

Directors' Report

Commercialisation

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

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

Raising Benitec's profile

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

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

Cash Flows

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

Capital raisings - June & July 2013

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

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

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

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

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

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

Financial Overview

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

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

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

Capital raisings – February and April 2014

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

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