



2004

Benitec Limited
2003 | 2004
Annual Report






Benitec

LEADER IN GENE SILENCING TECHNOLOGY

... protecting and extending,
quality of life with advanced
Gene Silencing Technology



Benitec Limited 2003 | 2004 Annual Report

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Chairman and Chief Executive Officer's Report

Dear Shareholders,

2003/2004 A Successful Year of Transition

Welcome to our third Annual Report and to this review of Benitec's activities over the past year. This has been a year of transition and substantial change for Benitec. We have transformed the Company from being a patent and licensing focused company to being a mainstream company at the forefront of RNAi therapeutics development in the USA. Our goal of becoming the global leader in the development of RNAi-based drugs and therapies for a range of diseases is now within reach. In addition, Benitec's profile has also increased within Australia and we are now regularly reported as the importance of gene silencing becomes recognized for both its scientific capability and potential commercial value.

Patent Grant in USA and UK

The year was heralded by the grant of our two core patents in the USA and UK, which came as a

complete surprise to the RNAi market and our competitors. This spring-boarded us into the international arena and limelight and challenged us to fast-track Benitec's development in its therapeutic and commercial activities. We defined critical goals for the year and all of these have been achieved. For this we need to thank our management teams both in Australia and more recently the USA, our scientists, advisors and not least my fellow Directors, for their tireless work and commitment without which we could not have made such important progress.

Benitec followed the basic principle of committing itself to the main commercial market for RNAi, the USA. Within two years the USA has become the centre for Research and Development (R&D) and commercialisation of this RNAi gene silencing technology and has now spawned an industry dedicated to bringing RNAi drugs and therapies to market. Backed by substantial grants with the support of the top US academic institutions and several hundred millions of US dollars in investment funding, there are now eight companies dedicated to RNAi, four of them publicly listed on NASDAQ. It is these companies which are our competitors, and their home market is also our market.

CSIRO Strategic Settlement and Partnership

Following the announcement of the granted patents, we increased our profiling activities in the USA aimed at opinion leaders in the scientific world, potential partners and customers. This was very successful and has laid the foundation for Benitec's increased international profile in the media and in customer markets. However, this profiling also coincided with escalation of our Australian patent dispute between Queensland DPI, Benitec and CSIRO. This caused uncertainty in our customer licensing and partnering activities and had the capability of destroying a world-beating technology invented and developed in Australia. The importance of settling this dispute was recognised by both Benitec and CSIRO and

together we agreed to forge a partnership to secure the patents and exploit its uses according to each of our areas of expertise. This high profile settlement in December provided much needed certainty for potential customers and partners, as well as enabling Citigroup to complete a successful fundraising for us which was critical to our being able to build Benitec during 2004. We will continue to work with CSIRO to build value from this technology over the coming years.

From January 2004 to the Year End

The two main tasks facing us in January were to establish our RNAi leadership position and to build shareholder value in Benitec. Increased US profiling has been achieved through numerous media articles (in the press, senior scientific journals such as *Nature* and trade magazines) as well as in numerous conference presentations undertaken by senior management in the USA, Europe and Australia. The result of this exposure was seen recently in Benitec's inclusion as a leader in the field in a front page article in the *New York Times* in early September.

Benitec's reputation with stakeholders, including our shareholders, collaborative partners and customers, is based upon the integrity of our data supporting our scientific development activities, the risks and rewards of our therapeutic programs and our future growth potential. Integrity is the Company's core value and our commitment to this is absolute. This is a new technology. It is critical that we act and are seen to act in an open and honest manner. With this high reputation, we will be increasingly successful in satisfying all of our stakeholders' requirements.

Licensing

The patent settlement, additional patent grants and increased profiling have all contributed to our increased research licensing capability. Particularly

notable was the global non-exclusive research license granted to Merck and announced in July. This is a major achievement and highlights the recognised importance of our ddRNAi technology, generating substantial up-front and annual fees for a research-only license. This followed many months of due diligence by Merck and such usage and recognition of our patent position increases our marketability for further licensing activity.

Protection of Our Patent Estate

We have invested substantial time and shareholders' money in building our patent estate and have the earliest priority date for our ddRNAi patents. This patent estate now comprises eight issued patents with over 65 patent applications, covering 19 jurisdictions. Such estate requires protection if we are to receive the substantial downstream revenues to which we are entitled. This revenue will be earned from the development of proprietary drugs and therapies, both in-house and those disease targets we out-license to third parties. We therefore have adopted a strategy of protecting our patent estate, if necessary by legal action. We commenced three infringement actions this year and have successfully settled two of these cases by agreeing licenses. This third case continues in the US courts.



Your Board is aware of the costs associated with such infringement actions, but will continue to protect our patent portfolio. In anticipation of the future value of Benitec's technology and our patents, which we jointly own with CSIRO, we took the precaution of insuring our patent estate with Lloyds of London for the last three years, including the years in which these three legal actions were commenced.

The on-going infringement action commenced by the Company is against a US-based company, Nucleonics, in the Delaware courts. Nucleonics has requested the Australian Patent Office to review one of the Company's and CSIRO's jointly owned and issued patents, questioning its validity. Taking account the number of examinations undertaken on the jointly owned patent estate by patent offices around the globe and the successful current licensing activities, we believe the Company's position is strong.

We are increasing the breadth of our RNAi patent estate covering both si and dd RNAi technology, including disease targets and delivery mechanisms. As we filed our priority core patents in 1998 and 1999, we will continue receiving notices of grant in other jurisdictions over the coming year.

Development of RNAi Therapeutics

We anticipate further licensing activity over the coming months, but whilst research licensing is a mark of both customer acceptance of Benitec's patent position and usage of our particular brand of gene silencing (known as DNA directed RNAi or ddRNAi), this alone will not provide our shareholders with long-term value. This will only occur if Benitec conducts its own therapeutic programs and attract partners over the course of clinical trials to produce drugs and therapies. We therefore had either to start therapeutic programs or leverage our patent position to forge collaborations and partnerships with others who already had



Promega's licence agreement is now non-exclusive. This is subject to a contractual dispute and again is the subject of Delaware litigation commenced by the Company. We are meanwhile, continuing our successful ongoing licensing activities for ddRNAi products, research licences and will soon grant commercial licences for therapeutic development. This last licensing activity is the most important for the Company's future and does not form part of Promega's original licensing authority and is not, therefore, a part of the contractual dispute.

advanced RNAi disease programs. We chose the latter course. From July 2003 we had been in licensing discussions with Avocel Inc. due to their usage of our ddRNAi technology in their Hepatitis C program (HCV). We turned a licensing opportunity into an acquisition and with it, became a recognised US-based RNAi therapeutics company. It provided us with our first disease program, HCV, the most senior team expertise in viral diseases with clinical capability, a US base and established links to Stanford University.

In order to increase our value and reduce the risk associated with having only one disease program, we again leveraged our patent position on ddRNAi with an historic R&D relationship to identify our second therapeutic program. This second and recently announced program is for the development of a life-extending treatment for HIV with the renowned City of Hope Hospital based in Los Angeles. Both this HIV and our Hepatitis C programs are based on our proprietary technology and we anticipate clinical trials occurring in late 2005 and early 2006 respectively. This will put us amongst the first RNAi companies to enter patient trials, in diseases which are presently incurable and which therefore offer the unique possibility of a life-extending treatment if this technology succeeds in clinic, as well as their early pre-clinical development programs.

A Combined RNAi Offering

During 2003 we were acutely aware of the increasing use by our competitors in RNAi using the alternative RNAi technology, termed "siRNA", and of the advances being made in its development. We recognised the importance of developing expertise in both forms of RNAi. With the acquisition of Avocel, we gained that expertise and also were assigned their siRNA patents. Our combination of dd and si expertise and patent position is unique. No other RNA company has such breadth of capability and as both technologies develop, it is likely that each will find distinct therapeutic capabilities. Benitec is uniquely placed to benefit from such developments and as with its existing programs, to agree collaboration and partnership opportunities leveraging our broad technology and clinical capabilities.

Corporate Governance and Compliance

The Board's commitment to the principles and guidelines of the Australian Stock Exchange Corporate Governance and Best Practice Recommendations (ASX Guidelines) is absolute. Recently, I was pleased to announce the

appointment of Rob Thomas as Deputy Chairman and Non-Executive Director. He was closely involved with the settlement of the CSIRO dispute and he continues to bring a wealth of independent thinking to our financial and overall corporate strategy.

Also during the year, Ray Whitten was appointed as Chairman of the Newcastle Stock Exchange, bringing additional compliance experience to our Board.

We are aware of the need for additional independent Directors to strengthen our Board and this continues to be a priority for us. We have also announced our intention to list the Company on NASDAQ in conjunction with our ASX listing and as part of this process will be appointing new Non-Executive Directors for the USA as well. As such, we have decided to identify candidates for both of our Boards representing relevant industry experience as well as senior governance capability. In the meantime, we continue to uphold the highest standards of reporting to the ASX and internal review processes.

Benitec is a company of which we should all be proud. It is well placed to capture the value of RNAi therapeutics and a pioneer in building new drugs and therapies for the treatment of currently incurable diseases. We have a number of hurdles to overcome in the development of such treatments but with the continued commitment from your Board and support from shareholders, we have the best opportunity to succeed in this endeavour and to provide all stakeholders with commensurate increased value.



John McKinley

CHAIRMAN

Corporate Governance Statement

Roles and Responsibilities

The Board of Directors (the "Board") is responsible for the governance of the corporate and operational affairs of Benitec Limited. 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 Executive Chairman and 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 Executive Chairman and CEO to manage the business of the Company and to the Company's various Board Committees. 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 Directors.

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 two Executive Directors and three Non-Executive Directors ("NEDs"). The members of the Board and brief resumes are contained in the schedule to the Directors' Report.

The Board has resolved that a majority of the members of each Board Committee should be NEDs, and that the Audit and Compliance Committee, the Remuneration Committee and the Corporate Governance Committee should be chaired by Non-Executive Directors.

The Board has approved that NEDs should meet at least twice a year in the absence of management and at such other times as they may determine.

The Board is cognisant that Mr McKinley acts as Executive Chairman. In accordance with ASX Guidance Note 9 (ASXGN9) on Corporate Governance, Mr Robert Thomas, given his independence, has been elected to act as lead Director. The Board constantly reviews this position. In light of the proposed NASDAQ listing, the Company intends to appoint new Non-Executive Directors for the USA.

Mr Raymond Whitten and Mr Gary Taylor, both are substantial shareholders of the Company and non-executive directors. In accordance with ASXGN9 they are deemed not to be independent. The Board however considers that both Directors add substantial value to the Company.

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 Board is currently considering the appointment of additional Non-Executive Directors with specific biopharmaceutical industry experience

within the USA and Australasia who will serve on the boards of group companies governing the respective markets in which the Company is listed.

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 10 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;
- 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, notifies the Board of such and a decision is made as to whether the Board member concerned is to be excluded from making decisions that relates to the particular matter. The Company's constitution allows a Director to enter into any contract with the

Company other than that of auditor for the Company, subject to the law.

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

Audit Committee – Integrity of Financial Reporting

The Committee comprises three NEDs. They are Mr Gary Taylor, who chairs the Committee, Mr Rob Thomas and Mr Raymond Whitten.

Audit and Compliance Committee meetings are held periodically throughout the year and attended, where appropriate and as requested, by all Directors, representatives of the Company's auditors and, as required, other Company executives and external advisors. Details of the meetings are set out in the Directors' Report. The Committee also meets and communicates privately with the external auditors outside the formal meetings schedule.

The main objective of the Committee is to assist the Board of Directors in reviewing any matters of significance affecting financial reporting and compliance of the Group 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 Group'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 ASX and make it available on the 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 Report and other ASX required reports in accordance with the law and regulations. In addition, it is the custom of the Chairman to provide shareholders with a quarterly newsletter, reviewing past and future activities.

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 mentioned on the first section of this report. Alternatively, the Company Secretary is available to respond to any urgent inquiry.

The Chairman encourages questions and comments at the Annual General Meeting ensuring that shareholders have a chance to obtain direct response from the Chief Executive Officer 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 John McKinley and Dr Ken Reed are responsible for raising 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 will be formed to assist the Board in assessing risks and making recommendations. Where appropriate or desirable, such committee will seek external advice from experts.

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 be re-elected 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 NEDs. The assessment covers:

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

The Chief Executive Officer reviews his 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 Benitec Group's remuneration levels are appropriate in the markets in which it operates and are applied, and seen to be applied, fairly. The members are Mr Gary Taylor (Chairman of the Committee), Mr Rob Thomas and Mr Raymond Whitten. The Committee has the responsibility to:

- review and approve, on behalf of the Board, annual budgets which include recommendations for annual staff remuneration made by management, including 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 Executive Committee relating to the cessation of employment of senior executives.
 - b) recommendations of the Executive Committee

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 Executive Chairman or Chief Executive Officer.
 - b) remuneration recommendations relating to the Executive Chairman and Chief Executive Officer.

The Committee has a regular meeting every six months and meets more often 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 only pays the Executive Directors, Mr John McKinley and Dr Ken Reed. The Board has recommended, subject to shareholder approval, Director's fees to be paid to NEDs. As stated in the Directors' Report, Mr Gary Taylor's company receives fees for professional accounting services and Mr Raymond Whitten's legal firm receives fees for professional legal consultancy 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.

Institute for Molecular Biology, St. Lucia, Qld
- Benitec's Australian research base



Directors' Report

Your Directors are pleased to present their report on the Company and its controlled entities for the financial year ended 30 June 2004.

Directors

The names of Directors who have served in office at any time during or since the end of the year are:

- Mr John McKinley
- Dr Kenneth C Reed
- Mr Gary Taylor
- Mr Michael A Cox (resigned 19 December 2003)
- Mr Raymond Whitten
- Mr Robert B Thomas (appointed 7 May 2004)

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

Principal Activities

Benitec is an RNAi-based therapeutics company using its proprietary ddRNAi technology to develop drugs and therapies for the treatment of currently incurable diseases. The Company licences its technology outside of its core in-house programs generating revenue to support its corporate and operational activities.

The principal activities of the economic entity during the financial year were:

1. Development of the Company's proprietary gene silencing technology.
2. Expansion of its Intellectual Property portfolio particularly its issued patent estate.
3. Development of its pre-clinical disease programs, HCV and HIV.
4. Expansion of the management team, particularly in the USA.
5. Commencement of its US operations covering therapeutic development and commercialisation.
6. Licensing activities.

Operating Results

The consolidated loss of the economic entity after providing for income tax amounted to \$7,827,227.

Dividends Paid or Recommended

No dividends were paid during the year and no recommendation was made as to payment of dividends.

Significant Changes in State of Affairs

1. In December 2003 the Company entered into a strategic partnership with CSIRO and settled the dispute over its core patents.
2. In December 2003 Citigroup successfully completed a placing of AU\$10.9 million for the Company.
3. In May 2004 the Company acquired Avocel Inc., a US-based RNAi therapeutics company.

Review of Operations

During the year the Company has achieved all of its ambitious goals. It has been transformed from an Intellectual Property-based licensing Company into an RNAi therapeutics Company, with two advanced disease programs, Hepatitis C and HIV progressing to clinic in 2005 and 2006. The Company has established a strong presence in Sunnyvale, California which undertakes both the

therapeutic development programs and the commercialisation activities.

We have established a high profile Scientific Advisory Board (SAB) comprising recognised practitioners in RNAi and members whose expertise covers regulatory, delivery and drug development both in RNAi and in traditional drug development methods. The SAB acts in a supervisory role, overseeing our clinical programs ensuring regulatory compliance and practical feasibility for future trials. More importantly, the SAB ensures the highest standards of data are maintained in support of our clinical development programs and in our R&D activities.

RNAi as a technology, and now as an industry, is moving faster than anyone imagined possible. From initial doubts as to its basic capability to affect the human genome two years ago, it is already an accepted protocol for functional genomics, as a research tool, by virtually every pharmaceutical company and leading research institute. Companies have already filed applications for clinical trials and are about to enter Phase I clinical trials in the USA. Benitec intends to do so in 2005/06 for its two current programs. The integrity of our data will build the necessary trust with our stakeholders and ultimately our clinical patients, to ensure that the extreme capabilities of this extraordinary technology are used to extend lives blighted by incurable diseases and potentially to look at cures for such diseases in the future.

Key Milestones achieved during the year were:

- Announcement of ground breaking simultaneous disabling of multiple genes through RNAi with patent filing.
- Strategic partnership with CSIRO and settlement of all IP related issues.
- Successful placing through Citigroup.
- Appointment of Professor John Rossi as Chair of SAB.
- Appointment of Rob Thomas as Non-Executive Director and Deputy Chairman.
- Acquisition of Avocel, Inc.
- Appointment of Professor Mark Kay as Deputy Chair of SAB.
- Commencement of first therapeutic program for HCV.

After Balance Date Events

- Collaboration with City of Hopel, Los Angeles to use ddRNAi in the treatment of HIV.
- Issue of research licence to Merck Inc.
- Grant of additional core patents in UK and Canada.
- Appointment of Cappello Capital Corp as the Company's strategic corporate advisor.

Future Developments

The Company is obliged, subject to strict exceptions, to immediately disclose on the ASX information that is likely to have an effect on the price or value of its securities. Accordingly, the description of future developments set out below must, by necessity, be given in general terms and objectives for the management team.

The likely developments in the operations of the economic entity are as follows:

1. Recruitment of additional experienced business development and therapeutic personnel.
2. Extension of the US-based Scientific Advisory Board.
3. Further collaborations providing third party validation of the Company's technologies.
4. Additional research tool and research only licensing.
5. Development of the Company's HCV and HIV in-house human therapeutic programs, leading to regulatory approval for Phase I clinical trials in 2005/06.
6. Identification of cancer program and collaborative partner.

7. Formation of alliances and cross-licensing with third parties in relation to in-licensing requirements for therapeutic development.
8. Identification of commercial therapeutic partners.
9. Extension of the Company's Intellectual Property platform in both dd and si RNA.
10. Progression of the Company towards listing in the USA.

Environmental and Human Resource Issues

Benitec's laboratories are situated in the Queensland Biosciences Precinct and Sunnyvale, California. The Company is responsible to ensure its employees comply with the facility's Occupational Health and Safety ("OH&S") regulations as well as having a primary responsibility to its employees and any other persons associated with the Company working in its laboratories or at its administrative premises. We have an obligation to provide safe workplaces and a safe working environment, to adopt safe work methods with appropriate training and supervision procedures, to adopt measures which will minimise the risks and harmful effects of fire, explosion, exposure to hazardous chemicals or organisms and to provide appropriate protective equipment. The Company has appointed OH&S officers, in each jurisdiction, whose function it is to review all OH&S matters, to make recommendations upon such issues as may from time to time be appropriate from new working practices or from the adoption and handling of new technologies and materials and to ensure compliance of all staff with the policies, rules and guidelines set out in both the Company's OH&S manual.

All staff are bound under their contract of employment to comply with all policies and regulations relating to OH&S which are notified to them from time to time during the currency of their employment.

The Company adopts best practice in its human resource management, in order to maintain and attract the best workforce to accomplish the Company's goals and objectives.



Institute for Molecular Biology, St. Lucia, Qld
- Benitec's Australian research base

Information on Directors



Mr John McKinley, Age 50 (Director, CEO and Executive Chairman)

- | | |
|--------------------------|---|
| Qualifications | • LLB (Hon), Solicitor (UK) |
| Experience | • Over 16 years in the biotechnology industry |
| Special Responsibilities | • Executive Chairman and CEO |



Dr Ken Reed, Age 59 (Executive)

- | | |
|--------------------------|---|
| Qualifications | • BSc, MSc, PhD |
| Experience | • Deputy Chairman of the Government's Biotechnology Advisory Council and has more than 20 years research experience |
| Special Responsibilities | • Director of Research and Technology; responsible for research and development activities |



Mr Robert Thomas, Age 59 (Non-Executive and Deputy Chairman)

- | | |
|--------------------------|---|
| Qualifications | • BEcon, FSIA |
| Experience | • Chairman, Citigroup Global Corporate & Investment Bank, Australia and New Zealand and has over 30 years experience in the securities industry |
| Special Responsibilities | • Member of the Remuneration Committee and Member of the Audit Committee |



Mr Gary Taylor, Age 47 (Non-Executive and Company Secretary)

- | | |
|--------------------------|--|
| Qualifications | • BBus, CA |
| Experience | • Chartered Accountant with over 21 years experience in business services |
| Special Responsibilities | • Chairman of the Audit Committee and Chairman of the Remuneration Committee |



Mr Raymond L Whitten, Age 56 (Non-Executive)

- | | |
|--------------------------|---|
| Qualifications | • BA, LLB, LLM
Master of Laws (UTS), Accredited Specialist Business Law, Notary Public |
| Experience | • Chairman of Newcastle Stock Exchange and over 30 years legal experience |
| Special Responsibilities | • Member of the Remuneration Committee and Member of the Audit Committee |

Payments to and Financial Interests of Directors

John McKinley

Mr John McKinley has or is entitled to receive remuneration of \$648,811 with no superannuation paid, for the year ended 30 June 2004 (at the rate of GBP240,000 per annum).

This salary is to be reviewed at least once each year.

Mr McKinley holds 3,500,000 options as outlined in table below.

Mr McKinley has an interest in the securities of the company as outlined in the table below.

Ken Reed

Dr Ken Reed has or is entitled to receive remuneration of \$200,699, inclusive of superannuation for the year ended 30 June 2004 (at the rate of \$180,000 per annum).

This salary is to be reviewed at least once each year.

Dr Reed holds 2,000,000 options as outlined in table below.

Dr Reed has an interest in the securities of the company as outlined in the table below.

Gary Taylor

Mr Taylor is the principal of Bentley Barton, Chartered Accountants. Bentley Barton has received or is entitled to receive the sum of \$175,368 for the year ended 30 June 2004 for accounting and corporate secretarial services.

Bentley Barton has received or is entitled to receive the sum of \$35,695 since the 30 June 2004 for accounting and company secretarial services

These services were charged for at a discount to normal commercial rates.

Mr Taylor has 750,000 options as outlined in table below.

Mr Taylor has an interest in the securities of the company as outlined in the table below.

Raymond Whitten

Raymond Whitten is the principal of Whittens Lawyers & Consultants. Whittens Lawyers & Consultants has received or is entitled to receive the sum of \$36,227 for the year ended 30 June 2004 for legal services. This fee includes all professional costs associated with preparing the ABJV offer.

Whittens Lawyers & Consultants has received or is entitled to receive the sum of \$3,262 since the 30 June 2004 for legal services.

These services were charged for at normal commercial rates.

Mr Whitten holds 1,750,000 options as outlined in the table below.

Mr Whitten has an interest in the securities of the company as outlined in the table below.

Directors' Interest in Shares and Loans

As at the date of this Annual Report and as previously advised to the ASX, Directors, including their associates, have interests in the following shares of Benitec Limited:

Name	Number of Fully Paid Ordinary Shares	Number of Options	Exercise Price
John McKinley	2,000,000	\$0.50	\$2.00
	721,600	1,000,000	
	500,000	\$2.50	
Ken Reed	1,000,000	\$1.00	\$2.00
	952,000	750,000	
	250,000	\$2.50	
Gary Taylor	5,094,030	375,000	\$2.00
	375,000	\$2.50	
Ray Whitten	1,000,000	\$1.00	\$2.00
	7,893,263	375,000	
	375,000	\$2.50	
Robert Thomas	250,000	Nil	n/a

There are no loans to Directors.

Directors' Remuneration Summary

Parent Entity Directors'	Salary Consultants Fees \$	Directors' Fees \$	Committee Fees \$	Superannuation Contributions \$	Fair Value of Options Granted \$	*Other Benefits \$	Total \$
Mr J McKinley	648,811	-	-	-	56,981	-	705,792
Dr K Reed	179,999	-	-	20,700	39,054	-	239,753
Mr G Taylor	-	-	-	-	20,084	175,368	195,452
Mr R Whitten	-	-	-	-	20,164	36,227	56,391
Mr R Thomas	-	-	-	-	-	-	-
Mr M Cox	-	-	-	-	20,164	-	20,164

*Other benefits consisted of payments for services rendered by related parties.

Directors' Meetings

During the financial year, twelve meetings of Directors (including committees) were held.

Attendances were:

Name	DIRECTORS' MEETINGS		AUDIT COMMITTEE		REMUNERATION COMMITTEE	
	Number eligible to attend	Number attended	Number eligible to attend	Number attended	Number eligible to attend	Number attended
Mr J McKinley	10	10	-	-	-	-
Dr K Reed	10	10	-	-	-	-
Mr G Taylor	10	10	1	1	1	1
Mr M Cox	6	6	-	-	-	-
Mr R Whitten	10	10	1	1	1	1
Mr R Thomas	1	1	1	1	1	1

Options to Directors

During the financial year ended 30 June 2004, the following options were granted and exercised:

Name	Balance 1.7.03	Granted as Remuneration	Options Exercised	Balance 30.6.04
Mr John A. McKinley	2,000,000	1,500,000	-	3,500,000
Dr Kenneth C. Reed	1,000,000	1,000,000	-	2,000,000
Mr Gary Taylor	300,000	750,000	(300,000)	750,000
Mr Raymond Whitten	1,000,000	750,000	-	1,750,000
Mr Michael Cox	1,000,000	750,000	-	1,750,000
Mr Robert B. Thomas	-	-	-	-
	5,300,000	4,750,000	(300,000)	9,750,000

Options in issue

At the date of this Annual Report, the company has a total of 17,724,176 options to acquire Ordinary Shares in the Company. All options are unlisted, restricted and are categorised as follows:

Type	Number
Employees Share Option Plan (ESOP)	1,034,176
Directors' Options	9,750,000
Other*	6,940,000
Total	17,724,176

*Other options have the expiry date of 31 December 2004 and are exercisable at \$1.00

Employees Share Option Plan (ESOP)

Employee options are regulated by the plan which has been previously announced. In summary, all options fall under the ESOP expire the dates set out below. Options held by any employee who resigned earlier will expire on a time determined by the Board or otherwise 6 months. The Board has the power to adjust, amend and cancel the ESOP.

The following table list detail of outstanding ESOP.

Option exercise date and exercise price	Number
28 July 2009 at \$0.50	190,000
28 July 2009 at \$1.00	195,000
28 July 2009 at \$1.50	187,500
28 July 2009 at \$2.00	187,500
30 Sept 2013 at \$0.03	115,133
30 Sept 2014 at \$0.03**	78,058
30 Sept 2015 at \$0.03**	78,058
30 Sept 2016 at \$0.07**	2,927
Total	1,034,176

**These employee options are those of Avocel Inc. employees as a result of their conversion into BLT options under the BLT ESOP.

Indemnifying Officers or Auditor

During the financial year, the Company paid a premium in respect of a contract insuring the Directors of the Company, the Secretary and all officers of the Company and any associated company, against any liability incurred by such a Director, Secretary or officer to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

The Company has not otherwise, during or since the end of the financial year, indemnified or agreed to indemnify an officer or auditor of the Company, or of any associated company, against any liability incurred by such an officer or auditor.

Proceedings on behalf of the Company

There is an on-going infringement action commenced by the Company against a US-based company, Nucleonics, in the Delaware courts. Nucleonics has requested the Australian Patent Office to review one of the Company's and CSIRO's jointly owned and issued patents, questioning its validity. Taking account the number of examinations undertaken on the jointly owned patent estate by patent offices around the globe and the successful current licensing activities, we believe the Company's position is strong.

Promega's licence agreement is now non-exclusive. This is subject to a contractual dispute and again is the subject of Delaware litigation commenced by the Company.

Signed in accordance with a resolution of the Board of Directors.



John McKinley

EXECUTIVE CHAIRMAN

AND CHIEF EXECUTIVE OFFICER

Dated this 30 September 2004

Information on Scientific Advisory Board



Prof John J Rossi, PhD (Chair of SAB)

John Rossi was appointed as Chair of Benitec's SAB in September 2003.

Dr Rossi is currently Chair and Professor of the Division of Molecular Biology at the Beckham Research Institute of the City of Hope (Duarte, CA). The City of Hope is a Comprehensive Cancer Center dedicated to developing innovative new disease-fighting strategies in the battle against cancer, as well as HIV/AIDS and other life threatening diseases. Dr Rossi has worked extensively with RNAi, and is pioneering the use of ddRNAi as a therapy for HIV.



Prof Mark A Kay, MD, PhD (Deputy Chair of SAB)

Mark Kay is Director of the Human Gene Therapy Program at Stanford University School of Medicine and Professor in the Departments of Pediatrics and Genetics. He is one of the founders of Avocel Inc. and is currently the Vice President of the American Society of Gene Therapy. He is respected worldwide for his work in gene therapy and RNAi drug development.

Prof Kay's laboratory at Stanford University was first to demonstrate the effective in vivo use of RNAi as a therapeutic against a mouse hepatitis disease model. His work on viral diseases is considered a seminal step in the advancement of RNAi technology. He also serves as a strategic consultant to Benitec's Hepatitis C and related viral programs.



Prof David Engelke, PhD

David Engelke is Director of the Program in Biomedical Sciences at the University of Michigan where he also has an appointment as Professor of Biological Chemistry.

Professor Engelke's extensive research and consulting activities stem from his world class expertise in the cellular synthesis, localisation and processing of small RNAs, key among which are the small RNAs that induce RNA interference. Professor Engelke recently edited a definitive textbook on RNAi technologies and is co-editor, with Professor Rossi, of a forthcoming major book on "RNA Interference."



Dr Robert E Lanford, PhD

Robert Lanford is a Scientist in the Department of Virology and Immunology at the Southwest Foundation for Biomedical Research in San Antonio, Texas. He received his doctoral degree from Baylor College of Medicine in 1979, and has been conducting research and lecturing in the fields of virology and immunology for over twenty years with extensive research in the area of hepatitis virus.

Dr Lanford has published over 100 scientific articles in peer review journals, including the *Journal of Virology*, *Virology*, *PNAS USA*, and the *Journal of Biological Chemistry*. Currently, Dr Lanford also serves as an Adjunct Professor in the Department of Microbiology at the University of Texas Health Science Center in San Antonio.



Prof Jo Milner, PhD

Jo Milner is currently Yorkshire Cancer Research Professor of Cell Biology, and Director YCR P53 Research Group at the University of York, UK. Prof Milner is recognized within the scientific community for her pioneering work on the application of RNAi as a therapeutic approach to treat human disease with particular emphasis on human cancer.

Prof Milner's research has an initial focus upon human cervical cancer and human colorectal carcinoma, both of which are amenable to topical application of therapeutic agents.

Prof Milner has served as a peer reviewer of manuscripts for journals such as *Nature*, *Nature Medicine*, *Nature Cancer*, and *EMBO*. She has been an initiator, fund-raiser and coordinator of international research networks (EU) as well as a committee member of the British Society for Cell Biology.



Dr David W Russell, MD, PhD

David Russell is Associate Professor of Medicine at the University of Washington, Seattle, where his research program focuses on stem cells and gene therapies. Dr Russell is renowned within the scientific community for his work on the use of viral vectors to improve gene targeting rates and the transduction of stem cells. This involves the successful use of modified viral vectors to efficiently deliver nucleic acids to cells.

Dr Russell has published extensively in peer review journals, including *Nature*, *Cell*, *Journal of Virology* and the *Journal of Biological Chemistry*. He sits on the editorial boards of *Molecular Therapy*, *Human Gene Therapy* and *Current Gene Therapy*.



Prof Cy Stein, MD PhD

Cy Stein is Head of Medical Genitourinary Oncology and Professor of Medicine, Urology and Molecular Pharmacology at the Albert Einstein College of Medicine, New York. He also serves as an Attending Physician at the Montefiore Medical Center and is a Diplomate of nearly 20 years' standing of both the American Board of Internal Medicine and the American Board of Oncology.

Professor Stein's distinguished career in research and treatment of cancers has seen him involved for the past 15 years with leading pre-clinical and clinical trials of nucleic acid therapies for cancers, with increasing emphasis in recent years on RNA interference.

Benitec - ddRNAi

Our Commanding Market Position



Dr Mick Graham – the inventor of ddRNAi technology & Dr. Denes Hamerli, background.

How does Benitec's technology work?

In this section of our Annual Report we endeavour to more fully explain to shareholders our technology, its potential applications and why our approach facilitates greater opportunity for tangible, secure commercial exploitation.

In the interests of keeping this section to a manageable size the content has been generalised and based on what occurs in the majority of situations under normal circumstances. Nature being what it is, exceptions to the mainstream will always evolve.

Background

DNA and genes have variously been described as being at the core and control of all biological processes.

DNA's mode of action can be well illustrated by using computers as a good analogy.

Computers are controlled by computer code – a 2-base or binary code – a series of 0's & 1's. Every action is controlled by a binary code sequence and all data is stored in binary code. The number 1 is stored by a computer as '1', 2

as '10', 3 as '11', 6 as - '110' , 7 as '111' and so on. A sequence like 1000111001001001001..... may cause a word to be underlined, another, 1110011010011101001..... may cause a document to print and so on.

Binary code controls all the functions of a computer, and all data in a computer is converted into binary code for storage.

Similarly cells are controlled by a code, the Genetic Code, a 4-base code based on the 4 DNA bases – Adenine, Thymine, Guanine, Cytosine. So a strand of DNA may contain a sequence like ATTAGCATTACCCGG..... and so on.

Individual code sequences control individual cell functions – similar to a computer. The cell has mechanisms which are able to read a coded DNA sequence, produce the protein specified by the code, and then that protein elicit the required function.

The cells of multi-celled organisms, like mammals and humans, operate in the same manner with the addition of communication between cells, by for example, a nervous system or hormonal communication between cells. Indeed even these hormones are encoded in the DNA of the cell.

The DNA code contains all the information needed for the cell to make another cell just like itself, to replace parts and repair itself and the information needed to control and regulate cell functions, and to communicate with other cells in the case of multi-celled organisms. All this data is stored as this 4-base code on strands of DNA in what is referred to as the genetic code - or our genes.

The mechanism for turning this code into a cellular component or eliciting some form of control occurs by the following mechanism.

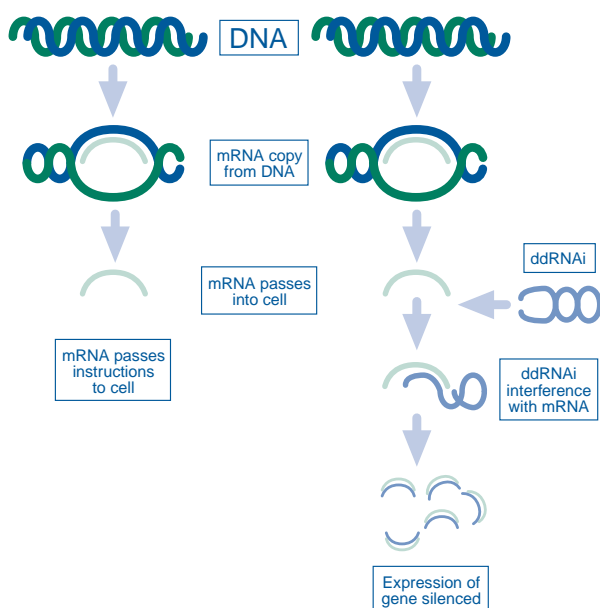
1. DNA code is read and copied from a DNA strand onto an RNA strand.
2. After being copied from the DNA code, the RNA strand passes out from the nucleus into

the main body of the cell. Hence the name 'messenger RNA' -mRNA.

3. mRNA is used by cells to carry the coded message from the DNA to relevant parts of the cell for action.

An interruption at any stage of this process disrupts transmission of the coded message meaning that the desired action doesn't occur.

Equally if the code is incorrect or damaged, this will result in an incorrect result. If this incorrect result is major this may well result in a disease state.



Gene Silencing

Benitec's technology is based in the interruption of the DNA code communication process at the mRNA stage, effectively interfering with the genetic code's ability to communicate. This is termed - RNA Interference - hence RNAi, or 'gene silencing'. By blocking the mRNA with RNAi the gene's code is not communicated to the cell mechanisms for action. The gene has been 'silenced'.

Gene silencing is a naturally occurring process. Cells are able to mount a rigorous defence against viruses – foreign and invading genetic material - by silencing the virus' genes. Viruses introduce their DNA into healthy cells (infect the

cell), and effectively 'hijack' the cell's own internal living processes, to reproduce the viral DNA and make new virus particles. The cell becomes filled with viral particles, finally bursts and dies releasing a mass of new viruses ready to infect surrounding cells and repeat the process. When this occurs in enough cells a disease state occurs. Cells are however naturally able to mount a defence against viruses. When the cell detects foreign genetic material it activates the RNAi interference process to disable the foreign RNA.

Benitec's technology enables the activation of RNAi to interrupt – silence genes – in a targeted manner. This is a precise and proven technology for controlling any gene in any cell.

Thus:

- in the case of a genetic disease e.g. many cancers, Benitec will structure its technology to silence the genes causing the cancer to develop
- in the case of a viral disease state – AIDS/HIV – Benitec's technology will be able to silence the viral genes from being expressed, preventing the development of the disease state.

Since Benitec has targeted the very core of control within cells – the DNA Code itself – it now controls an extremely powerful platform technology, enabling application across a broad range of conditions in humans.

Technical Advantage

RNAi technology today can be divided into two categories - siRNA and ddRNAi.

siRNA technology involves the use of small interfering RNA strands which are synthetic in nature, 'small interfering RNA' – hence siRNA.

ddRNAi technology involves the use of larger

strands of interfering RNA which is directed by DNA - DNA Directed RNA interference – ddRNAi.

ddRNAi is introduced into cells using a natural biological entity called a plasmid. The ddRNA is reproduced by the target cell's own genetic processes, and so ddRNA only needs to be introduced in very small quantities to elicit a measurable response. The ddRNA causes the cell to produce RNA that causes the target mRNA to be inactivated.

Benitec's comprehensive ddRNAi & siRNA technologies enable the cell to heal its own disease state by silencing its own errant gene(s).

and biologically-derived medicines for diseases such as cancers, the biologicals are superior to their man-made competitors. Indeed nearly 50% of medicines in clinical trials today are biologically derived.

2. As a research tool for diagnosis and genetic research.

Since ddRNAi & siRNA are able to be so specifically targeted, they are rapidly becoming recognised tools among the scientific community for the study and advancement of genetics. One can target a gene, silence it, and then observe and measure the effect. The



Dr. Denes Hamerli and right, Dr Mick Graham – the inventor of ddRNAi technology

Market Opportunities

1. As a therapeutic treatment – a medicine – for treating diseases like: Hepatitis B & C, HIV/AIDS, and Cancers.

ddRNAi & siRNA represent key platform technologies in the field of RNAi and are having a major impact in delivering genetically-based treatments to intercept disease states; both when they have developed, and before they develop.

When making a comparison between man-made

specificity offered by Benitec's RNAi technologies represent a quantum leap for researchers, empowering them in the study of human disease states. Major pharmaceutical companies are already engaging in both forms of RNAi technology.

Summary

Benitec Ltd holds a commanding position in the field of RNAi technology, and is rapidly evolving from a research and development company into a therapeutics company. The Company's mission too has emerged, from one of discovering and quantifying RNAi technology to the application opportunities of this technology for protecting and improving the health of society.

Benitec – LEADER IN GENE SILENCING TECHNOLOGY

- The first company to trigger RNAi in mammalian cells and in whole mammals.
- Exclusive worldwide rights for applying this technology to human cells and for the development of human therapeutics.
- Combined dd and si RNAi capability offering comprehensive disease program coverage.
- Commercialising its unique position in RNAi technology for high value biomedical and therapeutic applications.
- Leading IP/patent position with 9 issued patents in 7 jurisdictions, including USA, Canada, UK and Australia. Additional coverage of over 65 patents filed in 19 jurisdictions.

Finance Report

Financial Statements and Notes to the Financial Statements

Statement of Financial Performance

For the year ended 30 June 2004

	Note	Economic Entity		Parent Entity	
		2004	2003	2004	2003
		\$	\$	\$	\$
Revenue from ordinary activities	2	716,599	733,879	-	3,112
Cost of Sales		-	(1,959)	-	-
Gross Profit		716,599	731,920	-	3,112
Other revenues from ordinary activities	2	152,015	21,250	222,508	5,100
Revenue from non-operating activities	2	2,100	(141,531)	-	(12,239)
Marketing costs		(604,718)	(361,986)	-	(24,702)
Occupancy costs		(155,505)	(103,098)	-	-
Administration expenses	3	(7,897,498)	(8,167,578)	(495,485)	(1,195,390)
Borrowing costs expense	3	(35,893)	(178,466)	(31,415)	(3,329)
Other expenses from ordinary activities		(4,327)	(30,178)	-	-
Loss from ordinary activities before income tax		(7,827,227)	(8,229,667)	(304,392)	(1,227,448)
Income tax expense relating to ordinary activities	4	-	-	-	-
Loss from ordinary activities after related income tax expense		(7,827,227)	(8,229,667)	(304,392)	(1,227,448)
Net Loss attributable to members of the parent entity		(7,827,227)	(8,229,667)	(304,392)	(1,227,448)
Total changes in equity other than those resulting from transactions with owners as owners		(7,827,227)	(8,229,667)	(304,392)	(1,227,448)
Basic earnings (loss) per share (cents per share)	7	(11.34)	(15.56)	-	-

(The accompanying notes form part of these financial statements.)

Statement of Financial Position

As at 30 June 2004

	Note	Economic Entity		Parent Entity	
		2004	2003	2004	2003
		\$	\$	\$	\$
CURRENT ASSETS					
Cash	8	4,711,521	201,868	4,388,986	76,938
Receivables	9	40,500	92,202	24,789,722	4,578,429
Other	10	55,439	18,783	-	18,783
TOTAL CURRENT ASSETS		4,807,460	312,853	29,178,708	4,674,150
NON-CURRENT ASSETS					
Other financial assets	11	-	-	9,528,926	9,528,901
Property, plant and equipment	13	313,017	213,371	-	12,748
Intangibles	14	21,821,627	13,776,843	-	1,220
Other	15	-	22,416	-	22,416
TOTAL NON-CURRENT ASSETS		22,134,644	14,012,630	9,528,926	9,565,285
TOTAL ASSETS		26,942,104	14,325,483	38,707,634	14,239,435
CURRENT LIABILITIES					
Payables	16	2,624,679	4,018,071	64,471	442,615
Interest bearing liabilities	17	45,908	3,276,349	-	-
Provisions	18	44,982	128,037	-	-
TOTAL CURRENT LIABILITIES		2,715,569	7,422,457	64,471	442,615
NON-CURRENT LIABILITIES					
Payables	16	-	-	-	-
Interest bearing liabilities	17	-	-	-	-
Provisions	18	-	-	-	-
TOTAL NON-CURRENT LIABILITIES		-	-	-	-
TOTAL LIABILITIES		2,715,569	7,422,457	64,471	442,615
NET ASSETS		24,226,535	6,903,026	38,643,163	13,796,820
EQUITY					
Contributed Equity	19	47,931,611	22,780,875	47,931,611	22,780,875
Retained Losses	20	(23,705,076)	(15,877,849)	(9,288,448)	(8,984,055)
TOTAL EQUITY		24,226,535	6,903,026	38,643,163	13,796,820

(The accompanying notes form part of these financial statements.)

Statement of Cash Flows

For the year ended 30 June 2004

	Note	Economic Entity		Parent Entity	
		2004	2003	2004	2003
		\$	\$	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers		106,904	768,737	-	3,529
Payments to suppliers and employees		(9,690,584)	(5,660,884)	(479,484)	(1,562,343)
Interest received		237,208	11,668	206,782	5,863
Borrowing costs		(35,893)	(10,426)	(31,415)	-
Government grants and tax rebates received		625,040	-	-	-
Other cash receipts		250	-	-	-
Net cash (used in) provided by operating activities	24(a)	(8,757,075)	(4,890,905)	(304,117)	(1,552,951)
CASH FLOWS FROM INVESTING ACTIVITIES					
Proceeds from sale of property, plant and equipment		2,100	38,427	-	-
Purchase of property, plant and equipment		(55,738)	(43,808)	-	-
Patent rights acquired		-	-	-	-
Costs incurred to acquire controlled entities net of cash balances	24(b)	(271,514)	-	-	-
Loans related to disposal/liquidation of controlled entities net of cash balances		-	267,026	-	-
Loans to wholly-owned subsidiaries		-	-	(9,467,050)	-
Net cash provided by (used in) investing activities		(325,152)	261,645	(9,467,050)	-
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from borrowings		1,000,000	3,882,858	-	340,000
Repayment of borrowings		(1,861,214)	(740,022)	(340,000)	(61,340)
Capital raising costs		(655,035)	-	(655,035)	-
Proceeds from issue of securities		15,078,250	-	15,078,250	-
Net cash provided by (used in) financing activities		13,562,001	3,142,836	14,083,215	278,660
Net increase (decrease) in cash held		4,479,774	(1,486,424)	4,312,048	(1,274,291)
Exchange rate changes		(14,047)	(12,798)	-	-
Cash at 1 July		201,868	1,701,090	76,938	1,351,229
Cash at 30 June		4,667,595	201,868	4,388,986	76,938

(The accompanying notes form part of these financial statements.)

Notes to the Financial Statements

For the year ended 30 June 2004

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

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

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

The financial report has been prepared on an accruals basis and is based on historical costs and does not take into account changing money values or, except where stated, current valuations of non-current assets. Cost is based on the fair values of the consideration given in exchange for assets.

The following is a summary of the material accounting policies adopted by the economic entity in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

a. Principles of Consolidation

A controlled entity is any entity controlled by Benitec Ltd. Control exists where Benitec Ltd has the capacity to dominate the decision-making in relation to the financial and operating policies of another entity so that the other entity operates with Benitec Ltd to achieve the objectives of Benitec Ltd. A list of controlled entities is contained in Note 12 to the financial statements.

All inter-Company balances and transactions between entities in the economic entity, including any unrealised profits or losses, have been eliminated on consolidation.

Where controlled entities have entered or left the economic entity during the year, their operating results

have been included from the date control was obtained or until the date control ceased.

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

b. Income Tax

The economic entity adopts the liability method of tax-effect accounting whereby the income tax expense is based on the operating profit adjusted for any permanent differences.

Timing differences which arise due to the different accounting periods in which items of revenue and expense are included in the determination of accounting profit and taxable income are brought to account as either a provision for deferred income tax or as a future income tax benefit at the rate of income tax applicable to the period in which the benefit will be received or the liability will become payable.

Future income tax benefits are not brought to account unless realisation of the asset is assured beyond reasonable doubt. Future income tax benefits in relation to tax losses are not brought to account unless there is virtual certainty of realisation of the benefit.

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.

Notes to the Financial Statements

For the year ended 30 June 2004

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

c. Inventories

Inventories are valued at lower of cost and net realisable value. Cost includes either cost of acquisition or production costs. Production costs include an appropriate portion of variable and fixed overheads.

d. Plant and Equipment

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

Plant and equipment are measured on the cost basis.

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 which will be received from the assets employment and subsequent disposal. The expected net cash flows have not been discounted to their present values in determining recoverable amounts.

Depreciation

The depreciable amount of all fixed assets, including capitalised leased assets, is depreciated on a diminishing value and straight line basis over their useful lives to the economic entity commencing from the time the asset is held ready for use.

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

Class of Fixed Asset	Depreciation Rate
Plant and equipment	20–40% Diminishing value
Motor vehicles	20% Straight line, 25-30% Diminishing value

e. Leases

Leases of fixed assets where substantially all the risks and benefits incidental to ownership of the asset, but not the legal ownership, are transferred to entities in the economic entity are classified as finance leases. Finance leases are capitalised, recording an asset and a liability equal to the present value of the minimum lease payments, including any guaranteed residual values. 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 are allocated between the reduction of the lease liability and the lease interest expense for the period.

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.

Notes to the Financial Statements

For the year ended 30 June 2004

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

f. Investments

Non-current investments are measured on the cost basis. The carrying amount of non-current investments is reviewed annually by Directors to ensure it is not in excess of the recoverable amount of these investments. The recoverable amount for non-listed investments is assessed from the underlying net assets in the particular entities.

The expected net cash flows from investments have not been discounted to their present value in determining the recoverable amounts.

g. Research and Development Expenditure

Research and development costs are charged to profit from ordinary activities before income tax as incurred or deferred where it is expected beyond any reasonable doubt that sufficient future benefits will be derived so as to recover those deferred costs.

Deferred research and development expenditure is amortised on a straight line basis over the period during which the related benefits are expected to be realised, once commercial production has commenced.

h. Intangibles

Goodwill

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. Both purchased goodwill and goodwill on consolidation are amortised on a straight line basis over the period of 20 years. The balances are reviewed

annually and any balance representing future benefits for which the realisation is considered to be no longer probable are written off.

Patents and Trademarks

Patents and Trademarks are valued in the accounts at cost of acquisition and are amortised over the period in which their benefits are expected to be realised.

i. Foreign Currency Transactions and Balances

Foreign currency transactions during the year are converted to Australian currency at the rates of exchange applicable at the dates of the transactions. Amounts receivable and payable in foreign currencies at balance date are converted at the rates of exchange ruling at that date.

The gains and losses from conversion of short-term assets and liabilities, whether realised or unrealised, are included in profit from ordinary activities as they arise.

The assets and liabilities of integrated overseas controlled entities or operations are translated at the reporting date using the temporal method. Gains and losses arising on translation are taken directly to the statement of financial performance.

The assets and liabilities of self-sustaining foreign controlled entities or operations are translated at the reporting date using the current rate method. Gains and losses arising on translation are taken directly to and retained in the foreign currency translation reserve until the disposal or partial disposal of the foreign entity or operation.

Notes to the Financial Statements

For the year ended 30 June 2004

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

i. Foreign Currency Transactions and Balances (Cont'd)

Exchange differences arising on hedged transactions undertaken to hedge foreign currency exposures, other than those for the purchase and sale of goods and services, are brought to account in the profit from ordinary activities when the exchange rates change. Any material gain or loss arising at the time of entering into hedge transactions is deferred and brought to account in the profit from ordinary activities over the lives of the hedges.

Costs or gains arising at the time of entering hedged transactions for the purchase and sale of goods and services, and exchange differences that occur up to the date of purchase or sale, are deferred and included in the measurement of the purchase or sale. Gains and losses from speculative foreign currency transactions are brought to account in the profit from ordinary activities when the exchange rate changes.

j. Employee Entitlements

Provision is made for the Company's liability for employee entitlements arising from services rendered by employees to balance date.

Employee entitlements expected to be settled within one year together with entitlements arising from wages and salaries, annual leave and sick leave which will be settled after one year, have been measured at their nominal amount. Other employee entitlements payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those entitlements.

Contributions are made by the economic entity to employee superannuation funds and are charged as expenses when incurred.

k. Cash

For the purpose of the statement of cash flows, cash includes:

- i. cash on hand and at call, deposits with banks or financial institutions, net of bank overdrafts; and
- ii. investments in money market instruments with less than 14 days to maturity.

l. Revenue

Revenue from the granting of patents and licenses is recognised in accordance with the terms of the relevant agreements and is usually recognised on accruals basis, unless the substance of the agreement provides evidence that it is more appropriate to recognise revenue on some other systematic and rational basis.

Revenue from the rendering of a service is recognised upon the delivery of the service to the customers.

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

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 2004

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

m. 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 irrecoverable from the Australian Taxation Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of the financial position are shown inclusive of GST.

n. Comparative Figures

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

o. Adoption of Australian Equivalents to International Financial Reporting Standards

Australia is currently preparing for the introduction of International Financial Reporting Standards (IFRS) effective for financial years commencing 1 January 2005. This requires the production of accounting data for future comparative purposes at the beginning of the next financial year.

The economic entity's management, along with its auditors, are assessing the significance of these changes and preparing for their implementation. An IFRS committee has been established to oversee and manage the economic entity's transition to IFRS. We will seek to keep stakeholders informed as to the impact of these new standards as they are finalised.

The Directors are of the opinion that the key differences in the economic entity's accounting policies which will arise from the adoption of IFRS are:

- Goodwill on Consolidation

Under the proposed changes to the IAS 22: Business Combinations, goodwill is to be capitalised to the statement of financial position and subjected to an annual impairment test. Amortisation of goodwill is to be prohibited. Current accounting policy of the entity is to amortise goodwill on a straight line basis over a period of 20 years.

- Income Tax

Currently, Benitec Limited adopts the liability method of tax-effect accounting whereby the income tax expense is based on the accounting profit adjusted for any permanent differences. Timing differences are currently brought to account as either a provision for deferred income tax or future income tax benefit. Under the Australian equivalent to IAS 12, the entity will be required to adopt a balance sheet approach under which temporary differences are identified for each asset and liability rather than the effects of the timing and permanent differences between taxable income and accounting profit.

Notes to the Financial Statements

For the year ended 30 June 2004

	Note	Economic Entity		Parent Entity	
		2004	2003	2004	2003
		\$	\$	\$	\$
NOTE 2: REVENUE					
Revenue from operating activities					
-Sale of goods		-	22,778	-	3,112
-Licensing revenue and royalties		91,559	650,251	-	-
-Government grants and rebates received		625,040	60,850	-	-
		716,599	733,879	-	3,112
Other revenue					
-Interest received	2a	252,934	11,668	222,508	5,863
-Foreign currency translation losses		(101,169)	(8,711)	-	(1,179)
-Other revenue		250	18,293	-	416
		152,015	21,250	222,508	5,100
Total revenue from operating activities					
		868,614	755,129	222,508	8,212
Revenue from non-operating activities					
-Proceeds on disposal of plant and equipment		2,100	20,408	-	-
-Proceeds on disposal/liquidation of controlled mining entities		-	(161,939)	-	(12,239)
		2,100	(141,531)	-	(12,239)
TOTAL REVENUE					
		870,714	613,598	222,508	(4,027)
a. Interest revenue from:					
-other persons		252,934	11,668	222,508	5,863
NOTE 3: PROFIT FROM ORDINARY ACTIVITIES					
Profit from ordinary activities before income tax has been determined after:					
(a) Expenses:					
Cost of sales		-	1,959	-	-
Borrowing costs:					
-Director related entities		31,416	168,040	31,416	3,329
-Other persons		4,477	10,426	-	-
<i>Total borrowing costs</i>		35,893	178,466	31,415	3,329

Notes to the Financial Statements

For the year ended 30 June 2004

	Note	Economic Entity		Parent Entity	
		2004	2003	2004	2003
		\$	\$	\$	\$
NOTE 3: PROFIT FROM ORDINARY ACTIVITIES (Cont'd)					
<i>Administration expenses</i>					
Depreciation of non-current assets					
-plant and equipment		57,405	71,660	2,536	2,990
-motor vehicles		-	-	-	-
<i>Total depreciation</i>		57,405	71,660	2,536	2,990
Amortisation of non-current assets:					
-Goodwill on consolidation		783,411	829,726	-	-
<i>Total amortisation</i>		783,411	829,726	-	-
Write down of non-current assets to recoverable amount					
		33,849	-	33,849	-

Bad and doubtful debts:

-There were no bad and doubtful debts accounted for during the reporting period.

Other administration expenses:					
-Intellectual property costs expensed		4,513,791	2,358,186	-	-
-Australian Biotechnology Joint Venture No.1 provision		-	1,200,000	-	-
-Research and development costs		1,009,210	1,202,354	-	-
-Employment and sub-contractors costs		620,024	1,310,261	-	612,609
-Professional and legal expenses		725,615	580,135	294,073	302,980
-Other expenses		188,042	615,256	198,876	276,811
<i>Total other administration expenses</i>		7,056,682	7,266,192	492,949	1,192,400
TOTAL ADMINISTRATION EXPENSES		7,897,498	8,167,578	495,485	1,195,390
(b) Revenue and net gains/(losses):					
Foreign currency translation losses		(101,169)	(8,711)	-	(1,179)
Net gain/(loss) on disposal of non-current assets:					
-Plant and equipment		(2,227)	-	-	-

Notes to the Financial Statements

For the year ended 30 June 2004

	Note	Economic Entity		Parent Entity	
		2004	2003	2004	2003
		\$	\$	\$	\$
NOTE 3: PROFIT FROM ORDINARY ACTIVITIES (Cont'd)					
(c) 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 the following:					
-Income tax rebates received		516,331	-	-	-
-Austrade grants received		108,709	60,850	-	-
		625,040	60,850	-	-
Expenses					
Intellectual property costs expensed consist of the following:					
-IP costs incurred in Australia		2,009,325	793,053	-	-
-US-based IP costs		1,223,481	532,275	-	-
-Patent insurance		359,076	257,858	-	-
-IP litigation expenses		950,159	-	-	-
-Other IP related expenses		(28,249)	775,000	-	-
		4,513,792	2,358,186	-	-

NOTE 4: INCOME TAX EXPENSE

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

Prima facie tax payable on profit from ordinary activities before income tax at 30% (2003: 30%)	(2,348,168)	(2,468,900)	(91,318)	(368,235)
<i>Add Tax effect of:</i>				
non-deductible depreciation and amortisation	252,245	248,918	761	897
Losses on disposal/liquidation of controlled entities	-	48,582	-	-
Overseas entities establishment costs	64,210	-	-	-

Notes to the Financial Statements

For the year ended 30 June 2004

	Note	Economic Entity		Parent Entity	
		2004	2003	2004	2003
		\$	\$	\$	\$
NOTE 4: INCOME TAX EXPENSE (Cont'd)					
Intellectual property expenses not deductible for tax		1,354,137	-	-	-
Overseas entities losses		175,497	-	-	-
Foreign exchange translation losses not deductible		8,510			
Other non deductible items		43,273	391	14,291	-
Future income tax benefit not brought to account		784,222	2,172,235	76,266	367,338
<i>Less Tax effect of:</i>					
Recoupment of prior year tax losses not previously brought into account		(154,899)	-	-	-
Tax deductible items		(14,893)			
Consolidation adjustments related to previous years retained losses		(164,134)			
Foreign exchange gains not subject to income tax		-	(1,226)	-	-
Income tax expense attributable to operating profit and extraordinary items before income tax		-	-	-	-
(b) Income tax expense attributable to:					
Profit from ordinary activities before income tax		-	-	-	-
		-	-	-	-

(c) Future income tax benefits not brought to account, the benefits of which will only be realised if the conditions for deductibility set out in Note 1b occur:

Timing differences	121,017	(38,571)	26,536	-
Operating tax losses	1,917,722	7,279,356	254,220	1,241,416
	2,038,739	7,240,785	280,756	1,241,416

(d) 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. In accordance with UIG Abstract 52, deferred tax assets/liabilities of joining subsidiaries have been accounted by the parent/head entity. At the date of this report, no tax sharing agreement exist between entities in the tax consolidated group.

Notes to the Financial Statements

For the year ended 30 June 2004

NOTE 5: DIRECTORS' AND EXECUTIVES' REMUNERATION

(a) Names and positions held of Parent Entity Directors and Specified Executives in office at any time during the financial year are:

Parent Entity Directors

Mr John A. McKinley	Director - CEO & Executive Chairman	
Mr Robert B. Thomas	Director - Non-Executive Deputy Chairman	Appointed since 7th May 2004
Dr Kenneth C. Reed	Director - Executive	
Mr Gary Taylor	Director - Non-Executive	
Mr Raymond Whitten	Director - Non-Executive	
Mr Michael Cox	Director - Non-Executive	Resigned on 19th December 2003

Specified Executives

(The economic entity had only one specified executive.)

Ms Sara M. Cunningham	Chief Operating Officer - US Operations	Employed since 1st May 2004
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(b) Parent Entity Directors' Remuneration (\$)

2004 Directors	Primary				Post Employment	Equity	Other	Total
	Salary, Fees & Commissions	Superannuation Contribution	Cash Bonus	Non- Cash Benefits	Superannuation	Fair value of Options		
Mr John A. McKinley	648,811	-	-	-	-	56,981	-	705,792
Dr Kenneth C. Reed	179,999	20,700	-	-	-	39,054	-	239,753
Mr Gary Taylor	-	-	-	-	-	20,084	175,368	195,452
Mr Raymond Whitten	-	-	-	-	-	20,164	36,227	56,391
Mr Michael Cox	-	-	-	-	-	20,164	-	20,164
Mr Robert B. Thomas	-	-	-	-	-	-	-	-
	828,810	20,700	-	-	-	156,447	211,595	1,217,552

Notes to the Financial Statements

For the year ended 30 June 2004

NOTE 5: DIRECTORS' AND EXECUTIVES' REMUNERATION (Cont'd)

(b) Parent Entity Directors' Remuneration (\$)

2003	Primary				Post	Equity	Other	Total
	Directors	Salary, Fees & Commissions	Superannuation Contribution	Cash Bonus	Non-Cash Benefits	Superannuation	Fair value of Options	
Mr John McKinley	919,891	-	100,000	-	-	4,619	-	1,024,510
Dr Kenneth C. Reed	203,074	16,200	50,000	-	-	81	-	269,355
Mr Gary Taylor	-	-	-	-	-	-	163,114	163,114
Mr Raymond Whitten	-	-	-	-	-	81	61,500	61,581
Mr Michael Cox	-	-	-	-	-	81	-	81
	1,122,965	16,200	150,000	-	-	4,862	224,614	1,518,641

(c) Specified Executives' Remuneration(\$)

2004	Primary				Post	Equity	Other	Total
	Directors	Salary, Fees & Commissions	Superannuation Contribution	Cash Bonus	Non-Cash Benefits	Superannuation	Options	
Ms Sara M. Cunningham	40,110	3,068	-	-	-	-	1,660	44,838

2003	Primary				Post	Equity	Other	Total
	Directors	Salary, Fees & Commissions	Superannuation Contribution	Cash Bonus	Non-Cash Benefits	Superannuation	Options	
Ms Sara M. Cunningham	-	-	-	-	-	-	-	-

Notes to the Financial Statements

For the year ended 30 June 2004

NOTE 5: DIRECTORS' AND EXECUTIVES' REMUNERATION (Cont'd)

(d) Options Granted As Remuneration

Parent Entity 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
Mr John A. McKinley	1,000,000	1,000,000	28-Aug-03	2.00	2.00	29-Aug-03	31-Dec-05
Mr John A. McKinley	500,000	500,000	28-Aug-03	2.50	2.50	29-Aug-03	31-Dec-05
Dr Kenneth C. Reed	750,000	750,000	28-Aug-03	2.00	2.00	29-Aug-03	31-Dec-05
Dr Kenneth C. Reed	250,000	250,000	28-Aug-03	2.50	2.50	29-Aug-03	31-Dec-05
Mr Gary Taylor	375,000	375,000	28-Aug-03	2.00	2.00	29-Aug-03	31-Dec-05
Mr Gary Taylor	375,000	375,000	28-Aug-03	2.50	2.50	29-Aug-03	31-Dec-05
Mr Raymond Whitten	375,000	375,000	28-Aug-03	2.00	2.00	29-Aug-03	31-Dec-05
Mr Raymond Whitten	375,000	375,000	28-Aug-03	2.50	2.50	29-Aug-03	31-Dec-05
Mr Michael Cox (Resigned on 19th December 2003)	375,000	375,000	28-Aug-03	2.00	2.00	29-Aug-03	31-Dec-05
Mr Michael Cox (Resigned on 19th December 2003)	375,000	375,000	28-Aug-03	2.50	2.50	29-Aug-03	31-Dec-05

-No specified executives were granted options as remuneration during the financial year.

-All grants of options vest on grant date in respect of Directors, whereas for employees the vesting periods are six months from the grant date for a \$0.50 option and twelve months from the grant date for a \$1.00 option or higher value. No conditions are attached to the ability of option holders to exercise these options once vested.

(e) Shares Issued on Exercise of Remuneration Options

Parent Entity Directors	No. of Ordinary Shares Issued	Amount Paid \$	Amount Unpaid per Share \$
Mr Gary Taylor	150,000	0.50	-
Mr Gary Taylor	150,000	1.00	-

Notes to the Financial Statements

For the year ended 30 June 2004

NOTE 5: DIRECTORS' AND EXECUTIVES' REMUNERATION (Cont'd)

(f) Options and Rights Holdings

Number of Options held by Specified Directors and Executives

	Balance 1.7.03	Granted as Remuneration	Options Exercised	Balance 30.6.04	Total Vested 30.6.04	Total Exercisable 30.6.04	Total Unexercisable 30.6.04
Directors							
Mr John A. McKinley	2,000,000	1,500,000	-	3,500,000	2,000,000	2,000,000	1,500,000
Dr Kenneth C. Reed	1,000,000	1,000,000	-	2,000,000	1,000,000	1,000,000	1,000,000
Mr Gary Taylor	300,000	750,000	(300,000)	750,000	-	-	750,000
Mr Raymond Whitten	1,000,000	750,000	-	1,750,000	1,000,000	1,000,000	750,000
Mr Michael Cox	1,000,000	750,000	-	1,750,000	1,000,000	1,000,000	750,000
Mr Robert B. Thomas	-	-	-	-	-	-	-
Total	5,300,000	4,750,000	(300,000)	9,750,000	5,000,000	5,000,000	4,750,000

No specified Executives were granted options as remuneration during the financial year.

(g) Shareholdings

Number of Shares held by Parent Entity Directors and Specified Executives

	Balance 1.7.03	Received as Remuneration	Upon Options Exercised	Net Change Other *	Balance 30.6.04
Parent Entity Directors					
Mr John A. McKinley	621,600	-	-	100,000	721,600
Dr Kenneth C. Reed	1,057,000	-	-	(105,000)	952,000
Mr Gary Taylor	3,413,337	-	300,000	1,880,693	5,594,030
Mr Raymond Whitten	7,880,263	-	-	13,000	7,893,263
Mr Michael Cox	3,224,690	-	-	(350,000)	2,874,690
Mr Robert B. Thomas	-	-	-	200,000	200,000
Total	16,196,890	-	300,000	1,738,693	18,235,583

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

Notes to the Financial Statements

For the year ended 30 June 2004

NOTE 5: DIRECTORS' AND EXECUTIVES' REMUNERATION (Cont'd)

	Balance 1.7.03	Received as Remuneration	Upon Options Exercised	Net Change Other *	Balance 30.6.04
Specified executives					
Ms Sara M. Cunningham	-	-	-	975,730	975,730

(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:

-No termination benefits accrue to Directors.

-The remuneration structure for Executive Officers, including Executive Directors, is based on a number of factors, including length of service, particular experience of the individual concerned, and overall performance of the company. The contracts for services between the Company and specified Directors and Executives are on a continuing basis the terms of which are not expected to change in the immediate future. Any options not exercised before or on the date of termination lapse. Options are issued at the discretion and upon ratification by the Board of Directors and serve as a means of encouraging Executive Officers to remain with the Company over a medium to long term.

-The objective of the remuneration schemes is to both reinforce the short and long-term goals of the Company and to provide a common interest between management and shareholders. The options were granted to both specified Directors and Executives on 28 August 2003 and were based on the valued contribution of the various Executive Officers during the year 2003/04. There has been no alteration to the terms of the bonuses paid since the grant date.

Notes to the Financial Statements

For the year ended 30 June 2004

	Note	Economic Entity		Parent Entity	
		2004	2003	2004	2003
		\$	\$	\$	\$
NOTE 6: AUDITOR'S REMUNERATION					
Remuneration of the auditor of the parent entity for:					
-auditing or reviewing the financial report		27,000	25,000	27,000	25,000
-auditing or reviewing the financial report of subsidiaries		24,000	-	-	-
Remuneration of other auditors of subsidiaries for:					
-auditing or reviewing the financial report of subsidiaries		49,727	23,400	-	-
		100,727	48,400	27,000	25,000
NOTE 7: EARNINGS/(LOSS) PER SHARE					
(a) Reconciliation of earnings to net profit or loss					
Net loss		(7,827,227)	(8,229,667)		
Earnings/(Loss) used in the calculation of basic EPS and dilutive EPS		(7,827,227)	(8,229,667)		
(b) Weighted average number of ordinary shares outstanding during the year used in calculation of basic EPS					
Weighted average number of ordinary shares outstanding during the year used in calculation of basic EPS		69,019,069	52,880,585		
Weighted average number of options outstanding		-	-		
Weighted average number of converting preference shares on issue		-	-		
Weighted average number of ordinary shares outstanding during the year used in calculation of dilutive EPS		69,019,069	52,880,585		

(c) 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.

Notes to the Financial Statements

For the year ended 30 June 2004

	Note	Economic Entity		Parent Entity	
		2004	2003	2004	2003
		\$	\$	\$	\$
NOTE 8: CASH					
Cash in hand		374	333	-	-
Cash at bank		4,711,147	201,535	4,388,986	76,938
		4,711,521	201,868	4,388,986	76,938
NOTE 9: RECEIVABLES					
CURRENT					
Trade debtors		-	-	-	-
Provision for doubtful debts		-	-	-	-
	-	-	-	-	-
Sundry Debtors		40,500	92,202	21,137	4,403
<i>Amounts receivable from:</i>					
-wholly owned subsidiaries		-	-	24,768,585	4,574,026
-associated companies		-	-	-	-
-Director related entities		-	-	-	-
-other related parties		-	-	-	-
		40,500	92,202	24,789,722	4,578,429
NOTE 10: OTHER ASSETS					
CURRENT					
Prepayments		3,577	923	-	923
Other current assets		51,862	17,860	-	17,860
		55,439	18,783	-	18,783
NOTE 11: OTHER FINANCIAL ASSETS					
NON-CURRENT					
Unlisted investments, at cost:					
-Shares in controlled entities	12a	-	-	9,528,926	9,528,901
-Shares in other related parties		-	-	-	-
	-	-	9,528,926	9,528,901	

Notes to the Financial Statements

For the year ended 30 June 2004

NOTE 12: CONTROLLED ENTITIES

(a) Controlled entities at reporting date:

	Country of Incorporation	Percentage Owned	
		2004	2003
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%	-
Benitec, Inc.	USA	100%	-
Benitec LLC	USA	100%	-

(b) Controlled entities acquired:

-On 15 May 2004 the parent entity acquired 100% of the total share capital of Avocel Inc., a US corporation based in California, through its wholly-owned US-Delaware subsidiary Benitec Inc., for a total consideration of USD5 million and a debt conversion of USD350,000 by the issue of 7,327,425 ordinary shares of AUD1.00 each and 274,177 unlisted options.

-Subsequent to and as part of the terms of the acquisition of Avocel Inc., a merger agreement was entered whereby all operations, employees, assets and liabilities of Avocel Inc. have been transferred to the wholly-owned US subsidiary Benitec LLC.

(c) Controlled entities disposed of:

No controlled entities were disposed during the financial year.

	Note	Economic Entity		Parent Entity	
		2004	2003	2004	2003
		\$	\$	\$	\$
NOTE 13: PROPERTY, PLANT AND EQUIPMENT					
Plant and Equipment					
At cost		491,068	351,492	-	24,945
Accumulated depreciation		(178,051)	(138,121)	-	(12,197)
Total Property, Plant and Equipment		313,017	213,371	-	12,748

Notes to the Financial Statements

For the year ended 30 June 2004

NOTE 13: PROPERTY, PLANT AND EQUIPMENT (Cont'd)

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

	Plant and Equipment \$	Total \$
Economic Entity:		
Balance at the beginning of year	213,371	213,371
Additions	55,738	55,738
Disposals	(4,232)	(4,232)
Additions through acquisition of entity	115,359	115,359
Assets written off	(10,213)	(10,213)
Depreciation expense	(57,006)	(57,006)
Carrying amount at the end of year	313,017	313,017
Parent Entity:		
Balance at the beginning of year	12,748	12,748
Additions	-	-
Disposals	-	-
Depreciation expense	(2,536)	(2,536)
Assets written down	(10,212)	(10,212)
Carrying amount at the end of year	-	-

	Note	Economic Entity		Parent Entity	
		2004 \$	2003 \$	2004 \$	2003 \$
NOTE 14: INTANGIBLES					
Formation Expenses		-	1,220	-	1,220
Goodwill at cost		23,393,950	14,687,567	-	-
Accumulated amortisation		(1,572,323)	(911,944)	-	-
		21,821,627	13,775,623	-	-
		21,821,627	13,776,843	-	1,220
NOTE 15: OTHER ASSETS					
NON-CURRENT					
Mining securities deposits		-	22,416	-	22,416

Notes to the Financial Statements

For the year ended 30 June 2004

	Note	Economic Entity		Parent Entity	
		2004	2003	2004	2003
		\$	\$	\$	\$
NOTE 16: PAYABLES					
CURRENT					
Unsecured liabilities					
Trade creditors		1,120,182	523,902	41,153	87,615
Sundry creditors and accrued expenses		562,229	582,054	23,305	15,000
Deferred consideration		-	150,000	-	-
ABJV Provision		942,268	1,200,000	-	-
Obligation under patent right		-	500,000	-	-
Other loans		-	340,000	-	340,000
Other non-interest bearing unsecured liabilities		-	635,000	-	-
Amounts payable to:		-	-	-	-
-wholly-owned subsidiary		-	-	13	-
-director related entity		-	87,115	-	-
		2,624,679	4,018,071	64,471	442,615
NON-CURRENT					
Unsecured liabilities					
Stock bonds		-	-	-	-
NOTE 17: INTEREST-BEARING LIABILITIES					
CURRENT					
Unsecured liabilities					
Unsecured loans		-	3,276,349	-	-
Bank overdraft		45,908	-	-	-
		45,908	3,276,349	-	-
NON-CURRENT					
Unsecured liabilities					
Unsecured loans		-	-	-	-
NOTE 18: PROVISIONS					
CURRENT					
Employee entitlements	18a	44,982	28,037	-	-
Other provisions		-	100,000	-	-
		44,982	128,037	-	-
NON-CURRENT					
Employee entitlements		-	-	-	-
(a) Aggregate employee benefits liability		44,982	28,037	-	-
(b) Number of employees at year end		12	7	-	-

Notes to the Financial Statements

For the year ended 30 June 2004

	Note	Economic Entity		Parent Entity	
		2004	2003	2004	2003
		\$	\$	\$	\$
NOTE 19: CONTRIBUTED EQUITY					
81,620,163 (2003: 52,880,548) fully paid ordinary shares	19a	47,931,611	22,780,875	47,931,611	22,780,875
(a) Ordinary Shares					
At the beginning of the reporting period		22,780,875	22,780,875	22,780,875	22,780,875
Shares issued during the year		25,807,020	-	25,807,020	-
Transaction costs relating to share issues		(656,284)	-	(656,284)	-
At reporting date		47,931,611	22,780,875	47,931,611	22,780,875
		No.	No.	No.	No.
At the beginning of reporting period		52,880,548	52,880,548	52,880,548	52,880,548
Shares issued during the year		28,739,615	-	28,739,615	-
At reporting date		81,620,163	52,880,548	81,620,163	52,880,548

(a) Ordinary shares participate in dividends and the proceeds on winding up of the parent entity in proportion to the number of shares held.

(b) At shareholders' meetings each ordinary share is entitled to one vote when a poll is called otherwise each shareholder has one vote on a show of hands.

NOTE 20: RETAINED LOSSES					
Retained profits (losses) at the beginning of the financial year		(15,877,849)	(7,648,182)	(8,984,055)	(7,756,607)
Net profit (loss) attributable to the members of the parent entity		(7,827,227)	(8,229,667)	(304,393)	(1,227,448)
Retained profits (losses) at the end of the financial year		(23,705,076)	(15,877,849)	(9,288,448)	(8,984,055)

Notes to the Financial Statements

For the year ended 30 June 2004

NOTE 21: CONTINGENT LIABILITIES

Except for the two mentioned items below which arose from previous financial years, no further contingent liabilities are to be reported for this financial year:

1. Australian Biotechnology Joint Venture No.1 (ABJV)

The Australian Biotechnology Joint Venture No1 (ABJV) provision of AUD1.2 million accounted and disclosed in last year annual report has been settled by a scrip issue of 785,223 Benitec shares at a price of AUD1.20 each to the ABJV unitholders on 28 July 2004. The balance remaining on this provision has been reversed and the accounts for the year ended 30 June 2004 have been adjusted. As part of this settlement, Huntleys Management Limited was issued 30,575 shares at AUD1.20 each representing their full and final professional fees in relation to this matter.

2. Legal cases over patent infringement

Benitec Limited has settled its US-based patent infringement cases against Ambion and Genscript, and as part of the settlement, Benitec Limited has issued Ambion and Genscript world-wide non-exclusive licenses to produce and sell ddRNAi based products. The financial details of the settlements and licenses are confidential.

NOTE 22: SEGMENT REPORTING

The Company's activity is mainly focused on developing and licensing its ddRNAi technology.

Primary reporting - Business segments

	Discontinued mining and exploration activities		Biotechnology		Total	
	2004	2003	2004	2003	2004	2003
	Revenue					
External customers	-	22,778	91,558	712,837	91,558	735,615
Other segments	-	40,388	-	12,332	-	52,720
Unallocated revenue	-	-	777,056	(33,206)	777,056	(33,206)
Total	-	63,166	868,614	691,963	868,614	755,129
Results						
Segment results	-	(122,213)	(7,827,227)	(7,971,721)	(7,827,227)	(8,093,934)
Unallocated expenses					-	(135,733)
Loss on ordinary activities before income tax expense					(7,827,227)	(8,229,667)
Income tax expense						-
Loss on ordinary activities after income tax expense					(7,827,227)	(8,229,667)
Extraordinary items after income tax expense					-	-
Net loss					(7,827,227)	(8,229,667)

Notes to the Financial Statements

For the year ended 30 June 2004

NOTE 22: SEGMENT REPORTING (Cont'd)

Primary reporting - Business segments (Cont'd)

	Discontinued mining and exploration activities		Biotechnology		Total	
	2004	2003	2004	2003	2004	2003
	Assets					
Carrying amount	-	-	26,942,104	14,303,056	26,942,104	14,303,056
Liabilities						
Carrying amount	-	-	(2,715,569)	(7,400,030)	(2,715,569)	(7,400,030)
Net assets	-	-	24,226,535	6,903,026	24,226,535	6,903,026
Acquisition of non-current segment assets	-	-	7,932,175	45,558	7,932,175	45,558
Depreciation and amortisation of segment assets	-	128,577	837,574	772,809	837,574	901,386

Secondary reporting - Geographical segments

Geographical location:	Segment Revenues from External Customers		Carrying Amount of Segment Assets		Acquisition of Non-Current Segment Assets	
	AU\$	%Total	AU\$	%Total	AU\$	%Total
	Australia	777,056	89%	18,233,306	68%	55,738
United States of America	91,558	11%	8,194,388	30%	8,944,774	99%
United Kingdom	-	-	514,410	2%	-	-
Total	868,614	100%	26,942,104	100%	9,000,512	100%

Accounting Policies:

Segment revenues and expenses are directly attributable to the identified segments and include joint 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 2004

NOTE 22: SEGMENT REPORTING (Cont'd)

Business and Geographical Segments:

Business Segments

The economic entity had only one business segment during the financial year:

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.

Research and development activities are carried out in Brisbane-Australia and California-USA.

Geographical Segments

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

NOTE 23: FINANCIAL INSTRUMENTS

(a) Interest Rate Risk

The economic entity's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rates on classes of financial assets and financial liabilities, is as follows:

2004	Floating Interest Rate	Non-interest Bearing	Total	Average Interest Rate
Financial Assets:				
Cash	4,711,147	-	4,711,147	3.48%
Receivables	-	40,500	40,500	n/a
Total Financial Assets	4,711,147	40,500	4,751,647	
2004	Floating Interest Rate	Non-interest Bearing	Total	Average Interest Rate
Financial Liabilities:				
Trade and Sundry Creditors	-	1,682,411	1,682,411	n/a
Bank overdraft	45,908	-	-	5.02%
Amounts payable to related parties	-	-	-	n/a
Other Loans	-	-	-	n/a
Total Financial Liabilities	45,908	1,682,411	1,682,411	

Notes to the Financial Statements

For the year ended 30 June 2004

NOTE 23: FINANCIAL INSTRUMENTS (Cont'd)

	2003	Floating Interest Rate	Non-interest Bearing	Total	Average Interest Rate
Financial Assets:					
Cash		201,535	-	201,535	3.76%
Receivables		-	92,202	92,202	n/a
Total Financial Assets		201,535	92,202	293,737	
Financial Liabilities:					
Trade and Sundry Creditors		-	1,105,956	1,105,956	n/a
Amounts payable to related parties		-	87,115	87,115	n/a
Other Loans		3,276,349	-	3,276,349	7.50%
Total Financial Liabilities		3,276,349	1,193,071	4,469,420	

(b) Credit Risk

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets is the carrying amount, net of any provisions for doubtful debts of those assets, as disclosed in the balance sheet and notes to the financial statements.

(c) Net Fair Values

The net fair values of listed and other liabilities approximates their carrying value. No financial assets and financial liabilities are readily traded on organised markets in standardised form.

Notes to the Financial Statements

For the year ended 30 June 2004

NOTE 24: CASH FLOW INFORMATION

	Economic Entity		Parent Entity	
	2004	2003	2004	2003
	\$	\$	\$	\$
(a) Reconciliation of Cash Flow from Operations with Operating profit/(loss) after Income Tax				
Operating profit/(loss) after Income Tax	(7,827,227)	(8,229,667)	(304,392)	(1,227,448)
Non-cash flows in operating loss:				
Amortisation	783,411	829,726	-	-
Depreciation	57,405	71,660	2,536	2,990
Loss/(Gain) on sale of property, plant and equipment	2,227	(20,408)	-	-
Write down of non-current assets	33,849	-	33,849	-
Net gain on disposal of controlled entity	-	-	-	(10,638)
Loss on liquidation of controlled entity	-	161,939	-	26,205
Provisions and non-cash adjustments	(1,537,900)	73,834	8,303	-
Interest on loans capitalised	-	164,711	-	-
Exchange (gain)/loss	118,223	8,711	-	1,179
Changes in assets and liabilities, net of the effects of purchase and disposal of subsidiaries:				
(Increase) Decrease in trade and term debtors	20,133	(34,426)	2,135	(413,527)
(Increase) Decrease in prepayments	(2,653)	44,042	923	2,572
(Increase) Decrease in inventories	-	338,175	-	-
Increase (Decrease) in trade creditors and accruals	(404,543)	1,700,798	(47,471)	65,716
Net cash flows from operations	(8,757,075)	(4,890,905)	(304,117)	(1,552,951)

Notes to the Financial Statements

For the year ended 30 June 2004

NOTE 24: CASH FLOW INFORMATION (Cont'd)

	Economic Entity		Parent Entity	
	2004	2003	2004	2003
	\$	\$	\$	\$
(b) Cash flow effect on acquisition of entities				
On 15 May 2004, the economic entity acquired 100% of Avocel Inc. a US corporation based in California, through its wholly-owned US-Delaware subsidiary Benitec Inc. Aggregate details of this transaction were:				
Total purchase consideration	7,765,895	-	-	-
Cash consideration as part of total purchase consideration	(327,884)	-	-	-
Amount of cash held by acquired entity at date of acquisition	56,370	-	-	-
Net cash effect of transaction	(271,514)	-	-	-
<i>Other assets and liabilities held at acquisition date:</i>				
Receivables	800	-	-	-
Property, plant and equipment	109,422	-	-	-
Payables	(732,132)	-	-	-
Loan	(497,300)	-	-	-
	(1,119,210)	-	-	-

(c) Non-cash Financing and Investing Activities

-The acquisition of 100% of the total share capital of Avocel Inc. was by a total consideration of USD5 million and a debt conversion of USD350,000 by the issue of 7,327,425 ordinary shares of AUD1.00 each and 274,176 unlisted options.

Notes to the Financial Statements

For the year ended 30 June 2004

NOTE 25: EMPLOYEES BENEFITS

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. Under this plan employees must remain in employment as from six months of the date of the grant of a \$0.50 option and twelve months from the date of the grant of a \$1.00 option or higher value. 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. Under the ESOP, employees are not allowed to exercise their options within twelve months of the date of their grant.

Transactions during the year

On 27 August 2003, 187,500 share options with an exercise price of \$1.50 each and 187,500 share options with an exercise price of \$2.00 each were granted to employees under the ESOP. The \$1.50 options are exercisable on or before 28 July 2009 and the \$2.00 options are exercisable on or before 29 July 2009.

Share Options Granted to Executives

At an extraordinary general meeting held on 28 August 2003, 1,000,000 share options with an exercise price of \$2.00 and 500,000 share options with an exercise price of \$2.50 were granted to Mr John McKinley, CEO and Executive Chairman. At the same shareholders' meeting, 750,000 share options with an exercise price of \$2.00 and 250,000 share options with an exercise price of \$2.50 were granted to Dr Ken Reed, Research and Technology Director of the Company. These executive options are exercisable on or before 31 December 2005 and do not carry any voting or dividend rights and are not transferable except on death of the option holder.

No additional options to Directors and Executives have been issued after year end.

All options issued by Benitec Limited are unlisted.

The closing market price of an ordinary share of Benitec Limited (ASX Code: BLT) on the Australian Stock Exchange at 30 June 2004 was \$0.85 (30 June 2003: \$0.84)

Notes to the Financial Statements

For the year ended 30 June 2004

	Note	Economic Entity		Parent Entity	
		2004	2003	2004	2003
		\$	\$	\$	\$
NOTE 25: EMPLOYEES BENEFITS (Cont'd)					
(a) Movement in the number of share options held by employees are as follows:					
Opening balance		1,132,500	-	1,132,500	-
Granted during the year		375,000	-	375,000	-
Exercised during the year		(767,500)	-	(767,500)	-
Lapsed during the year		-	-	-	-
Closing balance		740,000	-	740,000	-
(b) Details of share options exercised during the year:					
Proceeds from shares issued		471,250	-	471,250	-
Fair value as at issue date of shares issued during the year		965,765	-	965,765	-

Fair value of shares issued during the reporting period at their issue date is estimated to be the market price of shares of the parent entity on the Australian Stock Exchange as at close of trading on the issue dates. The fair values of shares at the various dates of issue were:

	Fair Issue date	Value of Shares Issued	Number of Shares Issued
		\$	
1 August 2003	1.27	303,500	
4 September 2003	1.23	150,000	
27 October 2003	1.35	50,000	
3 November 2003	1.38	64,000	
22 December 2003	1.20	200,000	

Notes to the Financial Statements

For the year ended 30 June 2004

	Note	Economic Entity		Parent Entity	
		2004	2003	2004	2003
		\$	\$	\$	\$
NOTE 25: EMPLOYEES BENEFITS (Cont'd)					
	No.	No.	No.	No.	
(c) Details of share options outstanding as at end of year:					
Expiry Date and Exercise Price	Grant Date				
28 July 2009 @ \$0.50 each	29.07.2002	190,000	782,500	190,000	782,500
28 July 2009 @ \$1.00 each	29.07.2002	175,000	350,000	175,000	350,000
28 July 2009 @ \$1.50 each	27.08.2003	187,500	-	187,500	-
29 July 2009 @ \$2.00 each	27.08.2003	187,500	-	187,500	-
30 Sept 2013 @ \$0.03 each	16.05.2004	115,133	-	115,133	-
30 Sept 2014 @ \$0.03 each	16.05.2004	78,058	-	78,058	-
30 Sept 2015 @ \$0.03 each	16.05.2004	78,058	-	78,058	-
30 Sept 2016 @ \$0.07 each	16.05.2004	2,927	-	2,927	-
	1,014,176	1,132,500	1,014,176	1,132,500	

Other employee entitlement provisions:

The employee share options granted on 16 May 2004 relate to the acquisition of Avocel Inc. These options were granted on the same terms and conditions as those options previously granted by Avocel Inc. pursuant to the acquisition agreement.

A provision has been made for accumulating annual leave payments that may have to be made existing employees at the reporting date. (Refer to Note 18).

Notes to the Financial Statements

For the year ended 30 June 2004

NOTE 26: EVENTS SUBSEQUENT TO BALANCE SHEET DATE

1. The Australian Biotechnology Joint Venture No1 (ABJV) provision of AUD1.2 million accounted and disclosed in last year annual report has been settled by a scrip issue of 785,223 Benitec shares at a price of AUD1.20 each to the ABJV unitholders on 28 July 2004. The balance remaining on this provision has been reversed and the accounts for the year ended 30 June 2004 have been adjusted. As part of this settlement, Huntleys Management Limited was issued 30,575 shares at AUD1.20 each representing their full and final professional fees in relation to this matter.

2. Benitec Limited has settled its US-based patent infringement cases against Ambion and Genscript and as part of the settlement, Benitec Limited has issued Ambion and Genscript world-wide non-exclusive licenses to produce and sell ddRNAi based products. The financial details of the settlements and licenses are confidential.

	Economic Entity		Parent Entity	
	2004	2003	2004	2003
	\$	\$	\$	\$
NOTE 27: 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:				
Transactions with related parties:				
Directors and Director-related Entities:				
Financial reporting, accounting and company secretarial services paid / payable to Bentley Barton Partners Pty Ltd, company in which Mr Gary Taylor is a director and has a beneficial interest.	175,368	163,114	159,633	94,377
At an Extraordinary General Meeting held on 28 August 2003, unsecured loans with accumulated interest from various entities in which Mr Gary Taylor is a director/holds a beneficial interest, have been paid in full by the issue of ordinary shares in the Company. The accumulated interest component connected with these loans were as follows:	176,033	-	-	-

Notes to the Financial Statements

For the year ended 30 June 2004

	Economic Entity		Parent Entity	
	2004	2003	2004	2003
	\$	\$	\$	\$
NOTE 27: RELATED PARTY TRANSACTIONS (Cont'd)				
Interest paid on other unsecured loans from various entities in which Mr Gary Taylor is a director/holds a beneficial interest.	6,100	-	6,100	-
Legal services paid / payable to Whittens Lawyers & Consultants, a law firm in which Mr Raymond Whittens is the principal and has a beneficial interest.	36,227	-	36,227	-
-Interest paid on other unsecured loans from an entity in which Mr Raymond Whitten is a director/holds a beneficial interest.	13,647	-	13,647	-
A commission of 5% on a share placement offer was paid/payable to Barbary Coast Investments Pty Ltd following the management of the capital raising last year. Mr Raymond Whitten is a director and has a beneficial interest in Barbary Coast investment Pty Ltd.	-	61,500	-	61,500
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. These companies were not incorporated in Australia.	648,811	1,019,891	-	602,745

Directors Declaration

The Directors of the Company declare that:

1. the financial statements and notes, as set out on pages 26 to 60 are in accordance with the Corporations Act 2001:
 - a. comply with Accounting Standards and the Corporations Regulations 2001: and
 - b. give a true and fair view of the financial position as at 30 June 2004 and of the performance for the year ended on that date of the Company and economic entity;
2. in the Directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.

A handwritten signature in blue ink, appearing to read 'John McKinley', with a long horizontal stroke extending to the right.

John McKinley

DIRECTOR

Dated this 30 September 2004

Independent Audit Report to the Members of Benitec Limited

RSM Bird Cameron Partners

Chartered Accountants

Level 12, 60 Castlemagh Street Sydney NSW 2000
 GPO Box 8156 Sydney NSW 2001
 T +61 2 9233 6900 F +61 2 9233 6021
 www.rsm-bc.com.au

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 2004.

The financial report includes the consolidated financial report 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 a reasonable assurance whether the financial report is free of material misstatement. Our procedures included the 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. Those 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.

Audit Opinion

In our opinion, the financial report of Benitec Limited and controlled entities 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 2004 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.

Dated in Sydney this 30th day of September 2004.



RSM BIRD CAMERON PARTNERS
Chartered Accountants



H R MOLL
Partner

Liability is limited by the
Accountants' Scheme
pursuant to the
NSW Professional
Standards Act 1994

Benitec Nominees Pty Ltd
ABN 33 009 321 577
Practising as
RSM Bird Cameron
ABN 65 213 362 473

Major Offices in:
Perth, Sydney,
Melbourne, Adelaide
and Canberra

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

Additional Information for Listed Public Companies

The following additional information is required by the Australian Stock Exchange Ltd in respect of listed public companies only.

1.1 Shareholding – Fully Paid Ordinary Shares

a. Distribution of Shareholders Number

Category (size of Holding)	No. of Shareholders
1 – 1,000	197
1,001 – 5,000	765
5,001 – 10,000	315
10,001 – 100,000	318
100,001 – and over	85

b. The number of shareholdings held in less than marketable parcels is 66.

c. The names of the substantial shareholders listed in the holding Company's register as at 17 September 2004 were:

Shareholder	Number of Ordinary Shares	% of Issued Capital
NATIONAL NOMINEES LIMITED	7,311,763	8.87
WESTPAC CUSTODIAN NOMINEES LIMITED	5,767,454	7.00
QUEENSLAND INVESTMENT CORPORATION	5,300,000	6.43
KANILO PTY LIMITED	5,094,030	6.18
BARBARY COAST INVESTMENTS PTY LTD	4,770,701	5.79

d. All shares have equal voting rights

e. 20 Largest Shareholders — Ordinary Shares

RANK	NAME	NO. OF SHARES HELD	% HOLDING OF TOTAL ISSUED SHARES
1	NATIONAL NOMINEES LIMITED	7,311,763	8.87%
2	WESTPAC CUSTODIAN NOMINEES LIMITED	5,767,454	7.00%
3	QUEENSLAND INVESTMENT CORPORATION	5,300,000	6.43%
4	KANILO PTY LIMITED	5,094,030	6.18%
5	BARBARY COAST INVESTMENTS PTY LTD	4,770,701	5.79%
6	BARBARY COAST INVESTMENTS PTY LTD		
	<WHITTEN SUPER FUND A/C>	2,922,562	3.55%
7	B-BRIDGE VENTURES I L P	2,439,325	2.96%
8	ANZ NOMINEES LIMITED	2,004,552	2.43%
9	DR MARK KAY	1,951,460	2.37%

Additional Information for Listed Public Companies

RANK	NAME	NO. OF SHARES HELD	% HOLDING OF TOTAL ISSUED SHARES
10	MORCAT PTY LTD	1,730,000	2.10%
11	COTSENVY PTY LIMITED <NASSER FAMILY A/C>	1,500,000	1.82%
12	DEPONENT SERVICES PTY LTD <LAMBERT SUPER FUND A/C>	1,500,000	1.82%
13	BSH (BIOTECH) PTY LTD	1,129,000	1.37%
14	CHAOXS PTY LIMITED	1,091,020	1.32%
15	MS SARA CUNNINGHAM	975,730	1.18%
16	HIROYUKI MASUMOTO	975,730	1.18%
17	MR KENNETH CLIFFORD REED	952,000	1.15%
18	KEN DONE & ASSOCIATES PTY LIMITED <SUPERANNUATION FUND A/C>	946,292	1.15%
19	JH & BA TOWERS PTY LTD	858,350	1.04%
20	FITEL NOMINEES LIMITED	802,000	0.97%
		50,021,969	60.68%

Additional Information for Listed Public Companies (Cont'd)

1.2 Unquoted Securities

1. As at the date of this report, the Company has unquoted securities which details are set out on the table below.

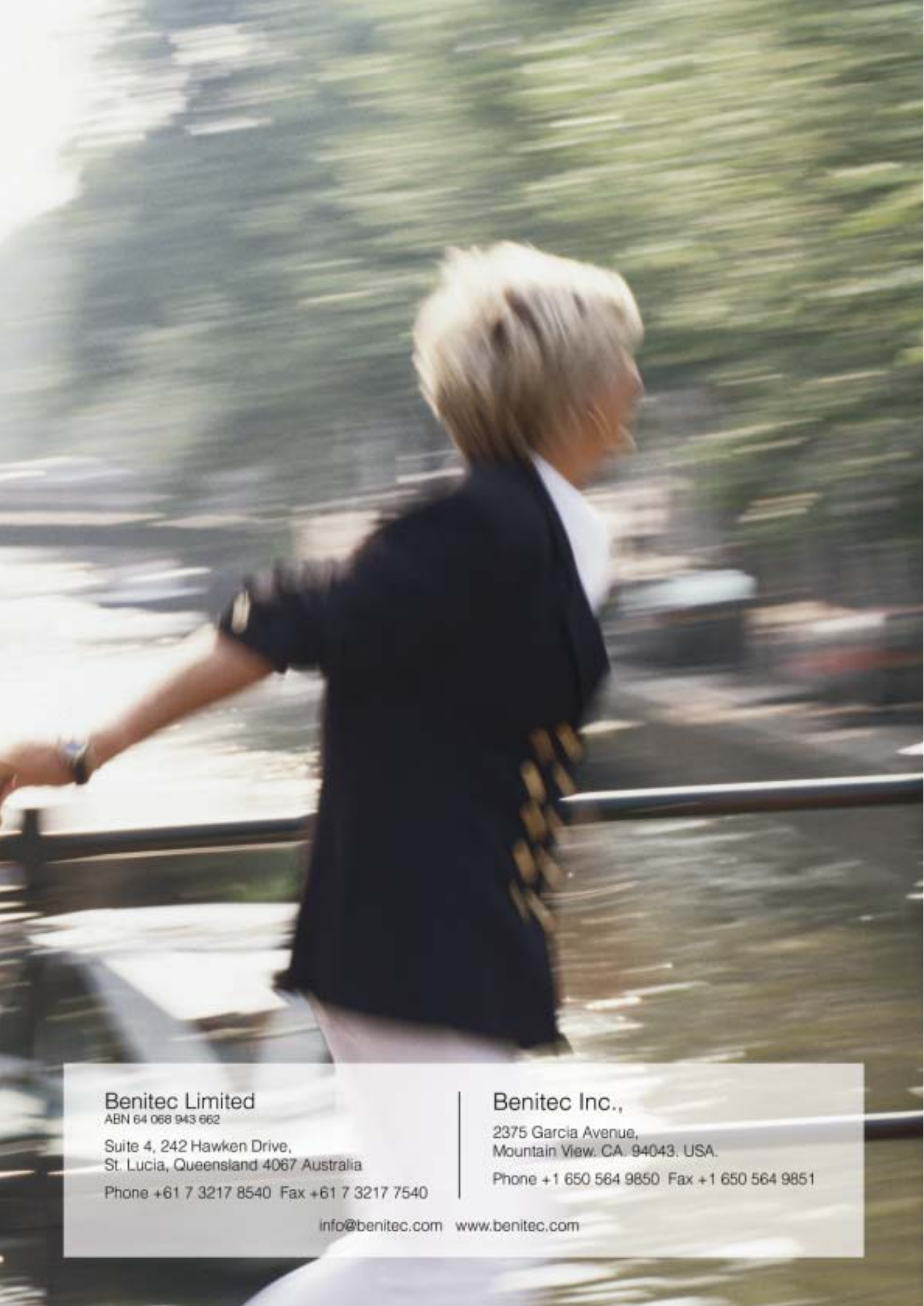
Options under the Employee Share Option Plan	1,034,176
Options granted to Directors of the Company	9,750,000
Other options	6,940,000
	17,724,176

Details of these options are listed in the Directors' Report. There are no other unquoted securities issued by the Company.

2. The name of the Company Secretary is Mr Gary Taylor.
3. The address of the principal registered office in Australia is:
Unit 4, 242 Hawken Drive
St Lucia QLD 4067
4. Registers of Securities are held at the following address:
Computershare Investor Services Pty Ltd
Level 27 Central Plaza One
Brisbane QLD 4000
Australia
5. **Stock Exchange Listing**
Quotation has been granted for all the ordinary shares of the Company on all Member Exchanges of the Australian Stock Exchange Limited. Trading of the Company's securities is also available on the Regulated Unofficial Market (Freiverkehr) on the Frankfurt Stock Exchange, Xetra, the Deutsche Borse AG electronic trading system and the Berlin Bremen Stock Exchange.
6. **Restricted Securities**
The following securities were restricted for a period of two years until July 2004
- | | |
|-------------------------------|-------------------|
| Fully Paid Ordinary Shares | 550,000 shares |
| Options exercisable at \$0.50 | 2,000,000 options |
| Options exercisable at \$1.00 | 3,200,000 options |
7. **Difference in Results Reported to Australian Stock Exchange**
The results reported to the Australian Stock Exchange in the preliminary final report do not differ materially from the results reported in these accounts.
8. All options issued are unquoted securities.

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Benitec Limited

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