



# 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 MARCH 2006**

# GENETIC TECHNOLOGIES LIMITED

## QUARTERLY ACTIVITIES REPORT FOR THE QUARTER ENDED 31 MARCH 2006

### GENETIC TESTING

**Family relationships.** GTG's paternity and relationship testing services business continued to deliver revenues during the March quarter in line with the Group's growth forecasts for the 2006 financial year. The Company is investigating a number of proposals to provide an accredited testing service to online resellers of paternity tests, including those based in overseas markets. The Company also explored an acquisition in the UK but, after appropriate due diligence, the Company declined to proceed with the purchase. Other overseas opportunities continue to be evaluated.

**Medical diagnostics.** The Company expects to receive formal notification during the June quarter of its NATA accreditation for its human medical diagnostics business. This will then permit the Company to roll out a range of services to the public health system in Australia.

The Company has continued to explore a number of partnerships that have the potential to deliver a significant increase in the number of human medical diagnostic tests performed by the Company. These include relationships in both Australia and Europe. The Company hopes to report on progress relating to these opportunities during the next quarter.

**Forensics.** As announced to the Australian Stock Exchange on 21 April 2006, the Company has been awarded a contract to supply NSW Police with DNA analysis services. Under the contract, GTG will provide services for an initial trial period of three months after which NSW Police will assess the benefits of outsourcing and then make a decision on seeking tenders for the awarding of a longer term contract for a period of one to five years. The contract represents the first major outsourcing contract in Australia to be awarded by a state based police department for the provision of DNA analysis services by a non-government laboratory. GTG also believes a significant opportunity exists for it to assist other policing authorities to expeditiously process a substantial backlog of DNA samples currently waiting to be processed by police departments and is in discussions with a number of these parties.

**Animals.** The Company's canine testing program continues to be actively promoted by GTG's staff to a range of stakeholders including dog breeders and vets. During the quarter, GTG announced a strategic alliance with MetaMorphix Inc., a US-based company that has developed a wide range of genetic trait tests. As part of this alliance, GTG is currently exploring the market for genetic tests that can differentiate between various breeds of dogs. These tests are likely to be of interest to authorities that have a requirement to identify dangerous dogs.

During the March quarter, GTG also announced it had executed a Memorandum of Understanding with Optigen LLC, a genetic testing company in USA, specialising in the development of new genetic tests for inherited diseases in dogs. Under the agreement, GTG will grant Optigen a non-exclusive license to the GTG non-coding patents for applications in dogs, and Optigen will grant GTG the exclusive right to offer and perform the complete range of Optigen genetic tests for diseases in dogs in the Asia-Pacific region. It is expected that the addition of the Optigen tests will substantially expand the already extensive range of genetic tests which GTG can now offer the canine industry.

GTG is continuing discussions with a number of industry groups to expand the range of genetic trait tests that the Company can offer to sheep farmers. Through the development of these trait tests, GTG is hopeful of continuing to expand the demand for sheep parentage tests. The strategic alliance with MetaMorphix also provided GTG with access to a wide range of genetic trait tests that are likely to be of interest to cattle breeders. The first of these relates to identifying breeding cattle that carry markers for cattle born without horns. GTG has also signed agreements with breed organisations to assist their members undertake the genetic testing of their breeding stock.

**Sports performance.** GTG continues to examine ways to expand the distribution of its proprietary ACTN3 SportsGene Test™, including in Europe. GTG is hopeful of announcing further distribution agreements in the first half of calendar 2006.

## LICENSING

The March quarter saw GTG focus its licensing efforts on rebuilding the momentum of its licensing programme, following the favourable resolution of the patent dispute with Applera Corporation in December 2005. As expected, cash receipts generated from licensing during the quarter under review were minimal. However, it is anticipated that this renewed activity, including the appointment of three additional independent licensing firms, will significantly expand the resources being applied to the Company's licensing effort and result in the securing of further licenses in the coming months.

As mentioned, GTG announced the appointment of three licensing firms during the quarter:

- PatentBridge LLC, located in Menlo Park, California to cover the U.S. west coast;
- Dickstein, Shapiro, Morin & Oshinsky LLP, located in Washington DC and New York City to cover the U.S. east coast; and
- London-based law firm of SJ Berwin LLP to support GTG's licensing programme in Europe.

All three firms are now actively pursuing new licensing opportunities for GTG, actively supported by GTG. GTG itself is also now actively following up other leads, which had been put on hold during the law suit.

## RESEARCH AND DEVELOPMENT

**RareCollect®.** RareCollect® is a program to develop a widely applicable, non-invasive, pre-natal genetic test based on the successful isolation of foetal cells from maternal blood. Discussions continued during the quarter with several parties, including a large reagent manufacturer, who have expressed interest in supporting the RareCollect® project. The project has now achieved some technical milestones that will facilitate these discussions.

**ImmunAid.** The ImmunAid project seeks to improve the efficiency of treatments for cancer and chronic diseases such as AIDS. During the period under review, monitoring continued of the initial melanoma patients enrolled in the clinical trial being conducted at the Austin Hospital in Victoria. In addition, a major international research hospital has recently gained ethics approval to conduct further trials and discussions have been initiated with a major cancer research institute with a view to conducting trials on the terminal cancer in which they specialise. These advances should increase the rate of product development and the overall value of the project. Further experiments are underway in Australia which have the potential to add further value to the ImmunAid project.

**PGGP.** Research is continuing in relation to the program which seeks to discover new drug targets for the control of intestinal parasitic diseases in livestock. One high quality potential drug target which was recently identified has been confirmed, which will result in a further patent application. Meat and Livestock Australia Limited has approved a grant application for \$970,000 to support the project based on these advances. Contracts and agreements are to be finalised for the collaboration to start in July.

**C.Y. O'Connor.** Programs including research into diagnostics for bone marrow typing, typing of human diseases and of selected traits in sheep and dogs continued at the C.Y. O'Connor ERADE Village Foundation in W.A. during the quarter. Discussions are being pursued with tissue typing experts who recently visited Melbourne for an international conference. Significant progress has also recently been made characterising potential diagnostic regions of the human DNA outside the tissue typing areas.

**King's College London.** Work focusing on the identification of polymorphisms of potential diagnostic use in a range of human diseases continued at King's College London. During the period, a UK news item reported that a significant breakthrough had been made by our team in understanding the genetic basis of cocaine addiction, quoting a scientific paper published by the prestigious PNAS. The report announced a genetic variation had been identified which could significantly increase the risk of an individual developing cocaine addiction or dependence. The discovery also validates the logic of a new basis for the design and use of novel drugs to treat cocaine abuse in the future. Importantly, this research was co-funded by GTG, the genetic variations identified are non-coding, new patents have just been filed on the relevance of these genetic variations to cocaine addition, and that GTG has secured world-wide exclusive rights to commercialise these new discoveries. Further work continues.

## **RESEARCH AND DEVELOPMENT (cont.)**

**Patents.** During the period, the following changes occurred in the Company's growing patent estate:

- The ImmunAid patent "A Retroviral Immunotherapy" was granted in Singapore.
- The Australian provisional patent "Methods of genetic analysis involving the amplification of complementary duplicons" arising from work at the C.Y. O'Connor ERADE Village in W.A. was converted to a full filing.
- The RareCollect patent "Identification of fetal DNA and fetal cell markers in maternal plasma or serum" was filed in Hong Kong.
- The PGGP patent "High resolution analysis of genetic variation within cryptosporidium parvum" was filed in Hong Kong.

## **CORPORATE MATTERS**

**Investor relations.** During the quarter, GTG executives visited New York City to make presentations to a number of large U.S. institutional investors who expressed interest to learn more about the Company and its activities. We are informed that some of these institutional investors have since expressed interest to take a position in GTG and discussions are continuing. Further, an investment banking firm, based in New York, has recently supplied GTG with an advance copy of their proposed report, which we have been invited to review for accuracy. This report demonstrates a pleasing understanding of our vision and our achievements, and we are told it will likely be released to the American market in the near future.

**Appointment to the Scientific Advisory Committee.** On 17 March 2006, the Company announced the appointment of Professor Norbert Bachl MD to its Scientific Advisory Committee. Professor Bachl is Dean of the Faculty of Sports Science and University Sports, and Head of the Department of Sport and Exercise Physiology, at the University of Vienna, Austria and also serves on multiple high-level sports committees.

**Changes to capital structure.** During the period from 1 January 2006 up to the date of this Report, the Company issued a total of 400,000 options to consultants. Each option entitles the holder to acquire one ordinary share in the Company at a price of \$0.45 each for periods of up to six years from the date of issue, subject to certain vesting restrictions.

As at the date of this Report, there was a total of 362,389,899 ordinary shares on issue and 15,057,500 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 31 March 2006, Gtech held cash reserves of approximately A\$592,000.

## **Signed on behalf of Genetic Technologies Limited**

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DR. MERVYN JACOBSON  
*Chief Executive Officer*

Dated this 24<sup>th</sup> day of April, 2006.

# 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 MARCH 2006**

### Consolidated statement of cash flows

	Current quarter (March 2006) \$A	Year to date (nine months) \$A
<b>Cash flows related to operating activities</b>		
1.1 Receipts from customers	<b>1,121,145</b>	<b>7,536,021</b>
1.2 Payments for (a) staff costs	<b>(1,253,051)</b>	<b>(3,716,067)</b>
(b) advertising and marketing	<b>(94,407)</b>	<b>(342,781)</b>
(c) research and development	<b>(307,056)</b>	<b>(720,323)</b>
(d) leased assets	<b>(131,927)</b>	<b>(375,009)</b>
(e) other working capital	<b>(1,380,088)</b>	<b>(7,354,733)</b>
1.3 Dividends received	-	-
1.4 Interest and items of a similar nature received	<b>224,762</b>	<b>653,867</b>
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other (provide details if material)	-	-
<b>Net operating cash flows</b>	<b>(1,820,622)</b>	<b>(4,319,025)</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 (March 2006) \$A	Year to date (nine months) \$A
1.8 Net operating cash flows (carried forward)	<b>(1,820,622)</b>	<b>(4,319,025)</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>(37,919)</b>	<b>(108,516)</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>(37,919)</b>	<b>(108,516)</b>
<b>1.14 Total operating and investing cash flows</b>	<b>(1,858,541)</b>	<b>(4,427,541)</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>(119,774)</b>	<b>(333,636)</b>
<b>Net financing cash flows</b>	<b>(119,774)</b>	<b>(333,636)</b>
<b>Net increase (decrease) in cash held</b>	<b>(1,978,315)</b>	<b>(4,761,177)</b>
1.21 Cash at beginning of quarter/year to date	<b>15,689,186</b>	<b>18,414,017</b>
1.22 Exchange rate adjustments to item 1.20	<b>26,848</b>	<b>84,879</b>
1.23 <b>Cash at end of quarter</b>	<b>13,737,719</b>	<b>13,737,719</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>268,911</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 \$151,788 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 \$117,123 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

**During the quarter, the Company acquired certain items of laboratory equipment with a total net value of \$641,664 pursuant to agreements with Applera Corporation. This acquisition did not involve any cash flows.**

**Also during the quarter, the Company financed other items of laboratory equipment with a total net value of \$81,444 via its existing facility with the National Australia Bank.**

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 18.11% 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 (March 2006) \$A	Previous quarter (December 2005) \$A
4.1 Cash on hand and at bank	<b>3,088,360</b>	<b>3,156,631</b>
4.2 Deposits at call	<b>7,477,048</b>	<b>7,383,572</b>
4.3 Bank overdraft	-	-
4.4 Commercial Bills of Exchange	<b>3,172,311</b>	<b>5,148,983</b>
<b>Total cash at end of quarter (item 1.23)</b>	<b>13,737,719</b>	<b>15,689,186</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: **24 April 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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