



# **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 September 2006**

# GENETIC TECHNOLOGIES LIMITED

## QUARTERLY ACTIVITIES REPORT FOR THE QUARTER ENDED 30 SEPTEMBER 2006

### GENETIC TESTING

**Family relationships.** GTG's paternity and relationship testing services business continued to deliver revenues during the September quarter in line with the Group's budget forecasts for the 2007 financial year. The Company is currently investigating a number of initiatives designed to expand the business and capitalise on its market leading position. These include offshore opportunities and diversifying the use of DNA for identification purposes across a broader range of commercial applications.

**Medical diagnostics.** Revenues from the Company's medical diagnostics division exceeded budget projections for the quarter, as a result of increased marketing activities following the receipt of formal NATA accreditation. The Company is continuing to negotiate with the public health system to secure long term contracts for the provision of genetic testing services.

**Forensics.** During the quarter, the Company successfully completed a contract for the provision of DNA analysis services to NSW Police. It is hoped that, as a result of this trial, NSW Police will positively assess the benefits of outsourcing and seek tenders for a longer term contract for the provision of DNA analysis services. Feedback received by the Company on its performance under the contract has been extremely positive. On the basis of this trial, the Company has initiated a number of discussions with other state-based police forces for the provision of DNA analysis services.

**Animals.** The Company's canine testing program has exceeded budget expectations, primarily as a result of increased marketing efforts and the introduction of a range of disease tests secured under an arrangement with Optigen LLC of the United States. The Company is continuing to explore licensing opportunities under which GTG secures exclusive access to disease and trait tests which it can then offer in Australia.

As a result of the Company receiving NATA accreditation for the provision of canine forensic services, the Company is now pursuing a number of opportunities to assist in implementing systems for the forensic identification of dogs involved in dog attacks. It is hoped that these systems will result in the widespread use of DNA in identifying and registering dogs across Australia.

GTG is also continuing discussions with a number of industry groups to expand the range of genetic trait tests that the Company can offer to the livestock industry. The Company is examining a number of potential acquisitions and strategic partnerships that could potentially deliver a greater market share. These discussions are expected to increase the market use of parentage and genetic trait tests across the Australian livestock industry, particularly as a greater number of genetic traits are discovered for attributes that increase individual animal value.

**Sports performance.** GTG continues to examine ways to expand the distribution of its proprietary ACTN3 SportsGene Test®, including the introduction of a panel of tests aimed at professional sports people. GTG is also in discussions with a number of parties through which GTG could secure distribution rights for a range of personalised medicine tests, a market that is expected to increase significantly in the future.

### LICENSING

Since the end of the 2006 financial year, the Company has continued 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. GTG now has five licensing teams, including one in-house team, now actively pursuing new licensing opportunities for the Company. Several parties have recently expressed interest in securing licenses from GTG and precise terms are now being finalised.

## **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. The first samples from termination patients have been analysed and the technology subsequently improved. Discussions on further trials have resulted in the submission of an ethics approval application, with trials planned to start in February 2007. 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. The ethics approval applications for treating terminal patients in two Australian hospitals are being reviewed. In addition, the first terminal melanoma patient treated in a major international research hospital has shown a significant remission of his melanoma cancer and of the metastases in his liver and lung. Further experiments are underway in Australia directed at demonstrating the ImmunAid principles in patients suffering from a broader range of cancers. Discussions have also been initiated with various parties in relation to potential commercialisation strategies. These advances should substantially increase the value and rate of product development.

**Pathogens.** Research is continuing in relation to the 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. Researchers have identified a new class of chemicals that kill the two major species of parasitic worms infecting sheep. This data has been incorporated into a further project patent application. Meat and Livestock is keen for the Company to visit the major animal health chemical companies to investigate their interest in commercialising these new chemicals.

**Genomic Matching Technique.** Programs including research into diagnostics for bone marrow typing, typing of human diseases and of selected traits in sheep and dogs continue to be developed at the C.Y. O'Connor ERADE Village Foundation in W.A. A large number of samples from patients suffering the mild and severe forms of a disease resulting in age-related blindness together with age-matched controls and has been assayed. The analysis is underway to determine whether it may be possible to differentiate the pathology. Early diagnosis of the severe form may enable early intervention. A patent application has been lodged which will protect these developments. Characterising potential diagnostic regions of the human DNA outside the tissue typing areas continues. An initial application for substantial funding for this project from independent third parties has been resubmitted, taking into account the comments made by the assessment committee.

**Addictive States.** Work focusing on the identification of polymorphisms of potential diagnostic use in a range of human diseases continued at King's College, London. Work is continuing 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 right to commercialise.

**Patents.** During the period, a provisional patent covering the C.Y. O'Connor Advanced Macular Disease diagnostic was filed.



## **CORPORATE MATTERS**

**Resignation of Director.** On 23 August 2006, Professor Deon Venter resigned as a Director of the Company.

**Annual General Meeting.** The Annual General Meeting of the shareholders of the Company will be held at **11.00 am on Friday, 17 November 2006** at the following address:

**“Treetops”  
Melbourne Museum,  
11 Nicholson Street,  
Carlton Vic. 3053  
Australia**

Documents relating to the Meeting, including the Notice, Proxy and a copy of the Company's 2006 Annual Report were distributed to all shareholders on 17 October 2006.

**Changes to capital structure.** During the period from 1 July 2006 up to the date of this Report, there were no changes to the capital structure of the Company. As such, 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 September 2006, Gtech held cash reserves of approximately A\$575,000.

**Signed on behalf of Genetic Technologies Limited**

Dated this 26<sup>th</sup> day of October, 2006.

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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 SEPTEMBER 2006**

### Consolidated statement of cash flows

	Current quarter (September 2006) \$A	Year to date (three months) \$A
<b>Cash flows related to operating activities</b>		
1.1 Receipts from customers	<b>2,513,667</b>	<b>2,513,667</b>
1.2 Payments for (a) staff costs	<b>(1,182,423)</b>	<b>(1,182,423)</b>
(b) advertising and marketing	<b>(322,705)</b>	<b>(322,705)</b>
(c) research and development	<b>(690,613)</b>	<b>(690,613)</b>
(d) leased assets	<b>(132,885)</b>	<b>(132,885)</b>
(e) other working capital	<b>(957,046)</b>	<b>(957,046)</b>
1.3 Dividends received	-	-
1.4 Interest and items of a similar nature received	<b>148,241</b>	<b>148,241</b>
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other (provide details if material)	<b>105,722</b>	<b>105,722</b>
<b>Net operating cash flows</b>	<b>(518,042)</b>	<b>(518,042)</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 (September 2006) \$A	Year to date (three months) \$A
1.8 Net operating cash flows (carried forward)	<b>(518,042)</b>	<b>(518,042)</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>(67,533)</b>	<b>(67,533)</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	-	-
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>(67,533)</b>	<b>(67,533)</b>
<b>1.14 Total operating and investing cash flows</b>	<b>(585,575)</b>	<b>(585,575)</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 Repayment of borrowings	-	-
1.19 Dividends paid	-	-
1.20 Repayment of finance lease principal	<b>(119,354)</b>	<b>(119,354)</b>
<b>Net financing cash flows</b>	<b>(119,354)</b>	<b>(119,354)</b>
<b>Net increase (decrease) in cash held</b>	<b>(704,929)</b>	<b>(704,929)</b>
1.21 Cash at beginning of quarter/year to date	<b>11,885,247</b>	<b>11,885,247</b>
1.22 Exchange rate adjustments	<b>(25,203)</b>	<b>(25,203)</b>
1.23 <b>Cash at end of quarter</b>	<b>11,155,115</b>	<b>11,155,115</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>269,120</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 \$137,500 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 \$131,620 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	<b>2,500,000</b>	<b>1,592,538</b>

+ See chapter 19 for defined terms.

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

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**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 (September 2006) \$A	Previous quarter (June 2006) \$A
4.1 Cash on hand and at bank	<b>8,788,922</b>	<b>9,597,060</b>
4.2 Deposits at call	<b>2,366,193</b>	<b>2,288,187</b>
4.3 Bank overdraft	-	-
4.4 Commercial Bills of Exchange	-	-
<b>Total cash at end of quarter (item 1.23)</b>	<b>11,155,115</b>	<b>11,885,247</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: **26 October 2006**  
*Chief Executive Officer*

Print name: **Dr. Mervyn Jacobson**

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+ 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.

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