

BENITEC BIOPHARMA LIMITED

ABN 64 068 943 662

Interim Report for the nine months ended March 31, 2017

1. Reporting period

The financial information contained in this report is for the nine months ended March 31, 2017. Comparative amounts for the Consolidated Statement of Profit or Loss and Other Comprehensive Income are for the nine months ended March 31, 2016. Financial Position comparatives are at June 30, 2016.

2. Results for Announcement to the Market

| | Change | % Change | \$A'000 |
|--|---|----------|---------|
| 2.1 Revenue from ordinary activities | up | 25.5% | 483 |
| 2.2 (Loss) from ordinary activities after tax attributable to members | down | 83.2% | (3,117) |
| 2.3 Net (loss) for the period attributable to members | down | 83.2% | (3,117) |
| 2.4 The amount per security and franked amount per security of final and interim dividends | No dividends were declared or paid during the period | | |
| 2.5 A brief explanation of any of the figures in 2.1 to 2.3 necessary to enable the figures to be understood | Refer to commentary below which was extracted from the Benitec Biopharma Limited interim report for the nine months to March 31, 2017 which forms part of this ASX announcement | | |

3. Commentary on results for the period

Benitec's comprehensive loss for the nine months to March 31, 2017 was \$3.1m compared to a loss of \$18.5m the previous corresponding period. The \$15.4m reduction in loss is explained by:

- Increase in R&D Grant income of \$5.7m
- Reduction in R&D development cost of \$5.8m
- Employee and share based expenses reduced by \$2.3m
- IPO cost of \$1.0m in prior period

Benitec's current assets at March 31, 2017 were \$24.6m (June 30, 2016: \$19.4m), with current liabilities of \$1.0m (June 30, 2016: \$1.0m).

4. Net tangible asset backing per share

| | March 2017 | March 2016 |
|---|------------|------------|
| Net tangible asset backing per ordinary share | 11.7 cents | 17.0 cents |

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Interim Report for the nine months ended March 31, 2017

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The information in this report should be read in conjunction with the most recent annual financial report and any public announcements made by Benitec Biopharma Limited.

BENITEC BIOPHARMA LIMITED

Company history, general information, explanatory notes and forward looking statements for the nine months ended March 31, 2017

Company History

Benitec Biopharma Limited ('the Company') was incorporated under the laws of Australia in 1995 and has been listed on the Australian Securities Exchange, or ASX, since 1997. Since then, the Company has devoted most of its resources to development of therapeutic agents related to DNA-directed RNA interference (ddRNAi). While the Company has established some licensing arrangements, it does not have any products approved for sale and has not generated any revenue from product sales. The Company has funded its operations primarily from private placements of ordinary shares, including \$5.4m in March 2017 and \$2.5m in October 2016, a U.S. initial public offering in August 2015 of \$18.8m (U.S.\$13.8m) and \$31.5m in February 2014. The Company has also received cumulative research and development grants from the Australian federal government since inception, totalling \$13.2m and has taken up additional research and development grant income of \$3.6m as at March 31, 2017. Since Nasdaq listing in July 2015, the Company has earned licensing revenue from licensing our ddRNAi technology to five biopharmaceutical companies, totalling \$0.6m.

In August 2015, the Company completed a US initial public offering in which it issued 30,000,000 ordinary shares (represented by 1,500,000 ADSs) and 575,000 Warrants, and it listed the ADSs and Warrants on the NASDAQ Capital Market.

In October 2012, the Company acquired Tacere Therapeutics, Inc., an RNA interference therapeutics company based in California with a development program focused on hepatitis C and age related macular degeneration (AMD). As consideration for the acquisition, we issued a total of 4,092,854 ordinary shares (taking into account a 25:1 share consolidation that became effective in July 2013), representing 9.8% of our issued capital immediately after the transaction, having an aggregate value of \$1.5m.

Benitec Biopharma Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is Suite 1201, 99 Mount Street, North Sydney, NSW 2060 Australia. Our telephone number is +61 2 9555 6986. The Company's website address is www.benitec.com

General information

The financial statements cover Benitec Biopharma Limited as a Group consisting of Benitec Biopharma Limited and the entities it controlled at the end of, or during, the nine month period ended March 31, 2017. The financial statements are presented in Australian dollars, which is Benitec Biopharma Limited's functional and presentation currency.

A description of the nature of the Group's operations and its principal activities are included in the Directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of directors, on May 23, 2017. The directors have the power to amend and reissue the financial statements.

The Company's directors and management are committed to conducting the Group's business in an ethical manner and in accordance with the highest standards of corporate governance. The Company has adopted and substantially complies with the ASX Corporate Governance Principles and Recommendations (3rd Edition) ('Recommendations') to the extent appropriate to the size and nature of the Group's operations.

The Company has prepared a Corporate Governance Statement which sets out the corporate governance practices that were in operation throughout the financial reporting period for the Company, identifies any recommendations that have not been followed, and provides reasons for not following such recommendations.

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The Company's Corporate Governance Statement and policies, which were approved by the Board of directors on August 30, 2016 can be found on its website: <http://www.benitec.com/investor-centre/governance>.

Explanatory Notes

Unless otherwise indicated or the context implies otherwise:

- "we", "us", "our", or "Benitec", refers to Benitec Biopharma Limited, an Australian corporation, and its subsidiaries;
- "shares" or "ordinary shares" refers to our ordinary shares;
- "ADSs" refers to American Depositary Shares, each of which represents 20 ordinary shares; and
- "Warrant" refers to a warrant to purchase one ADS at an exercise price of US\$5.50 per ADS, exercisable from the date of issuance until five years thereafter.

The Company's fiscal year end is June 30. References to a particular "fiscal year" are to our fiscal year ended June 30 of that calendar year.

Unless otherwise indicated, the consolidated financial statements and related notes included in this document have been prepared in accordance with *AASB 134 Interim Financial Reporting* and also comply with International Financial Reporting Standards, or IFRS, and interpretations issued by the International Accounting Standards Board, or IASB, which differ in certain significant respects from Generally Accepted Accounting Principles in the United States, or GAAP.

Forward-Looking Statements

This document contains "forward-looking statements" within the meaning of section 27A of the US Securities Act of 1933 and section 21E of the US Securities Exchange Act of 1934. The Company has tried to identify such forward-looking statements by use of such words as "expects", "intends", "hopes", "anticipates", "believes", "could", "may", "evidences" and "estimates", and other similar expressions, but these words are not the exclusive means of identifying such statements. Such statements include, but are not limited to, any statements relating to Benitec's pipeline of ddRNAi-based therapeutics, including the initiation, progress and outcomes of clinical trials and any other statements that are not historical facts. Such forward-looking statements involve risks and uncertainties, including, but not limited to, risks and uncertainties relating to the difficulties or delays in our plans to develop and potentially commercialise our product candidates, the timing of the initiation and completion of preclinical and clinical trials, the timing of patient enrolment and dosing in clinical trials, the timing of expected regulatory filings, the clinical utility and potential attributes and benefits of ddRNAi and our product candidates, potential future out-licenses and collaborations, our intellectual property position and duration of our patent portfolio, the ability to procure additional sources of financing and other risks detailed from time to time in filings that the Company makes with the ASX and US Securities and Exchange Commission, including our most recent annual report on Form 20-F and our reports on Form 6-K. Such statements are based on management's current expectations, but actual results may differ materially due to various factors, including those risks and uncertainties mentioned or referred to in this presentation. Accordingly, you should not rely on those forward-looking statements as a prediction of actual future results.

The forward-looking statements made in this document relate only to events or information as of the date on which the statements are made in this document. Except as required by law, we undertake no obligation to update or revise publicly any forward-looking statements because of new information, future events or otherwise, after the date on which the statements are made or to reflect the occurrence of unanticipated events.

BENITEC BIOPHARMA LIMITED

Directors' Report for the nine months ended March 31, 2017

The Company's Directors present their report on the consolidated entity consisting of Benitec Biopharma Limited and the entities it controlled ('Group') for the nine months ended March 31, 2017.

Directors

The following persons were directors of Benitec Biopharma Limited ('Benitec') during the whole of the period and up to the date of this report, unless otherwise noted:

Mr Peter Francis (Chairman)
Mr Kevin Buchi
Dr John Chiplin
Ms Megan Boston (appointed on August 16, 2016)
Dr Jerel A Banks (appointed on October 26, 2016)
Mr Iain Ross (retired September 30, 2016)

Financial Update

Benitec's Comprehensive loss for the nine months to March 31, 2017 was \$3.1m compared to a loss of \$18.5m the previous corresponding period. The \$15.4m reduction in loss is explained by:

- **Increase in R&D Grant income of \$5.7m:** Grant income in nine month period ended in March 31, 2017 was \$9.3m due to the inclusion of an estimation of the Grant income for the nine month period ended March 31, 2017 of \$3.0m as well as inclusion of the Grant income for the period ended June 30, 2016 of \$6.2m. In the previous corresponding period the only Grant income taken to account was \$3.6m for the period ending June 30, 2015. In the current reporting period new reporting systems were implemented to allow a reliable estimate to be made of the grant income that is expected to be received for the current period, hence grant income for the current reporting period has been taken to account.
- **Reduction in R&D development cost of \$5.8m:** As part of the previous corresponding R&D expense, Benitec acquired full rights to its preclinical hepatitis B program from its collaborator, Biomics Biotechnologies, for \$2.5m in July 2015 with plans to independently progress the product candidate in this therapeutic field. The current nine-month period also showed the effect of reduced expenditure on hepatitis C program and non-small cell lung cancer program.
- **Employee and share based expenses reduced by \$2.3m:** Due to management restructure and fewer employee options being issued.
- **IPO cost of \$1.0m in prior period**

As at March 31, 2017, the Company had cash on hand of \$19.6m. This was an increase of \$1.4m from June 30, 2016. This was due to:

- **Capital Raisings: During the financial period the company raised \$7.9m in two placements**
 - a) On October 24, 2016, the Company entered into a strategic engagement with Nant Capital, LLC. The strategic engagement included a scientific collaboration in clinical programs and an immediate private placement to Nant Capital LLC of 29,305,819 ordinary shares in the Company, representing approximately 19.9% of its then outstanding issued capital (for a post-issue holding of approximately 16.7%). The shares were priced at \$0.0895 per share, representing the 7-day volume weighted average price of the ordinary shares on the ASX prior to the execution of a share purchase subscription agreement.

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Directors' Report for the nine months ended March 31, 2017

Financial Update (continued)

b) On March 13, 2017, an additional 29,305,819 fully paid ordinary shares were issued to Nant Capital LLC at A\$0.1859 per share, raising A\$5.45 million for the Company. As a result of this placement Nant Capital LLC now holds 28.57% of the issued capital.

- **Operating cash outflow** was \$6.1m comprising expenditure of \$11.7m offset by government R&D grant received of \$5.6m.

Benitec's current assets at March 31, 2017 were \$24.6m (June 30, 2016: \$19.4m), with current liabilities of \$1.1m (June 30, 2016: \$1.0m).

Review of Operations

The Company is using a novel application of gene silencing technologies to build a focused product pipeline to address unmet meeting needs across numerous indications. The Company's DNA-directed RNA interference ('ddRNAi') technology combines RNA interference (RNAi) with gene therapy delivery to change the way patients are treated and potentially cured.

The Company has a pipeline of product candidates for the treatment of numerous chronic and life-threatening human diseases, such as hepatitis B ('HBV'), age-related macular degeneration ('AMD'), solid tumours and oculopharyngeal muscular dystrophy ('OPMD'). By combining the specificity and gene silencing effect of RNA interference with gene therapy, ddRNAi has the potential to produce long-lasting silencing of disease-causing genes from a single administration, which could eliminate the requirement for patient compliance to take regular doses of medicine for long-term management of their disease.

The Company has set the following priorities:

- Progress its pipeline of proprietary ddRNAi-based therapeutics:
 - The Company's key pipeline programs are being progressed through their respective stages in the development pathway. The Company will require additional financing to conduct clinical trials with these product candidates. Further detail of each individual programs is provided in subsequent sections of this Review of Operations.
- Continue the Company's leadership position in ddRNAi-based therapeutics:
 - The Company remains the only company to date to advance an RNAi therapeutic via systemic administration by gene therapy vectors and as such, retains a significant competitive edge for the development of this technology into human therapeutics.
- Further develop and improve the ddRNAi platform technology and its associated intellectual property position:
 - Develop in-house ddRNAi platform technology and program related intellectual property, and in-license complementary technologies, as appropriate, to support the product pipeline. One such example is the Company's relationship with 4D Molecular Therapeutics, LLC (4DMT) to co-develop novel gene therapy vectors to deliver the Company's ddRNAi constructs to a large majority of the retinal cells of the eye from a single intravitreal injection to treat human ocular diseases.
 - Develop drug candidates in Benitec's core disease areas and partner selectively to commercialise and expand the Company's pipeline:
 - Form collaborations to expand the Company's capabilities and product offerings into a range of diseases and potentially to more broadly accelerate the development and commercialisation of ddRNAi therapeutics. One such example is the collaboration Benitec has entered into with NantWorks to develop a clinical stage asset to treat Head and Neck Squamous Cell Carcinoma (HNSCC) using a gene

BENITEC BIOPHARMA LIMITED

Directors' Report for the nine months ended March 31, 2017

Review of Operations (continued)

- silencing approach that targets the Epidermal Growth Factor Receptor (EGFR). Further detail of this program is provided in a subsequent section of this Review of Operations.
- Advance one or more pipeline programs to key value inflection points with the goal of partnering with a pharmaceutical or biotechnology company.
- When appropriate, progress one or more programs through to commercialisation by ourselves. For example, the Company's pipeline program to treat an orphan indication, OPMD, is a candidate for this approach primarily because it would not require significant large scale manufacturing or a specialised sales force once approved.
- Out-license use of ddRNAi for applications and therapeutics outside of the Company's immediate focus to expand the Company's franchise of ddRNAi-based therapeutics. As an example, the Company licensed ddRNAi to Circuit Therapeutics to develop the technology in the area of intractable pain.
- Pursue indications with high unmet medical need or where there is a particularly beneficial fit for the technology:
 - Programs currently being pursued at the Company are severe diseases with high unmet medical need that have well characterised gene targets with the potential to be silenced, thus preventing the disease-causing gene from being expressed.
 - The Company also intends to develop ddRNAi applications in novel technologies, such as chimeric antigen receptor T cells (CAR-T) or other immuno-oncology targets, for a range of additional disease areas.

In-house programs

| Program | Discovery | Preclinical | IND-Enabling | Phase I/II | Status |
|---|-----------|-------------|--------------|------------|---|
| Oncology | | | | | |
| Head and Neck Cancer (HNSCC) <i>BB-401 (EGFR-AS)</i> | | | | | <ul style="list-style-type: none"> • Sublicense signed December 2016 • Phase 1 clinical POC completed in patients with HNSCC • Follow-on PII/III trial design under review |
| ddRNAi for Head and Neck Cancer <i>BB-501</i> | | | | | <ul style="list-style-type: none"> • Scientific collaboration initiated Q1 2017 |
| Infectious Disease | | | | | |
| Hepatitis B <i>BB-101 / BB-103</i> | | | | | <ul style="list-style-type: none"> • In vivo efficacy of BB-101 and BB-103 in combination with standard of care agents completed • Pre-IND meeting preparations underway |
| Ocular Disease | | | | | |
| AMD <i>BB-201</i> | | | | | <ul style="list-style-type: none"> • Capsid biodistribution 1Q2017 • Laser induced CNV mouse models 1Q2017 |
| Genetic Disease | | | | | |
| OPMD <i>BB-301</i> | | | | | <ul style="list-style-type: none"> • <i>In vivo</i> POC with clinical candidate ongoing— data in 1H17 |

Review of Operations (continued)

In-house programs (continued)

As of March 31, 2017, the Company has four key pipeline programs in development. Highlights of progress over the previous 9 months include:

(1) **Head and Neck Squamous Cell Carcinoma:** Late in 2016, the Company executed a world-wide sublicensing agreement to develop, in collaboration with NantWorks, a clinical stage asset (BB-401) to treat head and neck squamous cell carcinoma (HNSCC) using a gene silencing approach that targets the Epidermal Growth Factor Receptor (EGFR). The collaboration also includes the development of a novel compound utilising the Company's proprietary ddRNAi gene silencing platform against a related family of therapeutic targets underlying the core pathophysiology of HNSCC.

- BB-401 is comprised of a DNA plasmid which produces an antisense RNA to silence EGFR. EGFR is a well validated oncology target and has been shown to be a key driver of the growth of HNSCC lesions with more than 80% of HNSCC lesions exhibiting significantly elevated levels of EGFR versus concentrations found in non-malignant tissues.
- The anti-tumour efficacy of BB-401 has been explored in patients with advanced HNSCC with lesions that were unresponsive ('refractory') to standard anti-cancer therapies (Lai, et al., Journal of Clinical Oncology, 2009).
 - Five patients (i.e. 29% of the evaluable Phase I study patients) achieved 'Objective Responses' with reductions in the sizes of their tumours by at least 30% of the original size.
 - Two of these patients experienced 'Complete Responses' (i.e. reductions in the sizes of the injected malignant lesions of 100% by Response Evaluation Criteria in Solid Tumours or "RECIST" criteria) and three Phase I study patients experienced "Partial Responses" (i.e. reductions in the sizes of the injected malignant lesions of $\geq 30\%$ by RECIST criteria).
 - Two additional patients achieved 'Stable Disease' (i.e. a change in the sizes of the injected malignant lesions of -29% to +19%), leading to an overall "Disease Control Rate" of 41% for the 17 patients.
 - Importantly, the EGFR-AS was only administered to target malignant lesions once per week for four weeks. Yet, in the seven patients that achieved Complete Responses, Partial Responses, and Stable Disease, the median duration of the observed anti-tumour response was 6.5 months.
 - No Grade 3 or Grade 4 toxicity or Dose Limiting Toxicity was noted in the Phase I study.
- BB-401 was subsequently evaluated in a follow-on clinical study that enrolled 6-patients with advanced HNSCC to explore potential BB-401-driven improvements by its addition to a pre-existing multi-agent anti-cancer treatment regimen comprised of cetuximab along with Intensity-Modulated Radiotherapy. The combination of cetuximab with radiation therapy, approved for treatment of locally or regionally advanced HNSCC, has a demonstrated Objective Response rate of 74%.
 - In combination with the radiation and cetuximab, the addition of EGFR-AS resulted in five of the six patients (83%) experiencing Objective Responses, with three patients experiencing a Complete Response and the two others achieving a Partial Response.
 - Additional combination studies, using significantly higher number of patients, are likely to be explored in the upcoming clinical development plan.
- On the 30 January 2017 the Company entered into a Research Collaboration Agreement with Nant. The execution of the Research Collaboration Agreement is a further step in the strategic alliance with Nant. Under the terms of this agreement, the Company has taken control of the clinical development of BB-401.

Review of Operations (continued)

In-house programs (continued)

(1) Head and Neck Squamous Cell Carcinoma (continued)

- In parallel to returning BB-401 to the clinic, the scientific team at the Company has initiated the discovery stage program using its proprietary ddRNAi platform, to develop follow-on anti-EGFR strategies. The clinical data obtained from the BB-401 program will be used to inform the development pathway of BB - 501, the ddRNAi DNA construct. It is thought that the efficiency of target knockdown will be significantly greater with RNA interference as opposed to the post transcriptional gene silencing mechanism of BB-401.
- The Company has formed the Joint Steering Committee with Nant to direct both the BB-401 and BB-501 development programs. The Company plans to meet with the FDA and anticipates initiating a clinical trial with BB-401 early in 2018.

(2) Hepatitis B – BB-101 and BB-103: The Company is developing BB-101 (formerly known as BB-HB-331) and BB-103 for the treatment of HBV, which infects up to 240m people worldwide, resulting in up to 780,000 deaths per year. The key features and milestones of the HBV program are as follows:

- BB-101, BB-102 and BB-103 are designed as single administration ddRNAi-based monotherapies or to be used in combination therapy with other anti-viral compounds. BB-101 is comprised of a single stranded recombinant DNA vector expressing three anti-HBV shRNA. BB-102 is similar to BB-101, with the exception that the recombinant genome is packaged as a self-complementary, double stranded DNA. BB-103 is a next generation vector in which the anti-HBV shRNA have been modelled into miRNA backbones for expression from wildtype pol III promoters. All are delivered intravenously using a gene therapy capsid (AAV8) that targets the liver and inhibits viral replication as well as restricts viral RNA levels and subsequent HBV protein production on a long-term basis
- In December 2016 Benitec released data showing that single administration of either BB-101, BB-102, or BB-103 demonstrated a robust and sustained suppression of HBV in an *in vivo* model when paired with current standard of care agents used to treat the disease. Having this magnitude of impact on the viral burden in this model of HBV infection gives the Company a high degree of confidence to further progress the lead candidate towards the clinic.
- In February 2017, at the APASL conference in Shanghai, the Company presented the totality of preclinical data demonstrating that ddRNAi constructs, in combination with standard of care therapies, have the potential to become a new treatment paradigm to meet the significant unmet medical need in this indication. Key next steps will entail meeting with the appropriate regulatory agencies to discuss the clinical development path of this program.

(3) Age-related macular degeneration (AMD): AMD is the leading cause of irreversible vision loss in the United States, affecting an estimated 1.75m people and it is estimated that 196m people will be affected by AMD worldwide by 2020. The aim of this program is to develop a therapeutic that provides long-term treatment of AMD from a single intravitreal injection. The Company believes this could replace the need for regular injections of protein based therapeutic treatments into the eye, the current standard of care. The key milestones achieved over the last 6 months and next steps include:

- BB-211 (formerly BB-AMD-211) is the Company's lead candidate for the treatment of wet AMD;
- In November 2014, the Company entered into a collaboration with 4D Molecular Therapeutics (4DMT) to identify novel AAV capsids, the protein shell that helps deliver our ddRNAi constructs into retinal cells;

Review of Operations (continued)

In-house programs (continued)

(3) Age-related macular degeneration (AMD)(continued)

- In February 2017, the Company presented the results of this collaboration at the ARVO-Asia conference. These results clearly demonstrate markedly enhanced transduction of ocular tissues using one of these novel AAV capsids. The Company is currently testing three additional capsid variants in similar studies before proceeding with efficacy studies in non-human primates.
- The ability to deliver therapeutically relevant concentrations of drugs into the appropriate diseased tissues can be a key challenge for many drug development programs. The Company's ddRNAi treatment to target AMD is its first therapeutic program in eye, but the Company anticipates being able to build a ddRNAi franchise for other ocular indications, in particular retinal diseases with high unmet medical need, using these novel viral vectors as a key component in that platform.

(4) Oculopharyngeal Muscular Dystrophy (OPMD): The Company is developing a ddRNAi treatment for the treatment of OPMD. In this novel treatment the Company is developing a “knock down & replace” approach, silencing a mutant gene in conjunction with its replacement with healthy wild type gene. OPMD is an autosomal-dominant inherited, slow-progressing, late-onset degenerative muscle disorder that usually starts in patients during their 40s or 50s. The disease is manifested by progressive swallowing difficulties (dysphagia) and eyelid drooping (ptosis). OPMD is caused by a specific mutation in the poly(A)-binding protein nuclear 1, or PABPN1, gene. OPMD is a rare disease and has been reported in at least 33 countries. Patients suffering with OPMD are well identified and are aggregated in particular regions, which we believe should simplify clinical development and in house commercialisation. Key milestones achieved over the last 6 months and next steps include:

- In December 2016, the Company signed a new Research and Collaboration Agreement with the Royal Holloway University of London (RHUL) and the Institut de Myologie (IM) in Paris to support the key *in vivo* studies with its ddRNAi based therapeutics for the treatment of OPMD.
- Under the collaboration with RHUL, the Company has initiated *in vivo* studies in the A17 mouse model of OPMD with the lead clinical candidates. These studies are ongoing and the Company anticipates having data to report in the first half of 2017.
- In January 2017, the Company obtained an Orphan Drug Designation from the European Medicines Agency (EMA) for one of its lead clinical candidate for the treatment of OPMD. This designation signifies that there is an unmet medical need for OPMD patients and provides a number of incentives to facilitate the clinical development of our innovative gene therapy approach.
- In April 2017, the Company announced that the initial pre-clinical efficacy results from its OPMD collaboration with RHUL and IM have been published in Nature Communications. The key results from these studies demonstrate that a DNA directed RNA interference (ddRNAi) approach to ‘silence and replace’ the mutant PABPN1 protein, results in the correction of the muscular dystrophy and of key clinical features of OPMD including a progressive atrophy and muscle weakness associated with nuclear aggregates of insoluble PABPN1. These data were generated in the A17 mouse model that expresses the mutant PABPN1 gene and mimics most of the features of human OPMD patients.

Licensed programs

In addition to its in-house development programs, the Company has licensed its ddRNAi technology to companies who are developing therapeutic programs in disease areas that are of its own pipeline areas.

The table on the next page sets forth the out-licensed programs and their development status.

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Directors' Report for the nine months ended March 31, 2017

Review of Operations (continued) Licensed programs (continued)

| Focus | Indication | Product Candidate | Company | Discovery | Preclinical | Phase I/IIa |
|------------------------|------------------------------|-------------------|----------------------|-----------|-------------|-------------|
| Infectious Disease | HIV/AIDS | Cal-1 | Calimmune | | | |
| Cancer | Cancer Immunotherapy | dCellVax | Regen Biopharma | | | |
| Ocular Disease | Retinitis Pigmentosa | RhoNova | Spark Therapeutics | | | |
| Genetic Disease | Huntington's Disease | AMT-130 | uniQure | | | |
| Central Nervous System | Intractable Neuropathic Pain | | Circuit Therapeutics | | | |

HIV/AIDS: In March 2012, Benitec granted a non-exclusive, royalty-bearing, worldwide license to a U.S. based biotechnology company, Calimmune, Inc. Under the agreement, Calimmune could develop, use and commercialise ddRNAi to silence up to three targets for the treatment or prevention of HIV/AIDS. Calimmune's approach was developed with core technology from the laboratory of Dr. David Baltimore, a Nobel Laureate in the area of HIV/AIDS, and involves silencing the gene that codes for a receptor protein known as CCR5. Calimmune's HIV/AIDS treatment is known as Cal-1.

In 2013, Calimmune commenced a Phase I/IIa clinical trial of Cal-1. The goal of the trial is to assess the safety of the therapy, to determine the ease of use and feasibility of the approach for HIV/AIDS patients and to evaluate what, if any, side effects there may be. The study is ongoing with data readouts expected in 2017.

Cancer Immunotherapy: In August 2013, an exclusive, royalty-bearing, worldwide license was granted to a U.S.-based biotechnology company, Regen Biopharma Inc. to use ddRNAi for silencing expression of indoleamine 2,3—dioxxygenase, or IDO, in dendritic cells. Regen is developing a cancer immunotherapy using the licensed technology. IDO is associated with immune-suppression and is overexpressed in some cancers. Regen has reported preclinical evidence that modification of these cells using ddRNAi targeting the silencing of IDO may significantly enhance their efficacy in cancer immunotherapy. Regen's first treatment, which is for breast cancer, is called dCellVax.

Retinitis Pigmentosa: In July 2012, an exclusive, royalty-bearing, worldwide license was granted to Ireland-based biotechnology company, Genable Technologies Limited to use, develop or commercialise RNAi for treatment or prevention of retinitis pigmentosa. Genable's treatment involves suppression of the mutant and normal genes, and replacement with a normal RHO gene that has been modified to be resistant to ddRNAi gene silencing. Genable has reported that it established proof of concept in an *in vivo* model of the disease. Genable's treatment for retinitis pigmentosa, GT308, is named RhoNova. RhoNova™ has been granted Orphan Drug Designation in both the U.S. and Europe in addition to the Advanced Therapy Medicinal Product designation from the European Medicines

BENITEC BIOPHARMA LIMITED

Directors' Report for the nine months ended March 31, 2017

Review of Operations (continued)

Licensed programs (continued)

Agency. In March 2016, Spark Therapeutics acquired Genable Technologies Limited for a combination of cash and common stock. Spark has indicated support for continuing the development of RhoNova™.

Huntington's disease: In December 2012, Benitec granted a non-exclusive, royalty-bearing, worldwide license to a Netherlands-based biotechnology company, uniQure biopharma B.V. to use, develop or commercialise RNAi therapeutics for Huntington's disease.

Intractable Neuropathic Pain: In November 2014, an exclusive, royalty-bearing, worldwide license was granted to a U.S.-based biotechnology company, Circuit Therapeutics, Inc. to use ddRNAi for the development of treatments for and the prevention of pain.

Intellectual property

Benitec manages a substantial portfolio of patents relating to the ddRNAi platform technology, improvements to this technology and its pipeline programs. The Company continues to hold a dominant position in the field of expressed RNAi and it defends its position in this space. With the limited patent term remaining on the platform patents licensed from CSIRO, Benitec's focus has increasingly been on establishing patent protection for its pipeline and products in development with the aim of securing competitive and commercially relevant intellectual property position for each of its programs.

Commercialisation

Business development activities based on proactive engagement with biotechnology and pharmaceutical companies remains a major focus for Benitec, primarily in the following areas:

- Partnering pipeline programs by co-development or licensing to other biotechnology and pharmaceutical companies;
- Collaborating with biotechnology and pharmaceutical companies on nominated targets using Benitec's ddRNAi technology; and
- Licensing ddRNAi to commercial users of the technology.

The Company continues to generate strong interest from a number of potential partners with a particular focus on hepatitis B, AMD and the ddRNAi platform.

Shareholdings by each director and other members of key management

The number of shares in the Company held during the period by each director and other members of key management personnel (KMP) of the Group, including their personally related parties, is set out below:

| | Balance at July 1, 2016 | Received as part of remuneration | Exercise of options | Disposals /other | Balance at March 31, 2017 |
|------------------------|----------------------------|-------------------------------------|------------------------|---------------------|------------------------------|
| <i>Ordinary shares</i> | | | | | |
| Peter Francis | 424,174 | - | - | - | 424,174 |
| Kevin Buchi | 861,539 | - | - | - | 861,539 |
| John Chiplin | 200,000 | - | - | - | 200,000 |

BENITEC BIOPHARMA LIMITED

Directors' Report for the nine months ended March 31, 2017

Shareholdings by each director and other members of key management (continued)

| | Balance at July 1, 2016 | Received as part of remuneration | Exercise of options | Disposals /other | Balance at March 31, 2017 |
|---------------------------------|----------------------------|-------------------------------------|------------------------|---------------------------|------------------------------|
| Dr Jerel A Banks ⁽¹⁾ | - | - | - | 58,611,638 ⁽¹⁾ | 58,611,638 |
| Iain Ross ⁽²⁾ | 66,364 | - | - | (66,364) ⁽²⁾ | - |
| Carl Stubbings ⁽³⁾ | 136,787 | - | - | (136,787) ⁽³⁾ | - |
| | <u>1,688,864</u> | <u>-</u> | <u>-</u> | <u>29,102,668</u> | <u>60,097,351</u> |

(1) Dr Jerel A Banks was appointed as a director on October 26, 2016. Dr Banks is the Chief Investment Officer of Nant Capital LLC. Due to this relationship Dr Banks is deemed to have a relevant interest in Nant Capital's shareholding in the Company.

(2) Iain Ross retired as a director on September 30, 2016

(3) Carl Stubbings resigned on August 10, 2016

None of the shares are held nominally by the key management personnel.

Option holdings by each director and other members of key management

The number of options over ordinary shares in the Company held during the period by each director and other members of key management personnel of the Group, including their personally related parties, is set out below:

| | Balance at 1 July 2016 | Granted | Exercised | Expired /forfeited other | Balance at 31 March 2017 | Vested and exercisable | Vested and un- exercisable |
|---|---------------------------|------------------|-----------|--------------------------------|--------------------------------|---------------------------|-------------------------------|
| <i>Options over ordinary shares</i> | | | | | | | |
| Peter Francis | 3,000,000 | - | - | (1,600,000) | 1,400,000 | 933,332 | - |
| Kevin Buchi | 1,240,000 | - | - | - | 1,240,000 | 960,000 | - |
| John Chiplin | 1,240,000 | - | - | (400,000) | 840,000 | 560,000 | - |
| Iain Ross ⁽¹⁾ | 1,240,000 | - | - | (1,240,000) | - | - | - |
| Greg West | 1,000,000 | 2,200,000 | - | (120,000) | 3,080,000 | 880,000 | - |
| David Suhay | 1,200,000 | - | - | - | 1,200,000 | 1,200,000 | - |
| | <u>8,920,000</u> | <u>2,200,000</u> | <u>-</u> | <u>(3,240,000)</u> | <u>7,760,000</u> | <u>4,533,332</u> | <u>-</u> |

(1) Iain Ross retired as a director on September 30, 2016

Other transactions with key management personnel and their related parties

Legal services at normal commercial rates totalling \$144,335 (nine months ended March 31, 2016: \$67,906) were provided by Francis Abourizk Lightowlers, a law firm in which Peter Francis is a partner and has a beneficial interest.

Consultancy fees were paid for executive duties totalling \$32,133 (nine months ended March 31, 2016: \$113,559) provided by Newstar Ventures Ltd, a corporation in which John Chiplin is a Director and has a beneficial interest.

BENITEC BIOPHARMA LIMITED

**Directors' Report
for the nine months ended March 31, 2017**

Events after the balance sheet date

There were no significant events subsequent to balance sheet date.

Signed in accordance with a resolution of the Directors.

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

Peter Francis
Director

Melbourne, May 30, 2017

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Sydney NSW 2000

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Auditor's Independence Declaration to the Directors of Benitec Biopharma Limited

In accordance with the requirements of section 307C of the *Corporations Act 2001*, as lead auditor for the review of Benitec Biopharma Limited for the nine months ended 31 March 2017, I declare that, to the best of my knowledge and belief, there have been:

- a No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- b No contraventions of any applicable code of professional conduct in relation to the review.



GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



L M Worsley
Partner - Audit & Assurance

Sydney, 30 May 2017

Grant Thornton Audit Pty Ltd ACN 130 913 594
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BENITEC BIOPHARMA LIMITED

**Consolidated Statement of Profit or Loss and Other Comprehensive Income
for the nine months ended March 31, 2017**

| | <i>Notes</i> | <i>Nine months ended</i> | |
|--|--------------|--------------------------|-----------------|
| | | <i>March</i> | <i>March</i> |
| | | <i>2017</i> | <i>2016</i> |
| | | <i>\$'000</i> | <i>\$'000</i> |
| Revenue | 2 | 483 | 385 |
| Other income | 2 | 9,266 | 3,600 |
| Total Income | | 9,749 | 3,985 |
| Expenses | | | |
| Royalties and licence fees | | (298) | (79) |
| Research and development | | (5,287) | (11,098) |
| Employee benefits expense | | (3,826) | (4,940) |
| Share-based expense | 2 | (317) | (1,530) |
| Travel related costs | | (482) | (893) |
| Consultants costs | | (750) | (920) |
| Occupancy costs | | (410) | (371) |
| Depreciation | 2 | (163) | (66) |
| Corporate expenses | | (1,170) | (877) |
| Foreign exchange realized loss | | - | (762) |
| Foreign exchange unrealized loss | 2 | (156) | - |
| Loss on disposal of fixed assets | | (7) | - |
| IPO costs | | - | (977) |
| Total Expenses | | (12,866) | (22,513) |
| Loss before income tax | | (3,117) | (18,528) |
| Income tax | | - | - |
| Loss after income tax for the period attributable to the owners of Benitec Biopharma Limited | | (3,117) | (18,528) |
| Other comprehensive income | | | |
| Foreign currency translation gain/(loss) | | 2 | (53) |
| Other comprehensive loss for the period, net of tax | | 2 | (53) |
| Total comprehensive loss for the period attributable to the owners of Benitec Biopharma Limited | | (3,115) | (18,581) |
| Basic earnings (loss) for the nine months, cents per share | | (1.9) | (13.2) |
| Diluted earnings (loss) for the nine months, cents per share | | (1.9) | (13.2) |

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

BENITEC BIOPHARMA LIMITED**Consolidated Statement of Financial Position
As at March 31, 2017**

| | <i>Notes</i> | <i>March 2017 \$'000</i> | <i>June 2016 \$'000</i> |
|--------------------------------|--------------|----------------------------------|---------------------------------|
| ASSETS | | | |
| Current Assets | | | |
| Cash and cash equivalents | | 19,615 | 18,230 |
| Other financial assets | | 100 | - |
| Trade and other receivables | 5 | 4,632 | 977 |
| Other | 6 | 285 | 177 |
| Total Current Assets | | <u>24,632</u> | <u>19,384</u> |
| Non-Current Assets | | | |
| Deposits | | 59 | - |
| Plant and equipment | | 460 | 506 |
| Total Non-Current Assets | | <u>519</u> | <u>506</u> |
| TOTAL ASSETS | | <u>25,151</u> | <u>19,890</u> |
| LIABILITIES | | | |
| Current Liabilities | | | |
| Trade and other payables | 7 | 911 | 833 |
| Provisions | 8 | 228 | 202 |
| Total Current Liabilities | | <u>1,139</u> | <u>1,035</u> |
| Non-Current Liabilities | | | |
| Provisions | | 33 | 18 |
| Total Non-Current Liabilities | | <u>33</u> | <u>18</u> |
| TOTAL LIABILITIES | | <u>1,172</u> | <u>1,053</u> |
| NET ASSETS | | <u>23,979</u> | <u>18,837</u> |
| EQUITY | | | |
| Issued capital | 9 | 155,581 | 147,641 |
| Reserves | | 1,573 | 2,565 |
| Accumulated losses | | (133,175) | (131,369) |
| TOTAL EQUITY | | <u>23,979</u> | <u>18,837</u> |

The above consolidated statement of financial position should be read in conjunction with the accompanying notes

BENITEC BIOPHARMA LIMITED

**Consolidated Statement of Changes in Equity
for the nine months ended March 31, 2017**

| | <i>Issued capital</i> \$'000 | <i>Reserves</i> \$'000 | <i>Accumulated Losses</i> \$'000 | <i>Total equity</i> \$'000 |
|---|-------------------------------------|---------------------------|---|-------------------------------|
| Consolidated | | | | |
| Balance at June 30, 2015 | 129,631 | 2,038 | (107,791) | 23,878 |
| Loss for the period | - | - | (18,528) | (18,528) |
| Other comprehensive income | - | - | - | - |
| - Foreign exchange translation reserve | - | (53) | - | (53) |
| Total comprehensive income | - | (53) | (18,528) | (18,581) |
| Contributions of equity, net of transaction costs | 18,010 | - | - | 18,010 |
| Share based payments | - | 1,530 | - | 1,530 |
| Transfer of expired share based payments | - | (1,201) | 1,201 | - |
| At March 31, 2016 | 147,641 | 2,314 | (125,118) | 24,837 |
| | | | | |
| Balance at June 30, 2016 | 147,641 | 2,565 | (131,369) | 18,837 |
| Loss for the period | - | - | (3,117) | (3,117) |
| Other comprehensive income | - | - | - | - |
| - Foreign exchange translation reserve | - | 2 | - | 2 |
| Total comprehensive income | - | 2 | (3,117) | (3,115) |
| Contributions of equity, net of transaction costs | 7,940 | - | - | 7,940 |
| Share based payments | - | 317 | - | 317 |
| Transfer of expired share based payments | - | (1,311) | 1,311 | - |
| At March 31, 2017 | 155,581 | 1,573 | (133,175) | 23,979 |

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

BENITEC BIOPHARMA LIMITED**Consolidated Statement of Cash Flows
for the nine months ended March 31, 2017**

| | <i>Nine months ended</i> | |
|--|--------------------------|----------------------|
| | <i>March</i> | <i>March</i> |
| | <i>2017</i> | <i>2016</i> |
| | <i>\$'000</i> | <i>\$'000</i> |
| Cash flows from operating activities | | |
| Receipts from customers | 332 | 298 |
| Interest received | 137 | 176 |
| Government grants | 5,590 | - |
| Payments to suppliers and employees | (12,164) | (18,930) |
| Net cash used in operating activities | <u>(6,105)</u> | <u>(18,456)</u> |
| Cash flows from investing activities | | |
| Payments for and proceeds on sale of property, plant and equipment | (132) | (206) |
| Security deposits | (147) | - |
| Net cash used in investing activities | <u>(279)</u> | <u>(206)</u> |
| Cash flows from financing activities | | |
| Proceeds from issue of shares | 8,071 | 19,462 |
| IPO and share issue transaction costs | (131) | (1,952) |
| Net cash from financing activities | <u>7,940</u> | <u>17,510</u> |
| Net (decrease)/increase in cash and cash equivalents | 1,556 | (1,152) |
| Cash and cash equivalents at beginning of the period | 18,230 | 21,787 |
| Effects of exchange rate changes on cash and cash equivalents | (171) | (757) |
| Cash and cash equivalents at end of the period | <u>19,615</u> | <u>19,878</u> |

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

BENITEC BIOPHARMA LIMITED

Notes to the Consolidated Financial Statements for the nine months ended March 31, 2017

1. BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL REPORT

The interim consolidated financial statements (the interim financial statements) of the Group are for the nine months ended March 31, 2017 and are presented in Australian dollars (\$), which is the functional currency of the parent company. These general purpose interim financial statements have been prepared in accordance with the requirements of the *Corporations Act 2001* and *AASB 134 Interim Financial Reporting*. They do not include all of the information required in annual financial statements in accordance with International Accounting Standards, and should be read in conjunction with the consolidated financial statements of the Group for the year ended June 30, 2016 and any public announcements made by the Group during the nine months in accordance with continuous disclosure requirements arising under the Australian Stock Exchange Listing Rules and the *Corporations Act 2001*. The interim financial statements have been approved and authorised for issue by the Board of Directors on May 23, 2017.

(a) Basis of accounting

The nine month's financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the *Corporations Act 2001*, applicable Accounting Standards including AASB 134 "Interim Financial Reporting" and other mandatory professional reporting requirements.

This financial report has been prepared on a going concern basis.

During the nine months ended March 31, 2017, the consolidated entity incurred a loss of \$3.1m (2016 comparative period: loss \$18.5m) and had net operating cash outflows of \$6.1m (2016 comparative period \$18.5m).

The directors having performed a review of the cash flow forecasts, considering the cash flow needs of the Group, believe that the strategies in place are appropriate to generate funding which will be sufficient to maintain the going concern status of the Group. The company has a demonstrated ability to raise additional capital. The Company completed capital raisings of \$7.9m during the period.

If these strategies are unsuccessful then the Group may need to realise its assets and extinguish liabilities other than in the ordinary course of business and at amounts different to those disclosed in the financial report.

The financial report does not contain any adjustments to the amounts or classifications of recorded assets or liabilities that might be necessary if the Group does not continue as a going concern.

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

The financial report has been prepared in accordance with the historical convention. For the purpose of preparing the financial report, the nine months has been treated as a discrete reporting period.

(b) Summary of significant accounting policies

The interim financial statements have been prepared in accordance with the accounting policies adopted in the Group's last annual financial statements for the year ended June 30, 2016.

(c) Estimates

When preparing the interim financial statements, management undertakes a number of judgements, estimates and assumptions about recognition and measurement of assets, liabilities, income and expenses. The actual results may differ from the judgements, estimates and assumptions made by management, and will seldom equal the estimated results.

BENITEC BIOPHARMA LIMITED

Notes to the Consolidated Financial Statements for the nine months ended March 31, 2017

1 BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL REPORT (continued)

(d) Estimates (continued)

The judgements, estimates and assumptions applied in the interim financial statements, including the key sources of estimation uncertainty were the same as those applied in the consolidated entity's last annual financial statements for the year ended June 30, 2016.

Grant income is generated through the Australian federal government's Research and Development Tax Incentive program, under which the government provides a cash refund for the 43.5% (2016 45%) of eligible research and development expenditures. Grants are recorded when a reliable estimate can be made. In the nine month period ended March 31, 2017 the Company for the first time estimated the grant income that will be receivable following the lodgment of the 2017 tax return. Previously the grant income was only taken up on the lodgment previous years tax return.

(e) Significant events and transactions

Key highlights of the interim reporting period to March 31, 2017 include the following:

Placement of shares to, and strategic engagement with, Nant Capital LLC

On October 24, 2016, Benitec entered into a strategic engagement with Nant Capital, LLC. The strategic engagement included a scientific collaboration in clinical programs and an immediate private placement to Nant Capital LLC of 29,305,819 ordinary shares in Benitec, representing approximately 19.9% of its then outstanding issued capital (for a post-issue holding of approximately 16.7%). The shares were priced at \$0.0895 per share, representing the 7-day volume weighted average price of the ordinary shares on the ASX prior to the execution of a share purchase subscription agreement.

Upon completion of the initial placement of ordinary shares, Jerel A Banks, the Chief Investment Officer of Nant Capital, LLC, was appointed to the Board of Directors of Benitec. Prior to joining NantWorks, LLC, Dr. Banks served as vice president, portfolio manager and research analyst for the Franklin Biotechnology Discovery Fund at Franklin Templeton Investments. Dr. Banks earned an M.D. from the Brown University School of Medicine and Ph.D in Organic Chemistry from Brown University, and he holds an A.B in Chemistry from Princeton University.

On December 23, 2016 Benitec entered into an antisense oligonucleotide ("ASO") sublicense from NantWorks, LLC for the treatment of squamous cell carcinoma associated with head and neck cancer ("SCCHN"). Benitec and NantWorks LLC have agreed to use their reasonable efforts to enter into a scientific collaboration agreement by January 27, 2017. The scientific collaboration would encompass a Phase II study in which the ASO directed at epidermal growth factor receptor ("EGFR") would be coupled with Erbitux for treating patients. Sublicense terms are to be settled between Benitec and NantWorks, LLC. The ddRNAi program is expected to be a second generation therapeutic for the treatment of SCCHN. The use of ddRNAi could provide the ability to target patients with a variant of EGFR, which can compromise up to 40% of SCCHN patients with malignant lesions. Benitec has modelled entry into the clinic for a Phase I/IIa study at the end of calendar year 2018, assuming a start date of early calendar 2017.

On March 13, 2017, an additional 29,305,819 fully paid ordinary shares were issued to Nant Capital LLC at A\$0.1859 per share, raising A\$5.45 million for the Company. As a result of this placement Nant Capital LLC now holds 28.57% of the issued capital.

BENITEC BIOPHARMA LIMITED

Notes to the Consolidated Financial Statements for the nine months ended March 31, 2017

1 BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL REPORT (continued)

Restructuring of Senior Executive team

Benitec announced a restructure of its executive team with the appointment of Mr Greg West as permanent CEO, Dr Cliff Holloway as Chief Business and Operating Officer, and Mr Bryan Dulhunty as Chief Financial Officer. The changes signify an important new era for the Company and strengthens its core capabilities with their combined expertise in global biotechnology and biopharmaceutical sectors. Benitec remains committed to its articulated strategy to develop and enhance its ddRNAi technology platform, establish co-development and collaboration arrangements for non-pipeline projects, and to out-license ddRNAi to companies that are developing therapeutic programs independently.

On appointment of Mr West as CEO, Mr West was granted 2.2m options vesting over 3 years and expiring in 5 years. The exercise price is 16.65 cents per option.

Appointment of new Audit and Risk Committee Chair

Benitec announced the appointment of Ms Megan Boston as Director of the Company and Chair of the Audit and Risk Committee on August 16, 2016. Ms Boston has significant experience in finance, audit, risk management, compliance and corporate governance sectors with listed entities and government organisations in Australia. Mr Iain Ross stepped down as Chair of the Audit and Risk Committee on the appointment of Ms Boston.

Resignation of Director

Mr Iain Ross resigned as a director on September 30, 2016.

Change in Company Secretary

Ms Sakura Holloway was appointed Joint Company Secretary on the August 23, 2016. She left the Company on October 11, 2016 and ceased her role as Company Secretary on that date. Mr Greg West remains as Company Secretary.

| 2 | REVENUE AND EXPENSES | <i>Consolidated</i> | |
|------------|------------------------------------|---------------------|---------------|
| | | <i>March</i> | <i>March</i> |
| | | <i>2017</i> | <i>2016</i> |
| | | <i>\$'000</i> | <i>\$'000</i> |
| (a) | Revenue | | |
| | Licensing revenue and royalties | 333 | 208 |
| | Interest | 150 | 177 |
| | | <hr/> | <hr/> |
| | | 483 | 385 |
| (b) | Other income | | |
| | Australian Government R&D grants | 9,264 | 3,600 |
| | Net foreign exchange realized gain | 2 | - |
| | | <hr/> | <hr/> |
| | | 9,266 | 3,600 |
| (c) | Expenses | | |
| | Depreciation | 163 | 66 |
| | Share-based payments | 317 | 1,530 |
| | Foreign exchange fluctuation | 156 | 762 |

BENITEC BIOPHARMA LIMITED

Notes to the Consolidated Financial Statements for the nine months ended March 31, 2017

2 REVENUE AND EXPENSES (continued)

(d) Seasonality of Operations

There is no discernible seasonality in the operations of the consolidated entity.

3. OPERATING SEGMENTS

Business Segments

The Group had only one business segment during the period, being the global commercialisation by licensing and partnering of patents and licences in biotechnology, 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. The United Kingdom entity has no segment revenues, results or assets.

| Geographical location | Segment Revenues from External Customers | | Segment Results | | Carrying Amount of Segment Assets | |
|--------------------------|---|------------|-----------------|-----------------|--------------------------------------|---------------|
| | Mar 2017 | Mar 2016 | Mar 2017 | Mar 2016 | Mar 2017 | Jun 2016 |
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Australia | 333 | 208 | (3,183) | (14,869) | 24,095 | 19,076 |
| United States of America | - | - | 66 | (3,659) | 1,056 | 814 |
| | <u>333</u> | <u>208</u> | <u>(3,117)</u> | <u>(18,528)</u> | <u>25,151</u> | <u>19,890</u> |

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.

4. EVENTS AFTER THE BALANCE SHEET DATE

There were no significant events subsequent to balance sheet date.

5. TRADE AND OTHER RECEIVABLES

| | <i>Consolidated</i> | |
|------------------------|---------------------|------------|
| | Mar 2017 | June 2016 |
| | \$'000 | \$'000 |
| Settlement Receivable* | 900 | 900 |
| R&D Grant Receivable | 3,625 | - |
| Other | 107 | 77 |
| | <u>4,632</u> | <u>977</u> |

BENITEC BIOPHARMA LIMITED

Notes to the Consolidated Financial Statements for the nine months ended March 31, 2017

5. TRADE AND OTHER RECEIVABLES (continued)

* On August 26, 2016, a settlement agreement was reached for the return of \$900k of a \$2.7m clinical trial prepayment that had previously been shown in the June 2015 financial statements. Payment was due on 31 December 2016. By agreement the payment period has been varied with payment of \$450k due at the end of April and \$450k now due by end of May 2017. \$375k was received on May 2, 2017. The prepayment had originally been made to conduct a small cell lung cancer program. The lung cancer program was cancelled in the year ended June 2016.

Other than above there is no receivable balance that is either past due or impaired.

| | <i>Consolidated</i> | |
|---------------------------------------|---------------------|------------------|
| | <i>Mar 2017</i> | <i>June 2016</i> |
| | <i>\$'000</i> | <i>\$'000</i> |
| 6. CURRENT ASSETS – OTHER | | |
| Prepayments | 285 | 149 |
| Other current assets | - | 28 |
| | <u>285</u> | <u>177</u> |
| 7. TRADE AND OTHER PAYABLES | | |
| Trade creditors | 297 | 538 |
| Sundry creditors and accrued expenses | 614 | 295 |
| | <u>911</u> | <u>833</u> |
| 8. PROVISIONS | | |
| Employee Benefits | 203 | 202 |
| Provision for make good | 25 | - |
| | <u>228</u> | <u>202</u> |

9. ISSUED CAPITAL

ISSUED CAPITAL

| <i>Details</i> | <i>Date</i> | <i>Number of Shares</i> | <i>\$</i> |
|----------------|------------------|-------------------------|----------------|
| Balance | June 30, 2016 | 146,529,096 | 147,641 |
| Issued | October 24, 2016 | 29,305,819 | 2,505 |
| Issued | March 13, 2017 | 29,305,819 | 5,435 |
| Balance | March 31, 2017 | <u>205,140,734</u> | <u>155,581</u> |

The weighted average number of shares on issue during the nine months to March 31, 2017 was:

165,567,183

BENITEC BIOPHARMA LIMITED

Notes to the Consolidated Financial Statements for the nine months ended March 31, 2017

9. ISSUED CAPITAL (continued)

Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the Company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Benitec shares are listed on the Australian Stock exchange and trade under the code BLT.

Benitec shares trade on Nasdaq as American Depository Receipts (ADR) under the code BNTC. Each ADR represents 20 ordinary shares.

Share buy-back

There is no current on-market share buy-back.

Share options outstanding at March 31, 2017

1) Director and Employee Share issue plan

| Grant date | Expiry date | Exercise price | Number under option |
|----------------------|--------------------|-----------------------|----------------------------|
| November 16, 2012 ** | November 16, 2017 | \$1.25 | 400,000 |
| November 16, 2013 * | May 18, 2018 | \$0.62 | 400,000 |
| August 22, 2013 ** | August 22, 2018 | \$1.25 | 480,000 |
| May 15, 2014 ** | May 15, 2019 | \$1.50 | 180,000 |
| December 17, 2014 ** | December 17, 2019 | \$1.25 | 2,334,000 |
| May 6, 2015 ** | May 6, 2020 | \$1.25 | 650,000 |
| November 12, 2015* | November 12, 2020 | \$0.77 | 3,080,000 |
| August 9, 2016** | August 9, 2021 | \$0.17 | 2,200,000 |
| | | | <u>9,724,000</u> |

2) Unlisted Options issued as attaching options with the 28 February 2014 placement of shares

| | | | |
|-------------------|------------------|--------|------------|
| February 28, 2014 | February 28 2019 | \$1.26 | 13,246,203 |
|-------------------|------------------|--------|------------|

3) Nasdaq Warrants/Options***

| | | | |
|---------------------|----------------|---------------|-------------------|
| August 20, 2015 *** | August 21 2020 | U.S. \$ 0.275 | <u>11,500,000</u> |
|---------------------|----------------|---------------|-------------------|

| | | | |
|-------------------------------|--|--|-------------------|
| Total Options on Issue | | | <u>34,470,203</u> |
|-------------------------------|--|--|-------------------|

BENITEC BIOPHARMA LIMITED

Notes to the Consolidated Financial Statements for the nine months ended March 31, 2017

9. ISSUED CAPITAL continued

* Non-Executive Directors options

** Executive and employee options

*** Options converted to listed NASDAQ warrants (BNTCW). "Warrant" refers to a warrant to purchase one ADS at an exercise price of U.S.\$5.50 per ADS (the equivalent of 20 options over ordinary shares at U.S. \$0.275 per share), exercisable from the date of issuance until five years thereafter (28 February 2019).

10. COMMITMENTS

In December 2012, the Company announced the appointment of Synteract, Inc. as its Clinical Research Organisation to run the HCV clinical trial program and conduct a follow up study of patients who entered the trial. In 2016, the Company announced that it was terminating the HCV program and all patients who entered this trial had entered a follow up phase. The Company estimates that the cost of conducting the follow up study until its completion in 2021 is a maximum of \$1.0m.

On November 11, 2014, the Company entered into a Collaborative Research and License Agreement with 4D Molecular Therapeutics (4DMT) to identify and develop adeno-associated virus ("AAV") vector variants optimised for gene delivery to tissues within the eye using 4D technology and products combining such optimised AAV vector variants with Benitec's ddRNAi technology, for further development and commercialisation by Benitec under license from 4D Molecular. Under this agreement, the Company shall fund 4DMT for the studies to be carried out by 4DMT according to the research plan that was agreed between the parties.

On July 20, 2016, the Company signed a contract with RxGen Inc. to conduct a study to evaluate the ocular tolerance of GFP expressing vector variants in non-human primates. On February 22, 2017, the Company signed a second contract with RxGen Inc. to conduct an additional evaluation of the ocular tolerance of GFP expressing vector variants in non-human primates.

On December 20, 2016, the Company signed a Collaborative Research Agreement with Royal Holloway University of London to support studies in an OPMD animal model with the Company's clinical constructs.

The Company has contracted for scientific work on the therapeutic programs, as described above, and payments total approximately \$0.94m. (June 30, 2016: \$2.72m).

11. CONTINGENT LIABILITIES

Benitec decided during the year, that it would not proceed with any commercialisation of the Biomics hepatitis B program that it acquired in July 2015. Under the agreement with Biomics milestone payments and future royalties, were payable if the program was commercialised. These milestone payments and future royalties have been previously disclosed as a contingent liability. As no commercialisation of this technology will take place no further disclosure will be made as payments and future royalties are no longer payable.

BENITEC BIOPHARMA LIMITED

Notes to the Consolidated Financial Statements for the nine months ended March 31, 2017

11. CONTINGENT LIABILITIES (continued)

In December 2016, Benitec executed an exclusive, world-wide sublicensing agreement that will enable Benitec, in collaboration with NantWorks, to develop a clinical stage asset to treat Head and Neck Squamous Cell Carcinoma using a gene silencing approach that targets the Epidermal Growth Factor Receptor (EGFR). The sublicensing agreement, the terms of which are confidential, are in line with industry standards and is an exclusive royalty bearing license with related development milestone payments.

12. RELATED PARTY TRANSACTIONS

Parent entity

Benitec Biopharma Limited is the parent entity.

Key management personnel

Disclosures relating to key management personnel are set out in June 30, 2016 Annual Report in the remuneration report.

Other transactions with key management personnel and their related parties

Legal services at normal commercial rates totalling \$144,335 (nine months ended March 31, 2016: \$67,906) were provided by Francis Abourizk Lightowlers, a law firm in which Peter Francis is a partner and has a beneficial interest. In the prior period, Benitec also rented office space in Melbourne from Francis Abourizk Lightowlers and the rental cost for the period was \$11,102.

Consultancy fees were paid for executive duties totalling \$32,133 (nine months ended March 31, 2016: \$113,559) provided by Newstar Ventures Ltd, a corporation in which John Chiplin is a Director and has a beneficial interest.

Receivable from and payable to related parties

There were no trade receivables from or trade payables to related parties at the current and previous reporting date.

Loans to/from related parties

There were no loans to or from related parties at the current and previous reporting date.

Terms and conditions

All transactions were made on normal commercial terms and conditions and at market rates.

Operating Results

The Company is a clinical-stage biotechnology company with a pipeline of in-house and partnered therapeutic programs based on our patented gene-silencing technology, ddRNAi. The Company is developing treatments for chronic and life-threatening human diseases such as hepatitis B, age-related macular degeneration, solid tumours and oculopharyngeal muscular dystrophy based on this technology. In addition, the Company has licensed ddRNAi technology to other biopharmaceutical companies that are progressing their programs towards, or are in, clinical development for applications, including HIV/AIDS, retinitis pigmentosa, Huntington's disease, cancer immunotherapy and intractable neuropathic pain.

The Company's focus continues to be on validating its ddRNAi platform technology. Whilst the Company discontinued its hepatitis C (TT-034) program for commercial reasons, the results of the Phase I/IIa clinical trial indicated that TT-034 met its 24-week primary endpoint based on safety within liver and other organs. Although there was no significant decrease in viral load in treated patients, which was a secondary endpoint of the study, an important aspect of this study was that this was the first time DNA transduction and transgene expression could be measured directly in hepatic tissues following systemic administration. The long term clinical safety data gathered from this study combined with superior efficacy data seen in preclinical animal models is a strong validation of the ddRNAi technology platform and the pipeline of ddRNAi therapeutics.

The Company expects to earn revenue from partnering in-house programs with biotechnology and pharmaceutical companies, forming strategic collaborations with pharmaceutical companies, and out-licensing the ddRNAi platform for therapeutic areas outside of the Company's in-house pipeline. There can be no assurance, however, as to whether the Company will enter into any additional such arrangement or what the terms of any such arrangement could be.

During the quarter ended March 31, 2017 the Company executed an exclusive, world-wide sublicensing agreement that will enable it, in collaboration with NantWorks, to develop a clinical stage asset to treat head and neck squamous cell carcinoma using a gene silencing approach that targets the Epidermal Growth Factor Receptor. The asset (now referred to as BB-401) is comprised of a DNA plasmid which produces an antisense RNA to silence EGFR. EGFR is a well validated oncology target and has been shown to be a key driver of the growth of HNSCC lesions with more than 80% of HNSCC lesions exhibiting significantly elevated levels of EGFR versus concentrations found in non-malignant tissues. In addition to the in-licensing of the clinical asset, BB-401, the collaboration will also include the development of a novel compound utilising the Company's proprietary ddRNAi gene silencing platform against a related family of therapeutic targets underlying the core pathophysiology of HNSCC.

During the quarter, the Company also continued to focus on enhancing internal project management practices to ensure efforts are focused on those areas with a high probability of return on investment and commercial success and that future activities are outcome driven with improved control over timelines, deliverables and cash management.

The Company may generate revenue from licensing programs, strategic alliances or collaboration arrangement with biotechnology or pharmaceutical companies. These arrangements are likely to be more appealing to them when the pipeline is more advanced. The Company does not expect to generate revenue from product sales unless and until it successfully completes clinical development and obtains regulatory approval for one or more of our product candidates, which will take a number of years, is subject to significant uncertainty and may never occur.

The Company will continue to pursue licensing programs, strategic alliances and collaboration arrangements with biotechnology or pharmaceutical companies and it regards this as our key value creation opportunity unless and until it is able to gain regulatory approval for one of its product candidates and decides to commercialise it on its own. If the Company were to decide to take one or more product candidates to commercialisation, the process of obtaining regulatory approval for the selected programs and building the commercial infrastructure that would be necessary to commercialise them, if approved, would require substantial additional funding.

BENITEC BIOPHARMA LIMITED

Management's discussion and analysis of financial condition and review of operations for the nine months ended March 31, 2017

Operating Results (continued)

The Company's current operating plan may change as a result of many currently unknown factors, and it may need to seek additional funds sooner than planned. These additional funds could be raised through public or private equity or debt financings (although debt financings are unlikely to be available until we have significant revenue and cash flow to service debt we may incur), government or other third-party funding, strategic alliances and licensing arrangements or a combination of these approaches. However, the Company may be unable to raise additional funds or enter into such other arrangements when needed on favourable terms or at all. The Company's failure to raise capital or enter into such other arrangements as and when needed would have a negative impact on its financial condition and compromise its ability to develop its product candidates and pursue its strategy.

The Company expects to incur losses for the foreseeable future, and expects these losses to increase as it continues development of, and seek regulatory approvals for, its product candidates. Because of the numerous risks and uncertainties associated with product development in its field, the Company is unable to predict the timing or amount of increased expenses, or when or if it will be able to generate product revenue or achieve or maintain profitability. The Company's ability to generate revenue from licensing, strategic alliances and collaboration arrangements and product sales will depend on a number of factors, including, among others, obtaining and maintaining adequate coverage and reimbursement from third-party payors for any of its product candidates that may receive regulatory approval. Even if it could generate revenues from licensing programs, strategic alliances or collaboration arrangements or commercial sale of our products, it may not become profitable. If the Company fails to become profitable or is unable to sustain profitability on a continuing basis, then it may be unable to continue its operations at planned levels and could be forced to reduce its operations.

Financial operations overview

To date, the Company has derived revenues from licensing fees and interest income. The Company has not generated any revenues from the sales of products. Revenues from licensing fees and interest income are included in the revenue line item on the statement of profit or loss. The Company's licensing fees have been generated through the licensing of its ddRNAi technology to biopharmaceutical companies.

The Company's grant income is generated through the Australian Federal Government's Research and Development Tax Incentive program, under which the government provides a cash refund for the 45% of eligible research and development expenditures, including salaries, by small Australian entities having a tax loss. For this purpose, small Australian entities are defined as those with less than \$20m in revenue. This grant is available for the Company's research and development activities in Australia, as well as activities in the United States to the extent such US-based expenses relate to its activities in Australia, do not exceed half the expenses for the relevant activities and are approved by the Australian government. In previous reporting periods, grants are recorded in the fiscal year received, or anticipated to be received (when a reliable estimate can be made) rather than the fiscal year to which they relate.

In the current accounting period a reliable estimate was made of the expected grant to be received based on expenditure in the current period. This estimate has been taken up as income in the current period but the cash grant will not be received to a future accounting period. From July 2016 the cash refund rate has been decreased to 43.5% affecting claims made for the financial year 2017.

Employment related costs

Employment related costs include salaries for all the Company's employees and related benefits, including the grant of share options, which are valued and included in the statements of profit or loss and other comprehensive income as share based expenses.

Financial operations overview (continued)

Impairment

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

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

Royalties and license fees

The Company pays royalties and license fees in connection with our licensing of intellectual property from third parties. In connection with our acquisition of Tacere in 2012, the Company agreed to pay to the former shareholders of Tacere royalties on certain licensing revenue earned by the Company through the license of certain products, including TT-034, covered by a patent controlled by Tacere in October 2012. Any such royalties would be calculated as follows: 15% if the license is entered into prior to commencement of a Phase III clinical study and 2.5% if the license is entered into after commencement of a Phase III clinical study. Also, if we were to directly sell these products, then we would pay a royalty of 2.5% on net sales to the former shareholders of Tacere.

Foreign exchange translation

The foreign currency translation reserve represents the currency translation movements of subsidiary company balances denominated in foreign currencies at year end. Foreign currency monetary items are translated at the period exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined. Movements in the foreign currency translation reserve are shown in our Statement of Profit or Loss and Other Comprehensive Income.

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transactions. Exchange rate differences are recognised in the Statement of Profit or Loss and Other Comprehensive Income.

Critical Accounting Policies and Estimates

The preparation of the Company's financial statements requires it to make estimates and judgments that can affect the reported amounts of assets, liabilities, revenues and expenses, as well as the disclosure of contingent assets and liabilities at the date of its financial statements. The Company analyses its estimates and judgments and it bases its

BENITEC BIOPHARMA LIMITED

Management's discussion and analysis of financial condition and review of operations for the nine months ended March 31, 2017

Financial operations overview (continued)

Critical Accounting Policies and Estimates (continued)

estimates and judgments on historical experience and various other assumptions that it believes to be reasonable under the circumstances. Actual results may vary from these estimates. The Company's significant accounting policies are described in Note 1 to these periodic financial statements and are detailed in Note 1 to the consolidated financial statements for the fiscal year ended June 30, 2016 (which are available on the company website and at ASX:BLT NASDAQ: BNTC; NASDAQ: BNTCW). The Company has summarised below the accounting policies of particular importance to the portrayal of its financial position and results of operations and that require the application of significant judgment or estimates by its management.

Share-based payments transactions

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

Tax losses

Given the Company's history of recent losses, it has not recognised a deferred tax asset with regard to unused tax losses and other temporary differences, as it has not been determined whether the Company or its subsidiaries will generate sufficient taxable income against which the unused tax losses and other temporary differences can be utilised. The Company notes that the availability of tax losses is subject to an Australian continuity of ownership test or, if it fails that test, the same business test. If the Company continues to obtain funding from new shareholders, then it may not comply with the continuity of ownership test.

Certain differences between IFRS and U.S. GAAP

IFRS differs from U.S. GAAP in a few respects. While the Company has not assessed the materiality of differences between IFRS and U.S. GAAP, the Company notes in particular that IFRS permits the recording of finance income as revenue and research and development grants as income, unlike U.S. GAAP, under which interest and other finance revenue, would not be recorded as income but instead as net finance income and research and development grants would be recorded as an offsetting reduction to research and development expenses. In addition, under IFRS, all employment-related expenses are reported in their own line item in our Statement of Profit or Loss and Other Comprehensive Income, unlike U.S. GAAP, under which employment-related expenses are generally allocated to line items such as research and development expense or general and administrative expense based on the functions performed by each applicable employee.

The following discussion relates to the Company's consolidated results of operations, financial condition and capital resources. You should read this discussion in conjunction with the Company's consolidated financial statements and the notes thereto contained elsewhere in this report.

BENITEC BIOPHARMA LIMITED

Management's discussion and analysis of financial condition and review of operations for the nine months ended March 31, 2017

Results of Operation

A. Comparison of the nine months ended March 31, 2017 to the nine months ended March 31, 2016

| <i>Revenue</i> | <i>For the nine months ended March 31</i> | | <i>Increase (Decrease)</i> |
|------------------------------------|---|------------------------|--------------------------------|
| | <i>2017 \$'000</i> | <i>2016 \$'000</i> | <i>\$'000</i> |
| Revenue: | | | |
| Licensing revenue and royalties | 333 | 208 | 125 |
| Other Revenue: | | | |
| Finance income - interest | 150 | 177 | (27) |
| Other Income: | | | |
| Australian Government R&D Grants | 9,264 | 3,600 | 5,664 |
| Net foreign exchange realised gain | 2 | - | 2 |

Licensing revenue and royalties are recognised when received. This increase in licensing and royalties is due to the timing of receipts of such revenue.

Finance income decreased due to lower cash holdings.

Australian Government R&D Grant was higher due to the inclusion of an estimation of the Grant for the nine month period ended March 31, 2017 as well as including the Grant Income for the period ended June 30, 2016. The 2016 Grant income covered the 12 month period ending June 30, 2015.

The unrealised foreign exchange loss in 2017 was due to the effect of fluctuations in the AUD/USD exchange rate on the USD cash balances held by the Parent Company.

Expenses

Research and development expense. Research and development expense decreased by \$5.8m, from \$11.1m in the nine months ended March 31, 2016 to \$5.3m in the nine months ended March 31, 2017, primarily due to:

- (4) In a prior period R&D expense included the acquisition cost of preclinical hepatitis B program from its collaborator, Biomics Biotechnologies, for \$2.5m in July 2015.
 - Termination of the hepatitis C program.
 - Termination of the non-small cell lung cancer program.

Employment related expenses. Employment-related expenses decreased by \$1.1m, from \$4.9m in the nine months ended March 31, 2016 to \$3.8m in the nine months ended March 31, 2017 reflecting normal variations in staffing levels.

Share based expenses. Share based expenses decreased by \$1.2m, from \$1.5m in the nine months ended March 31, 2016 to \$0.3m in the nine months ended March 31, 2017 due to forfeiture, vesting of previously issued options and the issue of fewer options.

BENITEC BIOPHARMA LIMITED

Management's discussion and analysis of financial condition and review of operations for the nine months ended March 31, 2017

A. Comparison of the nine months ended March 31, 2017 to the nine months ended March 31, 2016 (continued)

Share based expenses continued: Share based expenses are calculated using a Black-Scholes model. The share based expense model uses a data set that includes share price and exercise price, exercise probability, volatility, exercise time and interest rates. We recognise share based expenses over the service period in which the employee earns the award, which is the vesting period of the award.

Travel related costs. Travel related costs decreased by \$0.4m from \$0.9m in the nine months ended March 31, 2016 to \$0.5m in the nine months ended March 31, 2017 due to reduced travel costs associated with prior year IPO.

Consultants' costs. Consultants related costs decreased by \$0.1m from \$0.9m in the nine months ended March 31, 2016 to \$0.8m in the nine months ended March 31, 2017. We retain specialist advisers in relation to our key product candidate programs and for media and shareholder relations capabilities.

Occupancy costs. There was minimal movement between comparative periods in occupancy costs.

Corporate expenses. Corporate expenses increased by \$0.3m from \$0.9m in the nine months ended March 31, 2016 to \$1.2m in the nine months ended March 31, 2017 due to increased NASDAQ compliance cost.

IPO costs. No IPO costs were incurred in the current period. In the prior corresponding prior we expensed legal, accounting and other costs of \$1.0m in the nine month period to March 31, 2016 in relation to our US initial public offering which was completed in August 2015.

Profit/(Loss) for the period

As a result of the foregoing, a loss of \$3.1m was made during the period compared with a loss of \$18.5m in the nine months ended March 31, 2016.

Given our and our subsidiaries' history of recent losses, we have not recognised a deferred tax asset with regard to unused tax losses and other temporary differences, as it has not been determined whether we or our subsidiaries will generate sufficient taxable income against which the unused tax losses and other temporary differences can be utilised.

B. Liquidity and Capital Resources

We have incurred cumulative losses and negative cash flows from operations since our inception in 1995, and as of June 30, 2016 we had accumulated losses of \$131.4m and at March 31, 2017 we had accumulated losses of \$133.2m. We anticipate that we will continue to incur losses for at least the next several years. We expect that our research and development and general and administrative expenses will continue to increase and, as a result, we will need additional capital to fund our operations, which we may raise through a combination of equity offerings, debt financings, other third-party funding and other collaborations, strategic alliances and licensing arrangements.

BENITEC BIOPHARMA LIMITED

Management's discussion and analysis of financial condition and review of operations for the nine months ended March 31, 2017

B. Liquidity and Capital Resources (continued) ***Operating capital requirements***

We have had no borrowings in fiscal 2016 or in this nine months to March 31, 2017 and do not currently have a credit facility.

As at March 31, 2017 we had cash and cash equivalents of \$19.6m (June 30, 2016 \$18.2m). Cash in excess of immediate requirements is invested in accordance with our investment policy, primarily with a view to liquidity and capital preservation. Currently our cash and cash equivalents are held in bank accounts. Our short-term investments consist of term deposits with maturity within 90 days.

To date, our sources of liquidity have been licensing revenue and royalties, Australian government research and development grants, interest on invested cash in excess of immediate requirements and proceeds of the issuance of equity securities.

In the future, we expect our revenue stream will be generated mostly from licensing, strategic alliances and collaboration arrangements with pharmaceutical companies. While we continue to progress discussions and advance opportunities to engage with pharmaceutical companies and continue to seek licensing partners for ddRNAi in disease areas that are not our focus, there can be no assurance as to whether we will enter into such arrangements or what the terms of any such arrangement could be.

While we have established some licensing arrangements, we do not have any products approved for sale and have not generated any revenue from product sales. We do not know when, or if, we will generate any revenue from product sales. We do not expect to generate significant revenue from product sales unless and until we obtain regulatory approval of and commercialise one of our current or future product candidates.

Unless and until we establish significant revenues from licensing programs, strategic alliances or collaboration arrangements with pharmaceutical companies, or from product sales, we anticipate that we will continue to generate losses for the foreseeable future, and we expect the losses to increase as we continue the development of product candidates and begin to prepare to commercialise any product that receives regulatory approval.

We are subject to the risks inherent in the development of new gene therapy products, and we may encounter unforeseen expenses, difficulties, complications, delays and other unknown factors that may adversely affect our business.

We have based our projections of operating capital requirements on assumptions that may prove to be incorrect and we may use all of our available capital resources sooner than we expect. Because of the numerous risks and uncertainties associated with research, development and commercialisation of pharmaceutical products, we are unable to estimate the exact amount of our operating capital requirements. Our future funding requirements will depend on many factors, including, but not limited to:

- the timing and costs of our planned clinical trials for our product candidates;
- the timing and costs of our planned preclinical studies for our product candidates;
- the number and characteristics of product candidates that we pursue;
- the outcome, timing and costs of seeking regulatory approvals;
- revenue received from commercial sales of any of our product candidates that may receive regulatory approval;
- the terms and timing of any future collaborations, licensing, consulting or other arrangements that we may establish.

BENITEC BIOPHARMA LIMITED

Management's discussion and analysis of financial condition and review of operations for the nine months ended March 31, 2017

B. *Liquidity and Capital Resources (continued)* ***Operating capital requirements (continued)***

- the amount and timing of any payments we may be required to make, or that we may receive, in connection with the licensing, filing, prosecution, defence and enforcement of any patents or other intellectual property rights;
- the costs of preparing, filing and prosecuting patent applications, maintaining and protecting our intellectual property rights and defending against intellectual property related claims; and
- the extent to which we need to in-license or acquire other products and technologies.

C. *Research and Development, Patents and Licenses, etc.*

Research and development expenses consist primarily of costs incurred for the development of our product candidates, which include:

- expenses incurred under agreements with academic research centres, clinical research organisations and investigative sites that conduct our clinical trials; and
- the cost of acquiring, developing, and manufacturing clinical trial materials.

Research and development expenses do not include employment related expenses, which are included in our Statement of Profit or Loss and Other Comprehensive Income as a separate line item.

Research and development costs are expensed as incurred. Costs for certain development activities are recognised based on an evaluation of the progress to completion of specific tasks using information and data provided to us by our vendors and our clinical sites.

We cannot determine with certainty the duration and completion costs of the current or future product development, preclinical studies or clinical trials of our product candidates. The duration, costs, and timing of clinical trials and development of our product candidates will depend on a variety of factors, including:

- the scope, rate of progress, and expense of our ongoing as well as any additional clinical trials and other research and development activities;
- the countries in which trials are conducted;
- future clinical trial results;
- uncertainties in clinical trial enrolment rates or drop-out or discontinuation rates of patients;
- potential additional safety monitoring or other studies requested by regulatory agencies;
- significant and changing government regulation; and
- the timing and receipt of any regulatory approvals.

A change in the outcome of any of these variables with respect to the development of a product candidate could mean a significant change in the costs and timing associated with the development of that product candidate. For example, if the FDA, or another regulatory authority were to require us to conduct clinical trials beyond those that we anticipate will be required to complete clinical development of a product candidate or if we experience significant delays in enrolment in any of our clinical trials, we could be required to expend significant additional financial resources and time on the completion of clinical development.

BENITEC BIOPHARMA LIMITED

Management's discussion and analysis of financial condition and review of operations for the nine months ended March 31, 2017

C. *Research and Development, Patents and Licenses, etc.(continued)*

We plan to increase our research and development expenses for the foreseeable future as we continue the development of ddRNAi product candidates and explore further potential applications of our technology.

D. *Trend Information*

Our objective is to become the leader in discovering, developing, clinically validating and commercialising ddRNAi-based therapeutics for a range of human diseases with high unmet clinical need or large patient populations, and to thereby provide a better life for patients with these diseases. Our strategy to accomplish this goal is to progress our pipeline of proprietary ddRNAi-based therapeutics, continue our leadership position in ddRNAi-based therapeutics, develop drugs in our core disease area, partner selectively to commercialise and expand our pipeline and pursue indications with high unmet medical need or a large patient population.

Based on cash requirements and financing we will continue to advance our product candidates for AMD, OPMD and hepatitis B through to submission of an IND application and potentially completion of clinical proof of concept. In addition, we are working to progress our oncology asset, BB-401, into a Phase II clinical study.

E. *Off-Balance Sheet Arrangements.*

At the date of this report we do not have any off-balance sheet arrangements as defined in the rules and regulations of the Securities and Exchange Commission, nor have we had any off-balance sheet arrangements in the current fiscal year or in the past three fiscal years.

Risk Factors

In addition to the other information set forth in this nine month report ended March 31, 2017, you should carefully consider the factors discussed in "Risk Factors" in our Annual Report on Form 20-F for the fiscal year ended June 30, 2016. The risks disclosed in our Annual Report on Form 20-F could materially affect our business, financial condition or future results. The risks described in our Annual Report on Form 20-F are not the only risks facing us. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial may also materially adversely affect our business, financial condition or operating results in the future.

BENITEC BIOPHARMA LIMITED

**Directors' Declaration
for the nine months ended March 31, 2017**

In the opinion of the Directors of Benitec Biopharma Limited:

- (a) the consolidated financial statements and notes of Benitec Biopharma Limited are in accordance with the *Corporations Act 2001*, including
 - i giving a true and fair view of its financial position as at March 31, 2017 and of its performance for the period ended on that date; and
 - ii complying with Accounting Standard AASB 134 *Interim Financial Reporting*; and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the directors:



Peter Francis

Director

Melbourne, May 30, 2017

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Independent Auditor's Review Report to the members of Benitec Biopharma Limited

We have reviewed the accompanying quarterly financial report of Benitec Biopharma Limited (the Company), which comprises the consolidated financial statements being the statement of financial position as at 31 March 2017, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the nine months ended on that date, notes comprising a statement or description of accounting policies, other explanatory information and the directors' declaration.

Directors' Responsibility for the Quarterly Financial Report

The Directors of Benitec Biopharma Limited are responsible for the preparation of the quarterly financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such controls as the Directors determine is necessary to enable the preparation of the quarterly financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the consolidated quarterly financial report based on our review. We conducted our review in accordance with the Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the quarterly financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of the consolidated entity's financial position as at 31 March 2017 and its performance for the quarterly ended on that date; and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of Benitec Biopharma Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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A review of a quarterly financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

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

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the quarterly financial report of Benitec Biopharma Limited is not in accordance with the Corporations Act 2001, including:

- a giving a true and fair view of the consolidated entity's financial position as at 31 March 2017 and of its performance for the nine months ended on that date; and
- b complying with Accounting Standard AASB 134 Interim Financial Reporting and Corporations Regulations 2001.



GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



L M Worsley
Partner - Audit & Assurance

Sydney, 30 May 2017