

April 2008



Sue MacLeman, CEO

Highlights

- CEO Update
- RNAi vs. siRNA – a simplified description of Benitec's technology
- Consolidated R&D pipeline
- Human trials for HIV/AIDS lymphoma with City of Hope Center
- Benitec licensee's Pfizer and Oncolys deals to commercialise Hep C drug
- New Chief Scientific Officer appointment
- USPTO re-examination update
- Nucleonics litigation

Dear shareholders

Welcome to our April newsletter – the first for 2008. We've had a good start to the new year and seen a stream of positive events at Benitec.

In June 2007 Benitec's RNA-based HIV therapeutic entered human clinical trials. It was co-developed with the City of Hope in California. The initial results of this pilot study were presented at the March 2008 Keystone meeting in Whistler, British Columbia and will be presented at the American Society of Gene Therapy Conference to be held in Boston, May 2008.

In July 2007 Benitec appointed a world class scientific advisory board (SAB) to review Benitec's product development and commercialisation (PD&C) plans. The members of the SAB are Professor John Rossi, Professor Cy Stein, Professor Bryan Williams and Dr David Crump. The SAB comprises a high calibre team who are supporting and advising Benitec's product development and commercialisation activities.

In October 2007 we injected new leadership into Benitec's research & development by appointing chief scientific officer Dr Jason Smythe. In less than six months Jason's team is in the early stages of evaluating an innovative pipeline of new therapeutics for commercialisation including:

- a second generation RNAi therapeutic based on multiple targeted vector expressed RNAi delivery for treatment of HIV infection
- new RNAi therapeutics to fight chronic Hepatitis B and Hepatitis B and D co-infection
- new RNAi therapeutics to combat the rare but lethal genetic condition Huntington's Disease
- preclinical (fundamental) research activities targeting HPV16 E6/E7-expressing tumour cells
- RNAi-mediated manipulation of (i) Bcr-Abl-expressing tumour cells and (ii) cellular DNA-methylation mechanisms as fundamental research projects in new cancer therapeutics development

In January 2008 we received news that our key licensee Tacere Therapeutics (San Jose, CA) formed a US\$145 million deal with Pfizer Inc to commercialise Tacere's RNA interference (RNAi)-based Hepatitis C virus (HCV) compound TT-033.

In March 2008 Tacere partnered with Oncolys BioPharma Inc (Tokyo) to form a license agreement to commercialise the same Hepatitis C drug throughout Asia. This is significant for Benitec as we have licensed this technology to Tacere in exchange for upfront payment, milestones and royalties including an equity stake secured in Tacere.

With global RNAi sales projected to reach US\$6.65 billion by 2010 and US\$12 billion by 2015 Benitec needs to take full advantage of its ground-breaking technology. As a pioneer in gene silencing technology our company has achieved steady financial results during times of market volatility thanks to our low-cost model of co-investment and out-licensing. Benitec's operating revenue for the half year to 31 December 2007 was up 45%, an increase to \$403,025 from \$277,811. In order to maximise Benitec's opportunities for growth, the Board have previously indicated that they intend to raise additional capital in 2008. Further information will be provided to shareholders on this planned capital raising in Q2 2008.

Benitec is also making renewed efforts to improve investor communications. We've added new information to our website, engaged in more focused investor briefings in Australia and overseas, identified potential partnerships with key universities and institutions, as well as raised our international profile through attendance at major scientific and business forums such as BioPartnering Europe, AusBio and Biopartnering North America.

I welcome any questions you may have as Benitec's shareholders and thank you for your continued support.

Yours faithfully
Sue MacLeman



LEADER IN GENE SILENCING TECHNOLOGY

RNAi vs. siRNA – a simplified description of Benitec’s technology

Several years before the global scientific community even accepted the idea that the mechanism responsible for RNAi gene silencing existed in human and animal cells, Benitec researchers had experimentally demonstrated that indeed it did.

This ground-breaking evidence was the basis for Benitec's core patents in the revolutionary realm of RNAi biomedicine and research. Moreover, Benitec’s patent rights have continually been supported by subsequent filings to extend the scope and jurisdiction of the company’s dominant intellectual property portfolio.

But how many investors can confidently put their hand-on-heart and declare that they really understand how and why this discovery has such tremendous biomedical and commercial potential?

In simplest terms, we are dealing with a compound called RNA (ribonucleic acid) to trigger a specific response (the RNA-interference mechanism) inside a diseased cell. By triggering the RNA-interference mechanism (or RNAi mechanism) within the cells the actual disease causing proteins can be eliminated, at which time the cells begin to function normally again. Ultimately, when this technology can be correctly applied to human diseases such as HIV-AIDS, cancer or selected genetic diseases it should be possible to delay disease progression, induce disease remission and perhaps ultimately cure some patients with otherwise untreatable chronic and life-threatening conditions.

So what fundamentally differentiates Benitec’s technology from others in the field?

Essentially, it is the approach to delivering the therapeutic compound (the RNAi) to the diseased cells. Typically, RNAi is produced in the laboratory to create a compound called siRNAi, but this compound can only survive for a limited time when injected into a patient, which means their its impact on the diseased cells is only temporary. On the other hand, Benitec’s technology makes the diseased cell produce its own therapeutic RNAi agent. That’s right, the technology makes the diseased cell produce its own ‘medicine’ for as long as is necessary, and depending on the type of cell that is treated the therapeutic effect can theoretically last for months, years or a lifetime.

Benitec initially referred to this delivery technology as DNA-directed RNAi (or ddRNAi) and more recently this approach has been renamed vector expressed RNAi by consensus of investigators in the field. But what does vector expressed RNAi delivery really mean? Essentially, the Benitec technology uses a harmless virus (the vector) as a delivery vehicle to deliver the RNAi molecules to the diseased cells. The vector then allows the cell to produce its own therapeutic RNAi for the lifetime of the cell.

People are commonly injected with harmless (or attenuated) viruses every day including Hepatitis B virus, Measles virus, Chickenpox virus, Mumps virus and many others as vaccinations. So the use of a virus vector to deliver RNAi (though currently experimental) will likely one day be a routine procedure.

“Benitec’s technology ...makes the diseased cell produce its own ‘medicine’ for as long as it is necessary... last for months, years or a lifetime.”

Consolidated R&D pipeline

In addition to the clinical study currently underway at the City of Hope, Benitec is undertaking further evaluation of its preclinical R&D pipeline. Projects under review include a vector expressed RNAi to treat chronic Hepatitis B infection, chronic Hepatitis B and D co-infection and Huntington’s Disease.

Fundamental research projects focused on evaluating new intellectual property opportunities and future directions in the areas of cancer biology and therapeutics development are also being developed in collaborative and leveraged relationships with national and international research groups.

Benitec

LEADER IN GENE SILENCING TECHNOLOGY

Human trials for AIDS lymphoma with City of Hope Center California

As discussed in the previous Investor Update, scientists at Benitec are in collaboration with scientists and clinicians at the City of Hope to investigate a clinical method to fight HIV-AIDS infection. In this ground-breaking pilot-clinical study, patients with AIDS-related lymphoma are being treated using vector expressed RNAi in combination with an expressed ribozyme and an HIV TAR decoy aimed at rendering the cells resistant to the HIV-1 virus infection.

The expression construct containing the RNAi has been delivered to patients' bone marrow derived stem cells using a virus-vector and the vector expressed RNA is designed to attack the HIV-1 virus at three crucial points in its replication cycle. This hopefully will render the stem cells and ultimately all the white blood cells resistant to the HIV-1 virus indefinitely.

These clinical studies are ongoing and the initial results were presented by Professor John Rossi at the Keystone meeting in March 2008 in British Columbia. Professor John Rossi is the chair of the Division of Molecular Biology with the Beckman Research Institute at City of Hope and a member of Benitec's scientific advisory board. Dr John Zaia, Associate Program Director of the General Clinical Research Center at City of Hope, will also be presenting these results at the American Society of Gene Therapy Conference in May 2008 in Boston.

“In this groundbreaking pilot-clinical study, patients with AIDS-related lymphoma are being treated using vector expressed RNAi in combination with a ribozyme and TAR decoy aimed at rendering the cells resistant to the HIV-1 virus infection.”

Benitec licensee's Pfizer and Oncolys deals to commercialise Hep C drug

In January 2008 Benitec's licensee company Tacere Therapeutics, Inc. (San Jose, CA) entered into a collaboration and license agreement with pharmaceutical company Pfizer Inc to develop and commercialise its Hepatitis C virus (HCV) compound TT-033.

This is the first expressed RNAi drug to be partnered with a major pharmaceutical company and it is a resounding commercial validation of Benitec's technology.

In March 2008 Tacere partnered with Oncolys BioPharma Inc (Tokyo) to form a license agreement to develop and commercialise Tacere's RNA interference (RNAi)-based Hepatitis C virus (HCV) compound TT-033 throughout Asia. This agreement resulted from the strategic alliance by Tacere and Oncolys in June 2007 whereby Oncolys was granted an option to acquire the Asian rights for the compound known as TT-033/OBP-701.

In addition to an up-front payment, Tacere will be eligible to receive milestone payments through achieving development, approval and commercialisation milestones resulting in total potential payments to Tacere of up to US\$60 million. Upon commercialisation of TT-033/OBP-701, Tacere would be entitled to receive royalties on net sales by Oncolys.

As previously reported Benitec has an equity holding in Tacere and also receives milestone and royalty payments.

New Chief Scientific Officer appointment

Dr Jason Smythe joined Benitec as chief scientific officer (CSO) in October 2007. Jason has over 22 years research and senior management experience in Australia and the US in the biomedical and biotechnology industry sectors. Of specific relevance to Benitec was his long-term research interest and focus on the clinical applications of gene-silencing technologies for the treatment of infectious diseases and cancers. This has been a passion that has sustained his career including appointments to academic, commercial, and government agencies in the US and Australia. *Continue to page 4...*



New Chief Scientific Officer appointment (*continued from page 3*)

Jason graduated with a Bachelor of Science (BSc Hons) degree from Monash University with first class honours in immunology. He then completed his postgraduate studies at The Walter and Eliza Hall Institute for Medical Research for his Doctorate (PhD) in medical biology from the Faculty of Medicine of The University of Melbourne. Jason performed his postdoctoral studies in gene therapy for the treatment of HIV/AIDS as a C.J. Martin Fellow and then an Irvington Institute Fellow (New York) in the laboratory of the eminent Dr Robert C. Gallo, co-discoverer of the HIV/AIDS virus at the National Cancer Institute of the National Institutes of Health in Bethesda (US).



On returning to Australia he continued this work as a senior scientist at Johnson & Johnson Research and then extended his research activities into anti-viral gene therapy and cancer biology by founding and leading the Gene Therapy Research Unit at the Children's Medical Research Institute (CMRI) Westmead. After six years at CMRI Jason joined the CSIRO as biotechnology program manager and officer in charge of the Division of Molecular Science NSW research laboratories for 5 years and more recently held the position of chief scientific officer of the Australian Tissue Engineering Centre Limited in Melbourne.

Jason has assumed responsibility for management of the Benitec scientific research and development program, and we welcome him to the management team.

USPTO re-examination update

The other key issue for Benitec is the ongoing patent re-examination in the US. Nucleonics initiated a third party re-examination at the U.S. Patent and Trademark Office ("USPTO") on 4 October 2004. The USPTO merged the two re-examinations and sent out an Office Action completely withdrawing most of the earlier rejections it made, modifying other rejections, and adding rejections based on the art Nucleonics provided in its second re-examination request. Benitec reviewed this new material and believes it does not raise any issues that would preclude patentability of the invention disclosed in the '099 Patent. Benitec also believes it has strong arguments for overcoming the art of record. Benitec responded to the rejections found in the merged re-examinations in April 2007. During an interview with the Examiner in early July 2007, Benitec had the opportunity to discuss aspects of the evidence antedating the Fire patent and removing it as prior art.

An updated declaration was lodged in March 2008. It is expected that the Examiner will review this new material and respond in a timely manner.

Nucleonics litigation

Benitec has recently filed a Brief in Opposition to Nucleonics' Petition for Certiorari in the US Supreme Court.

The next step is that the Court will review Nucleonics request and we should know the outcome of that before October 2008.

Contacts

Sue MacLeman
Chief Executive Officer

Head Office:
Benitec Ltd
Level 1, 123 Camberwell Road
Hawthorn East VIC 3123 Australia

Phone: +61 (0) 3 9811 9974
Fax: +61 (0) 3 9813 1201
www.benitec.com