



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 2007

GENETIC TECHNOLOGIES LIMITED

QUARTERLY ACTIVITIES REPORT FOR THE QUARTER ENDED 30 JUNE 2007

PRELIMINARY FINANCIAL RESULTS FOR 2007

On 27 July 2007, the Company released to the Australian Securities Exchange an announcement containing certain unaudited financial information in respect of the financial year ended 30 June 2007. Specifically, the Company advised that, for the first time in its history, it had generated net positive cash flows from operating activities in the year just ended.

As detailed in the attached ASX Appendix 4C, the total cash receipts from operations and interest for the 2007 year exceeded \$15 million, with consolidated net cash inflows from operations of approximately \$2.6 million. These figures compare favourably to those for the previous financial year which delivered total cash receipts of \$8.5 million and a net cash deficit from operations of almost \$6.0 million.

This significant turnaround was driven by a 70% increase in licensing revenue and a 23% increase in revenue from genetic testing, whilst operating cash costs incurred during the year generally remained in line with the previous year.

It should be noted that the following figures, which have been prepared in accordance with accounting standards applicable in Australia, are yet to be audited and may therefore be subject to change.

| | 2007 (unaudited) | 2006 (actual) | Change from prior year |
|-----------------------------------|-----------------------------|--------------------------|-------------------------------|
| Revenue from licensing activities | \$11,340,000 | \$6,685,248 | Increase of 70% |
| Revenue from testing activities | \$3,120,000 | \$2,550,221 | Increase of 23% |
| Net cash flow from operations | \$2,620,000 | \$(5,957,322) | Increase of \$8.6 million |
| Cash reserves | \$13,780,000 | \$11,885,247 | Increase of 16% |

The Company believes that the positive results for the 2007 financial year just ended validate the strategies now being pursued by GTG and provide a sound platform for further growth and expansion in the 2008 financial year.

LICENSING

On 26 June 2007, the Company announced it had granted a license to its non-coding patents to Monsanto Company, a company based in St. Louis, Missouri, USA. As reported, GTG and Monsanto had settled their past disagreements and Monsanto was granted a license to GTG's non-coding patents for its work in plants. The parties also agreed to explore further ways in which they might work together. Further, Monsanto paid GTG US\$5 million as part of this settlement.

On 2 July 2007, the Company announced it had granted a license to its non-coding patents to Thermo Fisher Scientific Inc., a company based in Waltham, Massachusetts, USA. Full commercial terms of the license granted to Thermo Fisher were covered by confidentiality and could not be disclosed, but it was reported that Thermo Fisher had paid GTG US\$1.2 million on 29 June 2007. These licensing negotiations were led for GTG by its CEO, Dr. Mervyn Jacobson, supported by Mr. Michael DeSanctis, a partner in the Denver-based law firm of Hamilton, DeSanctis and Cha. This firm was recently appointed an additional licensing contractor to GTG in USA.

GENETIC TESTING

Medical diagnostics. While the June quarter saw the Medical Diagnostics division record its highest revenue for the 2007 financial year, revenue for the quarter under review was below budget. Since achieving NATA/ISO accreditation of the Medical Diagnostics Laboratory in late June 2006, the Company has succeeded in its initiatives to secure sample referrals for complex gene testing from research groups and also publicly funded familial cancer clinics. Overall, this resulted in the division exceeding budget expectations for the full financial year.

GENETIC TESTING (cont.)

Family relationships. Revenues generated by GTG's paternity and relationship testing services business for the quarter under review fell short of budget. Sales were affected by price discounting from competitors as well as the entry of another NATA accredited provider into the market place. Several marketing initiatives had been instigated to try and recapture this loss of market share. It is expected that the results of these activities will be seen over the course of the new financial year.

Forensics. In late June 2007, GTG commenced a three-month trial together with the City of Port Phillip for the use of a forensic kit to collect samples, following attacks by dangerous dog. The launch attracted substantial media interest and GTG has now been approached by other councils in New South Wales and Queensland, to similarly launch the kit in their respective states.

Animals. During the June quarter, the Company's canine testing business performed well and the Company continues to develop, optimise and launch new tests in this specialised field. GTG is also in continuing discussions with overseas parties regarding the addition of further tests to offer. The Company's sheep and cattle parentage testing business was adversely affected by the drought and a decision was taken to sell this business to Catapult Genetics, based in Brisbane. This sale was completed at the end of June.

Sports performance. GTG is currently in discussions with numerous groups regarding the out-licensing of the intellectual property rights behind the ACTN3 SportsGene Test[®] in various territories around the world. The Company's focus at present is on negotiating licenses in the key commercial markets of United States, Europe and Asia.

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. Initial trials were conducted at the Women's and the Children's hospitals involving a total of 150 patients, most of whom were women with a high rate of susceptibility to trisomic diseases due to family histories and were therefore termination patients. These trials demonstrated that the RareCollect technique provided an accuracy equivalent to traditional, more invasive, techniques. A further trial, seeking to isolate foetal cells by other new techniques, is also being planned. Meanwhile, early discussions with potential commercial partners began during the quarter under review.

ImmunAid. The ImmunAid project seeks to improve the efficiency of treatments for cancer and certain chronic diseases, such as AIDS. Results from cancer patients tested in Australia and USA have now provided support for the ImmunAid concept, based on the belief there is a cycling immune response in such patients. Independent trials in the USA and Australia have continued to confirm the existence of such a cycle, in patients with various types of cancer. Ethics approval applications for intervention trials in Australia, similar to those conducted in USA, will be submitted in the coming quarter. Discussions have also been initiated with parties in relation to future commercialisation strategies. Further to the conference presentation by ImmunAid in Canada in April 2007, additional oncologists in Australia and the USA are now initiating their own clinical trials, based on the ImmunAid cycle.

Pathogens. Research is continuing in relation to the pathogens program which seeks to discover new drug targets for the control of intestinal parasitic diseases in livestock, in collaboration with the Universities of Melbourne and Newcastle. The project is further supported by a grant of \$970,000 from Meat and Livestock Australia Limited ("MLA"). Researchers have identified two new classes of chemicals that kill the two major species of parasitic worms infecting sheep. This data has been incorporated into two project provisional patent applications that were lodged in November 2006. During the past quarter, a second US-based animal health pharmaceutical company has expressed interest in the project. Confidentiality and Material Transfer Agreements have been exchanged and a second batch of chemicals will now be sent to USA, for testing within various parasite systems. MLA is delighted with the progress of this project and is considering proffering additional funds for its support.

**RESEARCH AND DEVELOPMENT (cont.)**

Genomic Matching Technique. Research continues at the C.Y. O'Connor ERADE Village Foundation in W.A. in relation to new concepts in genetic testing, including: (1) identification of disease associations; (2) improved diagnostics for bone marrow transplantation; (3) the identification of aggressive breeds of dogs; (4) new tests to improve productivity in aquaculture; and (5) software to assist in genetic analysis. A further application for substantial funding for this project from the Commercial Ready scheme was submitted during the past quarter but was unsuccessful. Analysis of results from a large number of samples from patients suffering the mild and severe forms of a disease resulting in blindness (age-related macular degeneration) together with age-matched controls have undergone initial assessment to demonstrate there may be a correlation between the various forms of the disease. A major activity during the quarter has been to expand this aspect of the project, with a large amount of data from three laboratories now undergoing analysis. Projects at GTG have also been initiated on new applications of CYO IP in forensics and in animal diagnostics. There is also an opportunity to apply the proprietary technology to increase the success rate of kidney transplants in cats - a procedure that has grown considerably in the US, is very expensive, but still has a relatively low success rate.

CORPORATE MATTERS

Appointment of Strategic Advisor to the Board. On 23 April 2007, the Company announced the appointment of Dr. Ian Nisbet as Strategic Advisor to the Board.

CEO Succession Plan. On 29 March 2007, the Company announced that the Founder and Chief Executive Officer of GTG, Dr. Mervyn Jacobson, had informed the Board that, as he had now reached the age of 65, he believed the Company should activate an orderly succession plan. Dr. Jacobson would thus retire as CEO, once an appropriate successor has been appointed. The Board has now retained the services of an executive recruitment firm to conduct an appropriate search in Australia and overseas for a new CEO and, as at the date of this Report, this search continues. Dr. Jacobson would continue to actively support the Company's licensing programme even after such an appointment.

Changes to Capital Structure. During the period from 1 April 2007 till the date of this Report, there were no changes to the Company's capital structure, meaning there are now 362,389,899 ordinary shares on issue. During the same period, a total of 1,300,000 unlisted options over ordinary shares in the Company were cancelled. Accordingly, as at the date of this Report, there are 12,577,500 unlisted options outstanding, with exercise prices ranging from \$0.38 to \$0.70.

Sale of shares in XY, Inc. During the quarter under review, the Company disposed of its entire direct equity interest in XY, Inc., a company based in Fort Collins, Colorado, USA. The Company received a total of US\$274,418 (\$332,709) as a result of the sale.

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 2007, Gtech held cash reserves of approximately A\$511,000.

Signed on behalf of Genetic Technologies Limited

Dated this 31st day of July, 2007.

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 2007

Consolidated statement of cash flows

| | Current quarter (June 2007) \$A | Year to date (twelve months) \$A |
|---|---------------------------------------|--|
| Cash flows related to operating activities | | |
| 1.1 Receipts from customers | 9,210,757 | 14,541,427 |
| 1.2 Payments for | | |
| (a) staff costs | (1,190,043) | (4,662,240) |
| (b) advertising and marketing | (52,990) | (472,373) |
| (c) research and development | (817,709) | (2,022,971) |
| (d) leased assets | (134,790) | (537,335) |
| (e) other working capital | (996,828) | (4,753,775) |
| 1.3 Dividends received | - | - |
| 1.4 Interest and items of a similar nature received | 107,084 | 489,825 |
| 1.5 Interest and other costs of finance paid | (19,988) | (90,873) |
| 1.6 Income taxes paid | - | - |
| 1.7 Grant and other income | 61,024 | 131,128 |
| Net operating cash flows | 6,166,517 | 2,622,813 |

+ 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 2007) \$A | Year to date (twelve months) \$A |
|--|---------------------------------------|--|
| 1.8 Net operating cash flows (carried forward) | 6,166,517 | 2,622,813 |
| 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 | (11,347) | (158,699) |
| e) other non-current assets | - | - |
| 1.10 Proceeds from the disposal of: | | |
| a) businesses (item 5) | - | - |
| b) equity investments | 332,709 | 332,709 |
| c) intellectual property | - | - |
| d) physical non-current assets | - | - |
| 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 | 321,362 | 174,010 |
| 1.14 Total operating and investing cash flows | 6,487,879 | 2,796,823 |
| 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 Advances made to third parties | 7,215 | (80,000) |
| 1.19 Dividends paid | - | - |
| 1.20 Repayment of finance lease principal | (128,632) | (502,505) |
| Net financing cash flows | (121,417) | (582,505) |
| Net increase (decrease) in cash held | 6,366,462 | 2,214,318 |
| 1.21 Cash at beginning of quarter/year to date | 7,494,379 | 11,885,247 |
| 1.22 Exchange rate adjustments | (77,091) | (315,815) |
| 1.23 Cash at end of quarter | 13,783,750 | 13,783,750 |

+ 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 | 244,598 |
| 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 \$127,475 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 \$117,123 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 16.36% 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 | 1,632,868 |

+ 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 2007) \$A | Previous quarter (March 2007) \$A |
|---|---------------------------------------|---|
| 4.1 Cash on hand and at bank | 11,303,764 | 5,070,147 |
| 4.2 Deposits at call | 2,479,986 | 2,424,232 |
| 4.3 Bank overdraft | - | - |
| 4.4 Commercial Bills of Exchange | - | - |
| Total cash at end of quarter (item 1.23) | 13,783,750 | 7,494,379 |

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: **31 July 2007**
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.