



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 2007

GENETIC TECHNOLOGIES LIMITED

QUARTERLY ACTIVITIES REPORT FOR THE QUARTER ENDED 30 SEPTEMBER 2007

LICENSING

During the quarter under review, revenues generated from the Company's licensing program exceeded \$5.6 million. This figure, which was significantly ahead of budget, compared favourably to the revenues generated from licensing during the entire 2007 financial year of \$11.3 million. A summary of the three new licenses granted since 30 June 2007 are provided below.

- On 29 August 2007, the Company announced it had granted a further license to its non-coding patents to Monsanto Company, a company based in St. Louis, Missouri, USA, this time for application of the patents to swine. As reported, GTG had previously granted a first license to Monsanto for applications in plants. In respect of this second license, Monsanto made a cash payment to GTG of US\$1 million on 28 August 2007.
- On 1 October 2007, the Company announced it had granted a license to its non-coding patents to Syngenta Crop Protection AG, headquartered in Basel, Switzerland. Syngenta is a large plant and seed company, active in more than 90 countries, and with more than 19,000 employees. The license granted by GTG to Syngenta is specifically related to Syngenta's activities in plants. In respect of this license, Syngenta made a cash payment to GTG of US\$3.5 million on 28 September 2007. The parties have also agreed to pursue a collaborative relationship together, with the non-coding license being just the first step.
- On 4 October 2007, the Company announced it had granted a license to its non-coding patents to Biosearch Technologies Inc., located in Novato, California, USA. Whereas the precise business terms are covered by confidentiality, it can be disclosed that this license will permit Biosearch to distribute certain DNA structures, known as oligos or probes, to end users, worldwide, for research purposes only. The total consideration payable to GTG for this license will be just under A\$1 million.

GENETIC TESTING

During the quarter under review, revenues generated from the Company's genetic testing operations were approximately \$925,000. This figure, which was some 36% ahead of budget, compared favourably to the revenues generated from the genetic testing division during the entire 2007 financial year of \$3.12 million. A brief summary of the activities of each division are provided below.

Medical diagnostics. The September quarter saw the revenues generated by the Medical Diagnostics division exceed budget, as sample referrals for complex gene tests, from research groups and publicly funded familial cancer clinics, continued to be strong throughout the quarter. Referring clinicians have shown active interest in our new product offering of express breast and ovarian cancer predisposition gene testing, which is being used to assist with the clinical management of patients.

Family relationships. Revenues generated by GTG's paternity and relationship testing services division for the quarter under review were materially ahead of budget. Revenues have grown steadily as the Company regains some of the market share it lost due to price discounting by competitors.

Animals. During the quarter, the canine testing division grew strongly and revenues are ahead of budget. The Company has now employed additional marketing staff in NSW and is assessing further initiatives to expand this important and growing business.

Forensics and sports performance. There were no significant developments during the quarter.



RESEARCH AND DEVELOPMENT

RareCollect®. RareCollect® is a program designed to develop a widely applicable, non-invasive method for the isolation of foetal cells from the mother at an early stage of the pregnancy. The methodology will replace the currently used invasive methods such as amniocentesis which is associated with a low but significant risk of miscarriage. It is planned to use these cells for a number of pre-natal genetic tests, including those currently performed, but the cells can be also used for a number of additional tests for diseases which cannot currently be conducted. Using samples of cervical mucous obtained from patients undergoing an elective termination of their pregnancy, we have developed new and improved methods where foetal cells can be consistently isolated and enriched for use in subsequent genetic tests. These recent developments have facilitated ongoing discussions with various commercial parties who have already expressed an interest to support the project.

ImmunAid. The ImmunAid project seeks to improve the efficiency of treatments for cancer and chronic diseases such as AIDS. Results from cancer patients tested in both Australia and USA have further supported the ImmunAid discovery, namely the existence of a cycling immune response in cancer and HIV patients. As a consequence, the ImmunAid discovery was presented at the *Cancer Research Institute International Cancer Immunotherapy Symposia Series* in New York and at the international *Potent New Anti-Tumor Immunotherapies* meeting in Canada, with a great deal of interest being expressed by several of the world's leading scientists who attended the conferences. It is anticipated that several collaborations will eventuate from these interactions. The scientists are particularly interested in how C-reactive protein ("CRP") may be used as a surrogate biomarker for immune response and regulation and plan to introduce these measurements in their own patients. Independent trials in the USA using the immune cycle to determine the optimal timing for intervention have progressed during the past quarter.

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 researchers at the Universities of Melbourne and Newcastle. The project is further supported by a grant of \$970,000 from Meat and Livestock Australia Limited ("MLA"). Our collaborating 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. As reported last quarter, a major animal health company tested the first collection of chemicals protected by the patents. Whilst there were some positive results received, the concentrations of the chemicals needed to obtain the positive results were too high for that company to continue with the collaboration. However, using the information regarding the structure of the chemicals that did work and those that did not, a new collection of chemicals has now been synthesised and are to be tested in the near future by a second animal health pharmaceutical company who has expressed interest in the project. Of note, during the past quarter, we have learned that, together with the collaborators at the University of Newcastle, we have been awarded a grant for \$750,000 over three years starting January 2008. The award is from the Australian Research Council and its receipt is a considerable credit to the participants in the project. This award will facilitate the chemistry behind the project and facilitate the progress in the synthesis of new candidates.



GENETIC TECHNOLOGIES LIMITED

Quarterly Activities Report for the
quarter ended 30 September 2007

RESEARCH AND DEVELOPMENT (cont.)

Genomic Matching Technique. Research continues at the C.Y. O'Connor ERADE Village Foundation in Western Australia in relation to new concepts in genetic testing, including: (1) identification of disease associations, e.g. blindness in humans; (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) new software to assist in genetic analysis. The collaboration has recently been extended to include Dr. Paul Baird, Head, Ocular Genetics, at the Centre for Eye Research Australia. The analysis of the results from a large number of samples contributed to the project by Dr. Baird from patients suffering the mild and severe forms of a disease resulting in blindness (called age-related macular degeneration) together with age-matched controls have undergone an initial assessment. The analysis demonstrated that there may be a correlation between the various forms of the disease and genetic markers. The samples have subsequently been the focus of further research during the past quarter and the extensive results that were obtained are undergoing analysis.

CORPORATE MATTERS

Financial Report. On 30 August 2007, the Company released its audited Financial Report for the year ended 30 June 2007 which revealed that, for the first time in its history, the Company generated positive cash flows from its operations.

Appointment of Chief Executive Officer. On 24 September 2007, Mr. Michael B. Ohanessian was appointed as Chief Executive Officer of the Company. Mr. Ohanessian replaced Dr. Mervyn Jacobson who was appointed as a Non-Executive Director of the Company on that date. Dr. Jacobson continues to serve the Company as head of its licensing program.

Annual General Meeting. On 15 October 2007, the Company released to the Market its final 2007 Annual Report and Notice for the 2007 Annual General Meeting. The AGM will be held at **11.00 am on Wednesday, 21 November 2007**. Copies of both documents are available on the Company's website: www.gtq.com.au

Changes to capital structure. During the period from 1 July 2007 until the date of this Report, there were no changes to the Company's issued capital, with 362,389,899 ordinary shares now on issue. During the same period, a total of 3,650,602 options were granted to Mr. Ohanessian and 550,000 unlisted options over ordinary shares in the Company were cancelled. Accordingly, as at the date of this Report, there are 15,678,102 unlisted options outstanding, with exercise prices ranging from \$0.17 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 2007, Gtech held cash reserves of approximately A\$512,000.

Signed on behalf of Genetic Technologies Limited

MICHAEL B. OHANESSIAN
Chief Executive Officer

Dated this 24th day of October, 2007.

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 2007

Consolidated statement of cash flows

	Current quarter (September 2007) \$A	Year to date (three months) \$A
Cash flows related to operating activities		
1.1 Receipts from customers	6,308,384	6,308,384
1.2 Payments for		
(a) staff costs	(1,349,312)	(1,349,312)
(b) advertising and marketing	(42,429)	(42,429)
(c) research and development	(250,000)	(250,000)
(d) leased assets	-	-
(e) other working capital	(2,267,858)	(2,267,858)
1.3 Dividends received	-	-
1.4 Interest and items of a similar nature received	176,573	176,573
1.5 Interest and other costs of finance paid	(16,663)	(16,663)
1.6 Income taxes paid	-	-
1.7 Grant and other income	-	-
Net operating cash flows	2,558,695	2,558,695

+ 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 2007) \$A	Year to date (three months) \$A
1.8 Net operating cash flows (carried forward)	2,558,695	2,558,695
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	(7,720)	(7,720)
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	1,268	1,268
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	(6,452)	(6,452)
1.14 Total operating and investing cash flows	2,552,243	2,552,243
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	-	-
1.19 Dividends paid	-	-
1.20 Repayment of finance lease principal	(130,946)	(130,946)
Net financing cash flows	(130,946)	(130,946)
Net increase (decrease) in cash held	2,421,297	2,421,297
1.21 Cash at beginning of quarter/year to date	13,783,750	13,783,750
1.22 Exchange rate adjustments	70,622	70,622
1.23 Cash at end of quarter	16,275,669	16,275,669

+ 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	263,171
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 \$126,650 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 \$136,521 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 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	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 (September 2007) \$A	Previous quarter (June 2007) \$A
4.1 Cash on hand and at bank	13,757,615	11,303,764
4.2 Deposits at call	2,518,054	2,479,986
4.3 Bank overdraft	-	-
4.4 Commercial Bills of Exchange	-	-
Total cash at end of quarter (item 1.23)	16,275,669	13,783,750

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: **24 October 2007**
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.