



**BENITEC LIMITED**

**ABN 64 068 943 662**

**APPENDIX 4E**

**PRELIMINARY FINAL REPORT**

**FOR THE YEAR ENDED**

**30 JUNE 2010**

**1. Details of Reporting Period**

The financial information contained in this report is for the year ended 30 June 2010. Comparative amounts (unless otherwise indicated) relate to the year ended 30 June 2009.

**2. Results for Announcement to the Market**

	30 June 2010 \$000's	30 June 2009 \$000's	Percentage increase/ (decrease)
Revenue from continuing operations	<b>182</b>	362	(49.7)%
Net loss from ordinary activities after tax attributable to members	<b>(4,641)</b>	(2,471)	(87.8)%
Net loss for the period attributable to members	<b>(4,641)</b>	(2,471)	(87.8)%
	30 June 2010 Cents per share	30 June 2009 Cents per share	Percentage increase/ (decrease)
Earnings per share	<b>(1.21)</b>	(0.80)	(51.2)%

No dividends were paid during the financial year and none are proposed to be paid.

**Discussion and Analysis of Results**

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

Operating revenue for the 12 months to 30 June 2010 was \$182,033, down from \$311,476 in the previous financial year due to a fall in interest income which resulted from both the fall in interest rates and lower cash balances during the year. Other income during the year was \$616, compared to \$50,091 in the previous financial year. Operating expenses for the financial year, excluding the CSIRO settlement charge of \$2,004,851, were \$2,817,853 down from \$2,925,568 in the previous year. Expense categories did not show major variations year on year. Research and development costs were once again the major expense with the addition of Hepatitis B and NSCLC collaborations whilst patent costs continued to be significant. Employment related costs continued to decrease, falling a further 12.5%.

**Financial Position**

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

**Cash Flows**

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

**Consolidated Statement of Comprehensive Income**  
**For the Year Ended 30 June 2010**

	Note	Consolidated	
		2010	2009
		\$	\$
<b>Continuing Operations</b>			
Revenue	3.1	181,417	311,476
Other income	3.1	616	50,091
		<u>182,033</u>	<u>361,567</u>
Royalties & licence fees		(50,511)	(89,813)
Research and development	3.2	(1,211,394)	(1,127,019)
Employment related	3.2	(919,275)	(1,050,149)
Travel related costs		(106,867)	(56,072)
Consultants costs		(67,257)	(106,864)
Occupancy costs	3.2	(35,813)	(70,630)
Corporate expenses		(354,764)	(421,092)
Finance costs		(56,381)	(3,929)
Foreign exchange translation		(15,591)	-
CSIRO IP settlement	3.2	(2,004,851)	-
		<u>(4,822,704)</u>	<u>(2,925,568)</u>
Loss before income tax		(4,640,671)	(2,564,001)
Income tax benefit	3.3	-	93,330
<b>Loss for the year attributable to members of the parent entity</b>		<u><b>(4,640,671)</b></u>	<u><b>(2,470,671)</b></u>
<b>Other Comprehensive Income</b>			
<b>Other Comprehensive Income for the year, net of tax</b>		-	-
<b>Total Comprehensive Income for the year</b>		<u><b>(4,640,671)</b></u>	<u><b>(2,470,671)</b></u>
<b>Total Comprehensive Income attributable to members of the parent entity</b>		<u><b>(4,640,671)</b></u>	<u><b>(2,470,671)</b></u>
<i>Earnings per share (cents per share)</i>			
Basic and diluted for loss for the year attributable to ordinary equity holders of the parent entity		(1.21)	(0.80)

The above consolidated statement of comprehensive income is to be read in conjunction with the attached notes.

**Consolidated Statement of Financial Position  
As at 30 June 2010**

	Note	Consolidated	
		2010	2009
		\$	\$
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	4.1	651,007	1,866,605
Trade and other receivables	4.2	350,470	106,921
Other current assets	4.3	28,064	15,640
<b>TOTAL CURRENT ASSETS</b>		<b>1,029,541</b>	<b>1,989,166</b>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	4.4	7,621	8,782
<b>TOTAL NON-CURRENT ASSETS</b>		<b>7,621</b>	<b>8,782</b>
<b>TOTAL ASSETS</b>		<b>1,037,162</b>	<b>1,997,948</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	4.5	817,729	444,570
Provisions	4.7	149,626	56,859
<b>TOTAL CURRENT LIABILITIES</b>		<b>967,355</b>	<b>501,429</b>
<b>NON-CURRENT LIABILITIES</b>			
Trade and other payables	4.5	231,826	347,735
Borrowings	4.6	459,655	-
Provisions	4.7	75,000	-
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>766,481</b>	<b>347,735</b>
<b>TOTAL LIABILITIES</b>		<b>1,733,836</b>	<b>849,164</b>
<b>NET ASSETS/(LIABILITIES)</b>		<b>(696,674)</b>	<b>1,148,784</b>
<b>EQUITY</b>			
Contributed equity	4.8	77,487,593	74,836,046
Reserves	4.9	2,709,071	2,565,405
Accumulated losses		(80,893,338)	(76,252,667)
<b>TOTAL EQUITY</b>		<b>(696,674)</b>	<b>1,148,784</b>

The above consolidated statement of financial position is to be read in conjunction with the attached notes.

**Consolidated Statement of Cash Flows  
For the Year Ended 30 June 2010**

	Note	Consolidated	
		2010	2009
		\$	\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers (inclusive of GST)		170,581	237,243
Payments to suppliers and employees (inclusive of GST)		(2,532,681)	(2,610,735)
Receipt of government grants		-	50,000
Income tax rebate received		-	93,330
		<hr/>	<hr/>
<b>Net cash used in operating activities</b>	5	<b>(2,362,100)</b>	<b>(2,230,162)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest received		30,249	77,402
Purchase of property, plant and equipment		(2,525)	(180)
		<hr/>	<hr/>
<b>Net cash provided by investing activities</b>		<b>27,724</b>	<b>77,222</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from issue of securities		562,476	2,107,206
Proceeds from borrowings		560,656	36,234
		<hr/>	<hr/>
<b>Net cash provided by/(used in) financing activities</b>		<b>1,123,132</b>	<b>2,143,440</b>
<b>Net increase/(decrease) in cash held</b>		<b>(1,211,244)</b>	<b>(9,500)</b>
Exchange rate changes		(4,354)	31,879
Cash at 1 July		1,866,605	1,844,226
		<hr/>	<hr/>
<b>Cash at 30 June</b>		<b>651,007</b>	<b>1,866,605</b>

The above consolidated statement of cash flows is to be read in conjunction with the attached notes.

**Consolidated Statement of Changes in Equity  
For the Year Ended 30 June 2010**

	Contributed Equity	Convertible Note Equity Reserve	Share-based Payments Reserve	Accumulated Losses	Total
	\$		\$	\$	\$
<b>CONSOLIDATED</b>					
<b>Balance at 1 July 2008</b>	<b>72,728,840</b>	-	<b>2,411,191</b>	<b>(73,781,996)</b>	<b>1,358,035</b>
Loss attributable to members of parent entity	-	-	-	(2,470,671)	(2,470,671)
Other comprehensive income for the year	-	-	-	-	-
Fair value of options vested during period	-	-	154,214	-	154,214
Share issues, net of transaction costs	2,107,206	-	-	-	2,107,206
<b>Balance 30 June 2009</b>	<b>74,836,046</b>	-	<b>2,565,405</b>	<b>(76,252,667)</b>	<b>1,148,784</b>
Loss attributable to members of parent entity	-	-	-	(4,640,671)	(4,640,671)
Other comprehensive income for the year	-	-	-	-	-
Equity component of convertible note	-	77,156	-	-	77,156
Transfer to Contributed Equity upon partial conversion of convertible note	7,319	(7,319)	-	-	-
Fair value of options vested during period	-	-	73,829	-	73,829
Share issues, net of transaction costs	2,644,228	-	-	-	2,644,228
<b>Balance 30 June 2010</b>	<b>77,487,593</b>	<b>69,837</b>	<b>2,639,234</b>	<b>(80,893,338)</b>	<b>(696,674)</b>

The above consolidated statement of changes in equity is to be read in conjunction with the attached notes.

**3. Notes to the Consolidated Statement of Comprehensive Income**

	Consolidated	
	2010	2009
	\$	\$
<b>3.1 REVENUES</b>		
<b>Revenue</b>		
- Licensing revenue and royalties	151,168	234,074
- Finance income - interest received	30,249	77,402
	181,417	311,476
<b>Other income</b>		
- Government grants	-	50,000
- Sundry income	616	91
	616	50,091
<b>TOTAL REVENUE AND OTHER INCOME</b>	<b>182,033</b>	<b>361,567</b>

**3.2 LOSS FOR THE YEAR****(a) Expenses incurred by continuing operations****Depreciation included in income statement***Included in Occupancy expenses*

Depreciation of plant and equipment	3,686	5,416
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**Employee benefits expense included in income statement***Included in Employment related expenses*

Wages and salaries	569,109	646,010
Superannuation costs	54,008	43,378
Share-based payments expense	73,829	154,214

<b>CSIRO IP Settlement included in income statement</b>	2,004,851	-
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During the year, the Company reached a settlement with the CSIRO to replace the existing Licence Agreement and Commercial Agreement with a new exclusive Licence Agreement for the use of intellectual property and the Capital Growth Agreement with the issue of ordinary shares. In addition, the Licence Agreement contains a number of further contingent payments as outlined in Note 12.2.

**(b) Expenses:**

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

**Expenses**

Research and development costs consist of:

Project expenses	471,995	228,806
IP litigation expenses	58,219	30,395
Other IP related expenses	681,180	867,818
	1,211,394	1,127,019

**3. Notes to the Consolidated Statement of Comprehensive Income (cont.)**

	<b>Consolidated</b>	
	<b>2010</b>	<b>2009</b>
	<b>\$</b>	<b>\$</b>
<b>3.3 INCOME TAX EXPENSE</b>		
(a) The prima facie tax on loss from ordinary activities before income tax is reconciled to the income tax as follows:		
Prima facie tax payable on loss from ordinary activities before income tax at 30% (2009: 30%)	(1,392,201)	(769,201)
<i>Add Tax effect of:</i>		
Non-deductible share-based payment expense	22,149	46,264
Non-deductible legal fees	18,839	12,359
Non-deductible CSIRO IP settlement	601,455	-
Capital items deductible	(240,142)	(351,822)
Other non deductible items	82,755	178,466
Deductible items not included in operating result	(178,146)	(106,462)
R&D tax offset from prior year	-	93,330
Deferred tax asset not brought to account	1,085,291	990,396
Income tax benefit reported in the income statement	<u>-</u>	<u>93,330</u>

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

(c) Deferred Tax Asset not brought to account

As at 30 June 2010, the Tax Consolidated Group has a net deferred tax asset of \$8,855,092 (2009: \$7,776,405) arising from significant available Australian tax losses (calculated at 30%), which has not been recognised in the financial statements.

The Consolidated Group also has Australian capital tax losses for which no deferred tax asset is recognised on the balance sheet of \$381,588 (2009: \$381,588) which are available indefinitely for against future capital gains subject to continuing to meet relevant statutory tests.

The recoupment of available tax losses as at 30 June 2010 is contingent upon the following:

- (i) the Consolidated Group deriving future assessable income of a nature and of an amount sufficient to enable the benefit from the losses to be realised;
- (ii) the conditions for deductibility imposed by tax legislation continuing to be complied with; and
- (iii) there being no changes in tax legislation which would adversely affect the Tax Consolidated Group from realising the benefit from the losses.



**4. Notes to the Consolidated Statement of Financial Position**

	<b>Consolidated Group</b>	
	<b>2010</b>	<b>2009</b>
	\$	\$
<b>4.1 CASH AND CASH EQUIVALENTS</b>		
Cash at bank	172,662	218,427
Deposits at call	478,345	1,648,178
	<u>651,007</u>	<u>1,866,605</u>
<b>4.2 TRADE AND OTHER RECEIVABLES</b>		
CURRENT		
Sundry Debtors	<u>350,470</u>	<u>106,921</u>
<b>4.3 OTHER ASSETS</b>		
CURRENT		
Prepayments	13,064	13,900
Other current assets	15,000	1,740
	<u>28,064</u>	<u>15,640</u>
<b>4.4 PROPERTY, PLANT AND EQUIPMENT</b>		
<b>Plant and Equipment</b>		
At cost	23,645	21,121
Accumulated depreciation	<u>(16,024)</u>	<u>(12,339)</u>
Total Property, Plant and Equipment	<u>7,621</u>	<u>8,782</u>
<b>4.5 TRADE AND OTHER PAYABLES</b>		
CURRENT		
<i>Unsecured liabilities</i>		
Trade creditors	695,845	137,428
Sundry creditors and accrued expenses	121,884	307,142
	<u>817,729</u>	<u>444,570</u>
NON-CURRENT		
<i>Unsecured liabilities</i>		
Sundry creditors and accrued expenses	<u>231,826</u>	<u>347,735</u>

**4. Notes to the Consolidated Statement of Financial Position (cont.)**

<b>Consolidated Group</b>	
<b>2010</b>	<b>2009</b>
\$	\$

**4.6 BORROWINGS**

Convertible Note	459,655	-
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On 1 April 2010, the Company entered into a convertible note facility with La Jolla Cove Investors, Inc. (a non related entity) to provide up to US\$6 million in funding over 2 years.

The key terms of the convertible note facility are as follows:

- The facility comprises up to four (4) US\$1.5 million convertible notes, each with a duration of 2 years from the first drawdown of the relevant convertible note.
- Funds are to be drawn down by Benitec on the basis of US\$250,000 per month.
- The notes bear interest payable to the holder at an interest rate of 4.75% (calculated on the outstanding principal amount).
- The notes must be repaid upon maturity unless converted to ordinary shares in accordance with the terms of the notes. The notes can be converted at the election of the holder (or upon default triggers) at the lesser of AU\$0.15 per share or a 20% discount to the value weighted average price calculated at conversion, subject to the issuer's election to repay the amount borrowed with a 20% premium.
- The level of funding potentially available is subject to ongoing compliance with applicable terms and conditions.

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

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

**4.7 PROVISIONS****CURRENT**

Provision for Employee Entitlements	74,625	56,859
Provision for Patent Costs	75,000	-
	149,625	56,859

**NON-CURRENT**

Provision for Patent Costs	75,000	75,000
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## 4. Notes to the Consolidated Statement of Financial Position (cont.)

	<b>Consolidated Group</b>	
	<b>2010</b>	<b>2009</b>
	\$	\$
<b>4.8 CONTRIBUTED EQUITY</b>		
415,004,245 (2009: 352,500,230) fully paid ordinary shares	77,487,593	74,836,046
<b>Ordinary Shares</b>		
At the beginning of the reporting period	74,836,046	72,728,840
Shares issued during the year	2,667,418	2,150,027
Transaction costs relating to share issues	(23,190)	(42,821)
Convertible Note conversion	7,319	-
At reporting date	77,487,593	74,836,046
	No.	No.
At the beginning of reporting period	352,500,230	291,954,879
Shares issued during the year	62,504,015	60,545,351
At reporting date	415,004,245	352,500,230
<b>4.9 RESERVES</b>		
<b>Convertible Note Equity Reserve</b>		
At the beginning of the reporting period	-	-
Equity component of convertible note	77,156	-
Transfer to Contributed Equity upon partial conversion of convertible note	(7,319)	-
At reporting date	69,837	-
<b>Share-based Payments Reserve</b>		
At the beginning of the reporting period	2,565,405	2,411,191
Fair value of options vested during year	73,829	154,214
At reporting date	2,639,234	2,565,405

**Nature and purpose of Reserves***Convertible Note Equity Reserve*

The Convertible Note Equity Reserve records the equity component of convertible notes upon draw down of funds. When a conversion to ordinary shares takes place, the equity component of the convertible note being converted is transferred to Contributed Equity.

*Share-based Payments Reserve*

The Share-based Payments Reserve records items recognised as expenses on valuation and vesting of employee share options granted.

**5. Notes to the Consolidated Statement of Cash Flows**

	<b>Consolidated Group</b>	
	<b>2010</b>	<b>2009</b>
	\$	\$
<b>Reconciliation of Cash Flow from Operations with Loss after Income Tax</b>		
Loss after Income Tax	(4,640,671)	(2,470,671)
Non-cash flows included in operating loss:		
Interest received	(30,249)	(77,402)
Depreciation	3,686	5,416
Share-based payments	73,829	154,214
CSIRO settlement	2,004,851	-
Foreign currency translation unrealised	22,018	-
Provisions and non-cash adjustments	167,159	2,337
Changes in assets and liabilities:		
(Increase)/decrease in trade and other receivables	(243,549)	(22,184)
(Increase)/decrease in other current assets	(12,424)	29,727
Increase/(decrease) in trade and other payables	293,250	148,401
Net cash flows from operations	(2,362,100)	(2,230,162)

**6. Dividends**

No dividends have been paid and no dividends are proposed to be paid.

**7. Dividend Reinvestment Plans**

Not applicable.

**8. Statement of Retained Earnings Movements**

Please refer to the Consolidated Statement of Changes in Equity.

**9. Net Tangible Assets**

	<b>2010</b>	<b>2009</b>
Net tangible asset backing per ordinary share	\$(0.17) cents	\$0.34 cents

**10. Changes in Control over Entities**

There were no changes (gained or lost) in control exercised by the Company over other entities during the year.

**11. Associates and Joint Venture Entities**

Not applicable.

**12. Other Information****12.1 EARNINGS PER SHARE**

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

	<b>Consolidated</b>	
	<b>2010</b>	<b>2009</b>
	<b>\$</b>	<b>\$</b>
Loss after income tax used in the calculation of basic EPS and dilutive EPS	(4,640,671)	(2,470,671)
	<b>No.</b>	<b>No.</b>
Weighted average number of ordinary shares for basic and diluted earnings per share	383,203,917	308,379,469
Weighted average number of converted, lapsed or cancelled potential ordinary shares included in diluted earnings per share	-	-

All options to acquire ordinary shares are not considered dilutive for the year ended 30 June 2010 and the comparative period.

***Classification of securities***

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

**12.2 CONTINGENT LIABILITIES**

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

Under the terms of the Transition Agreement, the Company agreed to the following:

- To pay CSIRO an amount of \$300,000 in full satisfaction of costs relating to past Nucleonics litigation costs following written notice from CSIRO that one or more commercial claims have been reissued from the re-examination proceedings of the '099 patent; and
- To pay CSIRO an amount of \$297,293 for past patent costs only in the event of a trigger event, being either a corporate transaction or an insolvency event.

**13. Foreign Entities**

Not applicable.

**14. Segment Information****Business Segments**

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

**Geographical Segments**

Business operations are conducted in Australia. However there are controlled entities based in the USA and United Kingdom

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

**Accounting Policies**

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

**15. This report is based on accounts to which one of the following applies:**

- The accounts have been audited
- The accounts are in the process of being audited
- The accounts have been subject to review
- The accounts have *not* yet been audited or reviewed.

**16. If the accounts have not yet been audited or subject to review and are likely to be subject to dispute or qualification, details are described below.**

Not applicable.

**17. If the accounts have been audited or subject to review and are subject to dispute or qualification, details are described below.**

Not applicable.

Contact: Dr Peter French  
Chief Executive Officer  
Mobile: +61 (0)402 457 595  
Email: pfrench@benitec.com