

BENITEC LIMITED
(ACN 068 943 662)

RIGHTS ISSUE PROSPECTUS

A non-renounceable rights issue of 1 New Share for every 4.4 Shares held at 10 cents each together with 1 New Option for every 1 New Share

THIS PROSPECTUS IS IMPORTANT AND SHOULD BE READ IN ITS ENTIRETY

If you do not understand the contents of this Prospectus, you should consult your stockbroker, accountant or other professional adviser without delay.

This Prospectus is dated **26 February 2007**. A copy of this Prospectus was lodged with the Australian Securities & Investments Commission ("ASIC") on **26 February 2007**. Neither ASIC nor its officers take any responsibility as to the contents of this Prospectus.

CORPORATE DIRECTORY

Directors

Mr. Peter Francis (Chairman, Non-executive Director)

Dr. Michael Dalling (Non-executive Director)

Dr. Ken Reed (Non-executive Director)

Secretary

Mr. Paul McMahon

Mr John Rawling

Registered Office

Level 16, 356 Collins Street
Melbourne, Victoria 3000

Principal Place of Business

Level 1, 123 Camberwell Road
Hawthorn East, Victoria 3123

Share Registry

Computershare Investor Services Pty Limited
Level 27, 345 Queens Street
Brisbane, Queensland 4000
PH: 07 3237 2100

Underwriter

Findlay & Co Stockbrokers (Underwriters) Pty
Limited
Level 12, 10 Spring Street, Sydney NSW 2000

CONTENTS PAGE

Important Notices	2
Chairman's Letter	3
1 Details of the Rights Issue	5
2 Risk Factors	7
3 Additional Information	9
4 Glossary	21

Important Notices

1. Important Information

This Prospectus is dated 26 February 2007 and was lodged with ASIC on that date. Neither ASIC nor the ASX, nor any of their officers, take any responsibility for the contents of this Prospectus or for the merits of the investment to which this Prospectus relates.

New Shares and New Options issued pursuant to this Prospectus will be issued on the terms and conditions set out in this Prospectus. Investors considering taking up their entitlement under this Prospectus in Benitec should be aware that their investment decision involves specific and general risk factors which are set out in section 2 of this Prospectus.

2. Investment Decisions

The information in this Prospectus does not constitute financial product advice. This Prospectus does not take into account the investment objectives, financial situation, tax position and particular needs of individual investors. Investors should obtain their own independent advice and consider the appropriateness of the offer of New Shares and New Options pursuant to this Prospectus having regard to their objectives, financial situation, tax position and needs.

3. Future Performance

Except as required by law, and only then to the extent so required, neither Benitec nor any other person warrants the future performance of Benitec, or any return on any investment made pursuant to this Prospectus. An investment in the New Shares and New Options offered by this Prospectus should be considered speculative.

4. Continuously Quoted Securities

Benitec's securities are continuously quoted securities within the meaning of the Corporations Act 2001 ("the Corporations Act"). This is a Prospectus for an offer of continuously quoted securities (as defined in the Corporations Act) of Benitec and has been prepared in accordance with section 713 of the Corporations Act. Accordingly, this Prospectus does not contain the same level of disclosure as an initial public offering prospectus.

5. Terms of the Rights Issue

Subject to compliance with the Corporations Act, the Listing Rules and any other applicable laws, the Directors reserve the right to withdraw the Rights Issue and Prospectus at any time in their absolute discretion. In either case, the relevant application monies will be refunded (without interest).

Chairman's Letter

Dear Shareholders

I am pleased to take this opportunity to further update you on the progress of Benitec in the past 18 months, and the road the new Benitec team see ahead for the Company. The last 12 months have been a challenging time for Benitec, but nonetheless one in which a number of significant achievements have been made in stabilising the company and redirecting its focus and operational model.

During the period, Benitec resolved a number of ongoing legal issues. In August 2005 Benitec and Promega Corporation settled their contract dispute. As part of the settlement, Promega was granted a worldwide non-exclusive license to make and sell ddRNAi-based research products. Promega also received payment in the form of cash and continuing royalties from certain licensees. In early October 2006 the Directors also announced that US-based life sciences company Promega Corporation has acquired an equity stake in Benitec. Promega Corporation has acquired 15,944,604 ordinary shares in Benitec representing approximately an 8% shareholding prior to this Rights Issue. Promega Corporation was issued these shares in Benitec to convert US\$175,000 in debt. Promega has also been issued a convertible promissory note to purchase a further US\$158,333 in shares in 12 months. The price per share will be the average trading price of Benitec shares sixty days prior to that date, less a discount of 20 percent.

In August 2005 the Australian Patent Office completed its review of the Benitec Australian patents, and the patents were upheld. The US Patent and Trade Mark Office re-examination of the Benitec key patents remains unresolved as at the date of this report. Nucleonics then requested a second Reexamination, adding art it asserted invalidated the '099 Patent. The USPTO merged the two Reexaminations and recently sent out an Office Action. The USPTO withdrew most of the earlier rejections it made, modified other rejections, and added rejections based on the art Nucleonics provided in its second Reexamination request.

Benitec has reviewed this new art and believes it does not raise any issues that would preclude patentability of the invention disclosed in the '099 Patent. Benitec also believes it has strong arguments for overcoming the art of record. Benitec plans to respond to the rejections found in the merged Reexaminations on or before the Response due date of March 24, 2007.

In early October 2005 Benitec announced that the lawsuit between Benitec and Nucleonics, Inc. previously pending in the United States District Court for the District of Delaware has been dismissed without prejudice to future rights. Nucleonics, Inc. has however appealed this decision and the matter remains unresolved. After briefing, on December 6, 2006 the Federal Circuit heard oral argument on the appeal. On January 7, 2007, the Supreme Court issued a decision in *MedImmune v. Genentech*, which addressed the question of whether a license holder could file suit against a licensor without breaching the license first. The Federal Circuit has requested Nucleonics and Benitec to provide supplemental briefing on what effect, if any, the Supreme Court's decision in the *MedImmune* case has on Nucleonics' Appeal. At present, Benitec believes the recent Supreme Court case does not affect the District Court's determination that the case should be dismissed and Benitec intends to respond accordingly.

In October 2005 Benitec and Sigma-Aldrich Corporation ("Sigma") (NASDAQ: SIAL), a leading supplier of biochemical reagents and kits used in life sciences research, announced the signing of two major agreements, one in which Sigma acquired an equity stake in Benitec and one in which Benitec granted Sigma a license for the use of Benitec RNAi technology. In January 2007 Sigma Aldrich granted a non-exclusive research use only license to Pfizer Inc.

In April 2006 the Board was restructured and immediately commenced a strategic review to refocus the business and put together a turn around plan to deliver improved shareholder value in 2007 and beyond. This resulted in a change of strategy and a move to a low cost business model of co-investment and outlicensing.

One consequence of this change in strategy was the closure of the Benitec USA operations. In April 2006 Benitec announced that it had implemented a cost reduction plan within its US subsidiary in order to preserve

capital while continuing to progress its drug development programs. In June 2006 Benitec announced that it has shut down its US operations, terminating its remaining US employees.

In August 2006 Benitec was able to re-negotiate its key alliance with CSIRO and now enjoys a more equitable and collaborative relationship with one of the world's largest government R&D agencies. Benitec and CSIRO signed an agreement to restructure the royalty obligations for Benitec's lead human therapeutic projects. Benitec has exclusive commercialisation rights for human applications of a substantial patent estate owned or co-owned by Benitec and CSIRO.

In mid October 2006 the company also announced that Benitec executed an RNAi licence deal with US Company Tacere Therapeutics Inc. Benitec has secured upfront payments, a scale of potential milestone payments and a potential future royalty stream by licensing its gene silencing technology for treating Hepatitis C. Benitec has also received a 5 percent equity stake in Tacere. The license and material transfer agreement allows Tacere to use Benitec's materials, rights and know-how to develop and commercialise an RNAi-based therapeutic for treating Hepatitis C in humans. These restructure decisions have not affected the Benitec collaboration with the City of Hope centre in California where a HIV AIDS lymphoma drug candidate is due to enter Phase I human trials soon.

In the foreseeable future Benitec will continue to focus its resources on exploiting its Gene Silencing intellectual property portfolio through licensing and collaborations.

The new business and technical strategy is designed to deliver a lower cost model. Benitec has now moved to a model of co-investment and /or licensing to bring in additional revenues. This spreads the technology risk across projects and further expands opportunities beyond the company's existing portfolio of R&D collaborators and licensees.

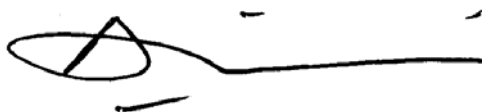
The first phase of the process of change and re-direction has been completed. We have now moved all operations back to Australia, recruited a Melbourne based management team and secured short term funding to allow us to rebuild the company. The Board is delighted with the leadership shown by Sue MacLeman (CEO) and with the progress the new team has made turning around this Company. The share purchase plan that many of you subscribed to in August 2006 did not meet its minimum subscription level and funds were returned to shareholders. This left Benitec in a difficult financial situation with the share price at 2.1 cents and limited funds available. Dr Chris Bremner supported Benitec at this time and provided a \$1,000,000 loan to support turnaround operations. Without Dr Bremner's support the company post the failed share purchase plan would have been in a very dire financial situation. Shareholders approved the conversion of this loan into equity at a general meeting on 13th February 2007.

We have previously indicated to shareholders that we would need to undertake a recapitalization of Benitec to fund ongoing operations and current and future projects. On behalf of the Board of Benitec Limited I am pleased to offer you an opportunity to participate in a non-renounceable Rights Issue. This Rights Issue gives you the right to participate in a non-renounceable Rights Issue of one New Share for every 4.4 Shares held at an issue price of ten cents (\$0.10) and one New Option for every one New Share subscribed for at an exercise price of fifteen cents (\$0.15). No brokerage or other charges will apply to New Shares acquired through the Rights Issue. The Rights Issue has been underwritten by Findlay & Co Stockbrokers (Underwriters) Pty Limited.

The details of the Rights Issue and its effect on Benitec are set out in this Prospectus.

I thank you for your continued support for Benitec.

Yours faithfully



Peter Francis
Non Executive Chairman

1 Details of the Rights Issue

1.1 Purpose

The purpose of the Rights Issue is to provide working capital for the ongoing funding of Benitec's projects and operations.

1.2 The Rights Issue

Benitec offers its Shareholders, as recorded on the share registry records on the Record Date, the right to participate in a non-renounceable rights issue of one New Share held for every 4.4 Shares at an issue price of ten cents (\$0.10) together with one New Option for every one New Share subscribed for at an exercise price of fifteen cents (\$0.15) ("the Rights Issue").

The Rights Issue is non-renounceable. This means the right of each shareholder to subscribe for his or her entitlement pursuant to the Rights Issue may not be transferred to another person.

1.3 Funds Raised

The Rights Issue is fully underwritten. Details of the underwriting arrangement with the Underwriter are set out in Section 3.3.

If all Options capable of being exercised are exercised before the Record Date, the maximum amount raised upon completion of the Rights Issue will be \$6,505,026.00. If no Options are exercised before the Record Date, the maximum amount raised upon completion of the Rights Issue will be \$5,308,305.20

1.4 Use of Funds

The funds raised by the Rights Issue as detailed in Section 1.3 of this Prospectus will be applied towards the costs of the Rights Issue which will approximate \$300,000.00 and the general working capital requirements of Benitec including:

- (a) to support the prosecution and maintenance of Benitec's patent portfolio and to allow additional patent applications to be filed;
- (b) to support ongoing legal costs associated with the Nucleonics Inc litigation and the US Patent and Trade Mark Office re-examination;
- (c) to implement a new low cost business model of co-investment and out licensing adopted by Benitec which will require continued investment in current projects (City of Hope collaboration in HIV Lymphoma) as well as projects in target validation and further evaluation of delivery options; and
- (d) to support ongoing human therapeutic out-licensing discussions and collaborations.

1.5 Capital Structure

At the date of this Prospectus the Company has issued 233,565,429 Shares and 55,280,716 Options.

The percentage shareholding in the Company of Shareholders who do not take up all of their rights pursuant to the Rights Issue will be diluted, unless they purchase Shares on ASX. Shareholders who take up all of their rights pursuant to the Rights Issue will not have their percentage shareholding in Benitec diluted by reason of the Rights Issue.

A table setting out details in respect of the Options is set out in Section 1.6. If all Options capable of being exercised are exercised before the Record Date a total of 65,050,260 New Shares will be issued (subject to rounding) and the total Shares in the issued capital of the Company upon completion of the Rights Issue

will be 351,271,405. If no Options are exercised before the Record Date a total of 53,083,052 New Shares will be issued (subject to rounding), and the total Shares in the issued capital of the Company upon completion of the Rights Issue will be 286,648,481.

1.6 Options

The Company has the following Options on issue:

<i>Description</i>	<i>Number of Securities (Options)</i>	<i>Expiry Date</i>	<i>Exercise Price</i>
Listed options	41,433,069	6 April 2008	\$0.320
Employee share options plan options	100,000	28 July 2009	\$0.500
Employee share options plan options	100,000	28 July 2009	\$1.000
Employee share options plan options	150,000	28 July 2009	\$1.500
Employee share options plan options	150,000	29 July 2009	\$2.000
Employee share options plan options	3,000,000	4 September 2011	\$0.025
Employee share options plan options	1,000,000	14 September 2011	\$0.025
Employee share options plan options	1,000,000	14 December 2011	\$0.070
Employee share options plan options	250,000	20 November 2011	\$0.067
Ex Directors' options	1,953,125	23 October 2015	\$0.170
Ex Strategic Advisor Warrants	6,126,962	4 August 2014	\$0.900
Other	17,560	30 September 2013	\$0.030
Total Options	55,280,716		

1.7 Indicative Timetable

Lodgement of Prospectus at ASIC and ASX; lodgement of Appendix 3B at ASX; and despatch letter to Option Holders	26 February 2007
Despatch of Notice to shareholders containing the information in Appendix 3B	27 February 2007
Securities quoted on 'ex' basis	28 February 2007
Record Date for determining Entitlements under the Rights Issue	6 March 2007
Despatch of Prospectus to shareholders and announce despatch to ASX	9 March 2007
Closing Date for acceptances of New Shares	26 March 2007
Securities quoted on a deferred settlement basis	27 March 2007
Notify ASX of under subscriptions	29 March 2007
Despatch Date	2 April 2007

These dates are indicative only and may be subject to change. Subject to the Corporations Act, the Listing Rules and other applicable laws, the Directors reserve the right to vary the dates, including to extend the Rights Issue or accept late applications (either generally or in particular cases), without prior notice. You are encouraged to submit your Entitlement and Acceptance Form as soon as possible. The commencement of trading in the New Shares is subject to ASX confirmation.

1.8 Choices Available

Shareholders may either:

- exercise their rights to participate in the Rights Issue in part or in full; or
- take no action under this Rights Issue.

All acceptances for New Shares and New Options offered under this Prospectus must be made on the personalised Entitlement and Acceptance Form accompanying this Prospectus in accordance with instructions set out in the form.

Cheques, money orders or bank drafts should be made payable to "Benitec Limited". - Share Application A/C" and crossed "Not Negotiable". All payments must be in Australian currency. The amount payable on application will be deemed not to have been received until Benitec's receipt of clear funds. Instructions on how to complete the Entitlement and Acceptance Form are detailed on the reverse side of the form.

Completed Entitlement and Acceptance Forms with the application monies may be mailed to the postal address, or delivered by hand to the delivery address, set out below:

POSTAL DELIVERY

ComputerShare Investor Services Pty Limited

GPO Box 523

Brisbane QLD 4001

Or

HAND DELIVERY

ComputerShare Investor Services Pty Limited

Level 27, 345 Queens Street

Brisbane Queensland 4000

All acceptances must be received by 5:00pm Melbourne, Australia time on 26 March 2007 being the Closing Date of the Rights Issue.

The Directors may at their discretion in consultation with the Underwriter, issue New Shares and New Options in response to Entitlement and Acceptance Forms received after the above date and time, but are under no obligation to do so.

2 Risk Factors

2.1 Specific Risk Factors

(a) Intellectual Property Risk

Whilst patent protection has been or may be obtained it may not be possible to maintain and or obtain patent rights in respect of Benitec's products.

(i) Re-examination & US Patents

The US Patent and Trade Mark Office re-examination of Benitec's key patents remains unresolved as at the date of this Prospectus. Nucleonics has requested a second re-examination, adding art it asserted invalidated the '099 Patent. Benitec believes it has strong arguments for overcoming the art of record. For further information in relation to

the re-examination please see the announcements released to the market on 31 January 2007 and 6 February 2007.

(ii) **European Patent**

Benitec filed a European patent application based on the 1998 provisional patent applications. In the examination process in 2005, the European Patent Office (EPO) refused the application over prior art and an alleged insufficiency of disclosure in the application. Benitec and CSIRO have appealed the refusal and believe they have good grounds to overcome this material and to be successful in the appeal. For further information in relation to the re-examination please see the announcement released to the market on 6 February 2007.

(iii) **US Litigation**

In September 2005 the Delaware District Court granted Benitec's motion to dismiss the *Benitec v. Nucleonics* litigation based on the Supreme Court's *Merck v. Integra* decision. Nucleonics has appealed this decision and the matter remains unresolved as at the date of this Prospectus. The Federal Circuit has requested Nucleonics and Benitec to provide supplemental briefing on what effect, if any, the Supreme Court's decision in the *MedImmune v. Genentech*, has on Nucleonics' Appeal. Benitec believes the recent Supreme Court case does not affect the District Court's determination that the case should be dismissed and Benitec intends to respond accordingly. For further information in relation to the re-examination please see the announcement released to the market on 6 February 2007.

Challenges to intellectual property and licence agreements may have an adverse effect on the value of securities of Benitec.

(c) **Competition Risks**

Other competitive projects may obtain regulatory approval in respect of new technologies before Benitec. Competitors may develop "next generation" therapeutics or diagnostics for a condition that Benitec is pursuing. Whilst Benitec monitors scientific publications and the publication of new patent applications no assurance can be given that products developed by other medical research establishments and private enterprises will not reach the market sooner.

(d) **The Inherently Speculative Nature of Benitec's Activities**

Benitec is involved in an inherently speculative activity, namely seeking to identify suitable candidate projects and technologies in the biotechnology field for further development and potential commercialisation. Benitec may not identify suitable candidate projects and technologies. Candidate projects and technologies may not be advanced to potential commercialisation. Potential commercialisation partners may not wish to enter commercial arrangements with Benitec.

(e) **Funding**

To capitalise on investment opportunities and grow its business Benitec may seek to raise additional capital in the future. There is no assurance that such funding will be secured on acceptable terms.

(f) **Regulatory Changes**

Benitec's focus on the gene silencing therapeutics renders it is susceptible to regulatory changes by government bodies. Government bodies may introduce rules that effect gene-silencing activities. Such changes may equally impact upon Benitec's competitors, which may provide some mitigation with respect to the effect on Benitec's activities.

(g) **Share Price**

The Share price of Benitec has fluctuated significantly over the past six months to a low of approximately \$0.02 in September 2006 to approximately \$0.48 in January 2007. There is no guarantee that the Share price will maintain its existing level. The price of Shares may fall as well as rise.

2.2 General Investment Risks

The price of Shares may fall as well as rise. If an investor sells Shares, the amount received may be higher or lower than the amount originally invested. Many factors will affect the price of the Shares and Options, including variations in the general markets for stocks listed on the ASX and/or other international stock markets, which may lead to fluctuations in the price of Shares; general economic conditions, long-term inflation rates, exchange rates and interest rates, and adverse changes to government regulations and policies.

The summary of general risks is not exhaustive.

3 Additional Information

3.1 Cappello Agreement

Under an agreement with Cappello Capital Corp (“Cappello Corp”), Benitec may be required to pay Cappello Corp a percentage of any money raised pursuant to various fund-raising activities including a private placement. The directors of Benitec have formed the view that they will not be required to pay any fees to Cappello Corp as a result of this Rights Issue. However, if Benitec is required to pay Cappello Corp a fee as a result of the funds raised by this Rights Issue, the fee payable to Cappello Corp will be 2.5% fee of the total funds raised by this Rights Issue.

3.2 Underwriting Arrangements

Benitec has entered into an underwriting agreement (“the Underwriting Agreement”) with Findlay & Co Stockbrokers (Underwriter) Pty Ltd (“the Underwriter”) on or about the date of this Prospectus.

The Underwriter has agreed to underwrite the Rights Issue for the Underwritten Amount being the maximum amount to be raised by Benitec by the Rights Issue pursuant to this Prospectus.

The Underwriting Agreement is subject to and conditional upon the Underwritten Amount being fully sub underwritten by third parties on terms acceptable to the Underwriter on the closing date of this Rights Issue.

The Underwriter must lodge or cause to be lodged applications for the shortfall shares with Benitec on or before 5:00pm on the shortfall settlement date accompanied by a cheque or cheques in payment of the shortfall share not later than 2 business days after the date on which Benitec receives valid applications for shortfall shares. Benitec shall issue and allot rights shares in accordance with those valid applications.

The Underwriting Agreement provides for payments to the Underwriter of an underwriting fee of 5% of the Underwritten Amount and 3,000,000 Options as consideration for the Underwriter’s underwriting obligations under the Underwriting Agreement together with all direct costs and reasonable expenses associated with the Underwriting.

The Underwriter may without costs or liability to themselves, by notice in writing to Benitec upon or at time prior to completion, terminate its obligations under the Underwriting Agreement if:

- (a) (Index): the S&P ASX 200 Index as published by ASX is at any time after the date of this Agreement 10% or more below its level as at the close of business on the Business Day prior to the date of the Underwriting Agreement;
- (b) (Non-lodgement of Prospectus): Benitec does not lodge the Prospectus on or about the Lodgement Date;
- (c) (Withdrawal): the Prospectus or the Offer is withdrawn by Benitec;
- (d) (No Official Quotation): Official Quotation has not been granted by the Shortfall Notice Deadline Date or, having been granted, is subsequently withdrawn, withheld or qualified;
- (e) (Supplementary prospectus): the Underwriter, having elected not to exercise its right to terminate its obligations under the Underwriting Agreement as a result of an occurrence as described in clause 13.1(p)(vi) of the Agreement, forms the view on reasonable grounds that a supplementary or replacement prospectus should be lodged with ASIC for any of the reasons referred to in section 719 of the Corporations Act and Benitec fails to lodge a supplementary or replacement prospectus in such form and content and within such time as the Underwriter may reasonably require;
- (f) (Misleading Prospectus): it transpires that there is a statement in the Prospectus that is misleading or deceptive or likely to mislead or deceive, or that there is an omission from the Prospectus (having regard to the provisions of section 713 of the Corporations Act) or if any statement in the Prospectus becomes misleading or deceptive or likely to mislead or deceive;
- (g) (Non-compliance with disclosure requirements): it transpires that the Prospectus does not contain all the information required by section 713 of the Corporations Act;
- (h) (Restriction on allotment): Benitec is prevented from allotting the Rights Shares or Options within the time required by the Underwriting Agreement, by the Corporations Act, the Listing Rules, any statute, regulation or order of a court of competent jurisdiction, by ASIC, ASX or any court of competent jurisdiction or any governmental or semi-governmental agency or authority;
- (i) (Withdrawal of consent to Prospectus): any person (other than the Underwriter) who has previously consented to the inclusion of its, his or her name in the Prospectus or to be named in the Prospectus, withdraws that consent;
- (j) (ASIC application): an application is made by ASIC for an order under section 1324B or any other provision of the Corporations Act in relation to the Prospectus, and that application has not been dismissed or withdrawn by the Shortfall Notice Deadline Date;
- (k) (ASIC stop order): ASIC makes an interim or final stop order in relation to the Prospectus under section 739 or any other provision of the Corporations Act;
- (l) (Takeovers Panel): the Takeovers Panel makes a declaration that circumstances in relation to the issue of the Prospectus or the securities pursuant to the Prospectus are unacceptable circumstances under Pt 6.10 of the Corporations Act;
- (m) (Hostilities): there is an outbreak of hostilities or a material escalation of hostilities (whether or not war has been declared) after the date of the Underwriting Agreement involving one or more of Australia, New Zealand, Indonesia, the United Kingdom, the United States of America, or the People's Republic of China, or a terrorist act that causes the death of more than 500 people is perpetrated on any of those countries or any diplomatic, military, commercial or political establishment of any of those countries anywhere in the world; or
- (n) (Authorisation) any authorisation which is material to anything referred to in the Prospectus is repealed, revoked or terminated or expires, or is modified or amended in a manner unacceptable to the Underwriter.

- (o) (Sub-underwriters): if any of the sub-underwriters to the Rights Issue fails to perform their obligations under their sub-underwriting agreements with the Underwriter; or

Please note that the words in capitals in points (a) to (o) above are defined terms in the Underwriting Agreement.

The Underwriter may also terminate the Underwriting Agreement if, in the reasonable opinion of the Underwriter reached in good faith, the occurrence of one of the following events listed below, or two or more of the events listed below together are likely to have a Material Adverse Effect or could give rise to a liability of the Underwriter under the Corporations Act or otherwise:

- (a) (Default): default or breach by Benitec under the Underwriting Agreement of any condition and following consultation between the Company and the Underwriter, that failure is not remedied within 5 Business Days afterwards;
- (b) (Incorrect or untrue representation): any representation, warranty or undertaking given by Benitec in the Underwriting Agreement is or becomes untrue or incorrect in any material way and the matters rendering the representation, warranty or undertaking untrue are not remedied within 5 Business Days afterwards;
- (c) (Contravention of Constitution or Act): a contravention by Benitec of any provision of the Constitution, the Corporations Act, the Listing Rules or any other applicable legislation or any policy or requirement of ASIC or ASX;
- (d) (Adverse change): an event occurs which gives rise to a material adverse effect upon or in the assets, liabilities, financial position, trading results, profits, forecasts, losses, prospects, business or operations and the intellectual property rights of Benitec and its Subsidiaries as a whole;
- (e) (Error in Verification Materials): it transpires that any of the or any part of the Verification Materials was false, misleading or deceptive in a material manner or that there was an omission from them;
- (f) (Significant change): a "new circumstance" as referred to in section 719(1) of the Corporations Act arises that is materially adverse from the point of view of an investor;
- (g) (Misleading information): any information supplied at any time by Benitec or any person on its behalf to the Underwriter in respect of any aspect of the Offer or the affairs of any Relevant Company is or becomes, in a material manner, misleading or deceptive or likely to mislead or deceive;
- (h) (Prescribed Occurrence): a Prescribed Occurrence occurs;
- (i) (Suspension of debt payments): Benitec suspends payment of its debts generally;
- (j) (Event of Insolvency): an Event of Insolvency occurs in respect of a Relevant Company;
- (k) (Judgment against a Relevant Company): a judgment in an amount exceeding \$100,000 is obtained against a Relevant Company and is not set aside or satisfied within 7 days other than in respect of actions disclosed in the Prospectus;
- (l) (Litigation): litigation, arbitration, administrative or industrial proceedings are after the date of the Underwriting Agreement commenced or threatened against any Relevant Company, other than any claims disclosed or foreshadowed in the Prospectus;
- (m) (Board and senior management composition): there is a change in the composition of the Board or a change in the senior management of Benitec before Completion without the prior written consent of the Underwriter;

- (n) (Indictable offence): a director or senior manager of a Relevant Company is charged with an indictable offence;
- (o) (Change in shareholdings): there is a material change in the major or controlling shareholdings of Benitec;
- (p) (Timetable): there is a delay in any specified date in the Timetable which is greater than 5 Business Days;
- (q) (Force Majeure): a Force Majeure causing a material adverse effect in Benitec's business or any obligation under the Underwriting Agreement lasting in excess of 7 days occurs;
- (r) (Certain resolutions passed): a Relevant Company passes or takes any steps to pass a resolution under section 254N, section 257A or section 260B of the Corporations Act or a resolution to amend its constitution without the prior written consent of the Underwriter;
- (s) (Capital Structure): Benitec alters its capital structure in any manner not disclosed or contemplated by the Prospectus;
- (t) (Investigation): any person is appointed under any legislation in respect of companies to investigate the affairs of a Relevant Company;
- (u) (Market Conditions): a suspension or material limitation in trading generally on ASX occurs for two consecutive trading days; or
- (v) (Suspension): Benitec is removed from the Official List or the Shares become suspended from Official Quotation and that suspension is not lifted within 72 hours following such suspension.

Please note that the words in capitals in points (a) to (v) above are defined terms in the Underwriting Agreement.

Benitec indemnifies the Underwriter against all losses suffered by the Underwriter arising out of or in respect of the Rights Issue, non-compliance with the ASX listing rules, or any breach of the Underwriting Agreement.

The Underwriting Agreement contains such other provisions as are usual in a document of this nature.

3.3 Continuous Disclosure Obligations

Benitec has issued this Prospectus in accordance with the provisions of the Corporations Act 2001 ("the Corporations Act") applicable to a prospectus for continuously quoted securities.

Section 713 of the Corporations Act enables a company to issue a special prospectus where the securities offered under the prospectus are continuously quoted securities within the meaning of the Corporations Act to acquire continuously quoted securities. This generally means that the relevant securities are in a class of securities that were quoted enhanced disclosure securities at all times during the 12 months before the date of this Prospectus and, as such, the issuing company was subject to the continuous disclosure regime provided for under the Corporations Act and the rules of a recognised stock exchange.

In the past twelve months Benitec's securities have been continuously quoted securities within the meaning of the Corporations Act.

Special prospectuses are required to contain information in relation to the effect of the Rights Issue of securities on Benitec and the rights and liabilities attaching to the securities. It is not necessary to include general information in relation to all of the assets and liabilities, financial position, profits and losses or prospects of the issuing company.

Benitec believes that other than as disclosed above, it has complied with the general and specific requirements of ASX when and as applicable from time to time throughout the 12 months before the date of this Prospectus which require notification of information about specified events or matters as they arise for the purpose of making that information available to the stock market conducted by ASX. For the purpose of satisfying Section 713(5) of the Corporations Act 2001 a prospectus must also incorporate information concerning an Rights Issue if such information:

- (a) has been excluded from a continuous disclosure notice in accordance with the ASX Listing Rules; and
- (b) is information that investors and their professional advisors would reasonably require for the purpose of making an informed assessment of:
 - (i) the assets and liabilities, financial position and performance, profit and losses and prospects of the body; and
 - (ii) the rights and liabilities attaching to the securities being offered.

The prospectus must contain this information only to the extent to which it is reasonable for investors and their professional advisors to expect to find such information in the prospectus.

In order to satisfy the requirements of Section 713(5) of the Corporations Act 2001, the Company advises that it has from time to time entered into and continues confidential discussions and/or negotiations with potential commercial partners regarding its vaccine and diagnostic technologies. While the Company continues to seek potential commercial partners and to advance discussions or negotiations, there is no certainty that any arrangement(s) will be finalised on particular terms, at a specific time, or at all. The Company will make further announcements in respect of any such discussions or negotiations in accordance with its disclosure obligations as developments occur.

Benitec, as a disclosing entity under the Corporations Act states that:

- (a) it is subject to regular reporting and disclosure obligations;
- (b) copies of documents lodged with ASIC in relation to Benitec may be obtained from, or inspected at, the offices of ASIC; and
- (c) any person may request, and Benitec will provide free of charge, a copy of each of the following documents during the application period of this Prospectus:
 - (i) the Annual Report for the year ended 30 June 2006 lodged with ASIC before the lodgement of this Prospectus with ASIC; and
 - (ii) any continuous disclosure notices given by Benitec since the lodgement of the annual financial report referred to in (i) above and before lodgement of this Prospectus (continuous disclosure notices given by Benitec since Benitec's Annual General Meeting on 30 November 2006 to the date of this Prospectus are listed below).

Given that the Company is a disclosing entity it may be required to release information to the market during the period between the date of this Prospectus and the Closing Date. Prospective investors are advised to refer to the ASX's website at www.asx.com.au for updated releases about specified events or matters affecting Benitec.

Benitec has made the following announcements (continuous disclosure notices) to ASX since it held its Annual General Meeting held on 30 November 2006.

<u>Doc. date</u>	<u>Headline</u>
23/02/2007	Change to Unlisted Options and Appendix 3B
13/02/2007	Results of General Meeting
06/02/2007	Patent and Litigation Update
31/01/2007	Commitments Test Entity - Second Quarter Report
31/01/2007	Patent Re-examination Update
30/01/2007	Trading Halt
11/01/2007	Additional Information for General Meeting
11/01/2007	Revised Notice of General Meeting
09/01/2007	Notice of General Meeting
08/01/2007	Change in substantial holding
05/01/2007	Sigma-Aldrich licenses Pfizer to use Benitec technology
03/01/2007	Benitec Appointments
28/12/2006	Receives \$650k Investment Support
30/11/2006	Results of AGM
30/11/2006	CEO Presentation
30/11/2006	Chairman's Address to Shareholders

Any person may request, and Benitec will provide free of charge, a copy of any of the above announcements during the application period of this Prospectus.

3.4 Overseas Shareholders

This Prospectus and the accompanying Entitlement and Acceptance Form do not constitute a Rights Issue in any jurisdiction in which, or to any persons to whom, it would not be lawful to make such a Rights Issue.

Shareholders holding Shares on behalf of persons who are resident overseas (except in New Zealand) are responsible for ensuring that taking up Rights under the Rights Issue does not breach regulations in the relevant overseas jurisdiction. Return of a duly completed Entitlement and Acceptance Form or payment will be taken by Benitec to constitute a representation that there has been no breach of such regulations. Shareholders who are nominees are therefore advised to seek independent advice as to how they should proceed. The Rights Issue has not been, and will not be, registered under the US Securities Act and has not been made in the United States or to persons resident in the United States.

3.5 Rights attaching to Shares

The rights attaching to the New Shares are set out in Benitec's Constitution ("the Constitution"). The Constitution is in a form common to public companies in Australia. A broad summary (although not an exhaustive or definitive statement) of the rights and liabilities attaching to the New Shares is outlined below. The Constitution has been lodged with ASIC and is taken to be included in this Prospectus by

operation of the Corporations Act. The Company will give a copy of the Constitution to any person who requests a copy of it during the offer period of this Prospectus, free of charge.

(a) **Same Class**

All Shares currently on issue and offered under this Prospectus are of the same class and rank equally in all respects.

(b) **Voting**

At a meeting of the Shareholders, every Shareholder present in person or by proxy, representative or attorney has one vote on a show of hands and one vote per Share on a poll.

A poll may be demanded by the Chairperson of the meeting, any five (5) Shareholders entitled to vote present in person or by proxy, attorney or representative or by any one or more Shareholders holding not less than five percent (5%) of the total voting rights of all Shareholders.

(c) **Meetings of Shareholders**

Each Shareholder is entitled to receive notice of and, except in certain circumstances, to attend and vote at meetings of members of Benitec. Each Shareholder is entitled to receive all financial reports, notices and other documents required to be sent to Shareholders under Benitec's Constitution, the Corporations Act or the Listing Rules.

(d) **Dividends**

Dividends are payable out of the profits and are declared by the Directors or by the Company in general meeting if and only if Directors have recommended a dividend.

A dividend as declared shall, subject to, among other things, the rights of any Shareholder of any Shares created or raised under any special arrangement as to dividend, be payable on all Shares at a fixed amount per Share.

(e) **Issue of Further Shares**

The Directors may, subject to any restrictions imposed by the Constitution, the Listing Rules and the Corporations Act, increase, divide, consolidate or reduce its share capital on such terms and conditions as they see fit.

(f) **Transfer of Shares**

Shareholders may transfer Shares by market transfer in accordance with any computerised or electronic system established or recognised by the Listing Rules or the Corporations Act for the purpose of facilitating dealings in Shares including a transfer that may be effected pursuant to the SCH Business Rules or by an instrument in writing in a form approved by the ASX or in any other usual form or in any form approved by the Directors and as otherwise permitted by the Corporations Act.

The Directors may refuse to register any transfer of Shares other than a market transfer where permitted or required by the Listing Rules or SCH Business Rules. Benitec must not prevent, delay or interfere with a Proper SCH Transfer or the registration of a paper based transfer in registrable form in a manner contrary to the Listing Rules or SCH Business Rules.

(g) **Winding Up**

Once all the liabilities of Benitec are satisfied, a liquidator may, with the authority of a special

resolution, divide the whole or any part of any surplus assets of Benitec. With the authority of a special resolution, the liquidator can vest the whole or any part of such property in trustees upon such trusts for the benefit of Shareholders as the liquidator thinks fit, but no Shareholder can be compelled to accept any Shares or other securities in respect of which there is any liability.

(h) **Directors**

Benitec must at all times have at least a minimum number of Directors specified by the Constitution, which is three (3), at least two (2) of whom must ordinarily reside in Australia; and the number of Directors must not exceed ten (10).

(i) **Listing Rules**

During any period in which Benitec is admitted to the Official List, and despite anything in the Constitution, if the Listing Rules prohibit an act being done, that act must not be done. Nothing in the Constitution prevents an act being done that the Listing Rules require to be done. If the Listing Rules require an act to be done or not to be done, authority is given for that act to be done or not to be done (as the case may be). If the Listing Rules require the Constitution to contain a provision or not to contain a provision, the Constitution is deemed to contain that provision or not to contain that provision (as the case may be). If a provision of the Constitution is or becomes inconsistent with the Listing Rules, the Constitution is deemed not to contain that provision to the extent of the inconsistency.

3.6 Rights Attaching to New Options

- (a) The New Options shall expire at 5.00 pm Eastern Standard Time on the date which is four years from the date the New Options are issued (the "**Expiry Date**") and may be transferred at any time prior to the Expiry Date.
- (b) The New Options may be exercised at any time up to and including the Expiry Date and shall be exercisable wholly or in part by executing and forwarding to Benitec the appropriate option exercise form together with payment of the relevant exercise price.
- (c) The exercise price for each New Option (the "**Exercise Price**") shall be \$0.15.
- (d) Shares issued pursuant to the exercise of the New Options will rank equally with the then issued Shares of Benitec.
- (e) There are no participating rights or entitlements inherent in the New Options to participate in new issues of capital that may be offered to shareholders during the currency of the New Options. However, Option holders have the right to exercise their New Options prior to the date of determining entitlements to any capital issues to the existing shareholders of Benitec made during the currency of the New Options and will be granted a period of at least twelve (12) business days before books closing date to exercise the New Options.
- (f) In the event of any reconstruction (including consolidation, sub-division, reduction or return) of the issued capital of Benitec, the number of New Options or the Exercise Price of the New Options or both shall be reconstructed in a manner which will not result in any additional benefits being conferred on Option holders which are not conferred on shareholders.
- (g) Shares allocated and issued pursuant to the exercise of the New Options will be allocated and issued not more than fourteen (14) days after the receipt by Benitec of a properly executed exercise form and the receipt of the application monies applicable thereto at the Exercise Price for each Option.

- (h) If there is more than one Option on a certificate and prior to the Expiry Date those Options are exercised in part, the Company will issue another certificate for the balance of the Options held and not yet exercised.
- (i) Application will be made for Official Quotation of the Options on the ASX within seven days from the date of this Prospectus.

3.7 Allotments

The Directors will issue the New Shares and New Options as soon as possible after the close of subscription lists.

Subject to the Underwriter's entitlements, Benitec reserves the right to issue any shortfall at its discretion within three months following the closure of the Rights Issue at an issue price not less than the price being offered under this Prospectus. The Company may pay fees or commissions determined at the time of offering or issuing New Shares and New Options from the shortfall. Recipients of New Shares and New Options to whom any short fall is issued need not be shareholders of Benitec.

3.8 Directors' Interests

The Directors of Benitec or their associates have a beneficial interest in the following Shares and Options in Benitec at the date of this Prospectus.

Director	Shares		Options	
	Direct	Indirect*	Direct	Indirect*
Mr. Peter Francis	Nil	Nil	Nil	Nil
Dr. Michael Dalling	Nil	Nil	Nil	Nil
Dr. Ken Reed	1,011,000	Nil	Nil	Nil

**Indirect holdings held by associates of the Directors*

3.9 Participation by Directors in Rights Issue

The Directors are entitled to participate in the Rights Issue without the need for Shareholder approval though they are not obliged to. If the Directors each participate to the maximum extent permissible then their respective interests will increase and upon issue of the New Shares and New Options they will have the following holdings (assuming that they do not exercise any of their Options):

Director	Shares		Options	
	Direct	Indirect*	Direct	Indirect*
Mr. Peter Francis	Nil	Nil	Nil	Nil
Dr. Michael Dalling	Nil	Nil	Nil	Nil
Dr. Ken Reed	1,240,773	Nil	229,773	Nil

** Indirect holdings held by associates of the Directors*

Other than set out above or elsewhere in this Prospectus:

- No Director of Benitec and no firm in which a Director of Benitec is or was at the relevant time a partner, has or has had in the two years before lodgement of this Prospectus, any interest in the promotion of, or in any property proposed to be acquired by, Benitec.
- No amounts, whether in cash or Shares or otherwise, have been paid or agreed to be paid to any Director of Benitec (or to any firm in which he is or was a partner) either to induce him to become, or to qualify him as a Director, or otherwise for services rendered by him or by the firm in connection with the promotion or formation of Benitec.
- At the date of the Prospectus the Directors and/or their associates do not have any securities that are the subject of any escrow provisions.

3.10 Interests of Advisers

Except as set out elsewhere in this Prospectus, no person named in this Prospectus as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus, promoter or stockbroker to Benitec or an Underwriter has, or had within two years before lodgement of this Prospectus with ASX any interest in:

- the formation or promotion of Benitec;
- property acquired or proposed to be acquired by Benitec in connection with its formation, promotion or the Rights Issue; or
- the Rights Issue;

and no amounts have been paid or agreed to be paid and no benefits have been given or agreed to be given to any of those persons for services rendered by him or her in connection with the formation or promotion of Benitec or the Rights Issue.

The Underwriter will be paid the underwriting fees set out in Section 3.2 in connection with the Rights Issue.

Oakley Thompson & Co. Pty Ltd has provided Benitec legal advice in relation to the Rights Issue. Oakley Thompson & Co. Pty Ltd will be paid approximately \$30,000-\$35,000 (exclusive of GST) for their services to Benitec in connection with the Rights Issue.

3.11 Payments to Directors

Under Benitec's Constitution the Non-Executive Directors may be paid, as remuneration for their services, a sum determined from time to time by Benitec in general meeting, with that sum to be divided amongst the Non-Executive Directors in such manner and proportion as they agree. The maximum amount which has been approved by Shareholders for payment to each Non-Executive Directors as director fees is currently \$45,000 per annum.

The total amounts paid to current Directors as fees and executive service remuneration in the 2 year period prior to lodgement of this Prospectus are:

Director	Period			\$Total
	\$2005	\$2006	\$2007 (8 months)	
Mr. Peter Francis	-	18,750	32,700	51,450
Dr. Michael Dalling	-	12,263	32,700	44,963
Dr. Ken Reed	116,873	61,404	32,700	210,977

We note that during 2005 and part of 2006 Dr Ken Reed was an executive Director of Benitec.

The Corporations Act limits the extent to which insurance cover and/or indemnities may be provided or given to Directors in relation to claims arising out of their discharge of their duties as Directors. Benitec's Constitution does not provide any additional restrictions on the provision of insurance or indemnity. Benitec has Directors and Officers insurance, but has not granted any additional right of indemnity to its Directors.

3.12 Consents

The Underwriter has given, and not withdrawn before the lodgement of this Prospectus, its written consent to being named in the Prospectus as the Underwriter. The Underwriter has not made any statement in this Prospectus or any statement on which a statement made in this Prospectus is based, and to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any statements in or omissions from this Prospectus other than the reference to its name as the underwriter of the Rights Issue.

ComputerShare Investor Services Pty Limited (ACN 078 279 277) has given, and not withdrawn before the lodgement of this Prospectus, its written consent to being named in the Prospectus as the Share Registry. ComputerShare Investor Services Pty Limited was not involved in the preparation of any part of this Prospectus and expressly disclaims and takes no responsibility for any part of this Prospectus.

3.13 Electronic Prospectus

A copy of the Prospectus is available from the website of Benitec at www.benitec.com. Applications for New Shares and New Options offered pursuant to this Prospectus can only be submitted on an original personalised Entitlement and Acceptance Form, which accompanies this Prospectus.

3.14 Privacy

If you complete an application for New Shares and New Options, you will be providing personal information to Benitec. Benitec collects, holds and will use that information to assess your application, service your needs as a Shareholder, facilitate distribution payments and corporate communications to you as a Shareholder and carry out administration.

The information may also be used from time to time and disclosed to persons inspecting the register, bidders for your securities in the context of takeovers, regulatory bodies, including the Australian Taxation Office, authorised securities brokers, print service providers, mail houses and Benitec's share registry.

You can access, correct and update the personal information that we hold about you. Please contact Benitec or its registry if you wish to do so.

Collection, maintenance and disclosure of certain personal information is governed by legislation including the Privacy Act 1988 (Cth) (as amended), the Corporations Act and certain rules such as the SCH Business Rules. You should note that if you do not provide the information required on the application for New Shares and New Options, Benitec may not be able to accept or process your application.

3.15 Taxation

Participants should seek and obtain their own taxation advice before participating in the Rights Issue so that they may first satisfy themselves of any taxation implications associated with participating in the Rights Issue and any subsequent sale of the New Shares acquired pursuant to the Rights Issue.

3.16 General

The Expiry Date of the Prospectus is 25 March 2008. No securities will be allotted or issued on the basis of this Prospectus after the Expiry Date.

No person is authorised to give information or to make any representation in connection with this Prospectus which is not contained in the Prospectus. Any information or representation not so contained may not be relied on as having been authorised by Benitec in connection with this Prospectus.

In making representations in this Prospectus regard has been had to the fact that Benitec is a disclosing entity for the purposes of the Corporations Act and certain matters may reasonably be expected to be known to investors and professional advisers whom potential investors may consult.

3.17 Directors' Responsibility Statement

The Directors of Benitec have authorised the lodgement of this Prospectus with ASIC.

A handwritten signature in black ink, consisting of a stylized initial 'P' followed by a long horizontal line.

Mr. Peter Francis
Non-Executive Chairman

4 Glossary

“**ASIC**” means Australian Securities and Investments Commission.

“**ASX**” means Australian Stock Exchange Limited ACN 008 624 691.

“**Benitec**” means Benitec Limited ACN 068 943 662.

“**Company**” means Benitec.

“**Corporations Act**” means the Corporations Act 2001 (Cth).

“**Entitlement**” means the entitlement of a Shareholder to apply for New Shares and New Options pursuant to the Rights Issue.

“**Entitlement and Acceptance Form**” means a form addressed to a Shareholder setting out the Shareholders entitlement to New Shares and New Options which is attached to or accompanies this Prospectus.

“**New Option**” means one free attaching option to acquire one fully paid ordinary share in the capital of Benitec at an exercise price of \$0.15.

“**New Shares**” means ordinary shares offered to Shareholders pursuant to this Prospectus.

“**Non-Qualifying Foreign Shareholders**” means all Shareholders whose registered address is not in Australia or New Zealand.

“**Option**” means all listed and unlisted options and warrants to acquire one fully paid ordinary share in the capital of Benitec.

“**Prospectus**” means this prospectus dated 26 February 2007.

“**R&D**” means research and development.

“**Record Date**” means 5:00 pm Melbourne, Australia time 6 March 2007 for the purpose of identifying the persons who are entitled to New Shares and New Options pursuant to the Rights Issue.

“**Rights**” means the rights of Shareholders to participate in the non-renounceable pro-rata rights issue described in this Prospectus and subscribe for New Shares and New Options;

“**Rights Issue**” means the rights issue described in section 1.1 of this Prospectus.

“**Shareholders**” means holders of ordinary Shares in the issued capital of Benitec.

“**Shares**” means ordinary fully paid shares in the capital of Benitec.

“**Underwriter**” means Findlay & Co Stockbrokers (Underwriters) Pty Limited ACN 078 379 683.