



# 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 2008**

# GENETIC TECHNOLOGIES LIMITED

## QUARTERLY ACTIVITIES REPORT FOR THE QUARTER ENDED 30 JUNE 2008

### OPERATIONS SUMMARY

Unaudited revenues from operations for the year ended 30 June 2008 were around \$15.0 million. The testing revenues component of almost \$4.0 million represented an increase of more than 27% on the preceding financial year and reflected management's focus on growing sustainable recurring income from this aspect of the business. Overall, total revenues for 2008, including interest received, were approximately \$15.9 million, an increase of nearly 4% on the previous year due to additional testing business and interest income offsetting a reduction in licensing income.

Positive net cash flows from operations for the year ended 30 June 2008 were approximately \$470,000, the second consecutive year that the Company has generated positive cash from operations. Overall, the Company's cash reserves were nearly \$13.4 million at year end.

The Company strengthened its board with the appointment of Dr. Leanne Rowe AM as a non-executive director during the June quarter and made some key appointments to its executive management team. These appointments are designed to assist the Company with its next phase of development as it moves forward with a new strategic plan. A key element of the strategic plan will be to continue to build the DNA service testing business into a long term growth opportunity through a process of organic and M&A related initiatives.

To support this plan, the Company restructured its operations during the June quarter to improve operational efficiency and to focus its activities on key growth prospects. To ensure that the Company maximises the value from its non-coding DNA patents, it has started to explore options to partner with firms that are expert in the field of patent licensing and management.

Other highlights for the quarter included a solid performance in the area of forensics testing. We are pleased to report that following our first full quarter of supplying DNA testing services to the NSW Police that we have consistently met the required performance targets. Another important highlight has been the continued growth in our canine DNA testing business which grew 44% over last financial year, including sales into Japan and China. The Company is also encouraged by a 24% increase in Medical genetic testing and the excellent progress it has made in terms of service delivery.

As part of the new strategy to expand ongoing service revenue, the Company completed the acquisition of Frozen Puppies Dot Com Pty. Ltd. ("FPDC") on 22 July 2008. Based in Calga, NSW, FPDC uses a proprietary system of canine semen collection, freezing and artificial insemination to significantly improve conception rates and litter sizes. This system enables FPDC to consistently deliver conception rates of over 90%. FPDC also provides an online frozen semen bank of pre-assessed, quality canine semen as well as an import/export service for breeders from around the world. As Australia's foremost provider of canine reproductive services, FPDC is a good fit with GTG's suite of canine DNA testing services. The Company is confident that this acquisition will provide it with a number of opportunities for growth in Australia / New Zealand and other key Asian markets in which GTG is planning to expand its canine related products and services (see below for further details regarding this acquisition).



## **CORPORATE MATTERS**

On 16 April 2008, Dr. Leanne Rowe AM was appointed as a Director of the Company.

On 22 July 2008, an Agreement was executed between GTG and Frozen Puppies Dot Com Pty. Ltd. ("FPDC") pursuant to which GTG acquired 100% of the issued share capital of FPDC in return for the issue to the FPDC shareholders of 12,254,902 ordinary shares in GTG and the payment of \$153,160 in cash. In other key terms of the acquisition, GTG advanced \$346,840 in loan funds to FPDC to enable shareholder loans to be repaid and Employment Agreements were executed between GTG and the five principals of FPDC.

During the period from 1 April 2008 to the date of this Report, the Company issued a total of 12,254,902 ordinary shares in part consideration for the acquisition of Frozen Puppies Dot Com Pty. Ltd. (see above). Voluntary Restriction Agreements were executed with all former FPDC shareholders and, as a result, 80% of the 12,254,902 GTG shares issued are subject to voluntary escrow and will be released from escrow in four equal tranches after the expiration of 6, 12, 18 and 24 months from the date of the issue, respectively, being 22 July 2008. Following the above issue of shares, the Company's issued capital increased, with a total of 374,644,801 ordinary shares on issue as at the date of this Report.

During the same period, a total of 1,000,000 unlisted options over ordinary shares in the Company were granted to employees of GTG and a total of 1,600,000 options that had previously been granted to former employees were cancelled. Accordingly, as at the date of this Report, there were 11,175,602 unlisted options outstanding, with exercise prices ranging from \$0.13 to \$0.53.

**Signed on behalf of Genetic Technologies Limited**

---

MICHAEL B. OHANESSIAN  
*Chief Executive Officer*

Dated this 31<sup>st</sup> day of July, 2008

# 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 2008**

### Consolidated statement of cash flows

	Current quarter (June 2008) \$A	Year to date (twelve months) \$A
<b>Cash flows related to operating activities</b>		
1.1 Receipts from customers	<b>1,279,033</b>	<b>12,761,724</b>
1.2 Payments for		
(a) staff costs	<b>(1,116,108)</b>	<b>(5,084,826)</b>
(b) advertising and marketing	<b>(120,032)</b>	<b>(258,742)</b>
(c) research and development	<b>(450,000)</b>	<b>(1,150,000)</b>
(d) leased assets	-	-
(e) other working capital	<b>(2,216,282)</b>	<b>(7,054,292)</b>
1.3 Dividends received	-	-
1.4 Interest and items of a similar nature received	<b>404,039</b>	<b>919,446</b>
1.5 Interest and other costs of finance paid	<b>(18,684)</b>	<b>(66,763)</b>
1.6 Income taxes paid	-	-
1.7 Grant and other income	<b>382,292</b>	<b>401,994</b>
<b>Net operating cash flows</b>	<b>(1,855,742)</b>	<b>468,541</b>

+ 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 2008) \$A	Year to date (twelve months) \$A
1.8 Net operating cash flows (carried forward)	<b>(1,855,742)</b>	<b>468,541</b>
<b>Cash flows related to investing activities</b>		
1.9 Payment for the acquisition of:		
a) businesses (item 5)	-	-
b) equity investments	-	-
c) intellectual property	-	-
d) physical non-current assets	<b>(22,398)</b>	<b>(129,942)</b>
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	<b>22,073</b>	<b>77,732</b>
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)	-	-
<b>Net investing cash flows</b>	<b>(325)</b>	<b>(52,210)</b>
<b>1.14 Total operating and investing cash flows</b>	<b>(1,856,067)</b>	<b>416,331</b>
<b>Cash flows related to financing activities</b>		
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	-	-
1.19 Dividends paid	-	-
1.20 Repayment of finance lease principal	<b>(22,522)</b>	<b>(530,877)</b>
<b>Net financing cash flows</b>	<b>(22,522)</b>	<b>(530,877)</b>
<b>Net increase (decrease) in cash held</b>	<b>(1,878,589)</b>	<b>(114,546)</b>
1.21 Cash at beginning of quarter/year to date	<b>15,317,239</b>	<b>13,783,750</b>
1.22 Exchange rate adjustments	<b>(67,879)</b>	<b>(298,433)</b>
1.23 <b>Cash at end of quarter</b>	<b>13,370,771</b>	<b>13,370,771</b>

+ 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	<b>322,699</b>
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 \$101,291 paid in consulting fees, bonuses, commissions, Directors' fees, superannuation and salaries to Directors and entities associated with Directors during the quarter. The amount also includes rental and outgoings of \$125,483 for the Melbourne laboratory premises paid to an entity associated with a Director and fees amounting to \$79,936 in relation to advisory services provided by a Company associated with another 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 an approximate 14.66% minority interest in the North Laverton 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	<b>2,500,000</b>	<b>298,197</b>

+ 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 2008) \$A	Previous quarter (March 2008) \$A
4.1 Cash on hand and at bank	<b>5,490,842</b>	<b>2,599,172</b>
4.2 Term deposits	<b>7,879,929</b>	<b>12,718,067</b>
4.3 Bank overdraft	-	-
4.4 Commercial Bills of Exchange	-	-
<b>Total cash at end of quarter</b> (item 1.23)	<b>13,370,771</b>	<b>15,317,239</b>

**Acquisitions and disposals of business entities**

	Acquisitions (Item 1.9(a))	Disposals (Item 1.10(a))
5.1 Name of entity	<b>Not applicable</b>	<b>Not applicable</b>
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 2008**  
*Chief Executive Officer*

Print name: **Michael B. Ohanessian**

---

+ 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.