



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
31 December 2006

GENETIC TECHNOLOGIES LIMITED

QUARTERLY ACTIVITIES REPORT FOR THE QUARTER ENDED 31 DECEMBER 2006

GENETIC TESTING

Medical diagnostics. Revenues from the Company's medical diagnostics division continued to exceed budget projections for the quarter under review, to the point where the Company has now generated more revenue in the six months to December 2006, that it did in the full year to June 2006.

Family relationships. GTG's paternity and relationship testing services business generated total revenues for the quarter which were slightly behind budget. However, sales are expected to increase in accordance with budget following the Christmas break. Several marketing initiatives are planned for the first quarter 2007 which are expected to further increase sales.

Forensics. The Company is currently pursuing a number avenues for increasing its forensics work and is currently examining a number of opportunities in the animal sector. It is hoped that several announcements will be forthcoming during the next quarter.

Animals. The Company's canine testing program continues to perform well, with a number of new products and services to be launched in the near future. The Company is also in discussions with a number of overseas parties in this regard.

The Company's livestock business has been adversely affected by the drought which has impacted accordingly on revenue. However, expenditure in this area has been reduced and resources allocated to other testing areas which are experiencing growth.

Sports performance. GTG continues to examine ways to expand the distribution of its proprietary ACTN3 SportsGene Test[®]. More recently, the Company has entered into a number of licensing discussions which may result in the ACTN3 SportsGene Test[®] being licensed to a party in Europe and the United States.

LICENSING

On 4 December 2006, the Company announced that it granted a license to its non-coding patents to GENOSENSE Diagnostics GmbH, based in Vienna, Austria. The nine-year license covers the worldwide activities of GENOSENSE, a leading anti-aging and preventive genetic diagnostics company, in relation to human genetic diagnostics and analysis. The precise commercial terms of the license are covered by confidentiality.

In addition to the above, the Company continues 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 four 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. The trial has now been extended to obtain blood samples from pregnant women with a high rate of susceptibility to trisomic diseases due to family histories. The trial is designed to demonstrate the ability of the technology to detect these disorders from blood samples at a rate and accuracy equivalent to traditional, but more invasive, techniques. Ethics approval for these trials has already been obtained. Discussions regarding further trials aimed at demonstrating the safety of the RareCollect® technologies have resulted in the submission of an ethics approval application, which has undergone its first round of assessments, 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 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 Australia and USA have supported the principles behind the project. Independent trials in USA to determine the optimal timing for intervention are continuing. Further experiments in Australia directed at demonstrating the ImmunAid principles in different cancers are underway. Ethics approval applications for similar trials to those in USA are now being prepared in Australia for treating late-stage patients with various cancers. Discussions have also been initiated with various parties in relation to potential commercialisation strategies.

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. Initial discussions have been held with a leading animal health chemical company which has reviewed the provisional patent applications and expressed some interest to further explore the commercialising of these new chemicals. MLA is organising further visits with additional animal health chemical companies early in 2007.

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, 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. 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 now been assayed. Analysis is now underway to determine if it is possible to differentiate the pathology, on the basis that 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 human DNA outside the tissue typing areas is nearing completion with the aim of filing a provisional patent application early in 2007. An initial application for substantial funding for this project from independent third parties has been resubmitted, taking into account the initial 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, in order 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 will now evaluate the commercialisation possibilities of the discoveries made by the project, which are covered by patents now owned by the Company.

Patents. During the period, two provisional patents were lodged covering the novel classes of chemicals that are active against the major species of parasitic nematode of sheep and cattle.

CORPORATE MATTERS

Annual General Meeting. The Annual General Meeting of the shareholders of the Company was held on Friday, 17 November 2006. In respect of Resolution 2, regarding the re-election of Mr. Robert Edge, Mr. Edge advised the Company prior to the Meeting that he would not be seeking re-election and, accordingly, the resolution was withdrawn. As a result, he retired as a Director effective from the close of the Meeting. The Board expressed its profound appreciation to Mr. Edge for his service to the Board of the Company.

In respect of Resolution 3, regarding the adoption of the Remuneration Report, the resolution was passed on a show of hands.

The proxy votes received in respect of the three resolutions were as follows:

Description of Resolution	For	Against	Abstain	In favour of Chairman	In favour of others
1. Consideration of financial statements	N/A	N/A	N/A	N/A	N/A
2. Re-election of Mr. Robert Edge	9,699,782	16,602,555	594,000	16,866,567	164,173,954
3. Adoption of Remuneration Report	26,631,072	241,440	23,100	16,867,292	164,173,954

Changes to capital structure. During the period from 1 October 2006 up to the date of this Report, a total of 1,400,000 options over ordinary shares in the Company were cancelled. Apart from this, there were no changes to the capital structure of the Company during that period. As such, as at the date of this Report, there was a total of 362,389,899 ordinary shares on issue and 13,877,500 unlisted options over ordinary shares in the Company, with exercise prices ranging from \$0.38 to \$0.70.

US Annual Report. On 28 December 2006, the Company filed its 2006 Annual Report on Form 20-F with the US Securities and Exchange Commission ("SEC"). A complete copy of this comprehensive 115-page document can be downloaded either from the Company's website at www.gtg.com.au or from the SEC website at www.sec.gov.

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 31 December 2006, Gtech held cash reserves of approximately A\$510,000.

Signed on behalf of Genetic Technologies Limited

DR. MERVYN JACOBSON
Chief Executive Officer

Dated this 25th day of January, 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")

31 DECEMBER 2006

Consolidated statement of cash flows

	Current quarter (December 2006) \$A	Year to date (six months) \$A
Cash flows related to operating activities		
1.1 Receipts from customers	986,878	3,500,545
1.2 Payments for		
(a) staff costs	(1,167,396)	(2,349,819)
(b) advertising and marketing	(54,977)	(377,682)
(c) research and development	(532,294)	(1,222,907)
(d) leased assets	(136,690)	(269,575)
(e) other working capital	(1,092,048)	(2,049,094)
1.3 Dividends received	-	-
1.4 Interest and items of a similar nature received	140,955	289,196
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Grant and other income	431,640	537,362
Net operating cash flows	(1,423,932)	(1,941,974)

+ 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 (December 2006) \$A	Year to date (six months) \$A
1.8 Net operating cash flows (carried forward)	(1,423,932)	(1,941,974)
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	(54,044)	(121,577)
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)	-	-
Net investing cash flows	(54,044)	(121,577)
1.14 Total operating and investing cash flows	(1,477,976)	(2,063,551)
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	(83,293)	(83,293)
1.19 Dividends paid	-	-
1.20 Repayment of finance lease principal	(124,008)	(243,362)
Net financing cash flows	(207,301)	(326,655)
Net increase (decrease) in cash held	(1,685,277)	(2,390,206)
1.21 Cash at beginning of quarter/year to date	11,155,115	11,885,247
1.22 Exchange rate adjustments	41,789	16,586
1.23 Cash at end of quarter	9,511,627	9,511,627

+ 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	246,071
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 \$118,116 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 \$127,955 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	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 (December 2006) \$A	Previous quarter (June 2006) \$A
4.1 Cash on hand and at bank	7,107,796	9,597,060
4.2 Deposits at call	2,403,831	2,288,187
4.3 Bank overdraft	-	-
4.4 Commercial Bills of Exchange	-	-
Total cash at end of quarter (item 1.23)	9,511,627	11,885,247

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: **25 January 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.