

Benitec Limited (ASX: BLT)

Equity | Australia

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VIRIATHUS®

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Company Description:

Benitec Limited is developing new treatments for chronic and life-threatening conditions based on a transformational technology, DNA-directed RNA interference (ddRNAi). The technology's potential to treat serious medical conditions and, potentially, cure disease results from the demonstrated ability to permanently silence genes which cause the condition. The Company is pursuing a focused R&D program in infectious diseases, cancer and chronic cancer-associated pain, with four in-house programs as well as two out-licensed programs that have advanced to pre-clinical and/or clinical trials.

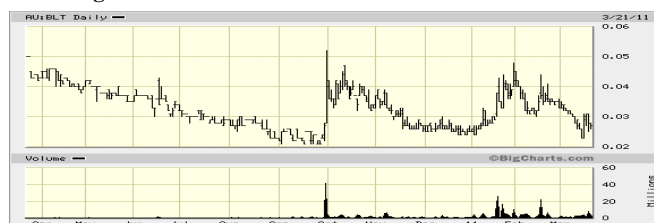
Overview Report Highlights:

- **It's a new era for Benitec following a successful US Patent Re-Examination.** Following the decision of the USPTO in October 2010 to overturn all previous objections raised in the re-examination of its key Graham patent, Benitec once again holds a dominant worldwide patent position in one of two approaches to RNA interference. Benitec's ddRNAi technology has noteworthy advantages over the alternate siRNA technology, the most significant of which is its long-lived effect. A single dose may lead to permanent silencing of the targeted gene and a possible disease cure.
- **Partnering and licensing deals secured.** The Company is monetizing its proprietary technology by licensing to worldwide reagent suppliers, out-licensing in non-core therapeutic areas and developing therapeutic agents in-house in areas Benitec considers commercially compelling. The Company has a number of revenue-generating agreements with reagent suppliers, as well as out-licensing deals with two therapeutic partners that provide upfront and milestone-related revenue streams, as well as possible royalties and equity-growth validating the commercial attractiveness of its technology platform.
- **Technology addresses huge potential markets.** Benitec's technology has broad applications in all medical conditions where the permanent silencing of specific genes is indicated for treatment. The Company is initially addressing multi-billion dollar market opportunities in hepatitis B, lung cancer and cancer-associated neuropathic pain, but the technology is potentially applicable to over 22,000 human genes and a much larger number of genes in disease-causing micro-organisms.

Benitec's ddRNAi technology has already been tested in a pilot Phase I/II clinical trial (in HIV/AIDS-related lymphoma patients) and the Company anticipates one or more of its programs will commence clinical trials within two years. Positive clinical results from one or more programs could pave the way for partnering agreements with major pharmaceutical companies. Earlier acquisitions by big pharma in the siRNA technology space have achieved US\$425 million to US\$1.1 billion deal values, suggesting that Benitec's technology may be worth substantially more than the Company's current AU\$19 million market capitalization.

Financial Data (US\$):

Share Price:	0.03
Market Capitalization (mln):	14.53
Shares Outstanding (mln):	468.87
Float (mln):	271.12
Average Volume (90 Day approx.):	3,659,820
52 Week Range:	\$0.02-0.05
Exchange:	ASX



Notable 2010/2011 Milestones:

- US Patent and Trademark Office (USPTO) reverses previous objections to Benitec's foundational Graham patent (Oct '10), effectively clearing the way for patent to be re-issued in the US (Feb '11).
- Results published of pilot Phase I/II clinical study in HIV/AIDS-related lymphoma showing safety and feasibility (June '10).
- Extends its in-house pipeline: In addition to its previously announced pipeline of proof-of-concept programs in hepatitis B (commenced Sep '09 and extended in Feb '11) and drug-resistant lung cancer (Nov '09) commences a key program to silence a gene responsible for chronic cancer-associated pain (Oct '10).
- Renegotiates technology licensing agreement on more favorable commercial terms (Jan '10) and obtains US\$6 million funding commitment from US investor (Apr '10).
- Appoints new CEO and restructures the Board (June '10), and forms a Clinical Investigators Group (Feb '11).

Corporate Contact Information:

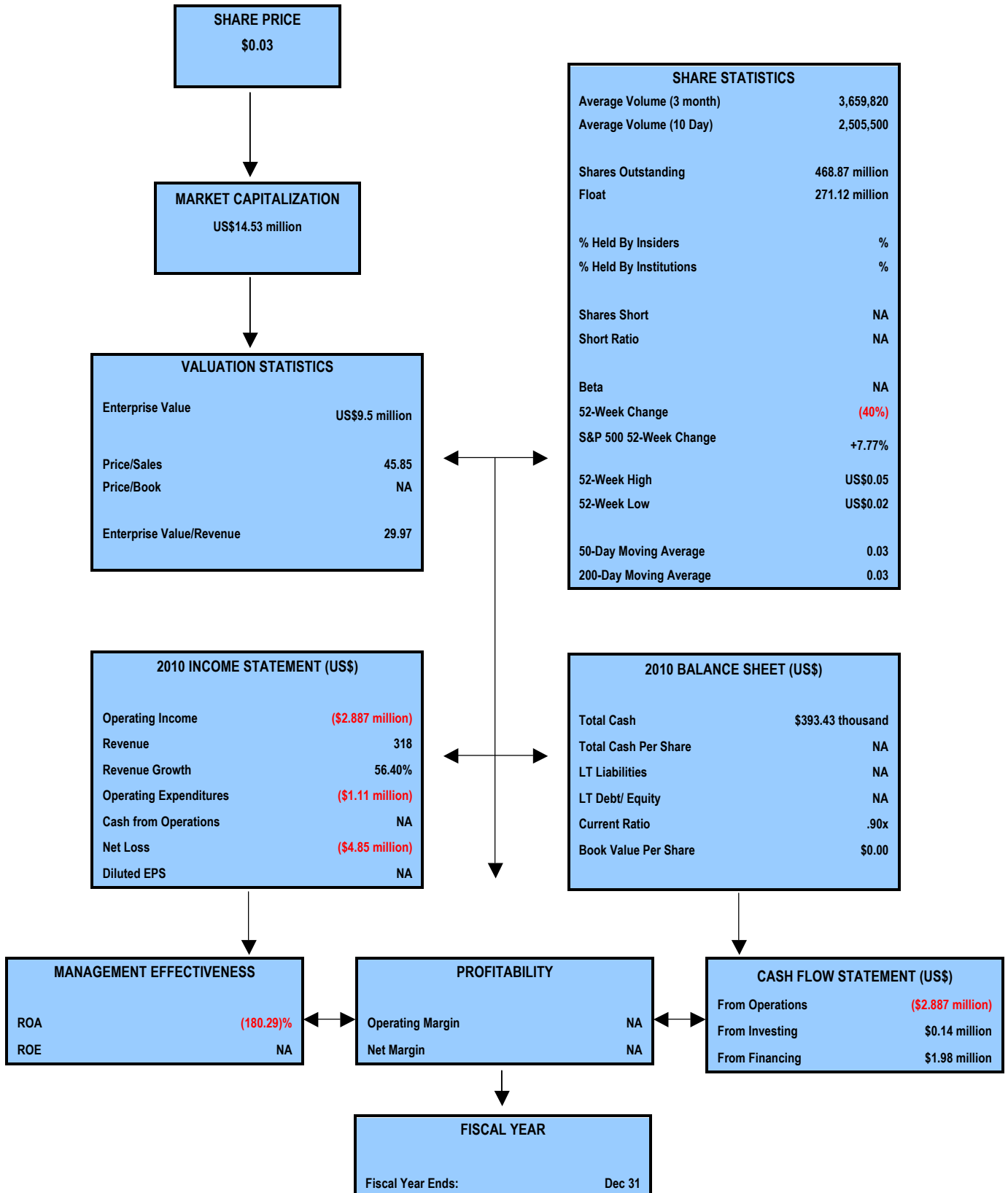
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Balance Sheet: (US\$)	December 2010
Cash	393,340
Assets	559,000
Shareholders' Equity	NA
Long-Term Obligations	515,670
LT Debt to Equity Ratio	NA

P&L: (US\$) (000)	2008	2009	Jun 2010	Dec 2010
Revenues	486	313	183	318
R&D	721	1,104	1,160	1,119
Pre-tax Loss	(2,776)	(2,546)	(2,521)	(2,729)
Net Loss	(2,792)	(2,486)	(4,670)	(4,877)
EPS	(0.01)	(0.008)	(0.012)	(0.011)

Cash flow: (US\$)	2007	2008	Jun 2010	Dec 2010
From Operations	(3,304)	(2,244)	(2,377)	(2,887)
From Investing	0.187	0.078	0.028	0.139
From Financing	0.014	2.157	1.130	1,980

Financial Metrics



Benitec Limited
(ASX: BLT)

Table of Contents

Company Description:	1
Milestones:	1
Informational Report Highlights:	1
Financial Metrics:	2
Company Overview:	4
Products & Technology Overview:	7
Business Strategy:	9
Market Overview:	12
Management Team:	16
Competition:	18
Milestones:	21
Investment Risks:	23
Summary:	25
Financial Statements:	27
Disclaimer:	30

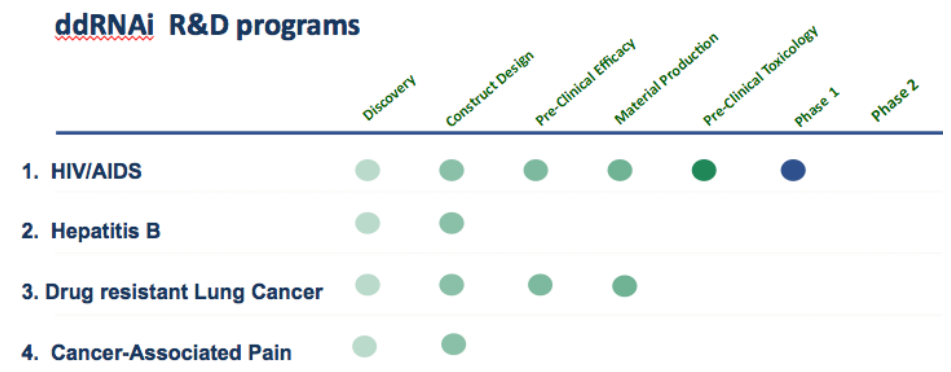
Company Overview

Benitec was formed to commercialize applications for RNA interference (RNAi) technology in treating chronic and life-threatening human conditions. The Company holds numerous worldwide patents and licenses for a transformational platform technology called DNA-directed RNA interference or ddRNAi, which harnesses the body's own defense mechanisms to silence the expression of condition-associated genes, thus paving the way for new breakthrough medical treatments. Benitec is headquartered in Melbourne, Australia and trades on the Australian stock exchange under the symbol "BLT". The Company was founded in 1997 and has been publicly held since 2001.

Benitec is developing treatments for chronic and life threatening diseases based on a proprietary gene silencing ddRNAi technology.

RNA interference is a method of silencing a specific gene in a cell to treat or cure a disease or medical condition. This can be accomplished by delivering two strands of RNA (made in a laboratory), which bind to each other, into the target cell. This is called short interfering RNA or siRNA. Benitec's technology produces the double stranded (ds)RNA within the cell itself from an inserted piece of DNA. This process called DNA-directed RNA interference (ddRNAi), or sometimes known as expressed RNAi, is a process akin to gene therapy. The most common form of ddRNAi is called short hairpin RNA (shRNA). There are significant advantages to ddRNAi over siRNA approach - dsRNA is produced inside the target cell continuously, which permanently silences the target gene. In contrast, in siRNA, dsRNA is made in the lab and must be injected into the cell continuously to maintain the gene shut down effect. Furthermore, delivery of ddRNAi gene constructs is much easier than siRNA as the constructs are more stable and less easily degraded, thus overcoming an acknowledged major hurdle with siRNA.

R&D and Clinical Progress:



Source: Company Presentation

R&D programs are underway in hepatitis B, lung cancer and chronic cancer-associated pain. A pilot Phase I/II clinical trial in AIDS-related lymphoma was completed in 2010.

Benitec's strategy is to demonstrate the power of the ddRNAi approach to treat and potentially cure serious human medical conditions by developing a portfolio of ddRNAi-based therapeutics for infectious disease, cancer and cancer-associated pain.

Successful application of Benitec's ddRNAi technology requires four key elements to be in place. These are that the:

- Genetic malfunction/nature of the disease or condition is understood;
- Therapeutic material can be delivered to the target cells in the affected tissue or organ;
- Therapeutic material is active for the intended duration and delivers the intended benefit to the target cells;
- Unexpected side effects, if any, are manageable.

The Company's goal is to validate its technology over a range of human medical conditions through Phase I/II clinical trials, which will then allow Benitec to build profitable partnerships with big pharmaceutical companies interested in commercializing its technology as novel therapeutics.

At present, Benitec has six such projects – four being conducted in-house (some with collaborators) and two being out-licensed.

The in-house programs:

Chronic cancer-associated pain: Benitec has begun a proof-of-concept program with scientists at the University of Queensland as a first step to developing a ddRNAi-based therapeutic to relieve chronic neuropathic pain in patients with terminal cancer. A successful demonstration of the ability of the ddRNAi-based material to provide pain relief will provide the basis for planning for a human clinical trial. Success in such a trial will demonstrate that Benitec's ddRNAi-based approach is able to address a significant market need and can gain regulatory approval. The choice of patient group and medical condition was carefully considered to provide Benitec with a scenario in which to be able to fast track its technology to the clinic.

Hepatitis B: Benitec is undertaking a program to develop a novel treatment for hepatitis B with Biomics Biotechnologies, a China-based biotechnology company with RNAi expertise. The two companies have identified over 100 effective RNAi candidates that can silence the hepatitis B virus and has selected the most promising of them for further evaluation and development using shRNA constructs. These constructs will be tested in pre-clinical models of hepatitis B, and ultimately in a clinical trial of hepatitis B virus-infected patients.

Drug-resistant lung cancer: Benitec is collaborating with researchers at the Children's Cancer Institute Australia at the University of New South Wales (UNSW) on a program to develop a novel adjunctive therapeutic approach for drug-resistant non-small cell lung cancer. The goal of this study is to validate earlier findings which showed turning off a gene in human lung cancer cells makes those cells much more sensitive to currently used anti-cancer drugs. Preliminary data supporting the concept was published in the June 2010 edition of *Cancer Research*. The current focus is on optimizing delivery of the shRNA-based material to a pre-clinical model of human lung cancer *in vivo*. If successful, preparations leading to a human clinical trial will commence.

HIV/AIDS: Until mid 2010, Benitec supported the development of an RNA-based HIV/AIDS therapeutic, one component of which was an shRNA construct to tat/rev. This program was undertaken from 2007-2010 in collaboration with the City of Hope research hospital in Duarte, California. The product candidate was taken into a Phase I/II pilot human clinical trial funded by Benitec that produced promising interim results in terms of safety and proof of feasibility. The data was published in *Science Translational Medicine* in June 2010. Management believes these results justify the further development of a ddRNAi-based cell therapy platform for HIV. As a result, Benitec is currently seeking to partner this program to build on the initial promise. The City of Hope announced in March 2011 that they were initiating a second clinical trial building on the success of the first trial. The second study will examine an improved version of the treatment.

Out-licensed programs:

In addition to its own R&D programs, Benitec is maximizing the value of its technology by out-licensing non-core therapeutic applications. The Company has out-licensed applications for its technology in treating hepatitis C to Tacere Therapeutics

Inc. (which has signed a deal to develop the program with Pfizer) and to Revivicor for applications in xenograft organic transplants. Where appropriate, as exemplified by its agreement with Tacere, Benitec will take an equity stake in a partner to further benefit from value growth potential. The Company is also monetizing the value of its ddRNAi technology through licensing agreements with reagent suppliers.

Intellectual Property Portfolio

Benitec has around 100 filed patents and patent applications, of which some 40 are granted, which gives the Company a dominant position in therapeutic applications for ddRNAi-based gene silencing.

Benitec holds exclusive, non-revocable worldwide licenses to the Graham family of patents from Australia's leading science research body, the Commonwealth Scientific and Industrial Research Organization (CSIRO) for the development and commercialization of human therapeutics relating to its core ddRNAi platform technology. Its patents cover key claims for methods of generating double stranded RNA inside a cell from a DNA construct. Benitec's patents represent a dominant position in RNAi-based gene silencing, particularly ddRNAi applications (including shRNA) in humans. In addition to the Graham patents licensed from CSIRO, Benitec has filed several additional patents covering specific applications and improvements to its ddRNAi technology. The Company has around 100 filed patent and patent applications, of which some 40 have been granted, and has in-licensed other patents that extend the scope of its ddRNAi platform.

A major distraction for Benitec resulted from litigation initiated by the Company against Nucleonics in defense of its Graham family of patents. While Benitec ultimately prevailed, the Company was forced to defend its patents in re-examinations in all major jurisdictions. Following the conclusion of this litigation in the mid-2000s, Benitec's patents were re-examined and re-issued in all major jurisdictions except Europe and the US. A pivotal breakthrough for the company's IP portfolio came in October 2010 when the US Patent and Trademark Office's Board of Appeal reversed all previous objections and in effect re-issued Benitec's US patent. This was followed by the issuance of the Re-Examination Certificate in March 2011, which is the final formal step in reinstating the patent. A recent communication from the European Patent Office indicated that all outstanding objections had also been addressed there, indicating the likelihood of allowance in Europe in 2011.

Benitec has 40 granted or allowed patents globally, including the key jurisdictions of the US, the UK, Japan, Europe, Canada and Australia. There are nearly 50 more patents pending. It clearly holds the leading international patent position for the use of ddRNAi-based gene silencing for humans.

Financial Overview

Benitec's net loss for the fiscal half year to 31 December 2010 was US\$1.1 million, up 23% from the prior half year reflecting increased costs due to planning and attendance at the USPTO Appeals Board oral hearing in August 2010 and subsequent activity around the planning and implementation of a reignited business development program and new projects, following the positive decision. The fiscal half-year balance sheet showed cash of US\$1.86 million, total assets of US\$2.03 million, current liabilities of US\$.60 million and negative equity of US\$0.79 million. Funds received in the form of convertible notes are categorized as debt, not equity. It is expected that the funds received as convertible notes will be converted into equity in the future.

Benitec has secured US\$6 million in convertible note financing to fund operations.

During the half year, the Company received US\$1 million 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. The total amount of the La Jolla Cove facility is US\$6 million, which consists of four US\$1.5 million convertible notes, each with a duration of two years from the first drawdown of the note. The funds can be drawn down at a rate of US\$250,000 per month. According to Benitec, this financing should provide the

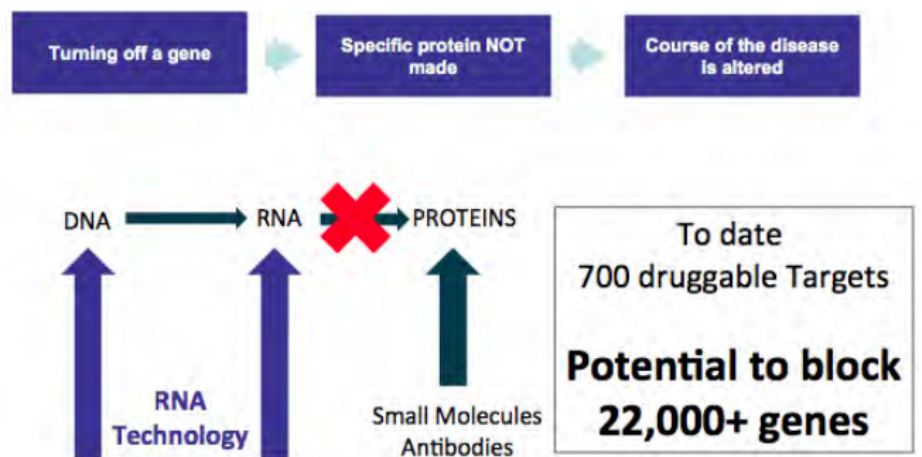
Company with sufficient cash to operate for the next 2-3 years. However, additional funding will be needed if Benitec accelerates its R&D program as planned. The Company estimates costs of approximately AU\$7.0 million through 2013 to fund its current projects through pre-clinical to clinical development Phase I and Phase II trials.

Products/Technology Overview

RNA interference (RNAi) describes a method of specifically turning off a gene in a cell to treat or cure a disease. This is accomplished by delivering two strands of RNA that bind to each other in the cell. The introduction of this “double stranded RNA”, whose sequence matches that of part of a specific gene, triggers the rapid destruction of messenger RNA molecules corresponding to that gene, preventing the production of its protein. RNAi is an intrinsic mechanism of every cell of every multicellular organism. RNAi has the potential to silence any gene which is over-expressed in a medical condition and is therefore potentially applicable to over 22,000 human genes and a much larger number of disease-causing micro-organisms.

The importance of the discoveries in RNAi were rapidly recognized by the scientific community, which awarded a Nobel Prize in 2006 to two US scientists for their work in describing siRNA. Since then, many researchers and several companies, including Benitec, have made significant strides in validating applications for RNAi in the discovery and development of a new, potentially more effective class of human therapeutics. Progress is rapid because, compared to small molecule biology, RNAi has a much shorter timeframe to reach the pre-clinical stage and a much larger number of druggable targets. This is evidenced by the progress of RNAi technology from proof of concept in animal models to human clinical trials in less than three years.

The Potential of RNAi:



Source: Company Business Plan

The effects of ddRNAi technology are long-lived, resulting in permanent silencing of the targeted gene and a potential cure for life threatening diseases.

There are two ways to produce RNAi. The first is to make short sequences of synthetic double stranded (ds)RNA in the laboratory, which are then delivered into the cytoplasm of a cell. This approach is known as short interfering RNA (siRNA) and produces temporary silencing of genes. An alternative approach pioneered and refined by Benitec is DNA-directed RNAi (ddRNAi). In this approach, scientists create short sequences of dsRNA in cells from DNA sequences cloned into plasmid or viral vectors, which are then introduced into the nucleus of the target cell or tissue. Once transferred into the cells, the cloned vectors express dsRNA molecules and initiate an RNAi response in the cell. The most commonly used form of ddRNAi is shRNA or short hairpin RNA. ddRNAi has several advantages over siRNA, including that it is much more stable, making delivery to a range of cells and tissues more easily achievable, and that the production of RNAi within the cell is long-lived, resulting in long-term silencing of the targeted gene, which for many chronic and life-threatening medical conditions provides a more effective treatment and a possible cure.

Other advantages of Benitec's ddRNAi technology over siRNA and antisense technology include:

- **Gene silencing is effective at lower doses.** It is estimated to be up to 1,000 times more powerful than antisense technology;
- **A single payload can target multiple RNAs.** This significantly reduces the likelihood of developing resistance and is particularly relevant in diseases characterized by high mutation rates such as cancers and HIV/AIDS;
- **Multiple delivery options.** The technology can be delivered via plasmid in liposome, viral vectors, synthetic targeted vectors or stem cells;
- **Potential for lower manufacturing costs.** ddRNAi is less costly to produce since, unlike siRNA, no modifications are necessary. siRNA must be modified to produce more stable RNA and avoid off target effects.

Given these advantages, Benitec believes that its ddRNAi-based approach to gene silencing is the RNAi technology that may most effectively address the therapeutic needs of patients with chronic and life-threatening conditions.

Business Strategy

Benitec’s vision is to become a leader in the development of therapeutic treatments for chronic and life-threatening human medical conditions. The Company plans to accomplish this by leveraging its leadership in ddRNAi technology and its strategic partnerships with prominent biopharma companies and research organizations. The Company is now entering a new era as a result of its success in the US Graham patent re-examination proceedings, eliminating any uncertainty over the patent position with respect to ddRNAi. Management is implementing a three-pronged strategy for creating shareholder value. The cornerstones of the strategy are:

1. License its proprietary technology to reagent suppliers: Benitec is licensing its technology to leading reagent suppliers worldwide in exchange for royalty fees. To date, the Company has licensed its technology to Sigma Aldrich, Millipore, Merck, Promega and Pfizer as well as to high growth biotechs such as Origene and Integrated DNA Technologies. Following the favorable decision by the US Patent and Trademark Office to re-issue the Company’s US Graham patent, Benitec is implementing strategies to expand licensing and partnering of its technology across all sectors – research-use-only through therapeutic development.

Benitec is monetizing its proprietary technology by licensing to worldwide reagent suppliers, out-licensing applications in non-core therapeutic areas and developing therapeutic agents in-house in areas considered commercially attractive.

2. Out-license its technology for applications in non-core areas: Benitec has out-licensed two human therapeutic programs – one in organ transplantation and one in infectious disease – and is involved in exploratory discussions with potential licensees for other non-core therapeutic areas. These programs bring in upfront licensing revenues and ongoing milestone payments, as well as royalties. Benitec has out-licensed its technology for two applications - to Tacere Therapeutics Inc. for hepatitis C virus (HCV), and to Revivicor Inc. in xenograft organ transplant. In addition, it has taken an equity stake in Tacere Therapeutics Inc.. The hepatitis C program was the subject of a US\$143 million agreement between Tacere and Pfizer in 2009 to take the program through to clinical development. This deal is significant in that it validates the appeal of Benitec’s technology to large pharmaceutical companies. In 2011, Pfizer reiterated its commitment to continue the HCV program despite plans to close its Sandwich, UK, operation. As part of the organ transplant program, Benitec’s licensee Revivicor is working to develop strains of pigs suitable as organ donors for humans. The specific application for Benitec’s ddRNAi gene silencing technology is to inhibit Porcine Endogenous Retroviruses (PERV) present in the pig organs.

ddRNAi – Out-licensed Programs:



Source: Company Presentation

3. In-house development of therapeutics: Benitec is focused on validating therapeutic applications for its ddRNAi technology in disease areas which are commercially compelling and for which there are significant unmet medical needs. The Company is collaborating with organisations with significant RNAi expertise and resources to explore and develop applications for long-term gene silencing in infectious disease and

cancer. R&D partnerships are generally structured so that Benitec contributes its proprietary technology and the partner supplies resources, expertise and intellectual property in the specific disease condition. In some cases this is done as a collaboration, with each partner owning the intellectual property arising (as in the hepatitis B program), and in other cases the project is undertaken as a fee-for-service contract with the external partner (as in the pain program), with Benitec retaining all intellectual property rights. Variations to these two models are also possible.

Benitec has collaborative and/or contractual relationships with the following organizations:

- Division of Molecular Biology, City of Hope, California, USA
- Children's Cancer Institute Australia at the University of New South Wales, Australia
- Biomics Biotechnologies, Nantong, China
- TetraQ at the University of Queensland, Australia
- Tacere Therapeutics Inc., California, USA
- Revivicor Inc., Virginia, USA

Benitec also has cross-licensing agreements with Alnylam Pharmaceuticals and the Carnegie Institute.

In-house Research and Development Programs

Benitec has three development programs underway and expects most to enter clinical trials within 2 years. Successful results from any program could lead to a partnership deal with a major pharma company.

Benitec is pursuing a focused R&D program in indications the Company believes are ideally suited to demonstrate the power of ddRNAi technology to alleviate serious medical conditions. The Company has three active in-house programs underway with partners to develop therapeutics based on its ddRNAi technology in hepatitis B, drug resistant non-small cell lung cancer and chronic cancer-associated pain. The current projects were chosen because they represent serious medical conditions that respond poorly to current treatments. In addition, each of these conditions has clearly identified gene targets proven to be critical for maximum therapeutic effect, and the target patient populations are likely to be subject to lower regulatory hurdles than some others, given their limited life expectancy. It is aimed to take one or more of these programs to clinical trial within two years. In addition, the HIV program, which Benitec supported to a Phase I/II pilot clinical trial, is being progressed by the City of Hope, following encouraging results, which were published in June 2010.

Hepatitis B: Benitec is developing a ddRNAi-based therapeutic targeting a key gene in the hepatitis B virus (HBV). Silencing this gene will stop viral growth and could form the basis of a novel therapy for acute and chronic hepatitis B infection. In the first stage, the Company and its partner, China-based Biomics Biotechnologies, identified 100 effective RNAi target sequences that could inhibit growth of HBV. Several of the most promising molecules are being taken to the next stage, protected by additional patent applications and advanced through more extensive pre-clinical studies. In the next stage of the program, the companies will carry out proof-of-concept studies *in vitro* and *in vivo* to optimize a pre-clinical therapeutic candidate. This second stage is expected to be completed in around 18 months in anticipation of entering Phase I human clinical trials. Benitec and Biomics have agreed to share in any intellectual property developed through the project and jointly collaborate on any future product development and commercialization.

Drug resistant non-small cell lung cancer: Benitec and the Children's Cancer Institute Australia at the University of New South Wales (UNSW) are collaborating on a project to use ddRNAi constructs to silence β III-tubulin, a gene whose high expression is associated with chemotherapy drug resistance in a range of tumor types, including lung, ovarian, breast and gastric cancers. The researchers have demonstrated that silencing β III-tubulin in non-small cell lung cancer tumor cells using ddRNAi significantly increases the killing of the cancer by chemotherapy drugs. The scientific

team has already published data evidencing the effectiveness of this approach *in vitro* and *in vivo* in the June 2010 edition of *Cancer Research*. The next stage of the program is focusing on optimizing and delivering a ddRNAi construct to silence β III tubulin in human lung cancer cells *in vivo*, with the aim of significantly increasing the cancer cells' susceptibility to being killed by anti-cancer drugs. Success in this stage will provide support for a Phase I/II trial.

Chronic cancer-associated pain: In October 2010, Benitec commenced an R&D program to develop a ddRNAi-based therapeutic to relieve chronic intractable cancer pain. Benitec has contracted scientists at TetraQ (the commercial arm of the Centre for Integrated Preclinical Drug Development at the University of Queensland), to test ddRNAi constructs targeting a specific spinal cord enzyme in *in vivo* pain models to optimize the ability of this approach to reduce neuropathic pain from a single injection. Success in this stage will provide data and support for a Phase I/II trial.

Market Overview

Benitec is exploring applications for its technology in areas of significant unmet need that represent large potential markets with relatively low regulatory hurdles. While the Company's current internal projects are in hepatitis B, non-small cell lung cancer and chronic cancer-associated pain, the broad nature and applicability of Benitec's technology means that there are many other potential diseases and conditions that ddRNAi can address. The Company plans to pursue most of these other applications through strategic partnering. One example is HIV/AIDS, which was taken to a Pilot Phase I/II clinical trial by the City of Hope with Benitec's technical and financial support. The City of Hope are independently initiating a second trial aimed at improving the efficiency of the treatment. In hepatitis C, Benitec has licensed its ddRNAi technology exclusively to Tacere Therapeutics Inc. for the development of a novel treatment for this widespread disease. Revivacor Inc. have licensed Benitec's technology for use in clearing endogenous retroviruses from pigs thus facilitating use of their organs for human transplants.

Hepatitis B infects some two billion people worldwide and 400 million will be chronically infected carriers of the virus.

Hepatitis B

Hepatitis B is a common infectious disease of the liver that affects millions of people worldwide. It is estimated that as many as two billion people have been infected with hepatitis B at some point in their lives. Of this population, 400 million will remain chronically infected and carriers of the virus. In the US alone, 1.25 million people live with chronic active hepatitis B and 60,000 new cases are diagnosed each year. The consequences of chronic hepatitis B include the development of cirrhosis and greatly heightened risk of certain cancers. The disease is transmitted through percutaneous or parenteral contact with infected blood or body fluids.

Globally, hepatitis B causes 60-80% of the world's primary liver cancers. Every year, about 25% of the over four million acute clinical cases (i.e. one million people worldwide) die from chronic active hepatitis, cirrhosis or hepatitis-induced liver cancer.

Research firm Datamonitor estimated the market for hepatitis B treatments at US\$550 million in 2004 and projected market growth to US\$1 billion by 2010. The development of new, more effective drugs such as Pegasys (owned by Roche) is expected to further enlarge the market.

Experts estimate that 46% of the hepatitis B afflicted population remains undiagnosed. Also, while the incidence of new carriers is decreasing, there remains a vast pool of chronically infected carriers. The incidence of hepatitis B is particularly high in China. This nation accounts for one-fifth of the global population, but one-third of worldwide chronic hepatitis cases – 20 million sufferers in total. In China, hepatitis B is the leading cause of end stage liver cancer. China's vibrant economic growth has led to increased individual wealth as well as higher spending on treatment by chronic hepatitis B infected patients. Increased wealth creates demand for new, more effective therapies.

At present, there is no cure available for acute hepatitis B. Current treatments aim at preventing disease transmission and slowing its progression to liver disease. Benitec believes there would be significant worldwide demand for a more potent treatment for hepatitis B or hepatitis B/HIV co-infected patients.

Decision Resources forecasts significant changes in the hepatitis B market over the next ten years because of a dramatic expansion of the diagnosed population and the introduction of new drugs. The US\$1 billion hepatitis B market is predicted to grow 9% annually through 2015 with new products such as Bristol Myer Squibb's Baraclude and Roche's Pegasys accounting for nearly 90% of total market sales by 2015.

The market for drugs that treat hepatitis C is even larger and forecast to grow from US\$2.2 billion in 2005 to US\$8.8 billion in 2015. Growth will come from the introduction of new drugs and the use of multiple drugs as part of a more effective treatment regimen. Unmet medical needs in this market are high since only about one-half of hepatitis C patients benefit from current therapies. Benitec's approach of a novel therapeutic to eliminate HBV from infected patients and to guard against re-infection based on a ddRNAi approach has the potential to revolutionise the treatment approach for this disease.

Lung cancer is the most common cause of cancer death in the US and a leading cause worldwide.

Non-Small Cell Lung Cancer

Nearly 220,000 new cases of lung cancer are diagnosed in the US each year and nearly 160,000 deaths from lung cancer are reported there annually. Lung cancer is the most common cause of cancer-related death in the US and a leading form of cancer worldwide in terms of incidence and mortality. Non-small cell lung cancer accounts for over 80% of all lung cancers. Five-year survival rates for lung cancer patients vary widely depending on the stage at which the disease is diagnosed. Patients with localized cancers have five-year survival rates near 50%, but survival rates drop to only 2-3% for those diagnosed with metastatic disease.

In Europe, lung cancer accounts for about 20% of all cancer deaths. In the developing nations, including China and India, the incidence of lung cancer is on the rise.

Surgery is only effective as a treatment for a small percentage of lung cancer sufferers and outcomes from radiotherapy are also disappointing. At present, chemotherapy is the central component of most lung cancer treatment strategies. However, the benefits of chemotherapeutic agents are limited by the high incidence of dose limiting toxicity and the emergence of tumor cells that are treatment resistant. There is a significant unmet need for treatments that can offer superior efficacy and improved tolerability. The aim of Benitec's program is to use ddRNAi (shRNA) constructs to silence a gene (β III tubulin) that has been shown to be associated with development of resistance to chemotherapy in non-small cell lung cancer, thus making existing therapy more effective and extending the patient's life.

Over 278 million prescriptions of medications to treat chronic pain are filled each year.

Chronic Pain

The worldwide market for the management of chronic pain was valued at US\$46.4 billion in 2007. Drugs are the mainstay treatment for chronic pain; analgesics and anti-arthritics are the most widely prescribed medications, representing a combined 278 million prescriptions annually, according to IMS Health.

Analgesics, which include both narcotics and non-narcotics, generated sales approaching US\$20 billion in 2007 and represented 43% of the total global pain management market. Growth in demand has remained robust at more than 15% a year.

Sales of NSAIDs were US\$9.3 billion in 2007 and included anti-rheumatic NSAIDs such as Celecoxib. Sales of local anesthetics were \$1.9 billion and reflect strong growth in demand for Endo's Lidoderm, which holds a 45% market share.

Decision Resources forecasts 4% annual growth in the chronic pain management market between 2008 and 2018. While overall demand will rise, generic replacement of branded agents such as Johnson and Johnson's Topamax and Pfizer's Celebrex will limit revenue growth. Beginning in 2012, the introduction of the first biologic agent for chronic pain, Pfizer's Tanezumab, will re-energize market growth. Tanezumab will be prescribed for treatment-resistant back pain and for arthritic pain.

The incidence of chronic pain attributable to cancer is significant and likely to increase in the future. According to Datamonitor, 65% of cancer patients experience pain and 80% are affected by pain in the final stages of life. The incidence of cancer is on the rise as a result of growth in the elderly population. Although the majority of cancer patients receive drug treatment for their pain (mainly orally administered opioids), the

side effects of these treatments are undesirable and can be dose-limiting. Physicians across the seven major world markets reported they were least satisfied with available drug treatments for neuropathic cancer pain. Demand would be strong for a neuropathic treatment that demonstrates superior efficacy and fewer side effects than drugs such as morphine and oxycodone.

Recently published data indicate that a spinal enzyme is an important molecular target for the treatment of chronic pain of neuropathic origin. This finding presents an exciting new opportunity to treat chronic pain more effectively using Benitec's ddRNAi gene silencing technology. The aim of the program is to deliver a shRNA construct that can permanently silence the gene coding for the enzyme, and thereby deliver a once-only treatment for patients suffering from pain associated with cancer, in particular terminal cancer. Benitec is likely to be able to advance this cancer pain program quickly since one of the initial regulatory hurdles related to long-term adverse effects from delivering a therapy akin to gene therapy is nullified since terminal cancer patients that form this therapeutics' target patient group have only a short time to live after receiving the pain-relieving ddRNAi-based treatment. This should ensure a faster path to market than other applications in longer-lived diseases.

At present, there is no cure for AIDS and existing treatments present quality of life issues. Benitec's development-stage ddRNAi therapeutic agent holds potential for an HIV/AIDS cure.

HIV/AIDS

The United Nations Program on HIV/AIDS estimated there were approximately 33 million people living with the disease in 2007. There were also 2.7 million new HIV infections that year and two million deaths from AIDS in the US and Western Europe. However, the vast majority of HIV-infected patients live outside the developed world, mainly in Sub-Saharan Africa. The developed nations in Europe and North America represent only 6% of the HIV-infected population.

Sales of HIV drugs across Europe and the US exceeded US\$10.5 billion in 2008 and grew 13.1% annually between 2005 and 2008, mainly due to the introduction of more effective drugs such as Truvada and Atripla.

Although new drug classes that slow the progress of the disease have made living with HIV much more manageable, there is still no cure on the horizon and quality of life issues exist around tolerability, pill burden and dosing schedules. Antiretroviral therapy can have severe side effects and the majority of HIV-infected patients live in low-income countries where access to antiviral drugs either doesn't exist or is intermittent.

The RNA therapeutic program that was investigated by the City of Hope with the support of Benitec indicated that an RNA-based therapeutic incorporating a shRNA construct may hold the potential to cure HIV/AIDS. A number of technical challenges exist before this potential can be realised. Benitec plans to seek a partner in the program for developing a commercial therapeutic for HIV/AIDS. The Company's management is optimistic that this program can be partnered in 2011. Pleasingly, the City of Hope has independently initiated a second trial aimed at improving the performance of the RNA construct utilized in the first trial.

Hepatitis C

The HCV market is expected to grow from US\$2.2 billion in 2005 to US\$8.8 billion in 2015. Growth will be driven mainly by the rapid uptake of new drugs and potentially the use of multiple drugs in the same treatment regime, with only half of all HCV patients benefiting from current therapy, medical unmet needs are high.

The protease inhibitor VX-950 (Vertex/Eli Lilly) is the most potent drug in the late-stage HCV pipeline (Phase IIb), is anticipated to be the key growth driver, overshadowing Schering-Plough's protease inhibitor SCH-503034 and Indenix/Novartis's polymerase inhibitor NM283. VX-950's success will be conditional on the drug confirming superior efficacy and favorable long-term toxicity.

As new treatment options become available, patients with multi-drug resistance is also likely to emerge as a new area of high-unmet medical needs. This clearly is an area of opportunity for Benitec's ddRNAi-based platform technology, and was recognized as such by Tacere Therapeutics Inc.

Pfizer's 2009 deal with Tacere Therapeutics Inc. serves as a significant endorsement for Benitec's ddRNAi technology. The deal terms entail US\$143 million in cash payments upfront and milestone payments. Tacere has strong pre-clinical data demonstrating efficacy and safety of Benitec's technology to treat and potentially cure hepatitis C. Pfizer is preparing to take this program into a clinical trial.

Management & Board of Directors

Benitec made major changes to its executive team in 2010. CEO Sue MacLeman left the Company after four years and was replaced in the CEO role by former Chief Scientific Officer Dr Peter French. The Board was also strengthened with the addition of Dr John Chiplin and Iain Ross.

In February 2011, the Company formed a Chief Investigators Group (CIG), which brings together its scientific founders and collaborative partners and replaces the Scientific Advisory Group. The founding members are all internationally recognized experts in RNAi technology. CIG members include Queensland-based Dr Michael Graham (the discoverer of Benitec's ddRNAi technology) and Dr Ken Reed (Benitec's founder), Professor John Rossi (City of Hope Cancer Center in California), Dr York Zhu (Biomics Biotechnologies in China) and Professor Maria Kavallaris (Children's Cancer Institute Australia). Benitec's CEO Dr Peter French chairs the group.

Dr. Peter French
Chief Executive Officer

Peter French, MBA, PhD, is a cell and molecular biologist who has been extensively involved in both basic and clinical medical research and the commercialization of biological intellectual property for more than 30 years. Over the past 12 years, Dr. French has been extensively involved in Australia's biotechnology industry in senior scientific and executive roles, including as founder of ASX-listed stem cell company Cryosite. He joined Benitec as Chief Scientific Officer in August 2009 and was appointed Chief Executive Officer in June 2010.

Peter Francis
Non-Executive Chairman

Peter Francis, LLB, Grad Dip (Intellectual Property), is a partner at Francis Abourizk Lightowlers (FAL), a commercial and technology law firm with offices in Melbourne, Australia. He is a legal specialist in the areas of intellectual property and licensing and provides legal advice to a large number of corporations and research organizations. He formerly served as a director of Xceed Capital.

Mel Bridges
Non-Executive Director

Mel Bridges, BAppSc, FAICD, has more than 30 years of experience in the global biotechnology and healthcare industry. During his career, he has founded and managed several successful diagnostics, biotechnology and medical device companies. He has served as Chairman of Alchemia Limited and Impedimed Limited. He also co-founded a listed company - Panbio Limited. He has extensive experience as a public company director and is a Non-Executive Director of Campbell Brothers Limited and Tissue Therapies Limited.

Dr. John Chiplin
Non-Executive Director, US-based

John Chiplin, PhD, has broad-based experience in the life science and technology industries, both from an operational and investment perspective. His recent accomplishments include the corporate reengineering of Arana Therapeutics, a world leading antibody developer, which resulted in its acquisition by Cephalon for a large market premium (July 2009). Before Arana, Dr. Chiplin headed the \$300 million ITI Life Sciences investment fund in the UK. In addition to Benitec, Dr. Chiplin currently serves on the Boards of Progen Pharmaceuticals Limited, Calzada Limited and ScienceMedia, Inc.

Iain Ross
Non-Executive Director, UK-based

Iain Ross, BSc, ChD, is a seasoned entrepreneur with 30 years of experience in the international life sciences sector. Following a career with Sandoz, Fisons, Hoffman La Roche and Celltech, he has been involved in a number of business turnarounds and start-ups as a board member representing banks and private equity groups. He has led four IPOs, engineered life science mergers and acquisitions both in the UK and US and has raised more than £200m in the biotech sector. He is a Qualified Chartered Director and has a wealth of experience in life sciences and the field of RNAi as Chairman of Silence Therapeutics plc from 2004-2010. He is currently Chairman of Ark Therapeutics plc, Pharminox Limited and Biomer Technology Limited.

John Rawling
Chief Financial Officer/Company Secretary

John Rawling, B. Com, DipEd, Grad Dip (Applied Corporate Governance), CA, ACIS, is a chartered accountant and chartered secretary with more than 25 years of experience in chartered accounting, statutory corporations and international and ASX-listed companies.

Competition

There has been rapid acceptance by the pharmaceutical industry of RNA interference as a breakthrough technology since an article describing its function in non-plant cells was first published in 1998.

Pharmaceutical giants such as Roche and Merck have invested billions of dollars in RNAi technologies through licensing agreements and technology acquisitions. In 2008-2009, the total value of R&D licensing agreements for RNAi technologies was estimated at US\$3.7 billion. In addition, between 2003 and 2008, venture capitalists invested approximately US\$500 million in biotech companies developing RNAi technologies. The participating venture capital firms include Oxford Bioscience Partners, Skyline Ventures, Lilly Ventures and MedSciences Capital, among others.

The total value of RNAi technology licensing agreements is estimated at \$3.7 billion.

RNAi Technology Deals

There has been a flurry of deal-making activity and acquisitions of siRNA technologies in the last six years, including the following:

2005 - Alnylam's multi-year deal with Novartis for US\$750 million in upfront and milestone payments.

2006 - Merck acquisition of Sirna Therapeutics for US\$1.1 billion, which was a 102% premium over Sirna's closing price. Sirna is developing RNAi therapeutics for treating age-related macular degeneration.

2007 – Silence Therapeutics' deal with AstraZeneca for US\$425 million in upfront and milestone payments.

2007 – Alnylam's deal with Roche for US\$1.1 billion in upfront and milestone payments.

2008 – Alnylam's agreement with Takeda for US\$1.1 billion upfront, milestone payments and co-development options in the US market.

The size of these deals, which range in price from US\$425 million to US\$1.1 billion, suggests a potential value for Benitec's technology that is considerably higher than the Company's recent AUS\$19 million market capitalization.

Benitec is one of only two companies worldwide with significant intellectual property in RNA interference technology.

With the acquisition of Sirna by Merck, there are only two independent biotech companies remaining with significant intellectual property in the RNAi area. These two are Alnylam (siRNA) and Benitec (ddRNAi). The scarcity of the technology should enhance the valuation of Benitec. While the Company is pursuing out-licensing opportunities in non-core applications, Benitec is carefully limiting the number of these deals since too much out-licensing could negatively impact the Company's ultimate attractiveness and valuation.

Pfizer's 2009 deal with Tacere Therapeutics Inc. serves as a significant endorsement for Benitec's ddRNAi technology. The deal terms entail US\$143 million in cash payments upfront and milestone payments. Tacere has strong pre-clinical data demonstrating efficacy and safety of Benitec's technology to treat and potentially cure hepatitis C. Pfizer is preparing to take this program into a clinical trial.

Benitec is the only company to have brought a ddRNAi technology into clinical trials; all its competitors' programs are based on siRNA technology. GBI Research estimates a potential market for RNAi products of approximately US\$0.2 billion in 2011, rising to US\$3.5 billion in 2015.

There are nearly 200 RNA therapy molecules in development. Of these, 77 are targeted at cancer and 21 are targeted at infectious disease, Benitec's key areas of focus. To date, scientists have identified approximately 700 gene targets. Because of the rich potential of this technology, industry experts project RNA therapeutics will overtake other areas and become one of the fastest-growing classes of therapeutic agents by 2020.

Current Clinical Trials for RNAi Therapeutics:

Company	RNAi Method	Mode of Administration	Disease	Stage
ddRNAi				
Benitec	ddRNAi (shRNA)	Stem cells	HIV/AIDS-related lymphoma	I/II
siRNAi				
Alnylam	siRNA	Inhalation	RSV infection in lung transplant pts	IIa
	siRNA	Systemic	TTR-mediated amyloidosis	I
ZaBeCor Pharmaceutical	siRNA	Inhalation	Asthma	II
Marina Biotech	ddRNAi (tkRNAi)	Oral	Familial adenomatous polyposis	II
Quark Pharmaceuticals / Pfizer/Silence Therapeutics	siRNA	Intravitreal	Wet age-related macular degeneration	II
Quark Pharmaceuticals / Novartis/Silence Therapeutics	siRNA (Atu modified)	Systemic	Delayed graft function in kidney transplantation	II
Sylentis	siRNA	Topical	Glaucoma	I/II
TransDerm/ PC Project	siRNA	Topical	Pachyonychia congenital	Ib
Silenseed Ltd	siRNA (in a biodegradable matrix)	Systemic	Pancreatic cancer	I
Tekmira	siRNA (modified)	Systemic	Hypercholesterolemia	I
	siRNA (in SNALP)	Systemic	Solid tumors	I
	siRNA (in SNALP)	Systemic	Hypercholesterolemia	I
Silence Therapeutics	siRNA	Systemic	Gastrointestinal and lung cancer	I
Tekmira/Alnylam	siRNA (in SNALP)	Systemic	Liver cancer	I
Calando	siRNA	Systemic	Ewing's sarcoma	I
Quark Pharmaceuticals	siRNA	Intravitreal	Ischemic optic neuropathy	I
	siRNA	Intravitreal	Glaucoma	I

Source: Company Business Plan

Benitec believes its technology will emerge as the dominant RNAi platform because of the numerous advantages of ddRNAi, in particular shRNA, when compared to siRNA, which include longer-lasting effect, effectiveness at lower doses, flexible delivery options, potential for lower cost manufacturing and the ability to address multiple targets with a single payload. The latter point is important because the likelihood of developing resistance to treatment is reduced. This is a problem with diseases like cancer and HIV/AIDS, which have high mutation rates.

Benitec plans to capitalize on the competitive advantages of its technology by developing a strong pipeline of therapeutic candidates through Phase I/Phase II, then partnering for further development with larger pharmaceutical companies. As part of its business strategy, Benitec anticipates remaining a virtual company, at least in the short-term, and is positioning itself as an attractive partner or acquisition target for major pharmaceutical companies. In addition to the competitive advantages of its technology, Benitec should be attractive to potential investors or acquirers because of its strong IP position, ongoing validation of its technology in the clinic, ability to apply and transfer its RNAi expertise to a new entity and its established pipeline of therapeutic products in pre-clinical and clinical development.

Recent Milestones

Hepatitis B program advances to next stage

In February 2011, Benitec and its partner, China-based Biomics Biotechnologies, announced an agreement to advance their Hepatitis B program into proof of principle studies *in vitro* and *in vivo* to optimize a pre-clinical ddRNAi-based therapeutic candidate. This stage is expected to take approximately 18 months to complete. During the first stage of the program, the partners identified over 500 target RNA sequences capable of inhibiting the replication of the hepatitis B virus. Of these, 100 produced 50% or better HBV gene silencing and 14 resulted in over 70% silencing effect

Chief Investigators Group formed

In February 2011, the Company formed a Chief Investigators Group (CIG), which brings together its scientific founders and collaborative partners and replaces the Scientific Advisory Group. The founding members are all internationally recognized experts in RNAi technology. CIG members include Queensland-based Dr Michael Graham (the discoverer of Benitec's ddRNAi technology) and Dr Ken Reed (Benitec's founder), Professor John Rossi (City of Hope Cancer Center in California), Dr York Zhu (Biomics Biotechnologies in China) and Professor Maria Kavallaris (Children's Cancer Institute Australia). Benitec's CEO Dr Peter French chairs the group.

Key patent Re-examination Certificate issued

In February 2011, the US Patent and Trademark Office (USPTO) announced its intent to issue the Re-examination Certificate, which represents the final formal step in confirming Benitec's key patent – the 1999 Graham Patent [US Patent No. 6,573,099], "Genetic Constructs for Delaying or Repressing the Expression of a Target Gene". This wide-ranging platform technology patent covers the use of ddRNAi in human therapeutic applications. This event follows the pivotal decision of the USPTO's Board of Appeal in October 2010 to reverse all previous rejections resulting from the extended patent re-examination process.

Benitec receives dividend payment from licensee

In December 2010, Benitec received a dividend payment totaling US\$161,674 from its licensee, Tacere Therapeutics Inc.. While payments from the licensing agreement are modest, the deal is important in that it validates the commercial appeal of Benitec's ddRNAi technology.

Benitec granted another RNAi patent in Europe

In December 2010, Benitec was granted another RNAi patent in Europe for claims covering the use of its ddRNAi constructs in inhibiting levels of hepatitis C in cells, tissues and organs.

Benitec launches new pain therapeutic program

In October 2010, Benitec commenced an R&D program to develop an expressed RNAi product for treating chronic intractable pain associated with cancer. Benitec has contracted with scientists at the University of Queensland to test a number of RNAi constructs in its pain model to determine specific sequences having the strongest effect on reducing neuropathic pain with a single injection.

US Patent Office reverses objections that delayed re-issue of patent

According to management, the most significant event for Benitec in 2010 was the October decision by the USPTO's Board of Appeal to reverse previous objections to

the Company's foundational Graham patent in the US. These objections had delayed the re-issue of Benitec's US patent, and therefore its business development ability in the US, for several years. This ruling cleared the way for the reinstatement of the US patent, and for Benitec to pursue collaborations and partnerships with US-based and global organizations.

Dr. Peter French appointed Chief Executive Officer

In June 2010, Dr. Peter French was appointed CEO of Benitec, replacing Sue MacLeman, who resigned after four years at the Company. Dr. French is a cell and molecular biologist with 30 years of experience in medical research and commercialization of biological intellectual property. He joined Benitec in August 2009 as Chief Scientific Officer.

Benitec secures US\$6 million funding from La Jolla Cove Investors

In April 2010, Benitec signed a financing deal with La Jolla Cove Investors to provide up to US\$6 million in funding. La Jolla Cove Investors is a US-based private investment company. The financing is in the form of four US\$1.5 million convertible notes, each with a duration of two years. Funds may be drawn down at the rate of US\$250,000 per month.

Benitec signs new CSIRO agreement

In January 2010, the Company signed a new win-win agreement with the Commonwealth Scientific and Industrial Research Organisation (CSIRO). The new agreement terminated prior agreements in exchange for granting CSIRO a 10% equity stake. Prior agreements had contained onerous terms that negatively impacted the Company's investment, collaboration and merger/acquisition options.

Results of Benitec's ddRNAi in an HIV Clinical Trial Published

In June 2010, the results of Benitec's US-based HIV/AIDS pilot clinical trial were published in the prestigious scientific journal *Science Translational Medicine*.

The authors of the study reported that the triple RNA therapy approach used to suppress HIV in AIDS-related lymphoma patients was safe and feasible. They concluded that the results support the development of an RNA-based cell therapy platform for HIV.

This study was the first human clinical trial of Benitec's technology of DNA-directed RNA interference

The report concluded that the procedure was safe in all four patients who underwent the transfection and, in at least three of the patients, the vector was detectable for at least 18 months post transfection, confirming the feasibility of the ddRNAi approach.

Initial results from Lung Cancer Collaboration published

Also in June 2010, Benitec's research collaborators at the University of New South Wales reported in the prestigious journal *Cancer Research* that the β III-tubulin protein has a key role in the resistance of human lung cancer to chemotherapy drugs and showed that suppressing β III-tubulin using Benitec's technology of DNA-directed RNAi significantly increased the sensitivity of the cancer to standard chemotherapy drugs. Benitec commenced a program in conjunction with the research group to develop a ddRNAi-based therapy to treat drug-resistant lung cancer.

Investment Risks

Few products entering clinical trials advance successfully to regulatory approval. Industry experts estimate costs of US\$800 million and a 10-15 year time investment to commercialize a new drug.

Development stage products

Benitec's therapeutic product candidates are in an early stage of development. Few R&D projects produce a commercial product. Product candidates may appear promising in early stages of development, but fail to reach the market for many reasons, including unacceptable clinical results, a product candidate that is not cost-effective or economic to manufacture, or concerns regarding product safety.

Gene therapy

Benitec's ddRNAi approach is a form of gene therapy. Small pieces of DNA targeting short sequences of a specific gene are inserted into the cell, where they can integrate and express the double stranded RNA for a long time. Regulatory and commercial hurdles for gene therapy are currently higher than for many other therapeutic approaches. Only one gene therapy-based product is currently on the market anywhere in the world - 'Gendicine', a gene-based medicine for treating head and neck cancer. This was approved for use in China in late 2003 by the Chinese State Food and Drug Administration.

Commercial success depends on widespread market acceptance

The market for RNAi-based therapeutics is still in its infancy. Benitec's success depends on the acceptance of its technology and products by the medical community. The Company plans to minimize this risk by partnering with large pharmaceutical companies which have significantly greater financial resources and marketing reach to commercialize its products once Benitec has demonstrated the safety and efficacy of its ddRNAi technology in a range of human health areas.

Product Obsolescence

Benitec believes it is strongly positioned by its IP portfolio and the competitive advantages of its ddRNAi technology vis-à-vis the alternative siRNA technology platform. However, the risk exists that Benitec's therapeutic candidates may be rendered obsolete by a new product or technology that is more effective, safer, and/or easier to administer and manufacture.

Regulatory risk

The products of biotech companies are regulated by government agencies and must be approved for commercial sales. The risk exists that Benitec's new products may not satisfy the stringent requirements for approval, or that the approval process may take longer than expected. It is estimated that spending of \$800 million and 10-15 years are required to launch a new drug in the US. However, at least two of Benitec's programs – in drug resistant lung cancer and in cancer-associated pain – may well find a faster path to market due to the limited life expectancy of the target patient populations. In addition, their path to market is likely to be far less expensive than the industry standard for new pharmaceutical drugs.

Licensing and collaboration risk

Benitec plans to pursue business development opportunities with larger biotechnology or pharmaceutical companies. In doing so, the Company may secure upfront and milestone-related revenues as well as royalties if a product reaches the market. There is a risk, however, that a larger partner may not have the same motivation as Benitec to quickly advance the product through clinical trials and commercialization. Roche's recent decision to end its siRNA involvement is an example of this. This risk can be minimized by taking an equity stake such as Benitec has done with Tacere Therapeutics Inc..

Financing risk

Benitec has sufficient capital to fund operations for the next 2-3 years, but would need to raise additional capital in order to accelerate its R&D programs. There is no

guarantee that additional funding will become available when needed or will be available at competitive rates. Failure to obtain sufficient financing could negatively affect operations and slow the advance of Benitec's pipeline of therapeutic candidates into clinical trials.

Intellectual property risk

Benitec's commercial success depends on its ability to obtain, maintain and protect its intellectual property portfolio. Additionally, success may depend on the Company enforcing and defending its intellectual property against third-party challengers. To date all decisions in patent litigation issues have gone in Benitec's favor. There is no certainty that this will continue, however.

Summary

Benitec is entering a new phase following the successful US re-examination of its key platform technology patent in the area of gene silencing. Benitec owns the exclusive worldwide rights to a proprietary RNAi technology that permanently and selectively silences targeted genes by destroying messenger RNA matching that gene sequence. The Company's DNA-directed RNA interference (ddRNAi) technology platform is broadly applicable to any human disease or health condition that is fundamentally associated with an identified specific gene target. Therefore, the technology has the potential to revolutionize drug development and the healthcare industry. Experts predict RNA-based therapeutics will become one of the key therapeutic classes in the pharmaceutical market by 2020.

Benitec is a dominant player, having significant intellectual property in RNA interference technology. The Company believes that its ddRNAi platform has significant competitive advantages when compared to the alternate siRNA technology. These advantages of Benitec's technology include longer-lasting effect (since the double stranded RNA is produced within the target cell continuously), significantly easier delivery (due to the much higher stability of the DNA-based construct over siRNA's labile RNA nature), effectiveness at lower doses, multiple readily available delivery options, potential for lower cost manufacturing and the ability to address multiple targets with a single payload.

The Company has already supported a pilot Phase I/II clinical trial of its ddRNAi technology in HIV/AIDS, which has yielded favorable results, and has begun programs in hepatitis B, drug-resistant lung cancer and chronic cancer-associated pain. These areas were chosen because they represent life-threatening chronic conditions with huge markets for which current treatments are inadequate, and for which regulatory hurdles are relatively low. Also, these diseases are ideally suited for gene targeting and silencing since clear gene targets have already been identified.

ddRNAi & siRNA Deals:

ddRNAi Deals



Tacere/Pfizer (2009) \$143M cash upfront, milestones, fo Tacere's HCV program (licensed from Benitec)

siRNA Deals



Alnylam/Novartis (2005) \$750 million in upfront and milestones



Merck/sirna (2006) \$1.1 billion acquisition



Silence/AstraZeneca (2007) \$425 million in upfront and milestones



Alnylam/Roche (2007) \$1.1 billion in upfront and milestone



Alnylam/Takeda (2008) \$1.1 billion cash upfront, milestone; co-dev option in US

Source: Company Presentation

In addition to in-house R&D programs, Benitec is monetizing its technology through licensing agreements with worldwide reagent suppliers such as Sigma-Aldrich and out-licensing its technology for therapeutic applications in non-core areas. Benitec has out-licensed human therapeutic programs in hepatitis C and organ transplantation, and is involved in exploratory discussions with potential licensees for other non-core therapeutic areas. The program in hepatitis C was licensed to Tacere Therapeutics Inc., which in turn signed a US\$143 million deal with Pfizer for the program's further development. Benitec holds an equity stake in Tacere.

Benitec plans to have at least one Phase II trial and two Phase I trials in the clinic by year-end 2013. The Company already has advanced its HIV/AIDS program into a Phase I study with encouraging initial results.

Benitec's performance goals over the next three years are to:

- ✓ Have at least one Phase II trial and two Phase I trials in the clinic by year-end 2013;
- ✓ Secure a partnership with at least one big pharmaceutical company for a program by year-end 2012;
- ✓ License patents for one or more clinical therapeutic applications by year-end 2011;
- ✓ Resolve all outstanding patent re-examination issues by mid-2011; and
- ✓ Obtain research-use-only licenses from all the worldwide suppliers of reagents conducting ddRNAi-based research, in particular short hairpin (sh)RNA.

The Company recruited a new CEO in mid 2010, Dr. Peter French, who is a cell and molecular biologist with 30 years of medical research experience, and greatly strengthened its board of directors with the additions of Iain Ross and Dr. John Chiplin. Mr. Ross is a seasoned entrepreneur who has led four IPOs, engineered life science mergers and acquisitions, and raised more than £200m in the biotech sector. Dr. Chiplin recently directed the corporate reengineering of Arana Therapeutics, which resulted in its acquisition by Cephalon at a significant market premium.

Other recent corporate accomplishments include re-negotiating Benitec's agreement with CSIRO for more favorable commercial terms and obtaining a US\$6 million funding commitment from a US investment group. Management believes this financing is sufficient to support Benitec's operations for the next 2-3 years, but plans to seek additional funding to accelerate the pace of its R&D programs.

Benitec's therapeutic products are at an early development stage that makes assessing their value difficult. However, recent acquisitions of an alternative RNA technology suggest a value for the Company's platform that is considerably greater than Benitec's current AU\$19 million market capitalization. Merck, Roche and Takeda have each paid over US\$1 billion in upfront and milestone payments to acquire specific therapeutic applications for a competitor RNA technology, siRNA, although Roche recently decided to rationalize these programs and exit its siRNA focus. Benitec believes it has the superior technology (ddRNAi) for many serious medical conditions and plans to tap its unrealized value after advancing its four programs into Phase I/Phase II clinical trials. Successful demonstration of the efficacy and safety in any of these programs will position Benitec as a desirable partner or acquisition candidate for a major pharmaceutical company. Benitec is also attractive to potential investors based on its strong IP portfolio, the competitive advantages of its technology, ongoing validation of its technology in the clinic and an established pipeline of therapeutic products that are progressing quickly from pre-clinical towards Phase I/II clinical studies.

Income Statement

For the Fiscal Period Ending	Reclassified 12 months Jun-30-2008	Reclassified 12 months Jun-30-2009	12 months Jun-30-2010	LTM 12 months Dec-31-2010
Currency	US	US	US	US
Revenue	0.486	0.313	0.183	0.318
Other Revenue	0.001	0.05	0.001	0.001
Total Revenue	0.487	0.364	0.183	0.319
Cost Of Goods Sold	0.116	0.09	0.051	0.041
Gross Profit	0.371	0.273	0.132	0.278
Selling General & Admin Exp.	2.482	1.715	1.493	1.921
R & D Exp.	0.721	1.104	1.16	1.119
Depreciation & Amort.	-	-	-	-
Other Operating Expense/(Income)	(0.056)	-	-	(0.033)
Other Operating Exp., Total	3.146	2.819	2.654	3.007
Operating Income	(2.776)	(2.546)	(2.521)	(2.729)
Interest Expense	-	(0.004)	(0.057)	(0.057)
Interest and Invest. Income	-	-	-	-
Net Interest Exp.	-	(0.004)	(0.057)	(0.057)
Currency Exchange Gains (Loss)	0.02	-	(0.016)	(0.016)
Other Non-Operating Inc. (Exp.)	-	-	-	-
EBT Excl. Unusual Items	(2.756)	(2.55)	(2.594)	(2.801)
Impairment of Goodwill	-	-	-	-
Legal Settlements	(0.037)	(0.031)	(0.059)	(0.059)
Other Unusual Items	-	-	(2.017)	(2.017)
EBT Incl. Unusual Items	(2.792)	(2.58)	(4.67)	(4.877)
Income Tax Expense	-	(0.094)	-	-
Earnings from Cont. Ops.	(2.792)	(2.486)	(4.67)	(4.877)
Earnings of Discontinued Ops.	-	-	-	-
Extraord. Item & Account. Change	-	-	-	-
Net Income to Company	(2.792)	(2.486)	(4.67)	(4.877)
Minority Int. in Earnings	-	-	-	-
Net Income	(2.792)	(2.486)	(4.67)	(4.877)
Pref. Dividends and Other Adj.	-	-	-	-
NI to Common Incl Extra Items	(2.792)	(2.486)	(4.67)	(4.877)
NI to Common Excl. Extra Items	(2.792)	(2.486)	(4.67)	(4.877)
Per Share Items				
Basic EPS	(\$0.01)	(\$0.008)	(\$0.012)	(\$0.011)
Basic EPS Excl. Extra Items	(0.01)	(0.008)	(0.012)	(0.011)
Weighted Avg. Basic Shares Out.	290.278	308.379	383.204	424.403
Diluted EPS	(\$0.01)	(\$0.008)	(\$0.012)	(\$0.011)
Diluted EPS Excl. Extra Items	(0.01)	(0.008)	(0.012)	(0.011)
Weighted Avg. Diluted Shares Out.	290.278	308.379	383.204	424.403
Normalized Basic EPS	(\$0.006)	(\$0.005)	(\$0.004)	(\$0.004)
Normalized Diluted EPS	(0.006)	(0.005)	(0.004)	(0.004)
Dividends per Share	NA	NA	NA	NA

Balance Sheet

Balance Sheet as of:	Jun-30-2008	Jun-30-2009	Jun-30-2010	Dec-31-2010
<i>Currency</i> ASSETS	<i>US</i>	<i>US</i>	<i>US</i>	<i>US</i>
Cash And Equivalents	1.856	1.878	0.655	0.396
Total Cash & ST Investments	1.856	1.878	0.655	0.396
Accounts Receivable	0.117	0.108	0.353	0.071
Total Receivables	0.117	0.108	0.353	0.071
Prepaid Exp.	0.036	0.014	0.013	-
Other Current Assets	0.009	0.002	0.015	0.07
Total Current Assets	2.019	2.002	1.036	0.537
Gross Property, Plant & Equipment	0.021	0.021	0.024	-
Accumulated Depreciation	(0.007)	(0.012)	(0.016)	-
Net Property, Plant & Equipment	0.014	0.009	0.008	0.022
Other Long-Term Assets	-	-	-	-
Total Assets	<u>2.033</u>	<u>2.011</u>	<u>1.044</u>	<u>0.559</u>
LIABILITIES				
Accounts Payable	0.206	0.138	0.7	0.551
Accrued Exp.	-	0.057	0.075	-
Short-term Borrowings	-	-	-	-
Other Current Liabilities	0.461	0.309	0.198	0.045
Total Current Liabilities	0.666	0.505	0.973	0.596
Long-Term Debt	-	-	0.463	0.519
Other Non-Current Liabilities	-	0.35	0.309	0.23
Total Liabilities	0.666	0.855	1.745	1.345
Common Stock	73.186	75.307	77.975	78.904
Additional Paid In Capital	-	-	-	-
Retained Earnings	(74.246)	(76.732)	(81.402)	(82.501)
Treasury Stock	-	-	-	-
Comprehensive Inc. and Other	2.426	2.582	2.726	2.81
Total Common Equity	1.367	1.156	(0.701)	(0.786)
Total Equity	<u>1.367</u>	<u>1.156</u>	<u>(0.701)</u>	<u>(0.786)</u>
Total Liabilities And Equity	<u>2.033</u>	<u>2.011</u>	<u>1.044</u>	<u>0.559</u>

Cash Flow

For the Fiscal Period Ending	12 months Jun-30-2008	12 months Jun-30-2009	12 months Jun-30-2010	LTM 12 months Dec-31-2010
Currency	US	US	US	US
Net Income	(2.792)	(2.486)	(4.67)	(4.877)
Depreciation & Amort.	0.005	0.005	0.004	0.006
Depreciation & Amort., Total	0.005	0.005	0.004	0.006
(Gain) Loss From Sale Of Assets	-	-	-	-
Provision for Credit Losses	-	-	-	-
Stock-Based Compensation	0.238	0.155	0.074	0.074
Other Operating Activities	(0.141)	(0.076)	2.177	1.873
Change in Acc. Receivable	0.126	(0.022)	(0.245)	(0.245)
Change in Acc. Payable	(0.714)	0.149	0.295	0.295
Change in Other Net Operating Assets	(0.025)	0.03	(0.013)	(0.013)
Cash from Ops.	(3.304)	(2.244)	(2.377)	(2.887)
Capital Expenditure	(0.011)	0	(0.003)	(0.021)
Cash Acquisitions	-	-	-	-
Divestitures	-	-	-	-
Invest. in Marketable & Equity Secur.	-	-	-	-
Net (Inc.) Dec. in Loans Originated/Sold	-	-	-	-
Other Investing Activities	0.198	0.078	0.03	0.16
Cash from Investing	0.187	0.078	0.028	0.139
Short Term Debt Issued	-	-	-	-
Long-Term Debt Issued	-	0.036	0.564	-
Total Debt Issued	-	0.036	0.564	1.414
Short Term Debt Repaid	-	-	-	-
Long-Term Debt Repaid	-	-	-	-
Total Debt Repaid	-	-	-	-
Issuance of Common Stock	0.014	2.164	0.566	0.566
Total Dividends Paid	-	-	-	-
Special Dividend Paid	-	-	-	-
Other Financing Activities	-	(0.043)	-	-
Cash from Financing	0.014	2.157	1.13	1.98
Foreign Exchange Rate Adj.	(0.033)	0.032	(0.004)	(0.011)
Net Change in Cash	<u>(3.136)</u>	<u>0.023</u>	<u>(1.223)</u>	<u>(0.78)</u>

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