



Media Release

Half Year Report

25 February 2011, Melbourne, Australia: The Directors of Benitec Limited (ASX:BLT) present the financial report of the Company and its subsidiaries for the six months ended 31 December 2010.

Highlights:

USPTO Re-examination

On 30 September 2010, the United States Patent and Trademark Office (USPTO) announced that its Board of Patent Appeals and Interferences had reached a decision to reverse all previous rejections in the US 6,573,099 (the '099 Graham patent) appeal. This historic decision was hailed as the best possible outcome for Benitec and CSIRO. The decision confirmed Benitec and CSIRO's long held belief in this patent and the strength of our RNA interference technology. With this successful outcome, there was significant positive activity surrounding other patents in the Graham patent family, with patents granted or allowed in international jurisdictions including the US, Europe, India, Singapore and Slovakia.

R&D Programs

Benitec aims to realise value in the Company's technology and intellectual property assets by demonstrating its safety and efficacy in a range of life-threatening diseases, through proving the technology in in-house and external research and development programs. Benitec's current R&D programs are aimed at developing therapeutics for hepatitis C, hepatitis B and drug resistant non-small cell lung cancer. Good progress occurred during the period in all of Benitec's R&D programs.

In October 2010, Benitec announced a new program to develop an expressed RNAi product for chronic intractable pain associated with diseases such as cancer and HIV. The Company has contracted the University of Queensland's TetraQ to undertake the initial studies.

Mr Peter Francis, Chairman of Benitec Limited, commented:

"The long-awaited USPTO Appeals Board decision should be seen as the re-birth of Benitec as a force in the RNAi field. The decision provides the Company with the impetus to proactively pursue strategies to maximise the value of our unique patent portfolio."

For Further Information

Dr Peter French

Chief Executive Officer

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About Benitec (www.benitec.com)

Benitec holds a dominant position in expressed RNA interference (RNAi)-based human therapeutics, with a transformational platform technology supported by a robust and extensive intellectual property portfolio. Benitec is leveraging this platform to develop and build a pipeline of expressed RNAi therapeutics focusing on treatment and alleviation of cancer and infectious disease. With strong global partnerships and committed scientific and clinical investigators, Benitec Ltd aims to deliver a range of novel RNAi-based therapeutics to the clinic in partnership with the pharmaceutical industry.

APPENDIX 4D HALF YEAR REPORT FOR THE PERIOD ENDING 31 DECEMBER 2010

The following information is provided to the ASX under listing rule 4.2A.3.

1. REPORTING PERIOD

The financial information contained in this report is for the half-year ended 31 December 2010. Comparative amounts are for the half-year ended 31 December 2009.

2. RESULTS FOR ANNOUNCEMENT TO THE MARKET

	Change	% Change	to	\$A'000
2.1 Revenue from ordinary activities	up	56.4%	to	374
2.1.1 (Loss) from ordinary activities after tax attributable to members.	up	23%	to	(1,092)
2.2 Net (loss) for the period attributable to members.	up	23%	to	(1,092)
2.3 The amount per security and franked amount per security of final and interim dividends	No dividends were declared or paid during the period.			
2.4 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			

3. COMMENTARY ON RESULTS FOR THE PERIOD

Benitec's net loss for the half year to 31 December 2010 was \$1,091,730 compared to a net loss of \$885,734 for the previous corresponding period. Operating revenue increased to \$374,354 from \$239,357 in the previous corresponding period due to a dividend received from the holding in US based Tacere Therapeutics, Inc. Operating expenses relating to operations were \$1,466,084 compared to \$1,125,091 for the previous corresponding period. Savings in legal costs, corporate overheads, travel and employment related costs were largely offset by an increase in spending in research and development expenditure, comprising patent costs and the projects with City of Hope, Biomix Technologies in China and Children's Cancer Institute Australia for Medical Research.

Benitec's current assets balance at 31 December 2010 was \$533,373 (June 2010: \$1,037,162), with current liabilities of \$592,377 (June 2010: \$967,355).

During the half year, the Company received US\$1,000,000 under the Convertible Note facility with La Jolla Cove Investors, Inc. Over this period, La Jolla Cove Investors, Inc. partially converted US\$887,334 of the liability into 49,583,513 fully paid ordinary shares. A further 220,000 fully paid shares were issued for \$4,928 in December 2010 following the exercise of ESOP options.

4. NET TANGIBLE ASSET BACKING PER SHARE

	2010	2009
Net tangible asset backing per ordinary share	(0.2) cents	0.2 cents

BY ORDER OF THE BOARD



John Rawling
Company Secretary
24 February 2011

CONTACT:

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About Benitec

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Forward-looking Statements

This press release contains forward-looking statements that reflect the Company's current expectations regarding future events. Forward-looking statements involve risks and uncertainties. Actual events could differ materially from those projected herein and depend on a number of factors including the success of the Company's research strategy, the applicability of the discoveries made therein, the successful and timely completion of clinical studies and the uncertainties related to the regulatory process.



BENITEC LIMITED

ABN 64 068 943 662

**INTERIM FINANCIAL REPORT
FOR THE HALF YEAR ENDED 31 DECEMBER 2010**

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Directors' Report

Your directors submit their report for the half-year ended 31 December 2010.

DIRECTORS

The following persons were directors of Benitec Limited ("Benitec") during the whole of the half-year and up to the date of this report:

Mr Peter Francis (Chairman)

Mr Mel Bridges

Dr John Chiplin

Mr Iain Ross

REVIEW AND RESULTS OF OPERATIONS

Overview

Benitec is a pioneer in RNA interference (RNAi) technology, which has the ability to permanently turn off specific genes known to be involved in human disease and so treat and potentially cure a wide range of human medical conditions, including cancer and infectious disease. Benitec's core patents and licenses provide key technologies to trigger RNAi in human cells, tissues and organs. Benitec holds exclusive worldwide rights for the development and commercialisation of all therapeutic human applications. The corporate goal of Benitec is to develop RNAi-based therapeutics for serious and life-threatening diseases such as infectious diseases, cancers and genetic disorders through co-investment and out-licensing. Benitec currently derives revenues from out-licensing its proprietary DNA-directed RNAi (ddRNAi) technology to life sciences companies in various fields.

USPTO Re-examination

On 30 September 2010, the United States Patent and Trademark Office (USPTO) announced that its Board of Patent Appeals and Interferences had reached a decision to reverse all previous rejections in the US 6,573,099 (the '099 Graham patent) appeal. This historic decision was hailed as the best possible outcome for Benitec and Australia's Commonwealth Scientific and Industry Research Organisation (CSIRO). All of the rejections raised during the re-examination were reversed, confirming Benitec and CSIRO's long held belief in this patent and our RNA interference technology.

This decision confirmed for Benitec and CSIRO that they hold a pre-eminent patent position in RNA interference, including Benitec's primary focus in the field of DNA-directed RNA interference (ddRNAi) in humans. The result signalled the re-birth of Benitec as a major force in the RNAi field and provided the Company with new impetus for expanding partnering, collaborative and licensing negotiations with all US groups working in this field. Furthermore the decision supported Benitec's clinical and pre-clinical R&D programs including Hepatitis B and C, drug-resistant non-small cell lung cancer and terminal cancer-associated pain. The re-examination certificate was issued in February 2011. Pleasingly, the decision and the issue of the certificate brought to a close a protracted and difficult chapter in Benitec's history.

A further benefit of the Decision has been the guidance provided for the Examiners in assessing the several related on-going US Divisional applications of the '099 Graham Patent, in which Benitec and CSIRO intend to pursue subject matter disclosed but unclaimed in the '099 Graham Patent. Details of subsequent patent allowances and grants are detailed under the section Patent Portfolio on page x of this report.

Directors' Report (continued)

UK Patent - Application for Revocation

In November 2010, Benitec received notification from the UK Intellectual Property Office of a request to revoke Benitec and CSIRO's patent no. GB 2,353,282. The request came from an undisclosed third party. Benitec filed a counter statement responding to all of the arguments evinced in the request to revoke, and Benitec Directors are optimistic that the UKIPO will find in Benitec's favour as did the USPTO's Board of Appeal who considered similar arguments in the '099 appeal. The timetable for the hearing at the UKIPO is understood to be within calendar year 2011.

R&D Programs

Benitec aims to realise value in the Company's technology and intellectual property assets by demonstrating its safety and efficacy in a range of life-threatening diseases, through proving the technology in in-house and external research and development programs. The target diseases are carefully chosen according to a range of criteria, in particular expression of the target gene being silenced must be critical for the disease to exist or progress, and the target patient population will have significant unmet medical needs under conventional medicines.

Hepatitis C Program

Benitec licensed the rights to use ddRNAi for hepatitis C to Tacere Therapeutics. In 2009 Tacere completed an agreement with Pfizer to take the program through to a clinical trial, following very promising data in pre-clinical studies showing 100% transfection of liver cells in a primate model, with no adverse effects. Pfizer's February 2011 decision to close the unit in the UK where the program is being developed is not expected to have a significant effect on the timetable to bring the program to the clinic.

Hepatitis B Program

Benitec's collaboration with Biomics Biotechnologies Co Ltd in China continued during the period. This project is focussed on Hepatitis B which is an area of significant unmet medical need in China, and an area of focus for the Chinese government. The initial stage of the project was aimed at identifying a number of effective target RNA sequences on a key gene in the Hepatitis B virus, and was successfully completed. The data from that stage will be used to produce ddRNAi constructs which have the potential to effectively eradicate the Hepatitis B virus from the liver of infected patients. This stage of the project progressed well and Biomics and Benitec have agreed that this project will move into the next stage with generation and testing of these constructs. The second stage of the program is due to start in March 2011.

Drug Resistant Non-Small Cell Lung Cancer Program

Non-small cell lung cancer is an area of significant unmet medical need, with a high proportion of the cancers becoming resistant to conventional drug therapy within a short period of time. Benitec's collaboration with the Children's Cancer Institute Australia at the University of New South Wales has progressed well, with achievement of high levels of *in vitro* silencing of a key gene in non-small cell lung cancer cells, beta III tubulin, known to be important for conferring resistance to chemotherapy drugs. Studies aimed at optimising delivery and efficacy of the effective constructs in conjunction with chemotherapy in an *in vivo* model of lung cancer are planned for Q2 2011. Success in these experiments would move the program closer to a clinical trial.

Directors' Report (continued)

Cancer-associated Pain Program

In 2010 Benitec decided to commence a proof-of-concept study with the University of Queensland to investigate the efficacy of using ddRNAi to silence the expression of an enzyme in the spinal cord that is involved in transmission of chronic neuropathic pain to the central nervous system. Up to 80% of terminal cancer patients suffer from this form of pain, and it is hoped that Benitec's RNAi technology can provide a novel solution to relieving pain in these patients from a limited number of injections. Benitec has contracted the University of Queensland's TetraQ to undertake these initial studies. TetraQ has an international reputation in the area of pain research.

HIV/AIDS Program

Benitec's collaboration with the City of Hope Center in California resulted in an initial pilot human trial involving the HIV-based vector delivery of anti-HIV RNA (pHIV7-shI-TAR-CCR5RZ) *ex vivo* drug candidate. This trial was completed in 2010. The Company has decided to seek to partner the further development of this technology. Until a partnership has been agreed, the program is on hold. The Directors have a reasonable expectation that the program can be partnered in calendar year 2011.

Other Programs

Benitec's RNAi technology has the potential to be applied to a wide range of human medical conditions, and opportunities to explore many of these conditions are constantly being presented to the Board for consideration. Only those diseases that meet stringent commercial and scientific guidelines are selected for in-house development. Others are licensed or partnered for external support.

Patent Portfolio

With the successful outcome of the Re-examination of the '099 Graham Patent in the USPTO Appeals Board hearing, there has been significant activity surrounding patents in the Graham patent family.

On 14 July 2010, US Patent Application No. 10/646,070 was granted by the USPTO as US Patent No. 7754694. This patent is entitled Multiple Promoter Expression Cassettes for Simultaneous Delivery of RNAi Agents. This invention provides multiple-promoter expression cassettes for simultaneous delivery of RNAi, preferably to mammalian cells *in vivo*.

The allowability of the "Control of Gene Expression" patent was confirmed: in India (with claims in application IN/PCT/2000/00169/DEL allowed); in Singapore (granted as Patent 141233); and in Slovakia (with claims in application PP1372-2000 allowed).

In September 2010, a Notice of Allowance was issued by the USPTO regarding the US Patent Application 10/759,841 "Synthetic Genes and Genetic Constructs comprising the same". In the same month, the USPTO granted US Patent No. 7,803,611 "RNAi Expression Constructs".

In December 2010, the European Patent Office issued a Communication of Intent to Grant on application 2005 727 680 "Multiple promoter expression cassettes for simultaneous delivery of RNAi agents".

Directors' Report (continued)

Benitec's new arrangements with CSIRO moved forward with the release from voluntary escrow of half of the 40,097,026 fully paid ordinary shares issued in January 2010 being released in July 2010 and the remainder being released in January 2011. Under the terms of the January 2010 arrangements, two tranches of top-up shares were issued to CSIRO, 4,059,329 in July 2010 and a further 3,960,076 in January 2011.

During the half year, the Company received US\$1,000,000 under the Convertible Note facility with La Jolla Cove Investors, Inc. Over this period, La Jolla Cove Investors, Inc. partially converted US\$887,334 of the liability into 49,583,513 fully paid ordinary shares. A further 220,000 fully paid shares were issued for \$4,928 in December 2010 following the exercise of ESOP options.

Benitec is currently actively exploring further capital raising avenues which will enable it to continue to fund the prosecution and maintenance of its significant patent portfolio and accelerate the progress of its product development and commercialisation activities.

Financial Update

Benitec's net loss for the half year to 31 December 2010 was \$1,091,730 compared to a net loss of \$885,734 for the previous corresponding period. Operating revenue increased to \$374,354 from \$239,357 in the previous corresponding period due to a dividend received from licensee Tacere Therapeutics. Operating expenses relating to operations were \$1,466,084 compared to \$1,125,091 for the previous corresponding period. Whilst corporate overheads were kept in check, costs such as travel increased due to planning and attendance at the USPTO Appeals Board oral hearing in August 2010. Following the positive USPTO decision at the end of September 2010, there has been significant activity around the planning and implementation of a reignited business development program and new projects, including the pain therapeutic program announced in October 2010.

Benitec's current assets balance at 31 December 2010 was \$533,373 (June 2010: \$1,037,162), with current liabilities of \$592,377 (June 2010: \$967,355).

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the Auditor's Independence Declaration as required under section 307C of the Corporations Act 2001 is set out on page 7 of this report.

Signed in accordance with a resolution of the directors.



Peter Francis
Director
Melbourne, 24 February 2011

Grant Thornton Audit Pty Ltd
ACN 130 913 594

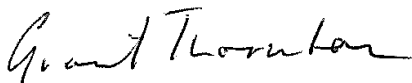
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**Auditor's Independence Declaration
To The Directors of Benitec Limited**

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the review of Benitec Limited for the half-year ended 31 December 2010, 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



M. A. Cunningham
Director - Audit & Assurance Services

Melbourne, 24 February 2011

Consolidated Statement of Comprehensive Income

FOR THE HALF-YEAR ENDED 31 DECEMBER 2010

	<i>Notes</i>	<i>HALF-YEAR</i>	
		<i>Dec 2010</i>	<i>Dec 2009</i>
		<i>\$</i>	<i>\$</i>
Revenue	2	374,354	239,357
Royalties & licence fees		-	(9,633)
Research and development costs		(480,708)	(522,037)
Employment related expenses		(543,756)	(357,087)
Travel related expenses		(77,753)	(12,238)
Consultants costs		(73,938)	(18,726)
Occupancy costs		(26,021)	(18,459)
Corporate expenses		(232,974)	(122,952)
Other expenses		(30,934)	(63,959)
Total expenses		(1,466,084)	(1,125,091)
Loss before income tax	2	(1,091,730)	(885,734)
Income tax expense		-	-
Loss for the Half-Year		(1,091,730)	(885,734)
Other Comprehensive Income		-	-
Total Comprehensive Income for the Half Year		(1,091,730)	(885,734)
Loss for the Half Year attributable to members of Benitec Limited		(1,091,730)	(885,734)
Total Comprehensive Income for the Half Year attributable to members of Benitec Limited		(1,091,730)	(885,734)

Earnings per share (cents per share) for loss attributable to the ordinary equity holders of the consolidated entity:

- basic for earnings (loss) for the half-year	(0.25)	(0.25)
- diluted for earnings (loss) for the half-year	(0.25)	(0.25)

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

Consolidated Statement of Financial Position

AS AT 31 DECEMBER 2010

	<i>Notes</i>	<i>Dec 2010</i>	<i>June 2010</i>
		\$	\$
ASSETS			
Current Assets			
Cash and cash equivalents	5	393,337	651,007
Trade and other receivables		70,268	350,470
Other		69,768	28,064
Total Current Assets		<u>533,373</u>	<u>1,029,541</u>
Non-current Assets			
Plant and equipment		22,175	7,621
Total Non-current Assets		<u>22,175</u>	<u>7,621</u>
TOTAL ASSETS		<u>555,548</u>	<u>1,037,162</u>
LIABILITIES			
Current Liabilities			
Trade and other payables		547,878	817,729
Provisions		44,499	149,626
Total Current Liabilities		<u>592,377</u>	<u>967,355</u>
Non-Current Liabilities			
Trade and other payables		229,003	231,826
Borrowings		515,671	459,655
Provisions		-	75,000
Total Non-Current Liabilities		<u>744,674</u>	<u>766,481</u>
TOTAL LIABILITIES		<u>1,337,051</u>	<u>1,733,836</u>
NET ASSETS		<u>(781,503)</u>	<u>(696,674)</u>
EQUITY			
Issued capital	6	78,411,067	77,487,593
Reserves		2,792,498	2,709,071
Accumulated losses		(81,985,068)	(80,893,338)
TOTAL EQUITY		<u>(781,503)</u>	<u>(696,674)</u>

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

Consolidated Statement of Changes in Equity

FOR THE HALF-YEAR ENDED 31 DECEMBER 2010

	<i>Attributable to equity holders of the parent</i>				
	<i>Issued capital</i>	<i>Convertible Note Equity Reserve</i>	<i>Share-based Payments Reserve</i>	<i>Accumulated Losses</i>	<i>Total equity</i>
At 1 July 2009	74,836,046	-	2,565,405	(76,252,667)	1,148,784
Share issues, net of transaction costs	239,081	-	-	-	239,081
Fair value of share based payments during period	-	-	36,915	-	36,915
Loss attributable to members of parent entity	-	-	-	(885,734)	(885,734)
At 31 December 2009	75,075,127	-	2,602,320	(77,138,401)	539,046
Shares issued during period, net of issue costs	2,405,147	-	-	-	2,405,147
Equity component of convertible note	-	77,156	-	-	77,156
Transfer to Contributed Equity upon partial conversion of convertible note	7,319	(7,319)	-	-	-
Fair value of share based payments during period	-	-	36,914	-	36,914
Loss attributable to members of parent entity	-	-	-	(3,754,937)	(3,754,937)
At 30 June 2010	77,487,593	69,837	2,639,234	(80,893,338)	(696,674)
Share issues, net of transaction costs	793,736	-	-	-	793,736
Equity component of convertible note	-	104,390	-	-	104,390
Transfer to Contributed Equity upon partial conversion of convertible note	129,738	(129,738)	-	-	-
Fair value of share based payments during period	-	-	108,775	-	108,775
Loss attributable to members of parent entity	-	-	-	(1,091,730)	(1,091,730)
At 31 December 2010	78,411,067	44,489	2,748,009	(81,985,068)	(781,503)

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

Consolidated Statement of Cash Flows

FOR THE HALF-YEAR ENDED 31 DECEMBER 2010

	<i>HALF-YEAR</i>	
	<i>Dec 2010</i>	<i>Dec 2009</i>
	\$	\$
Cash flows from operating activities		
Receipts from customers (inclusive of goods and services tax)	99,782	159,556
Payments to suppliers and employees (inclusive of goods and services tax)	(1,507,687)	(1,073,468)
Borrowing costs	(14,472)	(1,869)
Net cash outflows from operating activities	<u>(1,422,377)</u>	<u>(915,781)</u>
Cash flows from investing activities		
Interest received	9,737	19,865
Dividend received	139,133	-
Purchase of plant and equipment	(18,672)	-
Net cash inflows from investing activities	<u>130,198</u>	<u>19,865</u>
Cash flows from financing activities		
Proceeds from borrowings and issue of shares	1,047,102	203,081
Net cash inflows from financing activities	<u>1,047,102</u>	<u>203,081</u>
Net decrease in cash and cash equivalents	(245,077)	(692,835)
Effects of exchange rate changes on cash and cash equivalents	(12,593)	(5,534)
Cash and cash equivalents at beginning of the half-year	651,007	1,866,605
Cash and cash equivalents at end of half-year	<u>393,337</u>	<u>1,168,236</u>

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

Notes to the Consolidated Financial Statements

FOR THE HALF-YEAR ENDED 31 DECEMBER 2010

1 BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL REPORT

The half-year financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial report.

The half-year financial report should be read in conjunction with the annual Financial Report of Benitec Limited as at 30 June 2010.

It is also recommended that the half-year financial report be considered together with any public announcements made by Benitec Limited and its controlled entities during the half-year ended 31 December 2010 in accordance with the continuous disclosure obligations arising under the Corporations Act 2001.

(a) Basis of accounting

The half-year 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 half year ended 31 December 2010, the consolidated entity incurred a loss of \$1,091,730 (2009: loss \$885,734) and had net operating cash outflows of \$1,422,377 (2009: \$915,781). The ability of the consolidated entity to continue as a going concern has been determined by directors on the basis of the primary assumptions set out below.

In common with start-up biotechnology companies:

- i. the consolidated entity's operations are subject to considerable risks due primarily to the nature of the development and commercialisation being undertaken; and
- ii. to allow the consolidated entity to execute its longer term plans, it will be necessary to raise additional capital in the near future.

Having regard to the current market conditions and the consolidated entity's development programs, the directors intend to implement or continue the following actions to provide additional funds and to form the basis for fund raising:

- a) continued capital raising through a convertible note facility; and
- b) entering into one or more corporate/commercial arrangements with other organisations.

Since 31 December 2010, a further USD\$750,000 has been received under the convertible note facility. A further USD\$1,000,000 is expected to be received under this note by the end of the financial year. The directors are also exploring additional capital raising activities in order to fast track a number of identified opportunities. The directors currently plan to continue the consolidated entity's operations on the basis of matters referred to above, and believe that such activities will allow the raising of sufficient funds together with the existing net assets, for the consolidated entity to operate in its normal manner for a period of not less than twelve months from the date of this report.

Notes to the Consolidated Financial Statements

FOR THE HALF-YEAR ENDED 31 DECEMBER 2010

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

(a) Basis of accounting (continued)

In light of the above, it is the directors' belief that sufficient funds will be raised. In the event that such arrangements are not entered into, there is significant uncertainty as to whether the consolidated entity will continue as a going concern and, therefore, whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated 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 consolidated entity 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 consolidated entity to obtain adequate funding.

The half-year financial report has been prepared in accordance with the historical convention.

For the purpose of preparing the half-year financial report, the half-year has been treated as a discrete reporting period.

(b) Summary of significant accounting policies

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

Notes to the Consolidated Financial Statements (continued)

FOR THE HALF-YEAR ENDED 31 DECEMBER 2010

2 REVENUE AND EXPENSES

(a) Specific Items

Profit before income tax expense includes the following revenues and expenses whose disclosure is relevant in explaining the performance of the entity:

	<i>HALF-YEAR</i>	
	<i>Dec 2010</i>	<i>Dec 2009</i>
	\$	\$
(i) Revenue		
Licensing revenue	118,169	208,090
Dividend received	137,671	-
Finance income	9,737	19,865
Realised gain on foreign exchange	20,763	10,786
Unrealised gain on foreign exchange	88,014	-
Other income	-	616
	<u>374,354</u>	<u>239,357</u>
(ii) Expenses		
Depreciation	4,118	2,213
IP litigation expense	20,471	5,237
Share-based payments	108,775	36,915
Foreign exchange fluctuation	13,297	(3,826)

(b) Seasonality of Operations

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

3 SEGMENT REPORTING

Business Segments

The consolidated entity operates in one business segment, being the global commercialisation (by licensing and partnering) of patents and licences developed in the area of biotechnology, more specifically in functional genomics, with applications in biomedical research and human therapeutics.

Geographical Segments

Business operations are conducted in Australia while US located subsidiaries started their operations in May 2004. In June 2006, the US operations were shut down with all operations of the consolidated entity being conducted in Australia from that time.

	Segment Revenues from External Customers				Segment Results		Carrying Amount of Segment Assets	
	<i>HALF-YEAR</i>							
	<i>Dec 2010</i>	<i>Dec 2009</i>	<i>Dec 2010</i>	<i>Dec 2009</i>	<i>Dec 2010</i>	<i>June 2010</i>		
	\$	\$	\$	\$	\$	\$		
<i>Geographical Location:</i>								
Australia	374,354	239,357	(1,083,745)	(883,113)	511,464	1,007,012		
United States of America	-	-	(991)	(462)	44,083	30,150		
United Kingdom	-	-	(6,994)	(2,159)	-	-		
	<u>374,354</u>	<u>239,357</u>	<u>(1,091,730)</u>	<u>(885,734)</u>	<u>555,547</u>	<u>1,037,162</u>		

Notes to the Consolidated Financial Statements (continued)

FOR THE HALF-YEAR ENDED 31 DECEMBER 2010

4 EVENTS AFTER THE BALANCE SHEET DATE

There have been no significant events after balance date.

5 ADDITIONAL INFORMATION

Reconciliation of Cash

For the purposes of the Consolidated Cash Flow Statement, cash and cash equivalents comprise the following:

	<i>Dec 2010</i>	<i>June 2010</i>
	\$	\$
Cash at bank and in hand	393,337	651,007

6 ISSUED CAPITAL

Ordinary shares

	<i>78,411,067</i>	<i>77,487,593</i>
	<i>No. of Shares</i>	<i>\$</i>
Issued and fully paid		
At 1 July 2010	415,004,245	77,487,593
Exercise of ESOP options	220,000	4,928
CSIRO Top-Up shares	4,059,329	-
Partial conversion of Convertible Note	49,583,513	940,000
Less Costs of issue	-	(21,454)
At 31 December 2010	<u>468,867,087</u>	<u>78,411,067</u>

Share options

Details	No. of Options	Expiry Date	Exercise Price
Listed options	56,081,915	03 Apr 11	\$0.15
Listed options	46,673,907	08 Apr 14	\$0.10
ESOP options	2,780,000	04 Sep 11	\$0.0224
ESOP options	1,000,000	14 Dec 11	\$0.059
ESOP options	3,300,000	31 Dec 12	\$0.115
ESOP options	5,000,000	10 Jun 13	\$0.0425
ESOP options	6,500,000	19 Aug 14	\$0.03
Unlisted options	22,244,444	31 Dec 12	\$0.10
Unlisted options	12,000,000	10 Apr 15	\$0.10
Unlisted options	17,560	30 Sep 13	\$0.03
Strategic Advisor Warrants	6,126,962	04 Aug 14	\$0.90
Directors' options	1,953,125	23 Oct 15	\$0.17
NED options	4,666,666	31 Dec 12	\$0.131
NED options	3,000,000	19 Aug 14	\$0.03364
	<u>171,344,579</u>		

Since 31 December 2010, a further 200,000 ESOP options with an exercise price of \$0.0224 have been exercised.

Directors' Declaration

In accordance with a resolution of the directors of Benitec Limited, I state that:

In the directors' opinion:

- (a) the financial statements and notes set out on pages 8 – 15 of the Half-Year Report are in accordance with the Corporations Act 2001, including:
 - (i) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
 - (ii) giving a true and fair view of the consolidated entity's financial position as at 31 December 2010 and of its performance, as represented by the results of its operations, changes in equity and its cashflows, for the half-year ended on that date; and
 - (iii) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.
- (b) as outlined in note 1(a) to the financial statements, the consolidated entity's ability to continue as a going concern is dependent on fund raising activities. Subject to the success of these fund raising activities, there are reasonable grounds to believe that the consolidated entity will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the directors.

On behalf of the Board



Peter Francis
Director

Melbourne, 24 February 2011

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Independent Auditor's Review Report To the Members of Benitec Limited

We have reviewed the accompanying half-year financial report of Benitec Limited (“Company”), which comprises the consolidated financial statements being the statement of financial position as at 31 December 2010, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, a statement of accounting policies, other selected explanatory notes and the directors’ declaration of the consolidated entity, comprising both the Company and the entities it controlled at the half-year’s end or from time to time during the half-year.

Directors’ responsibility for the half-year financial report

The directors of the Company are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor’s responsibility

Our responsibility is to express a conclusion on the consolidated half-year 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 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 December 2010 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of Benitec Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year 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.

Electronic presentation of reviewed financial report

This auditor's review report relates to the financial report of Benitec Limited for the half-year ended 31 December 2010 included on Benitec Limited's web site. The Company's directors are responsible for the integrity of Benitec Limited's web site. We have not been engaged to report on the integrity of Benitec Limited's web site. The auditor's review report refers only to the statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of this report are concerned with the inherent risks arising from electronic data communications, they are advised to refer to the hard copy of the reviewed financial report to confirm the information included in the reviewed financial report presented on this web site.

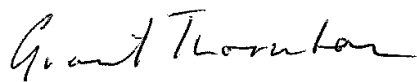
Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Benitec 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 December 2010 and of its performance for the half-year ended on that date; and
- b complying with Accounting Standard AASB 134: Interim Financial Reporting and Corporations Regulations 2001.

Material uncertainty regarding continuation as a going concern

Without qualification to the conclusion expressed above, we draw attention to Note 1 in the financial report which indicates that the consolidated entity incurred a net loss of \$1,091,730 during the half year ended 31 December 2010 and, as of that date, the consolidated entity's current liabilities exceeded its total assets by \$781,503. These conditions, along with other matters as set forth in Note 1, indicate the existence of a material uncertainty which may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore, the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business, and at the amounts stated in the financial report.

The logo for Grant Thornton, featuring the company name in a stylized, cursive script.

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

A handwritten signature in black ink, appearing to read 'M. A. Cunningham'.

M. A. Cunningham

Director - Audit & Assurance Services

Melbourne, 24 February 2011