

26 July 2006

Dear Shareholder

I am writing to you to address a number of matters of critical importance to your Company.

The first of these is Benitec's urgent need for capital without which the Directors will have no choice but to consider other options which may include (but not be limited to) causing the Company to cease to trade or incur any further liabilities and/or selling off the Company's remaining assets.

To that end a Share Purchase Plan is proposed as outlined below and detailed in the enclosures.

I write also to advise you of the Directors' plans for the future, to introduce the new Board and to advise of current developments.

Share Purchase Plan

The Directors' plans for the Company will not be able to be implemented without the Company raising further capital.

Capital is required both in the short and in the medium term to ensure the continuing ability of the Company to pursue its objectives.

In order to raise capital in the short term, the Directors are proposing to offer a share purchase plan for existing shareholders to subscribe up to \$5,000 each for additional shares in the Company. The funds raised by the plan are for urgently required short term working capital. The plan is subject to a minimum of \$500,000 being raised. Raising of this amount is essential to the ongoing operation of the Company even at the reduced level as described below.

Participation in the plan should be regarded as a speculative investment.

Under the terms of the plan, all shareholders registered as such at 5pm (Brisbane time) on the record date of 7 August 2006 are eligible to participate in the plan. The closing date for applications is 5pm (Brisbane time) on 25 August 2006.

The Directors' Plans for the Future

Subject to the Company raising sufficient capital the Directors intend to re-establish and promote Benitec as an Australian biotechnology company.

The Directors therefore envisage a new significantly lower cost model of value creation that moves away from maintaining R&D infrastructure and in-house programs.

We will move to a model of co-investment and/or licensing, and combining our IP estate with third party capital and technology.

In doing so, we will avoid the substantial costs of funding extensive in-house programs and seek to spread the Company's risks and expand its opportunities beyond the Company's already impressive portfolio of R&D collaborators and licensees.

Further, as an Australian company participating in Australian funded and located R&D projects, the Directors consider that they will be better placed to pursue the grants and other benefits available in Australia.

Your New Board

You have a substantially different Board now.

Mike Dalling and I have been with the Company less than 6 months, and together with founding Director Ken Reed, ours is a conservative approach that is determined and committed to preserve what we see as an RNAi patent estate of great potential.

Each of us has a long standing engagement and success in commercializing of technology, particularly technology released from scientific institutions in this country.

As we announced on the ASX, Mike Dalling has over 20 years of senior level experience in the biotechnology field, including Group General Manager R&D for ASX-listed Nufarm Limited and Managing Director of the Strategic Industry Research Foundation, a joint initiative of the Victorian Government and CSIRO. Recently Mike was appointed a Member of the Division of the Order of Australia for service to the biotechnology industry through contributions to research and development organizations and commercialization efforts to benefit Australian companies, producers and consumers.

Ken Reed was the scientific founder of Benitec and has served continuously as a Director since 2000. Ken has been active in biotech innovation throughout his career and in recent years served as Deputy Chair of the Australian Biotechnology Advisory Council.

I have been a Partner with Francis Abourizk Lightowers since its inception 13 years ago and we are a firm that focuses on technology commercialization, acting for a wide range of scientific institutions and listed and unlisted life science companies. My experience includes my current non-executive director roles on the boards of Boron Molecular Pty Ltd, Xceed Biotechnology Limited and PolyNovo Biomaterials Pty Ltd.

We will continue to look at opportunities to build the Board.

Current Developments

As you will have seen in the recent ASX announcement, our US operations have been restructured.

In simple terms we have shut down everything except the HIV/AIDS Project which continues under the funding and carriage of the City of Hope, an innovative biomedical research, treatment and educational institution in Los Angeles dedicated to the prevention and cure of cancer and other life-threatening illness.

The Hepatitis C Virus Project is being placed into suspension and preserved so that when capital and opportunity permit it may be re-established or licensed to a third party.

The US staff have been retrenched and we will move to complete the wind-up of our US operations (with the exception, of course, of the HIV/AIDS Project) as soon as practicable.

The reason for this is very simple: the Company does not have the funds to keep the US operations going and despite management's efforts the Company was unable to secure US or other funding to do so.

Whatever the justification and rationale for the establishment of a US presence may have been originally, its continuation is beyond the capital reach of this Company. Its re-establishment forms no part of this Board's strategy.

Our focus now is the preservation of the Company's granted and pending intellectual property estate ("IP estate") and maintaining the valuable relationships that have been established over the years. The Directors are also committed to rebuilding shareholder value by the re-establishment of the Company's operations in the manner described above.

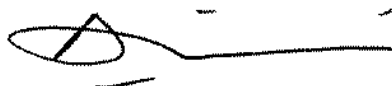
The Company's overall and daily management is now in the hands of the Directors.

Further Information

All of the Directors are available to take your calls, although in the first instance you should contact Mike Dalling. His contact details are telephone 61 408 141 934, email: mdalling@bigpond.net.au

We look forward to your support

Yours sincerely



PETER FRANCIS
Chairman
Benitec Limited