



GENETIC TECHNOLOGIES LIMITED

A.B.N. 17 009 212 328

Quarterly Activities Report
and
Appendix 4C of the ASX Listing Rules
for the quarter ended
30 June 2006

GENETIC TECHNOLOGIES LIMITED

QUARTERLY ACTIVITIES REPORT FOR THE QUARTER ENDED 30 JUNE 2006

GENETIC TESTING

Family relationships. GTG's paternity and relationship testing services business continued to deliver revenues during the June quarter in line with the Group's growth forecasts for the 2006 financial year. The Company announced during the quarter that it had entered into a relationship through which its paternity testing services will be provided in China. This relationship is expected to provide further growth in the Company's paternity business. In addition, during the quarter, the Company was awarded a contract with Legal Aid Queensland for the provision of paternity testing services. The Company is also continuing to explore other expansion opportunities for its paternity business.

Medical diagnostics. In late June 2006, the Company received formal NATA accreditation for its human medical diagnostics business. This is a significant achievement which has enabled the Company to roll out a range of services to the public health system in Australia and New Zealand.

The Company also announced that it had reached an agreement with Analytical Reference Laboratories (ARL) through which a range of GTG genetic tests will be offered across ARL's client base. The Company is now also in discussions with a number of other parties for the provision of similar genetic testing services across third party client bases, increasing the reach of GTG's genetic testing services.

Forensics. During the quarter, the Company commenced the provision of DNA analysis services to the NSW Police pursuant to the contract executed in April 2006. To date, the provision of these services has proceeded according to plan and budget. It is hoped that as a result of this trial, NSW Police will assess the benefits of outsourcing positively and seek tenders for a longer term contract for the provision of DNA analysis services. GTG also remains in discussions with other State-based police forces for the provision of similar DNA analysis services.

Animals. The Company's canine testing program continues to be actively promoted by GTG's staff to a range of stakeholders including dog breeders and vets. The recent agreement with Optigen, pursuant to which GTG is able to provide a wide range of exclusive genetic tests, has significantly improved the profile of GTG's canine genetic testing business. This is expected to grow as GTG continues to market its expanded testing capabilities.

The Company also recently announced it has been awarded NATA accreditation for the provision of canine forensic services. GTG is the only laboratory in Australia to receive such accreditation which enables GTG to market its canine forensic services to local councils across Australia, the principal parties responsible for prosecutions in relation to dog attacks.

GTG is continuing its discussions with a number of industry groups to expand the range of genetic trait tests that the Company can offer to sheep and cattle farmers. These discussions are expected to increase the market use of parentage and genetic trait tests across the Australian livestock industry, particularly as more and more genetic traits are discovered for attributes that increase the value of individual animals.

Sports performance. GTG continues to examine ways to expand the distribution of its proprietary ACTN3 SportsGene Test™, including in Europe. The Company is currently focussing on developing a panel of tests that compliment the ACTN3 SportsGene Test™ to broaden the target market. It is expected that this panel will be marketed through GTG's recent partnership with ARL.

LICENSING

The June quarter saw GTG continue to focus its licensing efforts on rebuilding the momentum of its licensing program, following the favourable resolution of the patent dispute with Applera Corporation in December 2005. As a result, during the period under review, further licenses to the Company's non-coding technology were granted to Optigen LLC of New York, Bovigen LLC of Louisiana and Innogenetics NV of Belgium.

GTG also announced the appointment of a fourth licensing firm during the quarter to further expand the GTG licensing program. As announced, the firm of Doralt Seist Csoklich in Vienna, Austria has now been appointed to focus on new licensing opportunities in the German speaking countries of Germany, Austria and Switzerland.

All four licensing firms are now actively pursuing new licensing opportunities for GTG, supported by GTG. In addition, GTG itself is also now actively following up other leads, which had been put on hold during the law suit.

RESEARCH AND DEVELOPMENT

RareCollect®. RareCollect® is a program designed to develop a widely applicable, non-invasive, pre-natal genetic test based on the successful isolation of foetal cells from maternal blood. Developments over the past quarter have resulted in the initiation of a clinical trial at a leading Melbourne hospital and discussions have been initiated on further trials in Melbourne and possibly in China. These significant developments will facilitate ongoing discussions with various parties who have expressed interest in supporting the RareCollect® project.

ImmunAid. The ImmunAid project seeks to improve the efficiency of treatments for cancer and chronic diseases such as AIDS. Results from all cancer patients who have been tested in Australia have supported the principles behind the project. This has resulted in the preparation of ethics approval applications for terminal patients in two Australian hospitals. In addition, the first terminal melanoma patients have been recruited for a trial in a major international research hospital. Further experiments are underway in Australia which are directed at demonstrating the ImmunAid principles in patients suffering from a broader range of cancers. These advances should further increase the rate of product development and the overall value of the project.

PGGP. Research is continuing in relation to the program which seeks to discover new drug targets for the control of intestinal parasitic diseases in livestock. The agreement has been finalised with Meat and Livestock Australia Limited for a grant for \$970,000 which commenced in July 2006. The project has been extended to include a collaboration with a highly specialised chemical group at the Newcastle University. An agreement has also been finalised for the researchers to develop chemicals to inhibit the quality potential drug target which was recently identified. It is planned to incorporate this data into a further project patent application.

C.Y. O'Connor. Programs include research into diagnostics for bone marrow typing, typing of human diseases and of selected traits in sheep and dogs continued at the C.Y. O'Connor ERADE Village Foundation in W.A. Preliminary data suggests that it may be possible to differentiate the mild and severe forms of a disease resulting in age-related blindness. Early diagnosis of the severe form may enable early intervention. A patent application has been lodged which will protect these developments. Considerable progress has also recently been made characterising potential diagnostic regions of the human DNA outside the tissue typing areas and a provisional patent application has been drafted. Finally, during the quarter, the Company lodged an application for substantial funding for this project from independent third parties.

RESEARCH AND DEVELOPMENT (cont.)

King's College London. Work focusing on the identification of polymorphisms of potential diagnostic use in a range of human diseases continued at King's College London. During the period, work was undertaken to characterise the genetic variation which could significantly increase the risk of an individual developing cocaine addiction or dependence. The genetic variations identified by the work are located in the non-coding regions of the genome and GTG owns the patents covering these discoveries which GTG also has world-wide exclusive rights to commercialise. Further work continues.

Patents. During the period, the following changes occurred in the Company's growing patent estate:

- Two provisional patent applications for RareCollect were converted into full applications.
- National filings were made for the ImmunAid patent "Method Therapy" in Australia, Brazil, Canada, China, Europe, Israel, Japan, Mexico, New Zealand, Russia, Singapore, Ukraine and USA.

CORPORATE MATTERS

Changes to capital structure. During the period from 1 April 2006 up to the date of this Report, the Company issued a total of 1,450,000 options to employees. Each option entitles the holder to acquire one ordinary share in the Company at prices ranging from \$0.40 to \$0.46 each for periods of up to six years from the date of issue, subject to certain vesting restrictions. Further, during the same period, a total of 1,230,000 existing options expired unexercised.

As at the date of this Report, there was a total of 362,389,899 ordinary shares on issue and 15,277,500 unlisted options over ordinary shares in the Company, with exercise prices ranging from \$0.38 to \$0.70.

Gtech International Resources Limited. As advised in previous reports, the Company continues to investigate potential opportunities for Gtech International Resources Limited, the Canadian-listed company in which GTG holds a 75.8% direct equity interest. As at 30 June 2006, Gtech held cash reserves of approximately A\$597,000.

Signed on behalf of Genetic Technologies Limited

Dated this 28th day of July, 2006.

DR. MERVYN JACOBSON
Chief Executive Officer

Appendix 4C

Quarterly report for entities admitted on the basis of commitments

Introduced 31/3/2000. Amended 30/9/2001, 24/10/2005.

Name of entity

GENETIC TECHNOLOGIES LIMITED

ABN

17 009 212 328

Quarter ended ("current quarter")

30 JUNE 2006

Consolidated statement of cash flows

	Current quarter (June 2006) \$A	Year to date (twelve months) \$A
Cash flows related to operating activities		
1.1 Receipts from customers	1,399,338	8,935,359
1.2 Payments for (a) staff costs	(1,176,936)	(4,893,003)
(b) advertising and marketing	(91,065)	(433,846)
(c) research and development	(584,993)	(1,305,316)
(d) leased assets	(144,575)	(519,584)
(e) other working capital	(1,371,056)	(8,725,789)
1.3 Dividends received	-	-
1.4 Interest and items of a similar nature received	271,656	925,523
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other (provide details if material)	-	-
Net operating cash flows	(1,697,631)	(6,016,656)

+ See chapter 19 for defined terms.

Appendix 4C
Quarterly report for entities
admitted on the basis of commitments

Consolidated statement of cash flows (cont.)

	Current quarter (June 2006) \$A	Year to date (twelve months) \$A
1.8 Net operating cash flows (carried forward)	(1,697,631)	(6,016,656)
Cash flows related to investing activities		
1.9 Payment for the acquisition of:		
a) businesses (item 5)	-	-
b) equity investments	-	-
c) intellectual property	-	-
d) physical non-current assets	(132,644)	(241,160)
e) other non-current assets	-	-
1.10 Proceeds from the disposal of:		
a) businesses (item 5)	-	-
b) equity investments	-	-
c) intellectual property	-	-
d) physical non-current assets	4,469	4,469
e) other non-current assets	-	-
1.11 Loans to other entities	-	-
1.12 Loans repaid by other entities	-	-
1.13 Other (provide details if material)	-	-
Net investing cash flows	(128,175)	(236,691)
1.14 Total operating and investing cash flows	(1,825,806)	(6,253,347)
Cash flows related to financing activities		
1.15 Proceeds from the issue of shares	-	-
1.16 Proceeds from sale of forfeited shares	-	-
1.17 Proceeds from borrowings	-	-
1.18 Repayment of borrowings	-	-
1.19 Dividends paid	-	-
1.20 Repayment of finance lease principal	(117,256)	(450,892)
Net financing cash flows	(117,256)	(450,892)
Net increase (decrease) in cash held	(1,943,062)	(6,704,239)
1.21 Cash at beginning of quarter/year to date	13,737,719	18,414,017
1.22 Exchange rate adjustments	78,781	163,660
1.23 Cash at end of quarter	11,873,438	11,873,438

+ See chapter 19 for defined terms.

Payments to directors of the entity and associates of the directors
Payments to related entities of the entity and associates of the related entities

		Current quarter \$A
1.24	Aggregate amount of payments to the parties included in item 1.2	266,423
1.25	Aggregate amount of loans to the parties included in item 1.11	-

1.26 Explanation necessary for an understanding of the transactions

The amount included at Item 1.24 includes \$149,642 in consulting fees, Directors' fees, superannuation and salaries paid to Directors and entities associated with Directors during the quarter. The amount also includes rental and outgoings of \$116,781 for the Melbourne laboratory premises paid to an entity associated with a Director.

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

None.

2.2 Details of outlays made by other entities to establish or increase their share in businesses in which the reporting entity has an interest

The Company has a 17.45% minority interest in the Duketon Belt Joint Venture in Western Australia. No cash was contributed by the Company during the quarter.

Financing facilities available

Add notes as necessary for an understanding of the position. (See AASB 1026 paragraph 12.2).

		Amount available \$A	Amount used \$A
3.1	Loan facilities	-	-
3.2	Credit standby arrangements Hire purchase facility	2,500,000	1,673,982

+ See chapter 19 for defined terms.

Appendix 4C
Quarterly report for entities
admitted on the basis of commitments

Reconciliation of cash

Reconciliation of cash at the end of the quarter
(as shown in the consolidated statement of cash flows)
to the related items in the accounts is as follows:

	Current quarter (June 2006) \$A	Previous quarter (March 2006) \$A
4.1 Cash on hand and at bank	9,585,254	3,088,310
4.2 Deposits at call	2,288,184	7,477,098
4.3 Bank overdraft	-	-
4.4 Commercial Bills of Exchange	-	3,172,311
Total cash at end of quarter (item 1.23)	11,873,438	13,737,719

Acquisitions and disposals of business entities

	Acquisitions (Item 1.9(a))	Disposals (Item 1.10(a))
5.1 Name of entity	Not applicable	Not applicable
5.2 Place of incorporation or registration		
5.3 Consideration for acquisition or disposal		
5.4 Total net assets		
5.5 Nature of business		

Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act (except to the extent that information is not required because of note 2) or other standards acceptable to ASX.
- 2 This statement does give a true and fair view of the matters disclosed.

Sign here: Date: **28 July 2006**
Chief Executive Officer

Print name: **Dr. Mervyn Jacobson**

+ See chapter 19 for defined terms.

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
2. The definitions in, and provisions of, *AASB 1026: Statement of Cash Flows* apply to this report except for the paragraphs of the Standard set out below.
 - 6.2 - reconciliation of cash flows arising from operating activities to operating profit or loss
 - 9.2 - itemised disclosure relating to acquisitions
 - 9.4 - itemised disclosure relating to disposals
 - 12.1(a) - policy for classification of cash items
 - 12.3 - disclosure of restrictions on use of cash
 - 13.1 - comparative information
3. **Accounting Standards.** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

+ See chapter 19 for defined terms.