 30 June 2006

NOTE 25: STATEMENT OF COMPLIANCE (continued)

The following amendments are not applicable to the Group and therefore have no impact.

<i>AASB Amendment</i>	<i>Affected Standard(s)</i>
2005-1	AASB 139 Financial Instruments: Recognition and Measurements
2005-2	AASB 1023 General Insurance Contracts
2005-4	AASB 1023 General Insurance Contracts and AASB 1028 Life Insurance Contracts
2005-9	AASB 4 Insurance Contracts, AASB 1023 General Insurance Contracts, AASB 132 Financial Instruments: Disclosure and Presentation and AASB 139 Financial Instruments: Recognition and Measurement
2005-12	AASB 1023 General Insurance Contracts and AASB 1028 Life Insurance Contracts
2005-13	AAS 25 Financial Reporting by Superannuation Plans
UIG 5	Rights to interests arising from decommissioning, restoration and environmental rehabilitation funds
UIG 7	Applying the Restatement Approach under AASB 129 Financial Reporting in Hyperinflationary Economies
UIG 9	Reassessment of Embedded Derivatives.

Directors' Declaration

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

In the opinion of the directors:

- (a) the financial statements and notes of the company and of the consolidated entity are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2006 and of their performance for the year ended on that date; and
 - (ii) complying with Accounting Standards and Corporations Regulations 2001; and
- (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

On behalf of the Board

A handwritten signature in black ink, appearing to be 'Peter Francis', written over a light grey rectangular background.

Peter Francis
Director

Melbourne, 14 October 2006

RSM! Bird Cameron Partners

Chartered Accountants

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INDEPENDENT AUDIT REPORT TO THE MEMBERS OF BENITEC LIMITED

Scope

We have audited the financial report of Benitec Limited and controlled entities for the financial year ended 30 June 2006 comprising the directors' declaration, income statement, balance sheet, statement of changes in equity, cash flow statements and notes to the financial statements.

The financial report includes the consolidated financial statements 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. The company's directors are responsible for the financial report. We have conducted an independent audit of this financial report in order to express an opinion on it to the members of the company.

Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance whether the financial report is free of material misstatement. Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report, and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion whether, in all material respects, the financial report is presented fairly in accordance with Accounting Standards and other mandatory professional reporting requirements in Australia and statutory requirements so as to present a view which is consistent with our understanding of the company's and the consolidated entity's financial position, and performance as represented by the results of their operations and their cash flows.

The audit opinion expressed in this report has been formed on the above basis.

Independence

In conducting our audit we followed applicable independence requirements of Australian professional ethical pronouncements and the *Corporations Act 2001*.

Audit Opinion

In our opinion, the financial report of Benitec Limited is in accordance with:

- (a) the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2006 and of their performance for the year ended on that date; and
 - (ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001; and
- (b) other mandatory professional reporting requirements in Australia.

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Liability limited by a
scheme approved under
Professional Standards
Legislation

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

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



Inherent Uncertainty Regarding Continuation as a Going Concern

Without qualification to the opinion expressed above, attention is drawn to the following matter. As disclosed in Note 1, the company and consolidated entity have continued to incur losses and are reliant on further injections of equity capital to finance ongoing operations. There is therefore uncertainty that the company and consolidated entity will be able to continue as going concerns and realise assets and extinguish liabilities in the normal course of business at the amounts stated in the financial report unless the capital injections sought by the directors are forthcoming. The financial report does not include any adjustments relating to the recoverability or classification of recorded asset amounts, or to the amounts or classification of liabilities that might be necessary should the entity not be able to continue as a going concern.



RSM Bird Cameron Partners
Sydney, New South Wales

Dated this 24 day of October 2006



H R Moll
Partner

BENITEC LIMITED – 2006 ANNUAL REPORT

Additional Information

1. Share and Option Holding Information

a. Distribution

The number of holders and amount of holdings by a range of holding sizes of the ordinary shares and options as at 29 September 2006 are detailed below.

Holding Size	Ordinary Shares		Options	
	No. of holders	Shares Held	No. of holders	Options Held
1-1,000	138	89,277	110	64,761
1,001 - 5,000	583	1,891,234	165	444,119
5,001 – 10,000	410	3,414,119	53	387,899
10,001 – 100,000	864	30,836,271	74	2,746,154
100,001 – and over	175	136,293,736	28	37,790,136
	2,170	172,524,637	430	41,433,069

b. Marketable parcels

The number of holdings less than a marketable parcel of \$500 is 1,353.

c. Substantial Shareholders

The names of substantial shareholders listed in the Company's register as at 29 September 2006 were:

Holder	Number of Ordinary Shares Held	% Held of Issued Capital
SIGMA-ALDRICH PTY LIMITED	19,531,250	11.32
NATIONAL NOMINEES LIMITED	16,492,278	9.56
INVIA CUSTODIAN PTY LIMITED <BLACK A/C>	9,569,200	5.55
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	9,221,078	5.34

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.

BENITEC LIMITED – 2006 ANNUAL REPORT

e. 20 Largest Ordinary Shareholders as at 29 September 2006

Holder Name	Number of Ordinary Shares Held	% Held of Issued Capital
SIGMA-ALDRICH PTY LIMITED	19,531,250	11.32
NATIONAL NOMINEES LIMITED	16,492,278	9.56
INVIA CUSTODIAN PTY LIMITED <BLACK A/C>	9,569,200	5.55
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	9,221,078	5.34
INVIA CUSTODIAN PTY LIMITED <WHITE A/C>	7,854,170	4.55
ANZ NOMINEES LIMITED <CASH INCOME A/C>	6,152,272	3.57
KANILO PTY LIMITED	2,800,000	1.62
COTSENVY PTY LTD <NASSER FAMILY A/C>	2,563,249	1.49
DONE NOMINEES PTY LIMITED <DONE SUPER PLAN A/C>	2,292,515	1.33
WESTPAC CUSTODIAN NOMINEES LIMITED	2,177,950	1.26
QUEENSLAND INVESTMENT CORPORATION	2,065,891	1.20
MORCAT PTY LTD	1,730,000	1.00
MANSION HOLDINGS PTY LTD <JOHN HUNT FAMILY A/C>	1,653,333	0.96
MR DAVID BURTON GIBSON	1,620,647	0.94
DR ANNABELLE CLAIRE BENNETT	1,500,000	0.87
MS ANNE TANG	1,250,000	0.72
DEPONENT SERVICES PTY LTD <LAMBERT SUPER FUND A/C>	1,200,000	0.70
DR WARNA + MRS ALANKARAGE SRIYANI KARUNASENA	1,200,000	0.70
STONY RISES PTY LTD <BOYLE FAMILY A/C>	1,200,000	0.70
MERRILL LYNCH (AUSTRALIA) NOMINEES PTY LTD	1,186,146	0.69
TOTAL	93,259,979	54.07
SHARES ON ISSUE AT 29 SEPTEMBER 2006	172,524,637	

f. 20 Largest Optionholders as at 29 September 2006

Holder Name	Number of Options Held	% Held of Options
SIGMA-ALDRICH PTY LIMITED	10,011,643	23.64
INVIA CUSTODIAN PTY LIMITED <BLACK A/C>	6,814,317	16.09
GIOVANNI NOMINEES PTY LTD	2,825,073	6.67
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	2,140,215	5.05
NATIONAL NOMINEES LIMITED	1,981,847	4.68
MR AHMED BASHIR + MRS JENNIFER LOUISE BASHIR	1,609,992	3.80
CAPPELLO GROUP INC	1,001,164	2.36
MR MAURICE ROBERT RICHARDS	990,399	2.34
INVIA CUSTODIAN PTY LIMITED <WHITE A/C>	785,417	1.85
MR ROBERT BAIN THOMAS	685,974	1.62
MR ROGER SALIBA	600,000	1.42
MANSION HOLDINGS PTY LTD <JOHN HUNT FAMILY A/C>	576,666	1.36
WESTPAC CUSTODIAN NOMINEES LIMITED	573,090	1.35
BARBARY COAST INVESTMENTS PTY LTD	500,000	1.18
MR MICHAEL GRAHAM	500,000	1.18
MR LOUIS KHAMIS + MRS MARY KHAMIS	500,000	1.18
PICTON COVE PTY LTD	486,737	1.15
MR PETER STEPHINSON	460,000	1.09
KEITH RICHARD DONOUGHIER	450,000	1.06
MR DAVID BURTON GIBSON	435,624	1.03
TOTAL	33,928,158	80.10
LISTED OPTIONS ON ISSUE AT 29 SEPTEMBER 2006	41,433,069	

BENITEC LIMITED – 2006 ANNUAL REPORT

g. Restricted securities

There are no securities on issue subject to restriction agreements.

h. Unquoted securities

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

Details of Security	Grant Date	Expiry Date	Exercise Price	Number
Options - ESOP	29-Jul-02	28-Jul-09	\$0.50	150,000
Options - ESOP	29-Jul-02	28-Jul-09	\$1.00	100,000
Options - ESOP	29-Jul-02	28-Jul-09	\$1.50	150,000
Options - ESOP	29-Jul-02	28-Jul-09	\$2.00	150,000
Options - ESOP	16-Jun-05	16-Jun-12	\$0.15	5,830,000
Options - ESOP	19-Jul-05	19-Jul-12	\$0.15	3,540,000
Options - ESOP	17-May-04	30-Sep-13	\$0.03	159,373
Options - ESOP	17-May-04	30-Sep-13	\$0.07	2,927
Options - Directors	17-May-04	30-Sep-13	\$0.17	1,953,125
Options - Other	30-Sep-03	30-Sep-13	\$0.03	17,560
Strategic Advisor Warrants	4-Aug-04	4-Aug-14	\$0.90	6,126,962
TOTAL				18,179,947

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:

Australian Stock Exchange

Regulated Unofficial Market (Freiverkehr), Frankfurt Stock Exchange

Deutsche Borse AG electronic trading system

Berlin Bremen Stock Exchange