



GENETIC TECHNOLOGIES LIMITED

A.B.N. 17 009 212 328

Appendix 4D of the ASX Listing Rules

for the half-year ended

31 DECEMBER 2006

GENETIC TECHNOLOGIES LIMITED

CORPORATE DIRECTORY

Directors

Henry Bosch AO (*Non-Executive Chairman*)
Dr. Mervyn Jacobson (*Chief Executive Officer*)
Fred Bart
David Carruthers
John S. Dawkins AO

Company Secretary

Thomas G. Howitt

Registered & Head Office

60-66 Hanover Street
Fitzroy Vic. 3065
Australia

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Share Registry

Computershare Investor Services Pty. Ltd.
Level 2, 45 St George's Terrace
Perth W.A. 6000
Australia

Telephone: +61 8 9323 2000
Facsimile: +61 8 9323 2033

www.computershare.com

Auditors

Ernst & Young
Chartered Accountants
The Ernst & Young Building
8 Exhibition Street
Melbourne Vic. 3000
Australia

Company Website address

www.gtg.com.au

Bankers

St. George Bank Limited
530 Collins Street
Melbourne Vic. 3000
Australia

KeyBank National Association
1130 Haxton Drive
Fort Collins CO 80525
United States of America

Stock Exchange information

Australian Securities Exchange Limited (code: **GTG**)
2 The Esplanade
Perth W.A. 6000
Australia

NASDAQ Global Market (ticker: **GENE**)
One Liberty Plaza, 165 Broadway
New York NY 10006
United States of America

GENETIC TECHNOLOGIES LIMITED

APPENDIX 4D of the ASX Listing Rules FOR THE HALF-YEAR ENDED 31 DECEMBER 2006

1. The reporting period covers the half-year ended 31 December 2006.
The previous corresponding period covers the half-year ended 31 December 2005.
2. Results for announcement to the market
 - 2.1 Total revenue from ordinary activities for the reporting period was \$4,043,530, being a decrease of approximately 40% over the figure for the previous corresponding period of \$6,712,638.
 - 2.2 The loss from ordinary activities after income tax attributable to Members for the reporting period was \$(5,310,124), being an increase of approximately 73% over the figure for the previous corresponding period of \$(3,072,831).
 - 2.3 The net loss attributable to Members for the reporting period was \$(5,310,124), being an increase of approximately 73% over the figure for the previous corresponding period of \$(3,072,831).
 - 2.4 The Company does not propose to pay a dividend.
 - 2.5 Not applicable.
 - 2.6 The decrease in revenue during the period under review was primarily due to a reduction in license fees received while the Company continues to build momentum in its licensing program, following the successful settlement in December 2005 of the litigation against Applera Corporation. Expenses incurred during the half-year remained consistent with those of the previous corresponding period.
3. Net tangible assets per ordinary share as at 31 December 2006 was 2.78 cents, being a decrease of approximately 25% over the figure for the previous corresponding period (30 June 2006) of 3.72 cents.
4. During the period, Genetic Technologies Limited neither gained nor lost control of any other entities.
5. No dividends were paid by Genetic Technologies Limited during or after the reporting period, nor were any paid during the previous reporting period.
6. The Company has no dividend reinvestment plans in operation.
7. During the period, Genetic Technologies Limited held a 17.28% interest in an exploration joint venture covering tenements in the Duketon Belt in Western Australia. The Company has written off its entire investment in the Project in previous years, makes no further contributions to its operation and has received no income from the joint venture during the period. At balance date, the Company's share of potential rehabilitation liabilities in respect of the tenements totalled approximately \$120,000.

This report is based on financial statements reviewed by the auditor, a copy of which is attached.

Signed on behalf of Genetic Technologies Limited

DR. MERVYN JACOBSON
Director

Dated this 26th day of February, 2007.



GENETIC TECHNOLOGIES LIMITED

A.B.N. 17 009 212 328

Half-Year Financial Report

for the period ended

31 DECEMBER 2006

DIRECTORS' REPORT

The Directors submit the financial report of Genetic Technologies Limited ("GTG" and the "Company") and the entities it controlled for the half-year ended 31 December 2006.

Directors

The names of the Directors of the Company in office during the half-year and until the date of this Report are as stated below. All Directors were in office for the entire period, with the exception of Mr. Carruthers (see below).

Henry Bosch AO (*Non-Executive Chairman*)
Dr. Mervyn Jacobson (*Chief Executive Officer*)
Fred Bart
David Carruthers
John S. Dawkins AO

In addition to the above, Prof. Deon J. Venter served as a Director of the Company from 1 July 2006 until his resignation on 23 August 2006. Mr. Robert J. Edge also served as a Director of the Company from 1 July 2006 until his retirement on 17 November 2006. Finally, Mr. Carruthers was appointed as a Director of the Company on 26 February 2007.

Review and results of operations

The consolidated entity continues to operate in the biotechnology sector. The net loss of the consolidated entity for the financial half-year ended 31 December 2006 was \$(5,310,124).

Following the successful resolution of the patent dispute with Applera Corporation in late December 2005, the Company has been actively pursuing various ways in which its licensing program may be expanded. Such activities have included the recruitment of additional internal resources in Melbourne and the appointment of external licensing contractors in both USA and Europe. It is anticipated that these and other activities will result in an expansion of the Company's existing licensing program, with further licenses to the Company's non-coding technology being granted in the second half of the 2007 financial year.

It was pleasing to note that total consolidated revenues from the Company's genetic testing business for the period under review increased by approximately 15% as compared to the revenues generated during the corresponding previous half-year. Further marketing initiatives are currently underway which will hopefully result in continued increases in revenue from this important part of the Company's business.

During the half-year, several of the Company's later-stage research and development projects made significant strides towards commercialisation, with independent trials now being initiated in three of these important projects. Details will be provided to the Market at the appropriate time.

On 26 February 2007, Mr. David Carruthers was appointed as a Director of the Company.

Finally, during the period covered by this Report, Prof. Deon Venter and Mr. Robert Edge resigned and retired from the Board, respectively. The Board would like to thank them both for their contribution to the Company and to wish them well in their future endeavours.

Further information concerning the operations and financial condition of the consolidated entity can be found in the financial report and in releases made by the Company to the Australian Stock Exchange (ASX) during the half-year.

DIRECTORS' REPORT (cont.)**Auditor's independence declaration**

The Company has obtained an independence declaration from its auditors, Ernst & Young, which has been reproduced on page 3 of this Report.

Signed in accordance with a resolution of the Directors.

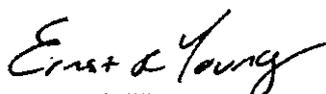
HENRY BOSCH AO

Non-Executive Chairman

Melbourne, 26 February 2007

Auditor's Independence Declaration to the Directors of Genetic Technologies Limited

In relation to our review of the financial report of Genetic Technologies Limited for the half-year ended 31 December 2006, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.


Ernst & Young


A. J. Pititto
Partner
Melbourne
26 February 2007

CONDENSED INCOME STATEMENT

Half-year ended 31 December 2006

	Notes	Consolidated	
		Half-year ended 31 December 2006	Half-year ended 31 December 2005
		\$	\$
Continuing operations			
Revenue	2	4,043,530	6,712,638
Expenses	2	<u>(9,378,416)</u>	<u>(9,778,286)</u>
Loss before income tax expense		(5,334,886)	(3,065,648)
Income tax expense		<u>-</u>	<u>-</u>
Loss after income tax expense		(5,334,886)	(3,065,648)
Net (profit)/loss attributable to minority interest		<u>24,762</u>	<u>(7,183)</u>
Net loss attributable to members of Genetic Technologies Limited		<u><u>(5,310,124)</u></u>	<u><u>(3,072,831)</u></u>
Basic loss per share (cents per share)		(1.5)	(0.8)
Diluted loss per share (cents per share)		(1.5)	(0.8)

BALANCE SHEET

As at 31 December 2006

	Consolidated	
	As at 31 December 2006 \$	As at 30 June 2006 \$
ASSETS		
Current assets		
Cash and cash equivalents	9,511,627	11,885,247
Trade and other receivables	1,392,342	1,401,468
Prepayments	320,711	587,988
Other financial assets	85,963	85,963
Total current assets	11,310,643	13,960,666
Non-current assets		
Prepayments	21,164	42,603
Available-for-sale investments	634,209	673,595
Property, plant and equipment	2,004,990	2,265,787
Intangible assets and goodwill	15,002,256	16,774,256
Total non-current assets	17,662,619	19,756,241
Total assets	28,973,262	33,716,907
LIABILITIES		
Current liabilities		
Trade and other payables	1,879,473	1,410,378
Interest-bearing liabilities	519,240	490,379
Deferred revenue	76,218	33,679
Withholding tax payable	656,444	600,466
Provisions	447,890	411,310
Total current liabilities	3,579,265	2,946,212
Non-current liabilities		
Interest-bearing liabilities	259,716	491,729
Provisions	46,187	36,827
Total non-current liabilities	305,903	528,556
Total liabilities	3,885,168	3,474,768
Net assets	25,088,094	30,242,139
EQUITY		
Contributed equity	70,243,996	70,243,996
Reserves	1,418,365	1,237,524
Accumulated losses	(46,724,681)	(41,414,557)
Parent interests	24,937,680	30,066,963
Minority interests	150,414	175,176
Total equity	25,088,094	30,242,139

STATEMENT OF CASH FLOWS

Half-year ended 31 December 2006

	Consolidated	
	Half-year ended 31 December 2006	Half-year ended 31 December 2005
	\$	\$
Cash flows used in operating activities		
Receipts from customers	3,281,267	6,214,329
Payments to suppliers and employees	(5,796,861)	(9,284,225)
Other income	537,362	200,547
Interest received	289,195	429,105
Borrowing costs	(51,829)	(58,159)
Net cash flows used in operating activities	<u>(1,740,866)</u>	<u>(2,498,403)</u>
Cash flows used in investing activities		
Purchase of property, plant and equipment	(122,708)	(70,597)
Net cash flows used in investing activities	<u>(122,708)</u>	<u>(70,597)</u>
Cash flows used in financing activities		
Repayment of finance lease principal	(247,515)	(213,862)
Advances to third parties	(83,293)	-
Net cash flows used in financing activities	<u>(330,808)</u>	<u>(213,862)</u>
Net decrease in cash and cash equivalents	(2,194,382)	(2,782,862)
Cash and cash equivalents at the beginning of the period	11,885,247	18,414,017
Net foreign exchange difference	(179,238)	58,031
Cash and cash equivalents at the end of the period	<u><u>9,511,627</u></u>	<u><u>15,689,186</u></u>

STATEMENT OF CHANGES IN EQUITY

Half-year ended 31 December 2006

	Contributed equity	Reserves	Accumulated losses	Parent interests	Minority interests	Total equity
	\$	\$	\$	\$	\$	\$
At 1 July 2005	70,235,396	708,462	(33,425,145)	37,518,713	164,526	37,683,239
Movements for the period						
Currency translation differences	-	58,031	-	58,031	-	58,031
Total income and expense for the period recognised directly in equity	-	58,031	-	58,031	-	58,031
Income/(loss) for the period	-	-	(3,072,831)	(3,072,831)	7,183	(3,065,648)
Total income/(expense) for the period	-	58,031	(3,072,831)	(3,014,800)	7,183	(3,007,617)
Issue of ordinary shares	8,600	-	-	8,600	-	8,600
Share-based payments	-	250,877	-	250,877	-	250,877
Net movements for the period	8,600	308,908	(3,072,831)	(2,755,323)	7,183	(2,748,140)
At 31 December 2005	70,243,996	1,017,370	(36,497,976)	34,763,390	171,709	34,935,099
At 1 July 2006	70,243,996	1,237,524	(41,414,557)	30,066,963	175,176	30,242,139
Movements for the period						
Currency translation differences	-	13,218	-	13,218	-	13,218
Total income and expense for the period recognised directly in equity	-	13,218	-	13,218	-	13,218
Income/(loss) for the period	-	-	(5,310,124)	(5,310,124)	(24,762)	(5,334,886)
Total income/(expense) for the period	-	13,218	(5,310,124)	(5,296,906)	(24,762)	(5,321,668)
Share-based payments	-	167,623	-	167,623	-	167,623
Net movements for the period	-	180,841	(5,310,124)	(5,129,283)	(24,762)	(5,154,045)
At 31 December 2006	70,243,996	1,418,365	(46,724,681)	24,937,680	150,414	25,088,094

NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS

Half-year ended 31 December 2006

NOTE 1: Summary of significant accounting policies

The Half-Year Financial Report does not include all notes of the type normally included within the Annual Financial Report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full Financial Report.

The Half-Year Financial Report should be read in conjunction with the Annual Financial Report of Genetic Technologies Limited as at 30 June 2006, which was prepared based on Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards (“AIFRS”).

It is also recommended that the Half-Year Financial Report be considered together with any public announcements made by Genetic Technologies Limited and its controlled entities during the half-year ended 31 December 2006 in accordance with continuous disclosure obligations arising under the Corporations Act 2001.

The same accounting policies and methods of computation have been followed in the interim financial report for the half-year ended 31 December 2006 as compared to the annual financial report for the year ended 30 June 2006. New or amended Australian Accounting Standards and Interpretations that were applicable to the Company from 1 July 2006 did not have any impact on the interim financial report for the half-year ended 31 December 2006.

Basis of accounting and statement of compliance

The Half-Year Financial Report is a general-purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001, and complies with applicable Accounting Standards including *AASB 134 “Interim Financial Reporting”* and other mandatory professional requirements.

The Half-Year Financial Report has been prepared on an historical cost basis, except for investments classified as available-for-sale that have been measured at fair value. For the purpose of preparing the Half-Year Financial Report, the half-year has been treated as a discrete reporting period.

	Consolidated	
	Half-year ended 31 December 2006	Half-year ended 31 December 2005
	\$	\$
NOTE 2: Revenues and expenses		
Loss before income tax expense includes the following revenues and expenses whose disclosure is relevant in explaining the performance of the entity:		
Revenues		
License fees received	235,166	3,095,855
Royalties and annuities received	1,515,983	1,272,290
Rendering of testing services	1,503,999	1,310,458
Grant income	481,689	444,883
Interest received	292,189	449,471
Net foreign exchange gains	-	135,854
Other income	14,504	3,827
Total revenues	4,043,530	6,712,638

	Consolidated	
	31 December 2006	30 June 2006
	\$	\$
NOTE 2: Revenues and expenses (cont.)		
Expenses		
Administrative expenses	(356,434)	(424,003)
Amortisation	(2,047,902)	(2,054,677)
Depreciation	(290,699)	(330,507)
Employee benefits expenses	(2,495,277)	(2,600,610)
Insurance	(147,580)	(182,017)
Legal and patent expenses	(365,759)	(1,080,928)
Marketing and promotion expenses	(359,421)	(248,374)
Net foreign exchange losses	(229,724)	-
Rent and outgoings	(256,322)	(243,082)
Research and development expenses	(793,569)	(665,812)
Royalties, license fees and commissions	(156,864)	(24,527)
Share-based payments expense	(167,623)	(250,877)
Testing supplies and services	(1,221,446)	(999,361)
Travel and accommodation	(262,936)	(236,451)
Withholding tax	(98,243)	(245,016)
Other expenses	(128,617)	(192,044)
Total expenses	(9,378,416)	(9,778,286)

NOTE 3: Dividends paid and proposed

No dividends were paid during the half-year ended 31 December 2006 and no dividends were proposed.

NOTE 4: Segment reporting
Business segments

The following table presents the revenue and loss information regarding business segments for the half-years ended 31 December 2006 and 31 December 2005, respectively.

Segment	Biotechnology		Investment		Consolidated	
	2006	2005	2006	2005	2006	2005
Half-year ended 31 December	\$	\$	\$	\$	\$	\$
Segment revenue						
Sales	3,255,148	5,678,603	-	-	3,255,148	5,678,603
Other revenues	496,193	584,564	292,189	449,471	788,382	1,034,035
Total segment revenue	<u>3,751,341</u>	<u>6,263,167</u>	<u>292,189</u>	<u>449,471</u>	<u>4,043,530</u>	<u>6,712,638</u>
Segment result	<u>(5,587,689)</u>	<u>(3,539,793)</u>	<u>252,803</u>	<u>474,145</u>	<u>(5,334,886)</u>	<u>(3,065,648)</u>

NOTE 5: Contingent assets and liabilities

On 12 December 2005, the Company announced that it had reached a final settlement of its patent dispute with Applera Corporation. As part of the settlement, the parties had executed a number of binding agreements, including a supply agreement, pursuant to which Applera agreed to supply the Company with certain Applera equipment and reagents which the Company uses in its genetic testing business. The total value of these credits was \$8,547,500, comprising equipment credits to the value of \$4,602,500 and reagent credits to the value of \$3,945,000. During the period ended 31 December 2006, the Company had drawn down equipment and reagents under the supply agreement with a total of \$1,254,386. Accordingly, as at 31 December 2006, the Company had a contingent asset representing remaining credits available to it with a total value of \$7,293,114.

The Group has been notified of a number of native title claims under the Commonwealth Native Title Act, 1993, covering exploration tenements in the North Laverton Joint Venture in Western Australia in which the Group has a direct equity interest. Until further information regarding the claims and the affected area becomes available, the Group will not be in a position to assess the likely effect, if any, of any claim. However, the Directors expect that existing exploration will not be materially affected by any claim or the claims in aggregate. Further, in respect of the North Laverton Joint Venture, the Company has been advised that potential rehabilitation works on the tenements held by the Joint Venture may one day be required. The estimated amount of this contingent liability which may be payable by the Company is in the order of \$120,000 as at balance date.

Apart from the above, there have been no changes to the contingent assets and liabilities which were disclosed in the Company's Financial Report for the year ended 30 June 2006.

NOTE 6: Events after the balance sheet date

On 26 February 2007, Mr. David Carruthers was appointed as a Director of the Company.

Apart from the above, there were no events which have occurred after balance sheet date.

DIRECTORS' DECLARATION

In accordance with a resolution of the Directors of Genetic Technologies Limited, I state that:

In the opinion of the Directors:

- (a) the financial report and notes of the consolidated entity are in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the Group's financial position as at 31 December 2006 and of their performance for the half-year ended on that date of the consolidated entity; and
 - (ii) complying with Accounting Standard *AASB 134 "Interim Financial Reporting"* and the *Corporations Regulations 2001*; and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

On behalf of the Board

HENRY BOSCH AO
Non-Executive Chairman

Melbourne, 26 February 2007

To the members of Genetic Technologies Limited

Report on the Half-Year Consolidated Condensed Financial Report

We have reviewed the accompanying half year financial report of Genetic Technologies Limited and the entities it controlled during the half year, which comprises the balance sheet as at 31 December 2006, and the condensed income statement, statement of changes in equity and cash flow statement for the period ended on that date, other selected explanatory notes and the directors' declaration.

Directors' Responsibility for the Half Year Consolidated Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2006 and its performance for the half year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001* and other mandatory financial reporting requirements in Australia. As the auditor of Genetic Technologies Limited and the entities it controlled during the half year ended 31 December 2006, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half year consolidated financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the Directors' Report.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the interim financial report of Genetic Technologies Limited and the entities it controlled during the half year ended 31 December 2006, is not in accordance with:

- (a) the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2006 and of its performance for the half year ended on that date; and
 - (ii) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*; and
- (b) other mandatory financial reporting requirements in Australia.


Ernst & Young



A. J. Pititto
Partner
Melbourne
26 February 2007