



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 2009

GENETIC TECHNOLOGIES LIMITED

QUARTERLY ACTIVITIES REPORT FOR THE QUARTER ENDED 30 SEPTEMBER 2009

OPERATIONS

Cash receipts from customers during the quarter ended 30 September 2009 were \$1.97 million. Revenues from the Company's profiling and medical testing areas continue to perform ahead of budget expectations, whilst revenues from the animal testing and reproductive services businesses fell below budget due primarily to delays incurred in the establishment of new facilities in Baulkham Hills (New South Wales), Devon Meadows (Victoria) and Chuwar (Queensland). It is anticipated that these facilities will commence operations during the December quarter, generating additional revenues that will assist the Company to meet its budgeted forecasts for the first half of the 2010 financial year.

Encouragingly, cost containment initiatives implemented during the year resulted in a positive variance of more than \$700,000 in operational costs incurred by the Company during the September quarter as compared to budget.

Though no new licenses were granted by the Company during the quarter under review, the cash generated by that division from the beginning of the financial year up to the date of this report has now exceeded \$1.35 million. Various negotiations with new parties who may benefit from taking a license to the Company's non-coding technology continue in earnest.

LICENSING AND IP

The Company's intellectual property portfolio continues to strengthen, with 99 patents having now been granted and a further 68 which are pending.

On 30 June 2009, the Company announced that it had been notified by the United States Patent and Trademark Office that a first non-final Office Action relating to one of the Company's patents covering one of its non-coding DNA analysis technologies had been issued. Seven of the thirty six claims of United States Patent number 5,612,179 ('179) are the subject of the re-examination. This initial action is preliminary and non-final. GTG has since filed a response to the action and is awaiting further correspondence. As the re-examination has been initiated *ex parte*, there is no third party to the proceedings. The '179 patent has previously been the subject of several US infringement actions, all resulting in settlement, including one with Applera Corporation on undisclosed terms following a successful Markman claim construction hearing.

RESEARCH AND DEVELOPMENT

The Company's three research programs have all met their respective milestones this year, progressing further towards commercialisation.

- A pilot study by the Company's RareCollect project demonstrated the ability to recover whole foetal cells and DNA from cervical mucus, preparing the way for an upcoming Phase Ia clinical study using a novel prototype device and proprietary genetic material enrichment process. If successful, the RareCollect process could eliminate the need for invasive and potentially risky procedures for pregnant such as amniocentesis. Pleasing progress has more recently been made in the foetal DNA enrichment part of the RareCollect process. A review of the regulatory path to market has been conducted by a large international Contract Research Organisation, allowing accurate scoping of future costs and time lines to market. Approaches to and discussions with large health sector players have been commenced and are expected to continue through the coming quarter.

RESEARCH AND DEVELOPMENT (cont.)

- As announced on 9 June 2009, results received from an ImmunAid trial conducted in the USA delivered encouraging suggestive data, supporting the hypothesis of improved response rates via timed therapeutic interventions in chronic disease states. Further studies are now in the planning phase and early stage commercial discussions with a number of potential commercial and institutional partners continue. A review of the regulatory path to market has been conducted by a large international Contract Research Organisation and a scoping process for a definitive proof of concept trial to be conducted by GTG or a partner group is under way by the same group.
- A number of compounds developed under a joint venture program with Meat & Livestock Australia have proved successful *in vitro* in killing parasites of ruminants such as sheep and cattle. These compounds have attracted commercial interest from a number of large animal health companies and commercial discussions regarding their commercialisation are ongoing.

CORPORATE MATTERS

On 5 October 2009, the Company announced the appointment of Dr. Malcolm Brandon as a fourth Director of the Company and a member of the Company's Audit Committee. He has spent his career in the biotech and life sciences sector where he has over 35 years experience in commercially focused research and development and in building successful companies which have commercialised a wide range of Australian and international technologies. As the founding director of the Centre for Animal Biotechnology, Dr. Brandon was also responsible for fund raising and the development of many important agricultural technologies and products. He was co-founder and Director of Stem Cell Sciences Ltd. and Smart Drug Systems Inc. and is currently the Managing Director of genetics and artificial animal breeding company Clone International which uses cloning technologies to breed elite cattle, sheep and horses and to preserve the genetics of elite animals.

Also since 1 July 2009, the Company has made several senior appointments, bolstering the ranks and experience of its senior management team. The new Vice President Sales and Marketing is Greg McPherson, an experienced sales and marketing executive with achievements in health, consumer and B2B marketing, including at Symbion Health. Alison Mew, the Company's new Chief Operating Officer, is a highly credentialed operations and general manager with significant experience, including a number of years at CSL, in the production, quality and regulatory management of internationally marketed vaccines, pharmaceuticals and diagnostic products. Finally, David Sparling's background in life sciences, law and intellectual property as well as his experience in public company management makes him ideally suited to his new role as Vice President Legal and Corporate Development. Together with the existing team, this new management group now constitutes a senior leadership team with the experience and ability to expand the Company's operations to become a regionally dominant business.

On 9 October 2009, the Company released its 2009 Annual Report, together with its 2009 Notice of Annual General Meeting, which will be held at the following time and address:

10.00 am on Wednesday, 25 November 2009 at

"Treetops"
Melbourne Museum,
11 Nicholson Street,
Carlton, Victoria 3053

Signed on behalf of Genetic Technologies Limited

DR. PAUL D.R. MacLEMAN
Chief Executive Officer

Dated this 29th day of October, 2009

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 2009

Consolidated statement of cash flows

	Current quarter (September 2009) \$A	Year to date (three months) \$A
Cash flows related to operating activities		
1.1 Receipts from customers	1,965,420	1,965,420
1.2 Payments for		
(a) staff costs	(1,676,133)	(1,676,133)
(b) advertising and marketing	(64,197)	(64,197)
(c) research and development	(90,105)	(90,105)
(d) leased assets	-	-
(e) other working capital	(1,856,486)	(1,856,486)
1.3 Dividends received	-	-
1.4 Interest and items of a similar nature received	69,335	69,335
1.5 Interest and other costs of finance paid	(24,291)	(24,291)
1.6 Income taxes paid	-	-
1.7 Grant and other income	572,128	572,128
Net operating cash flows	(1,104,329)	(1,104,329)

+ 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 2009) \$A	Year to date (three months) \$A
1.8 Net operating cash flows (carried forward)	(1,104,329)	(1,104,329)
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	(18,058)	(18,058)
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) joint venture interest	-	-
1.11 Loans to other entities	-	-
1.12 Loans repaid by other entities	-	-
1.13 Other (provide details if material)	-	-
Net investing cash flows	(18,058)	(18,058)
1.14 Total operating and investing cash flows	(1,122,387)	(1,122,387)
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 from third parties	-	-
1.19 Dividends paid	-	-
1.20 Repayment of finance lease principal	(47,651)	(47,651)
Net financing cash flows	(47,651)	(47,651)
Net increase / (decrease) in cash held	(1,170,038)	(1,170,038)
1.21 Cash at beginning of quarter / year to date	7,826,902	7,826,902
1.22 Exchange rate adjustments	(21,169)	(21,169)
1.23 Cash at end of quarter	6,635,695	6,635,695

+ 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	161,324
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 \$46,325 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 \$114,999 for the Melbourne laboratory premises paid to an entity associated with a former 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

None

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	435,792

+ 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:

- 4.1 Cash on hand and at bank
- 4.2 Term deposits
- 4.3 Bank overdraft
- 4.4 Commercial Bills of Exchange
- Total cash at end of quarter** (item 1.23)

Current quarter (September 2009) \$A	Previous quarter (June 2009) \$A
2,617,708	3,076,902
4,017,987	4,750,000
-	-
-	-
6,635,695	7,826,902

Acquisitions and disposals of business entities

- 5.1 Name of entity
- 5.2 Place of incorporation or registration
- 5.3 Consideration for acquisition or disposal (note)
- 5.4 Total net assets
- 5.5 Nature of business

Acquisitions (Item 1.9(a))	Disposals (Item 1.10(a))
Not applicable	Not applicable

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: **29 October 2009**
Chief Executive Officer

Print name: **Dr. Paul D.R. MacLeman**

+ 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.