GENETIC TECHNOLOGIES LTD
Form 20-F
November 21, 2011
Table of Contents

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 20-F

o	**REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OF THE SECURITIES EXCHANGE ACT OF 1934**
	OR
x	**ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934** **For the fiscal year ended June 30, 2011**
	OR
o	**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
	OR
o	**SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

Date of event requiring this shell company report . . . . . .

For the transition period from to

Commission file number 0-51504

GENETIC TECHNOLOGIES LIMITED
(Exact name of Registrant as specified in its charter)

N/A
(Translation of Registrant s name into English)

AUSTRALIA
(Jurisdiction of incorporation or organization)

60-66 Hanover Street, Fitzroy, Victoria, 3065, Australia

Telephone: 011 61 3 8412 7000; Facsimile: 011 61 3 8412 7040
(Address of principal executive offices)

Thomas G. Howitt

Telephone: 011 61 3 8412 7050; Facsimile: 011 61 3 8412 7040

Email: tom.howitt@gtglabs.com

60-66 Hanover Street, Fitzroy, Victoria, 3065, Australia
(Name, Telephone, E-mail and/or Facsimile number and Address of Company Contact Person)

Securities registered or to be registered pursuant to Section 12(b) of the Act. **None**

Securities registered or to be registered pursuant to Section 12(g) of the Act.

American Depositary Shares each representing 30 Ordinary Shares
and evidenced by American Depositary Receipts
(Title of each Class)

Table of Contents

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act. **None**

Number of outstanding shares of each of the issuer s classes of capital or common stock as of the close of the period covered by the annual report.

404,605,152 Ordinary Shares

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

o Yes x No

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.

o Yes x No

Note Checking the box above will not relieve any registrant required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 from their obligations under those Sections.

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

x Yes o No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer o	Accelerated filer o	Non-accelerated filer x

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP o	International Financial Reporting Standards as issued by the International Accounting Standards Board x	Other o

If Other has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow.

o Item 17 o Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

o Yes x No

(APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY PROCEEDINGS DURING THE PAST FIVE YEARS)

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court.

o Yes o No

Table of Contents

TABLE OF CONTENTS

Item 1.	Identity of Directors, Senior Management and Advisers	2
Item 1.A	Directors and Senior Management	2
Item 1.B	Advisers	3
Item 1.C	Auditor	3
Item 2.	Offer Statistics And Expected Timetable	3
Item 3.	Key Information	3
Item 3.A	Selected Financial Data	3
Item 3.B	Capitalization and Indebtedness	6
Item 3.C	Reasons for the Offer and Use of Proceeds	6
Item 3.D	Risk Factors	6
Item 4.	Information on the company	15
Item 4.A	History and Development of the Company	15
Item 4.B	Business Overview	16
Item 4.C	Corporate Structure	44
Item 4.D	Property, Plant and Equipment	44
Item 5.	Operating and Financial Review and Prospects	44
Item 5.A	Operating Results	44
Item 5.B	Liquidity and Capital Resources	58
Item 5.C	Research and Development, Patents and Licenses, etc.	60
Item 5.D	Trend Information	60
Item 5E.	Off-balance sheet arrangements	61
Item 5F.	Information about Contractual Obligations	61
Item 6.	Directors, Senior Management and Employees	61
Item 6.A	Directors and Senior Management	61
Item 6.B	Compensation	63

Table of Contents

Item 6.C	Board Practices	67
Item 6.D	Employees	69
Item 6.E	Share Ownership	69
Item 7.	Major Shareholders and Related Party Transactions	69
Item 7.A	Major Shareholders	69
Item 7.B	Related Party Transactions	69
Item 7.C	Interests of Experts and Counsel	70
Item 8.	Financial Information	70
Item 8.A	Consolidated Statements and Other Financial Information	70
Item 8.B	Significant Changes to Financial Information	70
Item 9.	The Offer and Listing	72
Item 9.A	Offer and Listing Details	72
Item 9.B	Plan of Distribution	73
Item 9.C	Markets	73
Item 9.D	Selling Shareholders	73
Item 9.E	Dilution	73
Item 9.F	Expenses of the Issue	73
Item 10.	Additional Information	73
Item 10.A	Share Capital	73
Item 10.B	Our Constitution	75
Item 10.C	Material Contracts	76
Item 10.D	Exchange Controls and Other Limitations Affecting Security Holders	76
Item 10.E	Taxation	77
Item 10.F	Dividends and Paying Agents	82
Item 10.G	Statement by Experts	82
Item 10.H	Documents on Display	82
Item 10.I	Subsidiary Information	83
Item 11.	Quantitative And Qualitative Disclosures About Market Risk	83

Table of Contents

Item 12.	Description Of Securities Other Than Equity Securities	84
Item 12.A	Debt Securities	84
Item 12.B	Warrants and Rights	84
Item 12.C	Other Securities	84
Item 12.D	American Depositary Shares	84
Item 13.	Defaults, Dividend Arrearages and Delinquencies	84
Item 14.	Material Modifications to The Rights Of Security Holders and Use Of Proceeds	84
Item 15.	Controls and Procedures	84
Item 15A.	Disclosure controls and procedures	84
Item 15B.	Management s annual report on internal control over financial reporting	85
Item 15C.	Attestation report of the registered public accounting firm	85
Item 15D.	Changes in internal control over financial reporting	85
Item 16A.	Audit Committee Financial Expert	86
Item 16B.	Code Of Ethics	86
Item 16D.	Exemptions From The Listing Standards For Audit Committees	87
Item 16E.	Purchases Of Equity Securities By The Issuer And Affiliated Purchasers	87
Item 16F.	Change in Registrant s Certifying Accountant	87
Item 16G.	Corporate Governance	87
Item 17.	Financial Statements	88
Item 18.	Financial Statements	88
Item 19.	Exhibits	88

Table of Contents

INTRODUCTION

In this Annual Report, the Company, Genetic Technologies , we, us and our refer to Genetic Technologies Limited and its consolidated subsidiaries.

Our consolidated financial statements are set out on pages F1 to F40 of this Annual Report (refer to Item 18 Financial Statements).

References to the ADSs are to our ADSs described in Item 12.D American Depositary Shares and references to the Ordinary Shares are to our Ordinary Shares described in Item 10.A Share Capital .

Our fiscal year ends on June 30 and references in this Annual Report to any specific fiscal year are to the twelve month period ended on June 30 of such year.

FORWARD-LOOKING STATEMENTS

This Annual Report contains forward-looking statements that involve risks and uncertainties. We use words such as anticipates , believes , plans , expects , future , intends and similar expressions to identify such forward-looking statements. This Annual Report also contains forward-looking statements attributed to certain third parties relating to their estimates regarding the growth of Genetic Technologies and related service markets and spending. You should not place undue reliance on these forward-looking statements, which apply only as of the date of this Annual Report. Our actual results could differ materially from those anticipated in these forward-looking statements for many reasons, including the risks faced by us described below under the caption Risk Factors and elsewhere in this Annual Report.

Although we believe that the expectations reflected in such forward-looking statements are reasonable at this time, we can give no assurance that such expectations will prove to be correct. Given these uncertainties, readers are cautioned not to place undue reliance on such forward-looking statements. Important factors that could cause actual results to differ materially from our expectations are contained in cautionary statements in this Annual Report including, without limitation, in conjunction with the forward-looking statements included in this Annual Report and specifically under Item 3.D Risk Factors .

All subsequent written and oral forward-looking statements attributable to us are expressly qualified in their entirety by reference to these cautionary statements.

ENFORCEMENT OF LIABILITIES AND SERVICE OF PROCESS

We are incorporated under the laws of Western Australia in the Commonwealth of Australia. The majority of our directors and executive officers, and any experts named in this Annual Report, reside outside the U.S. Substantially all of our assets, our directors and executive officers assets and such experts assets are located outside the U.S. As a result, it may not be possible for investors to affect service of process within the U.S. upon us or our directors, executive officers or such experts, or to enforce against them or us in U.S. courts, judgments obtained in U.S. courts based upon the civil liability provisions of the federal securities laws of the U.S. In addition, we have been advised by our Australian solicitors that there is doubt that the courts of Australia will enforce against us, our directors, executive officers and experts named herein, judgments obtained in the U.S. based upon the civil liability provisions of the federal securities laws of the U.S. or will enter judgments in original actions brought in Australian courts based upon the federal securities laws of the U.S.

Table of Contents

PART I

Item 1. Identity of Directors, Senior Management and Advisers

Item 1.A Directors and Senior Management

The Directors of the Company as of the date of this Annual Report are as follows:

Name	Position/Function	Business Address
Sidney C. Hack	Non-Executive Chairman	60-66 Hanover Street Fitzroy Victoria 3065 Australia
Tommaso Bonvino	Non-Executive Director	60-66 Hanover Street Fitzroy Victoria 3065 Australia
Dr. Malcolm R. Brandon	Non-Executive Director	60-66 Hanover Street Fitzroy Victoria 3065 Australia
Dr. Mervyn Cass	Non-Executive Director	60-66 Hanover Street Fitzroy Victoria 3065 Australia
Huw D. Jones	Non-Executive Director	60-66 Hanover Street Fitzroy Victoria 3065 Australia

The members of Senior Management of the Company as of the date of this Annual Report are as follows:

Name	Position/Function	Business Address
Dr. Paul D.R. MacLeman	Chief Executive Officer	60-66 Hanover Street Fitzroy Victoria 3065 Australia
Thomas G. Howitt	Chief Financial Officer and Company Secretary	60-66 Hanover Street Fitzroy Victoria 3065 Australia
Alison J. Mew	Chief Operating Officer	60-66 Hanover Street Fitzroy Victoria 3065 Australia
Dr. David J. Sparling	Vice President Legal and Corporate Development	60-66 Hanover Street Fitzroy Victoria 3065 Australia
Gregory J. McPherson	Vice President Sales and Marketing	60-66 Hanover Street Fitzroy Victoria 3065 Australia
Ivan Jasenko	Quality and Regulatory Manager	60-66 Hanover Street Fitzroy Victoria 3065 Australia
Lewis J. Stuart	President and General Manager Phenogen Sciences Inc.	9115 Harris Corners Parkway Suite 320 Charlotte North Carolina 28269 USA

Table of Contents

Item 1.B Advisers

Our principal bankers, accountants and legal advisers are as follows:

Name of Adviser	Function	Business Address
National Australia Bank Limited	Bankers - Australia	Level 2, 151 Rathdowne Street Carlton Victoria 3053 Australia
Bank of America, N.A.	Bankers - USA	155 Town Centre Drive Mooresville North Carolina 28117 USA
Middletons	General Counsel	525 Collins Street Melbourne Victoria 3000 Australia
Sheridan Ross PC	Licensing and Patent Attorneys	1560 Broadway, Suite 1200 Denver Colorado 80202-5141 USA
Greenberg Traurig, LLP	U.S. Securities Counsel	200 Park Avenue New York New York 10166 USA

Item 1.C Auditor

The auditor of the Group s financial statements for the years ended June 30, 2011 and 2010 was PricewaterhouseCoopers, whose address is 2 Southbank Boulevard, Southbank, Victoria, 3006, Australia. The auditor of the Group s financial statements for the year ended June 30, 2009 was Ernst & Young, whose address is 8 Exhibition Street, Melbourne, Victoria, 3000, Australia. PricewaterhouseCoopers has also audited the Group s financial statements for the year ended June 30, 2009 as stated in their audit opinion at page F1 of this Annual Report. PricewaterhouseCoopers is the Company s current independent registered public accounting firm, an appointment ratified at the Annual General Meeting held on November 25, 2009.

Item 2. Offer Statistics And Expected Timetable

Not applicable.

Item 3. Key Information

Item 3.A Selected Financial Data

The following selected financial data for the five years ended June 30, 2011 is derived from the audited consolidated financial statements of Genetic Technologies Limited, prepared in accordance with International Financial Reporting Standards (IFRS), which became effective for our company as of our fiscal year ended June 30, 2006.

The balance sheet data as of June 30, 2011 and 2010 and the statement of comprehensive income data for the fiscal years 2011, 2010 and 2009 are derived from our audited consolidated financial statements included in this Annual Report. Balance sheet data as of June 30, 2009, 2008 and 2007 and statement of comprehensive income data for the 2008 and 2007 financial years are derived from our audited consolidated financial statements which are not included in this Annual Report. The data should be read in conjunction with the consolidated financial statements, related notes and other financial information included herein.

All amounts are stated in Australian dollars as of June 30, as noted.

Table of Contents

GENETIC TECHNOLOGIES LIMITED

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

FOR 2011, 2010, 2009, 2008 AND 2007

	Year ended June 30, 2011 AUD	Year ended June 30, 2010 AUD	Year ended June 30, 2009 AUD	Year ended June 30, 2008 AUD	Year ended June 30, 2007 AUD
Revenue from operations					
Genetic testing services	4,594,960	4,915,528	4,599,286	3,918,692	3,119,131
Less: cost of sales (refer note below)	(2,034,916)	(2,722,975)	(2,760,359)		
Gross profit from operations	2,560,044	2,192,553	1,838,927	3,918,692	3,119,131
Other revenue	13,680,741	3,739,747	5,391,714	10,730,743	11,337,079
Selling and marketing expenses	(3,018,947)	(2,679,979)	(2,765,060)	(2,576,607)	(2,747,884)
General and administrative expenses	(3,696,165)	(3,196,488)	(4,282,275)	(4,234,500)	(5,294,395)
Licensing, patent and legal costs	(4,097,323)	(3,923,102)	(4,017,721)	(4,780,463)	(4,107,754)
Laboratory, research and development costs	(4,380,866)	(6,258,871)	(6,116,450)	(9,677,723)	(7,424,045)
Finance costs	(81,934)	(100,422)	(89,499)	(66,763)	(90,929)
Operating profit/(loss) before income tax	965,550	(10,226,562)	(10,040,364)	(6,686,621)	(5,208,797)
Non-operating income and expenses	(85,771)	425,239	1,407,829	1,234,983	863,095
Profit/(loss) from continuing operations before income tax	879,779	(9,801,323)	(8,632,535)	(5,451,638)	(4,345,702)
Net profit from discontinued operation	21,562	446,114	774,214		
Profit/(loss) before income tax	901,341	(9,355,209)	(7,858,321)	(5,451,638)	(4,345,702)
Income tax expense					
Profit/(loss) for the year	901,341	(9,355,209)	(7,858,321)	(5,451,638)	(4,345,702)
Other comprehensive income/(loss)					
Realized gain on sale of available-for-sale investments transferred from reserve		(170,000)			
Unrealized gain on available-for-sale investments			170,000		
Exchange gains/(losses) on translation of controlled foreign operations	(85,079)	(8,623)	(13,408)	(32,624)	(38,535)
Exchange gains/(losses) on translation of non-controlled foreign operations	(11,585)	3,404	6,133	(9,161)	(12,999)
Other comprehensive income/(loss) for the year, net of tax	(96,664)	(175,219)	162,725	(41,785)	(51,534)
Total comprehensive profit/(loss) for the year	804,677	(9,530,428)	(7,695,596)	(5,493,423)	(4,397,236)
Profit/(loss) for the year is attributable to:					
Owners of Genetic Technologies Limited	910,002	(9,343,766)	(7,841,073)	(5,446,089)	(4,328,543)
Non-controlling interests	(8,661)	(11,443)	(17,248)	(5,549)	(17,159)
Total profit/(loss) for the year	901,341	(9,355,209)	(7,858,321)	(5,451,638)	(4,345,702)
Total comprehensive profit/(loss) for the year is attributable to:					
Owners of Genetic Technologies Limited	824,923	(9,522,389)	(7,684,481)	(5,478,713)	(4,367,078)
Non-controlling interests	(20,246)	(8,039)	(11,115)	(14,710)	(30,158)
Total profit/(loss) for the year	804,677	(9,530,428)	(7,695,596)	(5,493,423)	(4,397,236)

Table of Contents

GENETIC TECHNOLOGIES LIMITED

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (cont.)

FOR 2011, 2010, 2009, 2008 AND 2007

	Year ended June 30, 2011 AUD	Year ended June 30, 2010 AUD	Year ended June 30, 2009 AUD	Year ended June 30, 2008 AUD	Year ended June 30, 2007 AUD
Earnings/(loss) per share (cents per share)					
Basic and diluted net profit/(loss) per ordinary share	0.2	(2.5)	(2.1)	(2.1)	(1.5)
Weighted-average shares outstanding	404,605,152	380,965,204	373,906,149	373,906,149	362,389,899

Note: A standard costing system was implemented effective July 1, 2008 which allowed the Company to calculate the direct labor and materials used in each of the genetic tests offered. As a result, the 2009 financial year was the first year that cost of sales information was separately identified in the statement of comprehensive income. Prior to July 1, 2008, data was not collected in a way that allowed reclassification and therefore the Company has determined it is not practicable to recreate the information. Refer Item 8D for further information.

GENETIC TECHNOLOGIES LIMITED

CONSOLIDATED BALANCE SHEET DATA
FOR 2011, 2010, 2009, 2008 AND 2007

	Year ended June 30, 2011 AUD	Year ended June 30, 2010 AUD	Year ended June 30, 2009 AUD	Year ended June 30, 2008 AUD	Year ended June 30, 2007 AUD
Assets					
Current assets	6,255,344	4,502,161	10,103,166	15,893,852	14,600,846
Non-current assets	2,667,010	3,777,411	7,874,565	8,200,726	14,848,181
Total assets	8,922,354	8,279,572	17,977,731	24,094,578	29,449,027
Liabilities					
Current liabilities	(2,025,629)	(2,478,943)	(3,779,385)	(3,047,002)	(3,248,763)
Non-current liabilities	(82,730)	(82,933)	(86,301)	(262,503)	(97,455)
Total liabilities	(2,108,359)	(2,561,876)	(3,865,686)	(3,309,505)	(3,346,218)
Net assets	6,813,995	5,717,696	14,112,045	20,785,073	26,102,809
Equity					
Contributed equity	72,378,105	72,378,105	71,285,663	70,243,996	70,243,996
Reserves	1,697,914	1,529,142	1,701,899	1,588,804	1,456,895
Accumulated losses	(67,464,026)	(68,374,028)	(59,030,262)	(51,189,189)	(45,743,100)
Minority interests	202,002	184,477	154,745	141,462	145,018
Total equity	6,813,995	5,717,696	14,112,045	20,785,073	26,102,809

Table of Contents

Exchange rates

The following table sets forth, for the periods and dates indicated, certain information concerning the noon buying rate in New York City for Australian dollars expressed in U.S. dollars per $1.00 as certified for customs purposes by the Federal Reserve Bank of New York.

Period ended	At period end	Average rate	High	Low
Yearly data				
June 2007	0.8491	0.7899	0.8491	0.7407
June 2008	0.9562	0.8965	0.9644	0.7672
June 2009	0.8055	0.7513	0.9797	0.6073
June 2010	0.8480	0.8820	0.9369	0.7751
June 2011	1.0732	0.9905	1.0732	0.8380
Monthly data				
June 2011	1.0732	1.0617	1.0737	1.0439
July 2011	1.1001	1.0781	1.1026	1.0565
August 2011	1.0702	1.0502	1.0930	1.0192
September 2011	0.9744	1.0220	1.0750	0.9744
October 2011	1.0610	1.0168	1.0707	0.9453
November 2011 (note)	1.0171	1.0272	1.0366	1.0137

Note: Data for the month of November 2011 covers the period from November 1, 2011 to November 15, 2011.

Item 3.B Capitalization and Indebtedness

Not applicable.

Item 3.C Reasons for the Offer and Use of Proceeds

Not applicable.

Item 3.D Risk Factors

Before you purchase our ADSs, you should be aware that there are risks, including those described below. You should consider carefully these risk factors together with all of the other information contained elsewhere in this Annual Report before you decide to purchase our ADSs.

Risks Related to Us

Our stock price is volatile and can fluctuate significantly based on events not in our control and general industry conditions. As a result, the value of your investment may decline significantly.

The biotechnology sector can be particularly vulnerable to abrupt changes in investor sentiment. Stock prices of companies in the biotechnology industry, including ours, can swing dramatically, with little relationship to operating performance. Our stock price may be affected by a number of factors including, but not limited to:

- product development events;
- the outcome of litigation;
- decisions relating to intellectual property rights;
- the entrance of competitive products or technologies into our market;
- new medical discoveries;
- the establishment of strategic partnerships and alliances;
- changes in reimbursement policies or other practices related to the pharmaceutical industry; or
- other industry and market changes or trends.

Table of Contents

Since our listing on the Australian Securities Exchange in August 2000, the price of our Ordinary Shares has ranged from a low of $0.02 to a high of $1.05 per share. Further fluctuations are likely to occur due to events not within our control and general market conditions affecting the biotechnology sector or the stock market generally.

In addition, low trading volume may increase the volatility of the price of our ADSs. Trading volume in our Ordinary Shares on other markets has not been historically high, and the trading volume of our ADSs on the NASDAQ Global / Capital Markets has typically also been low. Further, because each of our ADSs represents 30 of our Ordinary Shares, trading volume in our ADSs is lower than that for our Ordinary Shares. A thin trading market could cause the price of our ADSs to fluctuate significantly more than the stock market as a whole. For example, trades involving a relatively small number of our ADSs may have a greater impact on the trading price for our ADSs than would be the case if the trading volume were higher.

The following chart illustrates the fluctuation in the price of our shares (in Australian dollars) over the last five years:

The fact that we do not expect to pay cash dividends may lead to decreased prices for our stock.

We have never paid a cash dividend on our Ordinary Shares and we do not anticipate paying a cash dividend in the foreseeable future. We intend to retain future cash earnings, if any, for reinvestment in the development and expansion of our business. Whether we pay cash dividends in the future will be at the discretion of our Board of directors and may be dependent on our financial condition, results of operations, capital requirements and any other factors our Board of directors decides is relevant. As a result, an investor may only recognize an economic gain on an investment in our stock from an appreciation in the price of our stock.

You may have difficulty in effecting service of legal process and enforcing judgments against us and our Management.

We are a public company limited by shares, registered and operating under the Australian *Corporations Act 2001*. The majority of our directors and officers named in this Annual Report reside outside the U.S. Substantially all, or a substantial portion of, the assets of those persons are also located outside the U.S. As a result, it may not be possible to affect service on such persons in the U.S. or to enforce, in foreign courts, judgments against such persons obtained in U.S. courts and predicated on the civil liability provisions of the federal securities laws of the U.S. Furthermore, substantially all of our directly-owned assets are located outside the U.S., and, as such, any judgment obtained in the U.S. against us may not be collectible within the U.S. There is doubt as to the enforceability in the Commonwealth of Australia, in original actions or in actions for enforcement of judgments of U.S. courts, of civil liabilities predicated solely upon federal or state securities laws of the U.S., especially in the case of enforcement of judgments of U.S. courts where the defendant has not been properly served in Australia.

Table of Contents

Because we are not necessarily required to provide you with the same information as an issuer of securities based in the United States, you may not be afforded the same protection or information you would have if you had invested in a public corporation based in the United States.

We are exempt from certain provisions of the Securities Exchange Act of 1934, as amended, commonly referred to as the Exchange Act, that are applicable to U.S. public companies, including (i) the rules under the Exchange Act requiring the filing with the SEC of quarterly reports on Form 10-Q or current reports on Form 8-K; (ii) the sections of the Exchange Act regulating the solicitation of proxies, consents or authorizations in respect of a security registered under the Exchange Act; and (iii) the sections of the Exchange Act requiring insiders to file public reports of their stock ownership and trading activities and liability for insiders who profit from trades made in a short period of time. The exempt provisions would be available to you if you had invested in a U.S. corporation.

However, in line with the Australian Securities Exchange regulations, we will disclose our semi-annual results which, in accordance with Australian auditing standards, are required to have a limited review semi-annually and be fully audited annually. The information, which may have an effect on the stock price on the Australian Securities Exchange, will also be disclosed to the Australian Securities Exchange and the Securities Exchange Commission. Other relevant information pertaining to our Company will also be disclosed in line with the Australian Securities Exchange regulations and information dissemination requirements for listed companies. We will provide our semi-annual results and other material information that we make public in Australia in the U.S. under the cover of an SEC Form 6-K. Nevertheless, you may not be afforded the same protection or information, which would be made available to you, were you investing in a United States public corporation because the requirements of a Form 10-Q and Form 8-K are not applicable to us.

If significant liquidity does not eventuate for our ADSs on NASDAQ, your ability to resell your ADSs could be negatively affected because there would be limited buyers for your interests.

Historically, there was virtually no trading in our ADSs through the pink sheets after the establishment of our Level I ADR Program. However, subsequent to the Level II listing of our ADSs on the NASDAQ Global Market on September 2, 2005, the trading volumes of our ADSs have increased. The Company subsequently transferred the listing of its ADSs to the NASDAQ Capital Market effective as from June 30, 2010. An active trading market for the ADSs, however, may not be maintained in the future. If an active trading market is not maintained, the liquidity and trading prices of the ADSs could be negatively affected.

In certain circumstances, holders of ADRs may have limited rights relative to holders of Ordinary Shares.

The rights of holders of ADSs with respect to the voting of Ordinary Shares and the right to receive certain distributions may be limited in certain respects by the deposit agreement entered into by us and The Bank of New York Mellon. For example, although ADS holders are entitled under the deposit agreement, subject to any applicable provisions of Australian law and of our Constitution, to instruct the depositary as to the exercise of the voting rights pertaining to the Ordinary Shares represented by the American Depositary Shares, and the depositary has agreed that it will try, as far as practical, to vote the Ordinary Shares so represented in accordance with such instructions, ADS holders may not receive notices sent by the depositary in time to ensure that the depositary will vote the Ordinary Shares. This means that the holders of ADRs may not be able to exercise their right to vote. In addition, under the deposit agreement, the depositary has the right to restrict distributions to holders of the ADSs in the event that it is unlawful or impractical to make such distributions. We have no obligation to take any action to permit distributions to holders of our American Depositary Receipts, or ADRs. As a result, holders of ADRs may not receive distributions made by us.

Our Company has a history of incurring losses.

The business which is now called Genetic Technologies Limited was founded in 1989. Up until the current year ended June 30, 2011, we have incurred operating losses in every year of our existence. We incurred net losses of $4,328,543 for year ended June 30, 2007, net losses of $5,446,089 for year ended June 30, 2008, net losses of $7,841,073 for year ended June 30, 2009, net losses of $9,343,766 for year ended June 30, 2010 and a net profit of $910,002 for year ended June 30, 2011. As of June 30, 2011, we have accumulated losses of $67,464,026 and the extent of any future losses and whether or not the Company can continue to generate profits remains uncertain.

Table of Contents

Risks Related to our Industry

Our sales cycle is typically lengthy.

The sales cycle for our testing products and license generation is typically lengthy. As a result, we may expend substantial funds and management effort with no assurance of successfully selling our products or services or granting new licenses. Our ability to obtain customers for our genetic testing services depends significantly on the perception that our services can help accelerate efforts in genomics. The sales cycle is typically lengthy. Our sales effort requires the effective demonstration of the benefits of our services to, and significant training of, many different departments within a potential customer. In addition, we sometimes are required to negotiate agreements containing terms unique to each customer. With respect to license generation, it is common for negotiations with licensees to take many months before a license is eventually granted. Our business could also be adversely affected if we expend money without any return.

If our competitors develop more effective products, the results from our operations and financial condition could be affected.

We are subject to limited competition from biotechnology and diagnostic companies, academic and research institutions and government or other publicly-funded agencies that are pursuing products and services that are substantially similar to our genetic testing services, or which otherwise address the needs of our customers and potential customers. Our competitors in the testing market include private and public sector enterprises located in Australia and elsewhere. Many of the organizations competing with us have greater experience in the areas of finance, research and development, manufacturing, marketing, sales, distribution, technical and regulatory matters than we do. In addition, many current and potential competitors have greater name recognition and more extensive collaborative relationships. However, because of our patents, we have virtually no competition in the licensing area.

Our competitive position in the testing and reproductive services area is based upon our ability to:

- create and maintain scientifically-advanced technology and offer proprietary products and services;
- attract and retain qualified personnel;
- obtain patent or other protection for our products and services;
- obtain required government approvals and other accreditations on a timely basis; and
- successfully market our products and services.

If we are not successful in meeting these goals, our business could be adversely affected. Similarly, our competitors may succeed in developing technologies, products or services that are more effective than any that we are developing or that would render our technology and services obsolete, noncompetitive or uneconomical.

For a full discussion of competition see Item 4.B Competition .

We rely heavily upon our patents and proprietary technology and any future claims that our patents are invalid could seriously affect our licensing business and adversely affect our revenues and our financial condition.

We rely upon our portfolio of patent rights, patent applications and exclusive licenses to patents and patent applications relating to genetic technologies. We expect to aggressively patent and protect our proprietary technologies. However, we cannot be certain that any additional patents will be issued to us as a result of our domestic or foreign patent applications or that any of our patents will withstand challenges by others. Patents issued to, or licensed by, us may be infringed or third parties may independently develop either the same or similar technologies. Similarly, our patents may not provide us with meaningful protection from competitors, including those who may pursue patents which may prevent, limit or interfere with our products or will require licensing and the payment of significant fees or royalties by us to such third parties in order to enable us to conduct our business. We may sue or be sued by third parties regarding our patents and other intellectual property rights. These suits are often costly and would divert valuable funds and technical resources from our operations and cause distraction to Management.

We have important relationships with external parties over whom we have limited control.

We have relationships with academic consultants who are not employed by us. Accordingly, we have limited control over their activities and can expect only limited amounts of their time to be dedicated to our activities. These persons may have consulting, employment or advisory arrangements with other entities that may conflict with or compete with their obligations to us. Our consultants typically sign agreements that provide for confidentiality of our proprietary information and results of studies. However, in connection with every relationship, we may not be able to maintain the confidentiality of our technology, the dissemination of which could hurt our competitive position and results of operations. To the extent that our scientific consultants develop inventions or processes independently that may be applicable to our proposed products, disputes may arise as to the ownership of the proprietary rights to such information, and we may not win those disputes.

Table of Contents

If we are unable to protect our proprietary assets, we may not be able to commercialize products or services.

Our commercial success partially depends on our ability to obtain patent protection for many aspects of our business, including the products, methods and services we develop. Patents issued to us may not provide us with substantial protection or be commercially beneficial to us. The issuance of a patent is not conclusive as to its validity or its enforceability. In addition, our patent applications or those we have licensed, may not result in issued patents. If our patent applications do not result in issued patents, our competitors may obtain rights to commercialize our discoveries which could harm our competitive position. We also may apply for patent protection on novel genetic variations in known genes and their uses, as well as novel uses for previously identified genetic variations discovered by third parties. In the latter cases, we may need a license from the holder of the patent with respect to such genetic variations in order to make, use or sell any related products. We may not be able to acquire such licenses on terms acceptable to us, if at all.

Certain parties are attempting to rapidly identify and characterize genes and genetic variations through the use of sequencing and other technologies. To the extent that any patents are issued to other parties on such partial or full-length genes or genetic variations or uses for such genes or genetic variations, the risk increases that the sale of products or services developed by us or our collaborators may give rise to claims of patent infringement against us. Others may have filed and, in the future, are likely to file patent applications covering many genetic variations and their uses. Any such patent applications may have priority over our patent applications and could further require us to obtain rights to previously issued patents covering genetic variations. Any license that we may require under any such patent may not be made available to us on commercially acceptable terms, if at all.

We may be sued for infringing on the intellectual property rights of others. We could also become involved in interference proceedings in the United States Patent and Trademark Office to determine the relative priority of our patents or patent applications and those of the other parties involved in the interference proceeding. Intellectual property proceedings are costly, and could affect our results of operations. These proceedings can also divert the attention of managerial and technical personnel. If we do not prevail in any intellectual property proceeding, in addition to any damages we might have to pay, we could be required to stop the infringing activity, or obtain a license to or design around the intellectual property in question. In interference proceedings, our patent rights could be invalidated and the scope of our patents could be limited. If we are unable to obtain licenses to intellectual property rights that we need to conduct our business, or are unable to design around any third party patent, we may be unable to sell some of our products, which will result in reduced revenue.

We have in the past and may in the future become a party to litigation involving patents and intellectual property rights. We have previously commenced litigation against a number of parties to protect our rights pertaining to our intellectual property. We may in the future receive claims of infringement of intellectual property rights from other parties. If we do not prevail in any future legal proceedings, we may be required to pay significant monetary damages. In addition, we could also be prevented from using certain processes or prevented from selling certain configurations of our products or services that were found to be within the scope of the patent claims. In the event we did not prevail in any future proceeding, we would either have to obtain licenses from the other party, avoid certain product configurations or modify some of our products, services and processes to design around the patents. Licenses could be costly or unavailable on commercially reasonable terms. Designing around patents or focusing efforts on different configurations could be time consuming, and we may have to remove some of our products or services from the market while we were completing redesigns. Accordingly, if we are unable to settle future intellectual property disputes through licensing or similar arrangements, or if any such future disputes are determined adversely to us, our ability to market and sell our products and services could be harmed. This would in turn reduce demands for our services and harm our financial condition and results of operations.

In addition, in order to protect or enforce our patent rights or to protect our ability to operate our business, we may need to initiate other patent litigation against third parties. These lawsuits could be expensive, take significant time to resolve, and could divert Management s attention from other business concerns. These lawsuits could result in the invalidation or limitation in the scope of our patents or forfeiture of the rights

associated with our patents. We may not prevail in any such proceedings and a court may find damages or award other remedies in favor of our opposing party in any of these suits. During the course of any future proceedings, there may be public announcements of the results of hearings, motions and other interim proceedings or developments in the litigation. Securities analysts or investors may perceive these announcements to be negative, which could cause the market price of our stock to decline.

Table of Contents

We may be subject to professional liability suits and our insurance may not be sufficient to cover damages. If this occurs, our business and financial condition may be adversely affected.

Our business exposes us to potential liability risks that are inherent in the testing, manufacturing, marketing and sale of genetic tests. The use of our products and product candidates, whether for clinical trials or commercial sale, may expose us to professional liability claims and possible adverse publicity. We may be subject to claims resulting from incorrect results of analysis of genetic variations or other screening tests performed using our services. Litigation of such claims could be costly. We could expend significant funds during any litigation proceeding brought against us. Further, if a court were to require us to pay damages to a plaintiff, the amount of such damages could significantly harm our financial condition. Although we have public and product liability insurance coverage under broadform liability and professional indemnity policies, for an aggregate amount of $60,000,000, the level or breadth of our coverage may not be adequate to fully cover potential liability claims. To date we have not been subject to any claims, or ultimately liability, in excess of the amount of our coverage. In addition, we may not be able to obtain additional professional liability coverage in the future at an acceptable cost. A successful claim or series of claims brought against us in excess of our insurance coverage and the effect of professional liability litigation upon the reputation and marketability of our technology and products, together with the diversion of the attention of key personnel, could negatively affect our business.

We use potentially hazardous materials, chemicals and patient samples in our business and any disputes relating to improper handling, storage or disposal of these materials could be time consuming and costly.

Our research and development, production and service activities involve the controlled use of hazardous laboratory materials and chemicals, including small quantities of acid and alcohol, and patient tissue and blood samples. We do not knowingly deal with infectious samples. We, our collaborators and service providers are subject to stringent Australian federal, state and local laws and regulations governing occupational health and safety standards, including those governing the use, storage, handling and disposal of these materials and certain waste products. However, we could be liable for accidental contamination or discharge or any resultant injury from hazardous materials, and conveyance, processing, and storage of and data on patient samples. If we, our collaborators or service providers fail to comply with applicable laws or regulations, we could be required to pay penalties or be held liable for any damages that result and this liability could exceed our financial resources. Further, future changes to environmental health and safety laws could cause us to incur additional expense or restrict our operations. We have never had a reportable serious injury through the date of this Annual Report.

In addition, our collaborators and service providers may be working with these types of hazardous materials, including hazardous chemicals, in connection with our collaborations. In the event of a lawsuit or investigation, we could be held responsible for any injury caused to persons or property by exposure to, or release of, these patient samples that may contain viruses and hazardous materials. The cost of this liability could exceed our resources. While we maintain broadform liability insurance coverage for these risks, in the amount of up to $40,000,000, the level or breadth of our coverage may not be adequate to fully cover potential liability claims. To date, we have not been subject to claims, or ultimately liability, in excess of the amount of our coverage. Our broadform insurance coverage also covers us against losses arising from an interruption of our business activities as a result of the mishandling of such materials. We also maintain workers compensation insurance, which is mandatory in Australia, covering all of our workers in the event of injury.

We depend on the collaborative efforts of our academic and corporate partners for research, development and commercialization of some of our products. A breach by our partners of their obligations, or the termination of the relationship, could deprive us of valuable resources and require additional investment of time and money.

Our strategy for research, development and commercialization of some of our products has historically involved entering into various arrangements with academic and corporate partners and others. As a result, our strategy depends, in part, upon the success of these outside parties in performing their responsibilities. Our collaborators may also be our competitors. We cannot control the amount and timing of resources that our collaborators devote to performing their contractual obligations and we have no certainty that these parties will perform their obligations as expected or that any revenue will be derived from these arrangements.

If our collaborators breach or terminate their agreement with us or otherwise fail to conduct their collaborative activities in a timely manner, the development or commercialization of the product candidate or research program under such collaborative arrangement may be delayed. If that is the case, we may be required to undertake unforeseen additional responsibilities or to devote unforeseen additional funds or other resources to such development or commercialization, or such development or commercialization could be terminated. The termination or cancellation of collaborative arrangements could adversely affect our financial condition, intellectual property position and general operations. In addition, disagreements between collaborators and us could lead to delays in the collaborative research, development, or commercialization of certain products or could require or result in formal legal process or arbitration for resolution. These consequences could be time-consuming and expensive and could have material adverse effects on us.

Other than our contractual rights under our license agreements, we may be limited in our ability to convince our licensees to fulfill their obligations. If our licensees fail to act promptly and effectively, or if a dispute arises, it could have a material adverse effect on our results of operations and the price of our Ordinary Shares and ADSs.

Table of Contents

We rely upon scientific, technical and clinical data supplied by academic and corporate collaborators, licensors, licensees, independent contractors and others in the evaluation and development of potential therapeutic methods. There may be errors or omissions in this data that would materially adversely affect the development of these methods.

We may seek additional collaborative arrangements to develop and commercialize our products in the future. We may not be able to negotiate acceptable collaborative arrangements in the future and, if negotiated, we have no certainty that they will be on favorable terms or will be successful. In addition, our collaborative partners may pursue alternative technologies independently or in collaboration with others as a means of developing treatments for the diseases targeted by their collaborative programs with us. If any of these events occurs, the progress of the Company could be adversely affected and our results of operations and financial condition could suffer.

Problems associated with international business operations could affect our ability to license our technology and our results of operations.

We seek to license our intellectual property and to market our growing range of other products and services on a global scale, including in countries that are considered to provide significantly less protection to intellectual property than the United States and Australia. In addition, a number of other risks are inherent in international transactions and commerce, including political and economic instability, foreign currency exchange fluctuations and changes in tax laws.

Government regulation of genetic research or testing may adversely affect the demand for our services and impair our business and operations.

Apart from accreditation requirements, we are generally not subject to regulation. Federal, state and local governments, however, may adopt regulations relating to the conduct of genetic research and genetic testing. These regulations could limit or restrict genetic research activities as well as genetic testing for research or clinical purposes. In addition, if state and local regulations are adopted, these regulations may be inconsistent with, or in conflict with, regulations adopted by other state or local governments. Regulations relating to genetic research activities could adversely affect our ability to conduct our research and development activities. Regulations restricting genetic testing could adversely affect our ability to market and sell our products and services. Accordingly, any regulations of this nature could increase the costs of our operations or restrict our ability to conduct our testing business and might adversely affect our operations and financial condition.

In Australia, there is no law that prohibits the performing of a paternity test by using just a sample obtained from a father and child. In May 2003, the Australian Law Reform Commission (ALRC) released its report into Human Genetic Testing in Australia. In relation to paternity testing, it made various recommendations, the most significant of which was that the testing of a child without the knowledge or consent of both parents should be made illegal. In December 2005, the Australian Government formally responded to the ALRC report. Although it accepted most of the report s recommendations, it did not accept its recommendation that it should be illegal to test a child without the knowledge or consent of both parents. Instead, it recommended that the body that formally accredits laboratories, National Association of Testing Authorities (NATA) should review its accreditation requirements for DNA parentage testing to ensure that laboratories meet the highest technical and ethical standards, particularly in relation to consent to testing, protecting the integrity of genetic samples, and providing information about counselling. As of the date of this Annual Report, NATA has made no recommendation in relation to the Government s recommendation.

In November 2008, the Federal Government released a discussion paper on non-consensual genetic testing in which it is proposed that such testing be made illegal. The purpose of this paper is for the Model Criminal Law Officers Committee of the Standing Committee of Attorneys-General (MCLOC) to obtain feedback from the public and industry on this issue prior to formulating legislation in this area. In the area of paternity testing, the paper discusses the issue of consent but makes no recommendation as to what the required consent for taking a sample from a child would be. For example, does this require the consent of both parents or just one? If the testing of a sample eventually requires the consent of both parents, then this will have a negative impact on our revenue as father/child testing is a substantial and growing market.

Table of Contents

Gene Patenting Debate in Australia recent developments

In 2008, the Australian Senate commenced an inquiry into the issues surrounding the patenting of genes. The inquiry was due to report its findings in early 2009. On September 30, 2010, the Senate re-referred the matter to the Senate Community Affairs Committee for inquiry and report. Having extended the timeline on several occasions, the Senate inquiry was then interrupted by an Australian Federal election in October 2010.

On November 26, 2010, the report arising from the Senate s inquiry into gene patents was released. It tabled 16 recommendations primarily aimed at making amendments to existing provisions of the Patents Act, while minimizing unforeseen consequences of changes to biotechnology sector, including the potential prohibition on patenting biological materials.

The Senate Report also noted a number of events that may affect further decisions, such as the private member s Bill that was introduced into the Federal Parliament. The Bill was referred immediately to the Legal and Constitutional Affairs Legislation Committee for inquiry and report by June 16, 2011.

The Report also said the Committee heard conflicting evidence as to whether a prohibition on the patenting of genes and other biological materials (a) would be effective, and (b) would not lead to unforeseen consequences in other fields of technology, particularly biotechnology, research and development.

The Patent Amendment (Human Genes and Biological Materials) Bill 2010

The *Patent Amendment (Human Genes and Biological Materials) Bill 2010* was introduced in the Lower House of the Australian Parliament on October 18, 2010. On November 26, 2010, the Senate referred the *Patent Amendment (Human Genes and Biological Materials) Bill 2010* to the Senate Legal and Constitutional Affairs - Legislation Committee. The committee received 122 submissions and held two public hearings for inquiry where 31 witnesses appeared at the public hearings.

On September 22, 2011, the report arising from the Senate s inquiry into the Patent Amendment Bill was released. It tabled only one recommendation: The committee recommends that the Senate should not pass the Bill.

Australian Federal Court Patent Proceeding

In June 2010, a group of Australian plaintiffs initiated litigation in the Australian Federal Court challenging the validity of certain claims of an Australian patent owned by Myriad Genetics Inc. (Australian patent 686004 - 004). Genetic Technologies was named as a respondent to this matter by virtue of the fact that Genetic Technologies is the exclusive licensee of the BRCA patents in Australia (which includes the 004 patent).

This matter bears a striking resemblance to the US litigation filed by the American Civil Liberties Union against Myriad s US patent equivalent in which a US Federal District Court ruled that isolated DNA sequences are not eligible for patent protection because of the fact that they are products of nature . On July 29, 2011, Myriad successfully appealed this decision with the Federal Circuit Court of Appeals reversing the decision of the United States District Court for the Southern District of New York.

On September 30, 2011, Genetic Technologies filed documents with the Australian Federal Court to the effect that Genetic Technologies submits to the orders of the Court and take no further part in the proceedings.

We rely on the services of individuals who possess special skills and experience.

Much of the future success of the Company depends on the continued service and availability of skilled personnel, including members of its senior executive team, and those in technical, marketing and staff positions. While we actively recruit new employees with such skills and experience to reduce our reliance on these individuals, skilled personnel, with specific experience in the biotechnology industry, are in high demand and competition for their talents is intense.

Ethical and other concerns surrounding the use of genetic information may reduce the demand for our services.

Public opinion regarding ethical issues related to the confidentiality and appropriate use of genetic testing results may influence government authorities to call for limits on, or regulation of the use of, genetic testing. In addition, such authorities could prohibit testing for genetic predisposition to certain conditions, particularly for those that have no known cure. Furthermore, adverse publicity or public opinion relating to genetic research and testing, even in the absence of any governmental regulation, could reduce the potential markets for our services, which could materially and adversely affect our revenues.

Although we are a leader in the field of genetics in Australia, we do not undertake any activities in the contentious areas of cloning, stem cell research or other gene-altering areas. As such, many of the ethical issues that may be relevant to other participants in the genetics industry are not necessarily applicable to us.

Table of Contents

Licensing

The patenting of genes and issues surrounding access to genetic knowledge are the subjects of extensive and ongoing public debate in many countries. By way of example, the Australian Law Reform Commission has previously conducted two inquiries into the social uses of genetic information. The patents we hold over uses of non-coding DNA have broad scope and have also been the subject of debate and some criticism in the media. A risk we face is that individuals or organizations in one or more of the countries in which these patents have issued could take legal action to seek their amendment, revocation or invalidation, something which has previously happened on several occasions in various jurisdictions, though we have prevailed in all such cases.

Furthermore, any time that we initiate legal action against parties that infringe our patents we face a risk that the infringer will defend itself through a counter-claim of patent invalidity or other such claims. Subsequent legal action could potentially overturn, invalidate or limit the scope of our patents.

Under the relevant Patent Act in most of the countries in which our non-coding patents have issued, the relevant judicial system has rights to impose compulsory licensing. The relevant governments typically hold march-in rights by which they may unilaterally choose to exploit the technology. To the extent that the Company s non-coding technology is used in the conduct of research, we also face risks, uncertainty and controversy over the licensing of our technology to those conducting research. Whether or not researchers should be exempted from obligations to take licenses to relevant patents was the subject of another government inquiry conducted by the Australian Council for Intellectual Property who recommended the creation of a research exemption.

During the 2008 calendar year, a Senate Inquiry into matters relating to the granting of patents in Australia over human and microbial genes and non-coding sequences was initiated by the Australian Federal Government. Along with more than 50 other parties representing a wide variety of interested groups, the Company lodged a formal submission to the Inquiry.

On November 26, 2010, the report arising from the Senate s inquiry into gene patents was released. It tabled 16 recommendations primarily aimed at making amendments to existing provisions of the Patents Act, while minimizing unforeseen consequences of changes to biotechnology sector, including the potential prohibition on patenting biological materials.

The *Patent Amendment (Human Genes and Biological Materials) Bill 2010* was introduced in the Lower House of the Australian Parliament on October 18, 2010. On November 26, 2010, the Senate referred the *Patent Amendment (Human Genes and Biological Materials) Bill 2010* to the Senate Legal and Constitutional Affairs - Legislation Committee. The committee received 122 submissions and held two public hearings for inquiry where 31 witnesses appeared at the public hearings.

On September 22, 2011, the report arising from the Senate s inquiry into the Patent Amendment Bill was released. It tabled only one recommendation: The committee recommends that the Senate should not pass the Bill. Regardless of the outcome, it is unlikely that the Bill (in the event it had passed as legislation) would have materially affected the Company s licensing program, as the Company s non-coding DNA patents teach methods pertaining to the use of non-coding DNA rather than dealing with the genetic material itself.

Genetic testing

There is a risk that a moratorium on genetic testing by the Australian Institute of Sport may impact on the commercialization of our sports performance genetic test for the elite competitor market in Australia. However, this moratorium should not impact our ability to distribute this test throughout the rest of the world. There is also a view held by some elements of the medical and academic communities that the marketing of some of our cancer predisposition tests is done solely with a commercial objective in mind. In essence, some parties have indicated that, in their view, the risk of inheriting certain types of cancer is too low to warrant the marketing of genetic testing services to the wider cancer community where such promotion may increase anxiety unnecessarily. Guidelines laid down by the Australian National Health Medical Research Council also prevent us from promoting our testing in a manner which may cause any unnecessary alarm .

In recent years, health care payors as well as federal and state governments have focused on containing or reducing health care costs. We cannot predict the effect that any of these initiatives may have on our business. In particular, gene-based therapeutics, if successfully developed and commercialized, are likely to be costly compared to currently available drug therapies. Health care cost containment initiatives focused either on gene-based therapeutics or on genetic testing could result in the growth in the clinical market for genetic testing being curtailed or slowed. In addition, health care cost containment initiatives could also cause pharmaceutical companies to reduce research and development spending. In either case, our business and our operating results could be adversely affected. Further, genetic testing in clinical settings is often billed to third-party payors, including private insurers and governmental organizations. If our current and future clinical products and services are not considered cost-effective by these payors, reimbursement may not be available to users of our services. In this event, potential customers would be much less likely to use our services and our business and operating results could be harmed.

Table of Contents

In regards to other medical tests we offer, increased competition from countries such as China and India is likely to make inroads to our marketplaces, offering lower priced tests which may decrease our profitability. Within Australia, the continued performance by public institutions of medical diagnostic tests also carries the risk that those institutions may acquire the latest generation of robotic test platforms which are able to perform tests at substantially lower costs. In some cases, these institutions are heavily subsidized by the government and therefore do not have the same commercial and amortization cost bases of a publicly listed company such as Genetic Technologies. As such, they may be able to offer tests at a lower price than we can.

Launch of BREVAGenTM

With the acquisition of our BREVAGenTM breast cancer test in 2010 and its subsequent launch in June 2011, a number of risks have been identified. The test exists in a new area of genetic testing, being a prognostic test, and it may take time for us to establish credibility and educate the various potential customer groups we have identified. This may result in a lag in establishing reasonable rates of sales which may be aggravated by resistance associated with price sensitivity. Despite various studies and review publications, clinician adoption of the test on a regular basis will require substantial resources and effort. Establishing a new U.S. company requires staffing with salespeople and identification of territories in which to start selling the test. These salespeople require time to establish customer contact and convert sales. Invariably, a percentage of new sales staff will not be able to adapt to the new sales environment and may need to be replaced after the first stage of selling; further hampering steady sales growth. Even though the Company s Australian laboratory has now been CLIA certified, U.S. government health care programs could restrict our ability to offer the test in the U.S., thereby restricting our available market. The U.S. healthcare reimbursement system involves a series of independent insurers, the insured and parties involved to assist with credentialing and administration of the payment processes. Establishing benchmarks with insurers is a time consuming process which could delay the receipt of initial payments until such time as rules with each provider can be established.

Item 4. Information on the company

Item 4.A History and Development of the Company

We were incorporated under the laws of Western Australia on January 5, 1987 as Concord Mining N.L. On August 13, 1991, we changed our name to Consolidated Victorian Gold Mines N.L. On December 2, 1991, we changed our name to Consolidated Victorian Mines N.L. On March 15, 1995, we changed our name to Duketon Goldfields N.L.

On October 15, 1999, the type of company was changed from a No Liability Company to a company limited by shares. On August 29, 2000, we changed our name to Genetic Technologies Limited, which is our current name. We were originally incorporated as a mining company and gradually phased out our mining activities and became a biotechnology company with the acquisition of GeneType AG in August 2000. Our Australian Company Number (ACN) is 009 212 328. Our Australian Business Number (ABN) is 17 009 212 328. We operate pursuant to our constitution, the Australian *Corporations Act 2001*, the Australian Securities Exchange Listing Rules, the Marketplace Rules of NASDAQ and, where applicable, local legislation.

Since the acquisition of GeneType AG, the directors have disposed of all remaining mining interests so that our activities now focus solely on emerging opportunities in the field of biotechnology. Our current activities in biotechnology primarily concentrate on three clearly defined areas

of activity which are covered under Item 4.B Business Overview .

Our registered office, headquarters and laboratory are all located at 60-66 Hanover Street, Fitzroy, Victoria, 3065 Australia. Our telephone number is +61 3 8412 7000. Our website address is www.gtglabs.com. The offices of our U.S. subsidiary, Phenogen Sciences Inc., are located at 9115 Harris Corners Parkway, Suite 320, Charlotte, North Carolina, 28269 U.S.A. The telephone number for the Phenogen Sciences office is +1 877 992 7382. Information on our websites and websites linked to them do not constitute part of this Annual Report.

On August 29, 2000, we acquired 100% of GeneType AG, including all of its patents, and we changed our focus exclusively to the area of biotechnology. We also changed our name to Genetic Technologies Limited to better reflect our new business. In September 2000, our listing was duly transferred from the mining board of the ASX to the industrial board and our shares were thereafter classified under the industry group Health and Biotechnology , completing our transformation from a mining and resources company into a biotechnology company. During 2001, we also acquired 10% of the issued and outstanding shares in Cytomation Inc., based in Fort Collins, Colorado. At that time, Cytomation was a leader in the manufacture and sales of flow cytometers and cell sorters. Also, in December 2001, we acquired an initial shareholding of less than 1% in the issued capital of XY, Inc., a company also based in Fort Collins. In July 2001, we acquired the business of DNA-ID Labs in Perth, Western Australia, as part of our strategy of expanding our paternity testing business in Australia. In March 2002, we formed AgGenomics Pty. Ltd., based in Melbourne, in order to expand our genetic testing services into the field of plant genetics. In May 2003, we acquired the fixed assets of the business Genetic Science Services in Melbourne, in order to further expand into the field of genetic testing. In May 2007, we sold all of our shares in XY, Inc. The total proceeds received from the sale were $332,709 which resulted in a loss on sale of $33,307.

Table of Contents

In July 2008, we acquired all of the issued shares of Frozen Puppies Dot Com Pty. Ltd. based in Calga, New South Wales, which is Australia s leading provider of canine reproductive services for a total consideration of $1,550,097, comprising a combination of shares in the Company (with a value of $1,041,667) and cash. During the year ended June 30, 2010, a decision was made by the Company to strategically realign its animal business and to focus on the provision of animal genetic tests, rather than the services that were acquired as part of the acquisition of the Frozen Puppies Dot Com business in 2008. As a result, during the 2010 financial year, several impairment charges were raised in relation to:

- certain inventories associated with the Company s reproductive services business, in the amount of $6,232;
- certain items of plant and equipment associated with the reproductive services business, in the amount of $115,413; and
- goodwill arising from the acquisition of Frozen Puppies Dot Com Pty. Ltd., in the amount of $1,264,603.

Following the disposal of assets related to the reproductive services business during the 2011 financial year, the associated business was discontinued and, as a result, Frozen Puppies Dot Com Pty. Ltd. was subsequently deregistered on June 1, 2011.

On April 14, 2010, we announced that we had acquired certain assets from Perlegen Sciences, Inc. in California, with the main asset being the BREVAGen breast cancer risk test (BREVAGen). In addition to the BREVAGen test, we also acquired a suite of patents valid to 2022 which augment and extend our current non-coding patent portfolio. On June 28, 2010, we incorporated a wholly-owned subsidiary named Phenogen Sciences Inc. in the State of Delaware which commenced selling the BREVAGen test in the U.S. marketplace in June 2011.

It is a priority for the Company to continue to identify additional parties who would benefit from taking a license to the Company s non-coding patents. We are now pursuing negotiations with a number of companies and organizations in USA and Europe that would benefit from taking a license to our non-coding patents or from collaborations with our service testing business.

In order to increase the rate at which these licenses can be secured, the licensing team at the Company s headquarters in Melbourne, Australia has been expanded in recent years by the appointment of additional staff to accelerate the preparation of dossiers on potential licensees. Internationally, independent licensing contractors were previously engaged to represent the Company on the ground in our major markets. Refer Item 4.B below for details.

Item 4.B Business Overview

We are a biotechnology company focused on expanding our genetic testing business in the Asia-Pacific region and, with the addition of the BREVAGenTM breast cancer risk test, in the USA and later in Europe. In addition, we are now pursuing commercial opportunities in other areas of activity:

(i) out-licensing our non-coding patents globally; and

(ii) supporting two late-stage research and development projects in which we are already involved.

Industry Background

The Human Genome Project announced (in April 2003) the completion of the first draft of the entire sequence of the human genome. The biotechnology industry is now working to build upon the vast amount of knowledge generated by that program in order to develop a better understanding of the genetic basis of human health and disease. Increasingly, genetics is being shown to play a key role in the diagnosis and treatment of many diseases in humans, as well as diseases in animals and plants. Our growing understanding of genetics is now providing new information for understanding such predisposing or causative factors in many of these diseases.

Prior to the Human Genome Project, the successful mapping of the Mouse Genome (published in December 2002) permitted, for the first time, a detailed comparison of human genes and mouse genes. One of the key findings that has arisen from this work is the significant role that non-coding DNA plays in controlling gene function in both human genes and mouse genes. For some scientists, but not for our company, these findings - of the great significance of non-coding DNA to gene function - were new, significant and totally unexpected.

A major focus in science is now the identification and analysis of genetic variations and disease-associated genes within the genome. These genetic variations, or polymorphisms, in the DNA sequences vary between individuals. The most common genetic variations are Single Nucleotide Polymorphisms, or SNPs, which are merely a difference in a single nucleotide. The first draft of the human genome identified over 1.4 million SNPs that can be useful as positional signposts for disease-associated DNA sequences in a gene or as markers to map genes along a chromosome. A significant number of these SNPs (perhaps more than 97%) are now known to be non-coding.

Table of Contents

Genomics

A genome is an organism s complete set of DNA and the study of that DNA is called genomics. Genomes vary in size, with bacteria displaying the smallest known genome at 600,000 DNA base pairs, while human and mouse genomes have over 3 billion. The DNA of the human genome is organized into 24 distinct chromosomes that contain from 50 million to 250 million base pairs on each chromosome. The DNA on each chromosome contains genes that are specific sequences that encode proteins that actually perform the work within a cell and also make up the cell itself. Surprisingly, only about 2% to 5% of the human genome is organized into coding DNA, with the remainder being considered to be non-coding DNA. Our patent portfolio is centered on proprietary methods for utilizing the valuable information contained within these non-coding regions.

Genetic Variability

Almost 99.9% of an individual s genome is identical to that of every other individual s genome. However, even slight variations in sequence can drastically change how a gene functions. Variations can lead to harmless changes, such as blue eyes instead of brown, or to major diseases such as cancer, cystic fibrosis, or cardiovascular disease. Genetic variations can also be responsible for many of the differences in the ways individuals respond to drug therapies. As a result of this knowledge, routine analysis of SNPs and other genetic variations is expected to play an increasingly important role in the discovery and development of new drugs, as well as in a variety of diagnostic therapeutic and other medical and life science applications. Industry sources estimate there are millions of genetic variations in the human genome, creating demand for products and technologies that can quickly and accurately detect and analyze these variations. It is thought that the medicine of the future will be dispensed to a patient based on his or her own specific DNA variations. This type of personalized medicine will require sophisticated genetic tests to determine the genetic composition of an individual, and it is now recognized that such genetic make-up depends not only on the form of the coding DNA, but also the form of the associated non-coding DNA.

Genetic Tests

Most genes come in many different forms, called alleles. One or more allele may be associated with a particular disease state. Genetic testing involves the direct examination of an individual s DNA for a DNA marker associated with the allele of interest. The determination of the particular alleles an individual has within his or her DNA is called genotyping.

The most commonly tested marker of a particular allele is a SNP. As much as 98% of the human genome is considered to be non-coding DNA, the majority of the identified 1.4 million SNPs are also located in non-coding regions of DNA. We believe that a license to our proprietary methods of analyzing non-coding regions of DNA will be absolutely necessary for many of the genetic tests of the future. Similarly, tests for genetic abnormalities or mutations may involve not just individual SNPs, but also groups of SNPs or even larger sequences of DNA, and such abnormal sequences - large or small - may be located either in the coding region alone, or in the non-coding region alone, or in both the coding and non-coding regions of the gene (or genes) under examination. Clearly, the variations within genes that may be responsible for a disease are now known to be much more complicated than was previously understood, and the role of non-coding DNA is now being found to be highly relevant in a growing number of diseases. This similarly applies to genetic disorders in animals and in plants. Accordingly, more and more genetic testing will in future look not only at coding variations, but also at the non-coding variations within a particular gene.

Building the Genetic Testing Business

Background and History of the Paternity Testing Business

In the early 1990 s, GeneType AG established a small service testing laboratory in Melbourne, Australia, initially to show-case its non-coding inventions, but also to generate revenue to help support and fund its ambitious research program in those early days. Following the acquisition of several other small DNA testing laboratories in Australia, GeneType AG consolidated the business such that the Company is now the largest provider of paternity and related testing services in Australia.

In August 2000, we acquired 100% of GeneType AG, including control over all its patents and its service testing business. Later, in July 2001, we acquired the paternity testing business of DNA-ID Labs, another small testing laboratory based in Perth, Western Australia. Overall, we acquired several small businesses, two based in Sydney, New South Wales, one based in Perth and one based in Melbourne, eventually making our service testing laboratory in Melbourne the leading non-Government genetic testing service provider in Australia. We now have extensive experience in providing DNA-based individuality testing for the resolution of disputed paternity, the determination of familial relationships for immigration purposes and for forensic analysis.

The most common type of DNA testing is paternity testing - where we determine the father of a given child. In order to perform this test we take a sample from the mother, alleged father and child. The test can also be performed without the mother s sample but this makes the analysis somewhat more complex and the price for the test increases accordingly.

Table of Contents

Other types of tests we can offer include:

- Y chromosome testing - determines if two males come from the same paternal line, i.e. have a common father or grandfather.
- Mitochondrial DNA testing - determines if two people come from the same maternal line.
- Sibship testing - determines if people are full siblings, i.e. have the same mother and father.
- Maternity testing - determines the mother of a given child.
- DNA typing - reveals the DNA makeup of an individual.
- Grandparent analysis - determines the grandparents of a given child. This is mainly used when the father of a child is deceased and a will is being contested.
- Antenatal DNA testing - determines the father of an as-yet unborn child.
- Semen analysis - determines if semen is present on, for example, an article of clothing. If it is, we can DNA type this sample and compare it to a reference sample.

We issue reports for the Family Court in Australia and provide similar services internationally for the Department of Immigration and Citizenship (DIAC). We are one of only two DNA testing laboratories in Australia recognized by DIAC to provide DNA tests for immigration purposes.

Over time, we have gained a reputation as a leading genetic testing laboratory, and progressively, we have started to receive specimens for testing from other countries, most of which are located in the Asia-Pacific region. In addition, we received requests to perform tests outside of human paternity, and this has caused us to consider and now plan a significant expansion of our testing services.

Expansion of Testing Services Beyond Paternity Testing

(1) Plant Testing - in March 2002, we formed a joint venture with the Victorian State Government s Department of Primary Industry, for the purpose of providing a high throughput genotyping service for plant testing - in order to help plant breeders identify the genes responsible for the detection of commercially relevant traits, such as resistance to disease, accelerated growth and the improvement of crop yields. A new company, AgGenomics Pty. Ltd., was formed, with us as the majority shareholder and the State agency as the minority partner. AgGenomics is located at the Victorian AgriBiosciences Centre at La Trobe University R&D Park in Bundoora, Victoria.

(2) Medical Testing - the strategic alliance with Myriad Genetics Inc. delivered to the Company exclusive rights in Australia and New Zealand to perform DNA testing for susceptibility to a range of cancers. In April 2003, we established our cancer susceptibility testing facility. In

June 2003, this facility was granted provisional accreditation by the National Association of Testing Authorities, Australia (NATA). This important area of testing continues to build momentum, with the addition of new equipment, new employees joining the Company and new technology becoming available exclusively to us, such that the Australian community now has access to some of the latest technologies available for genetic testing.

In November 2003, the Company joined the world-wide genetic testing network GENDIA as the sole reference laboratory for the network in Australia and New Zealand. GENDIA consists of more than 50 laboratories from around the world, each contributing expertise in their respective disciplines to create a network capable of providing more than 2,000 different genetic tests. This has provided the Company with the ability to offer comprehensive testing services to its customer base in the Asia-Pacific region as well as increasing our exposure to other markets.

In November 2004, the Company announced a strategic alliance with Australian biotechnology company Bionomics Limited for the commercialization of the diagnostic genetic test for the condition Severe Myoclonic Epilepsy in Infancy. This test was the first to expand the Company s human molecular diagnostics focus beyond cancer susceptibility testing. In July 2006, we further cemented our position as Australia s leading independent provider of complex genetic testing services with NATA granting further accreditation of our Melbourne laboratory to provide a wide range of complex genetic tests. Genetic analysis for the predisposition and diagnosis of a wide range of disease states is increasingly being used by clinicians in standard medical practice. We committed to providing the gold standard in testing technology, with superior turn-around times and a substantially more cost efficient service. Attainment of the further accreditation by NATA in the area of complex gene sequencing testing services has enabled numerous government funded genetics services to begin utilizing the Company s testing service to improve patient care.

Table of Contents

Having established an excellent laboratory service with significant excess capacity, the Company announced in July 2008 that a commercial decision had been made to enforce the rights granted to it under an exclusive license from Myriad to perform diagnostic testing of the BRCA1 and BRCA2 genes in Australia and New Zealand. However, following the removal of five Directors from the Board at the Company s Annual General Meeting on November 19, 2008, the new Board undertook a formal review of the Company s decision to enforce its BRCA testing rights and subsequently resolved to immediately revert to its original decision to allow other laboratories in Australia to freely perform BRCA testing.

In October 2009, a new strategic direction was established to focus efforts in creating a portfolio of tests that would be aimed at assisting medical clinicians with cancer management. This would comprise tests that were created by the Company and in-licensed from third parties which would then be marketed by Genetic Technologies in the Asia Pacific region. In November 2009, distribution agreements were executed with Trimgen and Rosetta Genomics of the U.S. to acquire distribution rights for their tests across Oceania. In addition to the current test portfolio, GTG began introducing itself to the Oncology market via regular attendance at medical conferences and direct to market selling activities. An additional agreement to acquire local distribution rights from Response Genetics of the U.S. was then executed by the Company in January 2010.

In December 2009, GTG took a four month option to investigate the purchase of various assets from Perlegen Sciences, Inc. of Mountain View, California which included the breast cancer non-familial risk assessment test, BREVAGen . Those assets were subsequently purchased in April 2010. Work then began on validating the test in GTG s Melbourne-based laboratory as well as initiating the process for obtaining CLIA certification which would enable the Company to undertake the testing of samples received from the U.S. market. By July 2010, a new U.S. subsidiary named Phenogen Sciences Inc. had been incorporated by the Company in Delaware to market and distribute the BREVAGen test across mainland U.S.A. In April 2011, the Company announced that it had gained certification of its Australian laboratory under the U.S. Clinical Laboratories Improvements Amendments, as regulated by the Centers for Medicare and Medicaid in Baltimore, Maryland. This certification, which enables the Company to accept and test samples from U.S. residents, was the culmination of preparations required for the U.S. launch of the Company s BREVAGen test which occurred in June 2011. Phenogen Sciences has since established an office in Charlotte, North Carolina and employed several key personnel, including a General Manager named Mr. Lewis Stuart, and eight initial sales staff.

The BREVAGen test combines a lifestyle risk assessment using the Gail score, with a personalized genetic risk assessment. The two parts give a BREVAGen score for five year and lifetime risk assessment as well as being compared to clinical threshold levels for treatment established by the American Cancer Society and the American Society of Clinical Oncology. We believe there are in the order of one million women a year in the U.S.A. who have a breast biopsy result that is not invasive cancer yet they may want to know their future risk of getting breast cancer. BREVAGen is a prognostic tool to help clinicians better determine what sort of proactive treatment or surveillance strategy to employ with such patients.

(3) Animal Testing - in May 2003, we acquired the assets of Genetic Science Services to expand the range of tests we can offer to include relevant genetic testing in animals - for example, progeny testing in horses, dogs, deer, sexing in birds, and animal disease identification and susceptibility testing for a range of animals, including exotic and zoo animals. This acquisition also allowed the Company to support research projects involving, for example, the Australian fur seal and various frogs and reptiles.

In addition to NATA accreditation for complex genetic analysis mentioned above, in 2006 GTG also received NATA accreditation for the provision of canine forensic analysis services. We are the only laboratory in Australia to receive such accreditation. This accreditation ensures that we will continue to be the laboratory of choice for all canine forensic analysis, especially where prosecutions are initiated for dog attacks. In the state of Victoria alone, there are in excess of 7,000 dog incidents reported annually. This accreditation, together with the recent announcement of a genetic test to determine the breed of dogs, places the Company in a strong position to provide genetic analysis services to local councils around Australia.

During 2008, the Company launched its Dog Attack Pack, a forensic tool enabling local government officers to collect samples from dog attacks and BITSA , a breed identification test that uses DNA analysis to provide a history of a dog s breed.

In July 2008, we acquired Frozen Puppies Dot Com Pty. Ltd., an Australian company specializing in canine reproductive services. Since then, the Company expanded its facilities into territories outside of Australia, developing relationships with breeders and associations in China, Japan, New Zealand and elsewhere. Staff were employed to manage the Company s activities in these territories and purpose-built facilities have now been established on the outskirts of Beijing, China and in several States of Australia. However, during the year ended June 30, 2010, a decision was made by the Company to strategically realign its animal business and to focus on the provision of animal genetic tests, rather than the services that were acquired as part of the acquisition of the Frozen Puppies Dot Com business in 2008. As a result, most of the centers and related assets were sold off to various parties who have a reputation for providing reproductive services, however, GTG is still able to work with those centers to provide its genetic testing services. Following these disposals, Frozen Puppies Dot Com Pty. Ltd. was subsequently deregistered in June 2011.

Table of Contents

In September 2009, GTG again won a tender for being the exclusive provider of genetic services to Greyhounds Australasia for a period of two years. At this time, the Company s animals business was re-launched through a new website; www.animalnetwork.com.au which provides information on genetic tests, a database of breeder dog results supplied from GTG tests, services and the ability to order tests online.

By late 2009, the new strategy for GTG of focusing on genetic health started to impact the way resources would be used in the animals business. This change in strategic direction meant that many ad-hoc and small / infrequent volume animal tests were eliminated from the animal testing portfolio. A decision to focus solely on canine genetic tests meant an increase in establishing relationship with new channel partners. In the Veterinary market, Gribbles was appointed as the Company s exclusive distribution partner for Australia and New Zealand. In the animal welfare area, our relationship with Lort Smith Animal Hospital continued and additional relationships established with the Animal Welfare Leagues in New South Wales and South Australia and the New Zealand Kennel Club. Outside the main cities, distribution agreements were set up with ART in Rockhampton, Queensland. From April to September 2010, GTG was invited to tender for the provision of canine genetic tests to the China Kennel Union. This is the largest canine club in China with current membership of 176,000 members. GTG subsequently won a three year tender which will be serviced out of the GTG office in Beijing with tests to be conducted in the Company s Melbourne laboratory.

(4) Forensic Testing - recognizing the increasing use of DNA analysis in forensics and the demand this would place on existing government laboratories, in February 2004, the Company successfully gained forensics accreditation from the National Association of Testing Authorities, Australia (NATA). We were the first non-government laboratory in Australia to be awarded this accreditation. Since then, we have developed a highly efficient and technologically advanced forensics laboratory. This capability was substantially advanced by our recent non-coding licensing deal with Applera Corporation under which we secured equipment and supplies essential to conducting forensics analysis. Together with these resources and our experience in DNA analysis, the Company is becoming a major provider of DNA analysis services to the forensics community.

In April 2006, we announced that we had been awarded a contract to supply the New South Wales (NSW) Police Force with DNA analysis services. Under the contract, we provided services for an initial trial period of three months. Following this successful trial, we executed a three year contract with the NSW Police Force in January 2008 for DNA analysis services for their volume crime samples, such as burglary and motor vehicle theft. This contract represented a major breakthrough for the Company and was the first time in Australia that any Police Force had awarded a long-term contract to outsource the testing of their crime samples. The current contract with the NSW Police Force ended in January 2011. In February 2011, the Company announced that it had executed a one-year extension to its Forensic DNA Testing Agreement with the NSW Police Force. The feedback regarding the contracted work to date has been wholly positive and the turnaround time targets stipulated in the current contract have been well exceeded.

We believe that a significant opportunity exists for the Company to assist other policing authorities to expeditiously process DNA samples and discussions have been held with two other State-based Police forces to investigate how GTG s forensic capability could be utilized in their operations. It is estimated that there is a substantial backlog of DNA samples currently waiting to be processed by these and other police departments throughout Australia. This work would be in addition to the processing of DNA samples collected on an ongoing basis from crime scenes.

(5) Athletic Performance Testing - the Company acquired the commercial rights from the University of Sydney for a genetic test, known as the ACTN3 Sports Gene Test , which is capable of determining whether or not this gene is providing athletes with a genetic advantage for sprint-power performance. In September 2005, we announced the official launch of this test in Japan with its Japanese distribution partner, Sportsstyle, to an audience of over 100 sports specialists, including the President of the Japan Federation of Health and Sports. The launch of the ACTN3 SportsGene Test was widely reported in the Japanese press. All commercial ACTN3 SportsGene Tests from Japan are analysed at our laboratory in Melbourne. In conjunction with Sportsstyle, we have held meetings with influential sporting bodies looking to use the ACTN3 SportsGene Test as part of their training and assessment program.

On January 7, 2008, the Company appointed Colorado-based talent identification company EPIC Athletic Performance Inc. (EPIC) as a non-exclusive distributor of the ACTN3 SportsGene Test® product in the United States. Samples have been received through calendar 2009, but it is not known at this point whether there is an ongoing market for such a test.

During 2009, distribution agreements / amendments were established in Japan, Western Europe and Greece, with interest having also been received from South America and India. The market for these tests is confined largely to specific professional sporting bodies and as such the volume for such a test is limited to those types of niches.

Table of Contents

Our Patent Portfolio

The acquisition of GeneType AG gave our company ownership rights to a potentially significant portfolio of issued patents. The major families of patents in the portfolio as of the date of this Annual Report include:

(a) Intron Sequence Analysis;

(b) Genomic Mapping;

(c) Laboratory Techniques;

(d) Perlegen;

(e) BREVAGenTM;

(f) Ancestral Haplotypes;

(g) Athletic Performance;

(h) ImmunAid Project;

(i) Nematode Project; and

(j) RareCellect Project.

(a) The Intron Sequence Analysis patents - allow for the detection of specific motifs within the genetic material in the non-coding regions of DNA which have been shown may be linked to certain alleles or haplotypes within the coding region of the gene. In other words, whereas most geneticists previously looked at the genetic information located within the coding region alone, our inventions have provided a means of also looking at additional useful information which is located within the non-coding part of the gene, and which is now known to also be important in influencing gene function and, in particular, protein production. The method is useful, for example, in the determination of tissue typing for transplantation in order to test for possible likely acceptance or rejection of bone marrow or tissue grafts. The method is also useful in the detection of genetic changes or mutations in the non-coding region of certain genes associated with a higher incidence of certain genetic diseases, such as cystic fibrosis, susceptibility to breast cancer, multiple sclerosis, Alzheimer s Disease, etc. It is also now known that more than 100 human diseases are associated with genetic changes in the non-coding part of a particular gene and which are linked to the function of the coding part of that gene. Similar applications also exist in animals and plants. Several important markers in livestock, for example, have been shown to be located in the non-coding part of the DNA and also linked to particular coding function - for example, marbling or tenderness. It has also been shown that variations in the non-coding DNA of plants can influence their function, including the color of flowers and the timing of germination and growth.

(b) The Genomic Mapping patents - describe methods for analyzing genetic material collected from various selected populations to identify and locate genes and markers of interest, by identifying highly polymorphic sites throughout the genome and particular haplotypes associated with such sites, all based on a reading of sequence information in both the coding and the non-coding portions of the genome.

(c) The Laboratory Techniques patents - describe a method for identifying band positions in an electrophoretic separation by also including a control, which serves as an internal standard.

(d) The Perlegen patents - describe the family of patents that were acquired from Perlegen Sciences, Inc. that provide methods for discovering genetic associations to disease and which build on and augment the Genomic Mapping patents.

(e) The BREVAGenTM patents - describe a combination of method and product filings which describes a breast cancer prognostic test based on both genetic and clinical factors to deliver an improved understanding of an individual s risk of contracting breast cancer.

(f) The Ancestral Haplotypes patents - describe a method for determining ancestral haplotypes using haplospecific geometric elements within the major histocompatibility complex multi-gene cluster and methods of genetic analysis involving the amplification of complimentary duplicons. These patents were acquired from the C.Y. O Connor ERADE Village Foundation in Western Australia.

(g) The Athletic Performance patents - describe a method that enables aspects of athletic performance to be predicted based on detection of various forms of the alpha actinin 3 (ACTN3) gene. These patents were acquired from the University of Sydney in New South Wales.

(h) The ImmunAid Project patents - describe various methods aimed at improving the efficacy of cancer therapy and treatment of chronic diseases and form the basis of the ImmunAid project.

Table of Contents

(i) The Nematode Project patents - describe means to identify and to control a variety of species of parasites. The patent applications describe the use of modern genetic technologies to identify celluar targets for two novel classes of chemicals which can be used to control the major parasitic worms of sheep and cattle. These nematodes are responsible for extensive economic losses to the sheep and cattle industries and are rapidly developing resistance to the existing chemicals. The novel classes of chemical described in these patents offer a safe and highly effective alternative.

(j) The RareCellect Project patents - the older patents describe a novel and safe method for the isolation and collection of fetal cells from the peripheral blood of a pregnant woman, utilizing various HLA or other markers plus flow cytometry - all without any invasive procedure that might endanger the mother or the child. Together with more recent patents, these form the basis of the intellectual property associated with the RareCellect project.

The many issued, allowed and pending patents claimed by GeneType AG, and which are now owned by our Company, distinguish us from competitors by giving us the legal right to claim ownership of proprietary methods and compositions for analysis of DNA using information contained within non-coding regions and for isolation of fetal cells. The methods and compositions for analysis of DNA may be used to identify a particular form of a gene or to map the location of a disease-associated gene.

In total, we have 17 issued patents and 16 patent applications in the United States. Reflecting our international business strategy, we have also sought and been granted foreign patents by many other major industrialized nations, corresponding to each of the major patents already issued in the United States.

Generally, United States patents filed with the United States Patent Office prior to June 8, 1995 have a term of 17 years from the date of issuance, and 20 years from the application filing date or earlier claimed priority date in the case of patents issued from applications filed on or after June 8, 1995. For applications filed after May 29, 2000, the term is 20 years from the date of filing. A minimum term of 17 years is assured, provided the applicant causes no delays during prosecution. Patents in most other countries have a term of 20 years from the date of filing the patent application. Our issued United States patents began to expire in 2009. We intend to continue to file patent applications as we develop new products, technologies and patentable enhancements. Prosecution practices have been implemented to avoid any applicant delays that could compromise the 17-year minimum term. There can be no guarantee that such procedures will prevent the loss of a potential patent term. This is particularly true in the short-term as the patent rules implementing the most recent patent term changes are relatively new and untested.

Complex legal and factual determinations and evolving law make patent protection uncertain. As a result, we cannot be certain that patents will be issued from any of our pending patent applications or from applications licensed to us or that any issued patents will have sufficient breadth to offer meaningful protection. In addition, our issued patents may be successfully challenged, invalidated, circumvented or rendered unenforceable so that our patent rights would not create an effective competitive barrier. Moreover, the laws of some countries may not protect our proprietary rights to the same extent as do the United States patent laws.

In addition to patent protection, we rely on trade secret protection of our intellectual property. We attempt to protect our trade secrets by entering into confidentiality agreements with third parties, employees and consultants. Our employees and consultants are required to sign agreements to assign to us their interests in discoveries, inventions, patents, trademarks and copyrights arising from their work for us. They are also required to maintain the confidentiality of our intellectual property, and refrain from unfair competition with us during their employment and for a certain period of time after their employment with us, which includes solicitation of our employees and customers. We cannot be certain these agreements will not be breached or invalidated. In addition, third parties may independently discover or invent competing

technologies or reverse engineer our trade secrets or other technologies.

In the future, we may become involved in lawsuits in which third parties file claims asserting that our technologies or products infringe on their intellectual property. We cannot predict whether third parties will assert such claims against us or against the licensors of technologies licensed to us, or our licensees, or whether those claims will hurt our business. We may be forced to defend against such claims, whether they are with or without merit or whether they are resolved in favor of or against our licensors or us and may face costly litigation and diversion of Management s attention and resources. As a result of such disputes, we may have to develop costly non-infringing technologies or enter into licensing agreements. These agreements may oblige us to accept costly terms, which could seriously limit the ability to conduct our operations and affect adversely our financial condition.

In addition, we may become involved in lawsuits in which third parties file claims asserting that one or more of our patents are invalid. We cannot predict whether third parties will assert such claims against us or against the licensees of such patents, or whether those claims will have an adverse impact on our business. We may be forced to defend against such claims, whether they are with or without merit or whether they are resolved in favor of or against our licensees or us and may face costly litigation and diversion of Management s attention. During the period from February 2001 through March 31, 2002, we had in place a patent insurance policy, placed with GE Reinsurance Corporation through Dexta Corporation Limited, their managing general agents in Australia. Although the policy was not renewed on its expiry, since we had advised Dexta of 13 companies prior to March 31, 2002 as potential infringers, a significant portion of our expenses incurred to date relating to the prosecution of our claims have been covered by the policy.

Table of Contents

Of those 13 so identified, we secured licenses with six, relinquished our claims against four and commenced proceedings against Applera, Covance and Nuvello. The suits against Covance and Nuvello were subsequently settled. On December 12, 2005, we announced the final settlement of our patent dispute with Applera Corporation, further to a settlement conference held in San Francisco, California. The parties had executed a number of binding agreements, including a final Settlement Agreement plus license agreements and a supply agreement and, subsequently, they jointly applied to Northern California District Court requesting that all claims and counterclaims in the legal action be dismissed forthwith. The total value of the consideration receivable by us is approximately $15 million, payable partly in cash and partly in kind, including agreements supplying the Company with certain Applera equipment, reagents and intellectual property rights. As of June 30, 2011, the total value of these rights was $1,867,634. Recognition of in-kind consideration as revenue is subject to us meeting certain revenue recognition criteria including, but not limited to, the measurement of fair value at the time of receipt.

Our Patents

Our current patent portfolio is described below. Numbers refers to either provisional, application, publication or patent number.

	Country / region	Numbers	Granted	Pending
INTRON SEQUENCE ANALYSIS				
Intron sequence analysis method for detection of adjacent and remote locus alleles as haplotypes	Australia	AU654111	•	
Earliest priority August 25, 1989		AU672519	•	
	Austria	AT144797	•	
	Belgium	EP414469	•	
	Canada	CA2023888	•	
	Denmark	DK414469	•	
	Europe	EP414469	•	
	France	EP414469	•	
	Germany	DE69029018	•	
		DD299319	•	
	Great Britain	EP414469	•	
	Greece	GR3022410	•	
	Hong Kong	HK1008053	•	
	Israel	IL95467	•	
	Italy	EP414469	•	
	Japan	JP3206812	•	
	Luxembourg	EP414469	•	
	Netherlands	EP414469	•	
	New Zealand	NZ235051	•	
	Singapore	SG47747	•	
	South Africa	ZA9006765	•	
	Spain	ES2095859	•	
	Sweden	EP414469	•	
	Switzerland	EP414469	•	
	United States	US5192659	•	
		US5612179	•	
		US5789568	•	

Table of Contents

	Country / region	Numbers	Granted	Pending
GENOMIC MAPPING				
Genomic mapping method by direct haplotyping using intron sequence analysis	Australia	AU647806	•	
Earliest priority July 11, 1990	Austria	AT185377	•	
	Belgium	EP570371	•	
	Canada	CA2087042	•	
	Denmark	DK570371	•	
	Europe	EP570371	•	
	France	EP570371	•	
	Germany	DE69131691	•	
	Great Britain	EP570371	•	
	Ireland	IE912426	•	
	Israel	IL98793	•	
	Italy	EP570371	•	
	Japan	JP3409796	•	
	Luxembourg	EP570371	•	
	Netherlands	EP570371	•	
	New Zealand	NZ238926	•	
	South Africa	ZA9105422	•	
	Sweden	EP570371	•	
	Switzerland	EP570371	•	
	United States	US5851762	•	
PERLEGEN				
Methods for genetic analysis	United States	US7127355	•	
Earliest priority March 5, 2004	United States	To be advised		•
	Japan	JP2007502088		•
Methods for genetic analysis	Australia	AU2008304485		•
Earliest priority September 27, 2007	Canada	CA2704152		•
	Europe	EP2198381		•
Methods for genomic analysis	Australia	AU785425	•	
Earliest priority March 30, 2001	Israel	IL148783	•	
	United States	US6969589	•	
	Canada	CA2380047		•
	Europe	EP1246114		•
	United States	US12/795361		•
Methods for identifying matched groups	United States	US7124033	•	
Earliest priority April 30, 2003				
Genetic analysis systems and methods	Australia	AU2003202919	•	
Earliest priority January 7, 2002	United States	US6897025	•	
	Canada	CA2472646		•
	Europe	EP037020328		•
	Japan	JP2003558032		•
Life sciences business systems and methods	United States	US6955883	•	
Earliest priority March 26, 2003				
Life science business systems	United States	US7427480	•	

Earliest priority March 26, 2003

Table of Contents

	Country / region	Numbers	Granted	Pending
PERLEGEN (cont.)				
Pharmaceutical and diagnostic business systems and methods	United States	US7135286	•	
Earliest priority March 26, 2002				
Haplotype structure of Chromosome 21 (LQTS)	United States	US7115726	•	
Earliest priority March 30, 2001				
BREVAGenTM				
Markers for breast cancer	Australia	AU20066320559		•
Earliest priority November 29, 2006	Canada	CA2631621		•
	China	CN20068005171.0		•
	Europe	EP06838661.4		•
	Hong Kong	HK09101235.4		•
	Israel	IL191566		•
	Japan	JP2008543446		•
	Korea	KR1020087015808		•
	United States	US12/890272		•
		US12/370972		•
Methods for breast cancer risk assessment	United States	US12/920815		•
Earliest priority June 1, 2009	World	PCT/AU2010/000675		•
LABORATORY TECHNIQUES				
Internal standards for electrophoretic separations	Austria	AT159589	•	
Earliest priority July 11, 1990	Europe	EP466479	•	
	France	EP466479	•	
	Germany	DE69127999	•	
	Great Britain	EP466479	•	
	Japan	JP4232850	•	
	Sweden	EP466479	•	
	United States	US5096557	•	
ANCESTRAL HAPLOTYPES				
Genetic analysis	Europe	EP660877	•	
Earliest priority November 1, 1991	France	EP660877	•	
	Germany	DE69232726	•	
	Great Britain	EP660877	•	
Method for determining ancestral haplotypes using haplospecific geometric elements within the major histocompatability complex multigene cluster				
Earliest priority November 1, 1991	United States	US6383747	•	
Methods of genetic analysis involving the amplification of complementary duplicons	Australia	AU2006214800		•
Earliest priority February 16, 2005	Canada	CA2597947		•
	Europe	EP1848819		•
	United States	US2009150080		•

25

Table of Contents

	Country / region	Numbers	Granted	Pending
ATHLETIC PERFORMANCE				
ACTN3 genotype screen for athletic performance	Australia	AU2003258390	•	
Earliest priority September 16, 2002	India	IN216886	•	
	New Zealand	NZ538890	•	
	Russia	RU2388829	•	
	United States	US7615342	•	
	Europe	EP1546403	•	
	Germany	EP1546403		•
	France	EP1546403		•
	Great Britain	EP1546403		•
	Canada	CA2499084		•
	China	CN1732270		•
	Japan	JP2005538710		•
IMMUNAID PROJECT				
A retroviral immunotherapy	Australia	AU2003200583	•	
Earliest priority August 18, 2000	China	CN1469746	•	
	New Zealand	NZ524280	•	
	Europe	EP1311267		•
	United States	US12/233369		•
Cancer therapy	Australia	AU2003203051	•	
Earliest priority February 14, 2002	Europe	EP090075391		•
	United States	US2005180971		•
	Canada	CA2476366		•
Strategy for retroviral immunotherapy	Europe	EP03742468.6		•
Earliest priority February 20, 2002				
Method of therapy	New Zealand	NZ546873	•	
Earliest priority October 24, 2003	Singapore	SG121609	•	
	Australia	AU2004283322	•	
	Europe	EP1692516	•	
	Mexico	MX2801840	•	
	Canada	CA2543490		•
	Japan	JP2007509078		•
	United States	US2007202119		•
	Austria	AT490470		•
	Switzerland	EP1692510		•
	Germany	EP1692516		•
	Denmark	DK1692516		•
	Europe	EP100180749		•
	Spain	EP1692516		•
	France	EP1692516		•
	Great Britain	EP1692516		•
	Greece	EP1692516		•
	Hungary	EP1692516		•
	Ireland	EP1692516		•
	Italy	EP1692516		•
	Luxembourg	EP1692516		•
	The Netherlands	EP1692516		•
	Poland	EP1692516		•

Portugal	EP1692516	•
Romania	EP1692516	•
Sweden	EP1692516	•
Turkey	EP1692516	•

Table of Contents

	Country / region	Numbers	Granted	Pending
IMMUNAID PROJECT (cont.)				
Methods of treating diseases	United States	US61/181508		•
Earliest priority May 27, 2009	World	PCT/AU2010/000649		•
Therapeutic strategy for treating autoimmune and degenerative diseases	Australia	AU2005282218		•
Earliest priority September 8, 2004	Canada	CA2579353		•
	Europe	EP1805510		•
	Japan	JP2007530544		•
	United States	US11/574911		•
NEMATODE PROJECT				
Compounds, composition and methods for controlling invertebrate pests	South Africa	ZA2009/03306	•	
Earliest priority November 15, 2006	Australia	AU2007321720		•
	Canada	CA2670259		•
	New Zealand	NZ576963		•
	United States	US2010137294		•
Compositions and methods for control of invertebrate pests	Australia	AU2010905603		•
Earliest priority December 21, 2009				
High resolution analysis of genetic variation within *Cryptosporidium parvum*	Australia	AU2003250619	•	
Earliest priority August 21, 2002				
RARECELLECT® PROJECT				
Fetal cell recovery method	Australia	AU649027	•	
Earliest priority March 27, 1990	Austria	AT194166	•	
	Belgium	EP521909	•	
	Canada	CA2059554	•	
	Denmark	DK521909	•	
	Europe	EP521909	•	
	France	EP521909	•	
	Germany	DE69132269	•	
	Great Britain	EP521909	•	
	Greece	GR3034487	•	
	Ireland	IE910996	•	
	Israel	IL97677	•	
	Italy	EP521909	•	
	Japan	JP2965699	•	
	Luxembourg	EP521909	•	
	Netherlands	EP521909	•	
	New Zealand	NZ237589	•	
	Singapore	SG79188	•	
	South Africa	ZA9102317	•	
	Spain	ES2149760	•	
	Sweden	EP521909	•	
	Switzerland	EP521909	•	
	United States	US5447842	•	

Epigenetic DNA enrichment	World	PCT/AU2010/001345	•
Earliest priority October 14, 2009			

Table of Contents

	Country / region	Numbers	Granted	Pending
RARECELLECT® PROJECT (cont.)				
Maternal antibodies as fetal cell markers to identify and enrich fetal cells from maternal blood	New Zealand	NZ537328	•	
Earliest priority May 31, 2002	Singapore	SG108133	•	
	Australia	AU2003229397	•	
	Japan	JP4589106	•	
	United States	US7785898	•	
	Canada	CA2492631		•
	Europe	EP1532453		•
	Hong Kong	HK1075699		•
Identification of fetal DNA and fetal cell markers in maternal plasma or serum	Australia	AU2004217872	•	
Earliest priority March 5, 2003	United States	US10/547721		•
Methods of enriching fetal cells	Europe	EP06721493		•
Earliest priority May 11, 2005	Japan	JP2008510361		•
	Canada	CA2651367		•
	United States	US11/914107		•
Biological sampling device	World	PCT/AU2010/00071		•
Earliest priority January 27, 2009	Australia	To be advised		•
Cell processing and/or enrichment methods	Europe	EP097125694		•
Earliest priority February 18, 2008	United States	US12/918015		•
	World	PCT/AU2009/000180		•
Methods for obtaining fetal genetic material	World	PCT/AU2010/000438		•
Earliest priority April 21, 2009				
Methods of enriching and detecting fetal nucleic acids	World	PCT/AU2010/001718		•
Earliest priority December 23, 2009				
Methods for obtaining samples for forensic analysis	United States	US61/323700		•
Earliest priority April 13, 2010				

Out-licensing our Non-coding Patents Globally

The Company is currently licensing its non-coding patents in the United States, Europe and elsewhere. This strategy was initiated in late 2000, soon after GeneType AG and its patents were acquired by the Company. The first step in the process was to secure patent insurance, which we achieved in early 2001. This policy has since expired.

Thereafter, we progressively made contact with many companies in the United States and elsewhere, bringing the patents to their attention and indicating how they might benefit from a license to the Company s non-coding patents. In late 2002, we hired a manager to manage the Australian end of the licensing effort and to establish a central database of all prospective licensees, globally.

The plan initially was to grant a number of licenses focusing primarily on the up-front fee component, and then to progressively build recurring annuity or royalty component of subsequent licenses. When we identified companies that seemed to be infringing our patents, while also indicating they would not take a license, we put them on formal notice under our patent insurance policy. Overall, the strategy has unfolded as planned.

In recent years, this strategy had evolved further with the appointment of Colorado-based law firm Sheridan Ross PC as our assertion partner. With their assistance, the Company has now filed three patent infringement suits in the U.S. against a total of 26 separate parties with settlement and license agreements having since been executed with 11 of these parties. As of the date of this Annual Report, negotiations continue with a number of the remaining parties.

Table of Contents

Our Licenses and Commercial Collaborations

Since commencing our licensing program back in 2002, we have granted commercial licenses to a total of 55 licensees and 6 research licenses to the following parties, which are listed in reverse chronological order of their effective dates:

Commercial licensees

55. AutoImmun Diagnostika GmbH, **Germany**

54. Hologic Inc., **USA**

53. Attomol GmbH, **Germany**

52. Navigenics Inc., **USA**

51. Orchid Cellmark Inc., **USA**

50. ViennaLab Diagnostics GmbH, **Austria**

49. Sunrise Medical Laboratories Inc., **USA**

48. Qiagen Sciences LLC, **USA**

47. Pioneer Hi-Bred International Inc., **USA**

46. Innogenetics NV (medical diagnostic products), **Belgium**

45. Laboratoires Réunis, **Luxembourg**

44. Interleukin Genetics Inc., **USA**

43. Beckman Coulter Inc. / Clinical Data Inc., **USA**

42. Monsanto Company (cattle genetics) **USA**

41. Molecular Pathology Laboratory Network Inc., **USA**

40. EraGen Inc., **USA**

39. Gen-Probe Inc., **USA**

38. TIB MOLBIOL Syntheselabor GmbH, **Germany**

37. Millennium Pharmaceuticals Inc., **USA**

36. GeneDx (Bio Reference Laboratories Inc.), **USA**

35. General Electric Company, **USA**

34. Prometheus Laboratories Inc. **USA**

33. Kimball Genetics Inc., **USA**

32. BioSearch Technologies Inc., **USA**

31. Syngenta Crop Protection AG, **Switzerland**

30. Monsanto Company (swine genetics), **USA**

29. Thermo Fisher Scientific Inc., **USA**

28. Monsanto Company (plant genetics) **USA**

27. Sciona Inc., **USA**

26. Genosense Diagnostics GmbH, **Austria**

25. Innogenetics NV (HLA products), **Belgium**

24. Bovigen LLC, **USA**

23. Optigen LLC, **USA**

22. Applera Corporation, **USA**

18 - 21. Four agriculture groups, **New Zealand**

17. Australian Genome Research Facility Limited, **Australia**

16. Bionomics Limited, **Australia**

15. C.Y. O Connor ERADE Village Foundation, **Australia**

14. ViaLactia Biosciences Limited, **New Zealand**

13. MetaMorphix Inc., **USA** (license subsequently terminated)

12. Genzyme Corporation, **USA**

11. Ovita Limited, **New Zealand**

10. Laboratory Corporation of America Holdings, **USA**

9. TM Biosciences Corporation, **Canada**

8. Quest Diagnostics Inc., **USA**

7. ARUP, **USA**

6. Biotage AB, **Sweden**

5. Myriad Genetics Inc., **USA**

4. Perlegen Sciences Inc., **USA**

3. Nanogen Inc., **USA**

2. Sequenom Inc., **USA**

1. Genetic Solutions Pty. Ltd., **Australia**

Research licensees

6. Texas A&M University (Merlogen Inc.), **USA**

5. Colorado State University, **USA**

4. University of Technology Sydney, **Australia**

3. King s College, London, **England**

2. University of Sydney, **Australia**

1. University of Utah, **USA**

Table of Contents

On February 16, 2010, the Company announced it had filed a patent infringement suit in respect of its non-coding DNA technologies against a number of parties in the USA District Court, Western District of Wisconsin. The counter-parties included Beckman Coulter Inc., Monsanto Company, Interleukin Genetics Inc., Orchid Cellmark Inc., Gen-Probe Inc., Molecular Pathology Laboratory Network Inc., Sunrise Medical Laboratories and Pioneer Hi-Bred International Inc. In April 2011, the Company was pleased to announce the successful culmination of this suit, importantly with no counterparty proceeding to trial. The various settlement and license agreements which were granted to the counterparties of this first suit generated gross fees in excess of $5.8 million and the suit has now been administratively closed by the Court.

On January 20, 2011, the Company announced it had filed a second patent infringement law suit in the USA, this time in the USA District Court, Western District of Texas, Austin Division. The seven counterparties to this action, each a company associated with Sonic Healthcare Limited, are: American Esoteric Laboratories, Clinical Pathology Laboratories Inc., Clinical Pathology Laboratories Southeast, East Side Clinical Laboratories, Clinical Pathology Laboratories Mid-Atlantic, Pathology Laboratories Inc. and Sonic Healthcare USA Inc. This second suit follows the successful settlement between GTG and Sunrise Medical Laboratories (a counterparty to the first assertion suit, detailed above) which is also an entity associated with Sonic.

On May 26, 2011, the Company announced it had filed a third patent infringement law suit in the USA, this time in the USA District Court, Western District of Colorado. The ten counterparties to this suit are: Agilent Technologies Inc., Bristol-Myers Squibb Company, Eurofins STA Laboratories Inc., GlaxoSmithKline LLC, Hologic Inc., Merial LLC, Navigenics Inc., GeneSeek Inc., Pfizer Inc. and 454 Life Sciences Corporation. Subsequent to filing this suit in Colorado, Settlement and License Agreements have been executed with Navigenics Inc. and Hologic Inc.

In addition to the formal USA assertion program, the Company is actively pursuing licenses external to these lawsuits, principally in Europe. Since the time of filing the first USA assertion suit, the Company has successfully concluded licensing deals with a number of non-assertion program targets from both the USA and Europe which collectively generated gross fees in excess of $6.4 million for the Company, with slightly over $6.0 million of this having been received in the 2011 financial year.

The following section describes our existing commercial and research licenses, our collaborations and our collaborators. We announced our first license to the non-coding patents to the Australian livestock testing firm Genetic Solutions Pty. Ltd., in February 2002. Since then, we have formed a number of collaborations and granted many additional licenses.

Commercial Licenses and Collaborations:

Agriculture Victoria Services Pty. Ltd.: In February 2002, our subsidiary GeneType Pty. Ltd. entered into a joint venture agreement with Agriculture Victoria Services Pty. Ltd. (AVS) for the formation of the joint venture company AgGenomics Pty. Ltd., to operate a joint venture business in commercial plant genotyping and genomics services. Under the terms of the joint venture agreement, we hold 50.1% of the shares of the joint venture company. We have certain obligations under the joint venture agreement to loan money to the joint venture company, which is not expected to exceed $500,000 at any given time. AVS is not required to provide further funding to the joint venture company. The agreement is terminable by a party in the event of a breach by the other party that is not timely cured or upon the occurrence of an adverse event to the company or to either shareholder. Adverse events are insolvency type events or discontinuation of business. In the event of termination the non-defaulting party can require liquidation of the company or purchase the other party s interest, as it chooses.

Genetic Solutions License: In November 2001, we granted a license to Genetic Solutions Pty. Ltd. who paid us a non-refundable license fee in cash in return for a license to our non-coding analysis and mapping patents. The license can be terminated by either party upon any material breach of any term or condition by the other party which has not been timely cured after notice. We may also terminate the agreement in the event of the bankruptcy of the licensee or discontinuation of their business.

Sequenom License: In April 2002, we granted a license to bioinstrument maker Sequenom, Inc., who paid us a non-refundable license fee in cash and shares in return for a license to our non-coding analysis and mapping patents. The license can be terminated by either party upon any material breach of any term or condition by the other party which has not been timely cured after notice. We may also terminate the agreement in the event of the bankruptcy of the licensee or discontinuation of their business.

Nanogen License: In April 2002 we granted a license to Nanogen, Inc, of San Diego, USA, who specializes in the development of biochip applications in genetics diagnostics. Nanogen paid us a non-refundable license fee and unlisted warrants in return for a license limited to genetic research and human diagnostics. Specifically, Nanogen receives no rights to the mapping patent nor any applications in animals or plants. Since the date of the initial license, the warrants became in the money and we exercised them, acquiring Nanogen shares which we disposed of in market transactions generating further income. The license can be terminated by either party upon any material breach of any term or condition of the agreement not timely cured. We also can terminate the agreement in the event the licensee becomes involved in insolvency proceedings or if it discontinues its business for any reason.

Table of Contents

Perlegen License: In August 2002, we granted a license to US genome researcher, Perlegen Sciences, Inc., which paid a non-refundable combination of cash and securities for an exclusive license limited to a specialized field known as high resolution whole genome analysis . Either party can terminate the license agreement upon any material breach of any term or condition by the other party that is not timely cured after notice. We also have the right to terminate the agreement in the event of insolvency of the licensee or if it discontinues its business for any reason.

Myriad Licenses: In October 2002, we announced a licensing agreement with Myriad Genetics, Inc, under which we granted Myriad broad rights to utilize our non-coding patents, in return for which Myriad agreed to pay us a non-refundable license fee plus future fees on an annual basis in lieu of royalties, plus the rights to bring Myriad s predictive tests to Australia and New Zealand. These tests, which include genetic susceptibility tests for breast cancer, ovarian cancer, bowel cancer, melanoma and cardiac risk are now being offered by the Company in Australia and have resulted in the expansion of our existing genetic testing facilities in Melbourne. The license can be terminated by either party upon material breach by the other party that is not cured within 30 days of notice. We also may terminate if the licensee fails to make any payment required by the agreement. Under the second of two agreements, we are granted a license to use Myriad s diagnostic services in Australia and New Zealand in exchange for an annual fee. We are obligated to use reasonable efforts to commercialize the licensed diagnostic services in Australia and New Zealand. Under the terms of this agreement, we have been granted an option in exchange for upfront payments and a continuing royalty, to expand the license in respect of full sequence testing, which has not been exercised. The term of this agreement extends until 2012. Either party can terminate the agreement upon a material breach not timely cured after notice. In addition, Myriad can terminate if we fail to make any payment required under the agreement.

Pyrosequencing Licenses: In March 2003, we announced a cross-licensing agreement with Pyrosequencing AB, of Sweden (now known as Biotage AB). Pyrosequencing received a broad non-exclusive license to our non-coding DNA analysis and mapping patents but only when used in combination with Pyrosequencing s sequencing by synthesis reagents. In return, we received a non-refundable cash up front payment, plus royalties for the life of the non-coding patents, plus three state-of-the-art analytical instruments (Pyrosequencing systems), plus other IP rights and assays from Pyrosequencing. Either party can terminate the agreement upon material breach that is not timely cured by the other party after notice. In addition, either party can terminate the agreement if the other party becomes involved in insolvency proceedings, or if the other party discontinues its business for any reason.

ARUP License: In April 2003, we announced a license to Associated Regional & University Pathologists (ARUP) of Salt Lake City, Utah. ARUP is a laboratory system owned by the University of Utah, and the first service provider actually performing human genetic testing to take a license from the Company. The license was granted in return for a one-time non-refundable license issue fee. The license is terminable by a party upon material breach by the other party that is not timely cured after notice. In addition, we have the right to terminate if the licensee becomes involved in an insolvency or discontinues its business for any reason. In May, 2003, we had also granted the University of Utah a separate research license which is terminable upon material breach by the licensee not timely cured after notice.

Quest License: In August 2003, we granted a license to our non-coding analysis patents to Quest Diagnostics Inc., based in New Jersey, USA. The terms included a non-refundable signing fee plus ongoing annual payments in lieu of royalties from Quest for services provided by it in genetic laboratory testing in the United States, Canada and Mexico. In addition, the license is terminable by one party in the event of a material breach by the other party not cured after notice. Either party may also terminate the license in the event of an insolvency event affecting the other party or the discontinuation of business by the other party. Effective June 1, 2010, we amended the license which had been granted to Quest as part of a settlement with that company. In return for agreeing to the amendment, Quest made a further payment to Genetic Technologies.

TM Bioscience License: In December 2003, we granted a license to our non-coding analysis and mapping patents to TM Bioscience Corporation of Toronto, Canada. The terms provide for a signing fee plus ongoing annual payments as a non-refundable license fee and an

annual royalty on licensed products. This was our first commercial license granted to a Canadian company. TM Bioscience is a leading provider of diagnostic kits for human genetic testing, exported globally. The agreement is terminable by a party upon material breach by the other party that is not timely cured, and may be terminated by us in the event of dissolution or sale of the business of the licensee.

LabCorp License: In February 2004, we granted a license to our non-coding patents to Laboratory Corporation of America Holdings (known as LabCorp), a leading provider of human diagnostic services. The consideration received for the license, which covers both the non-coding analysis and mapping patents, included a non-refundable signing fee plus annual license annuity payments for the life of the patents, through 2015. LabCorp also withdrew a declaratory action in respect of our patents which had been initiated in New Jersey. The license is terminable by either party upon material breach by the other party that is not timely cured. In addition, we are entitled to terminate the agreement in the event that the licensee intentionally and knowingly promotes the licensee s reference testing to third party clinical laboratories for the purpose of circumventing the need for such laboratories to license our patents. The licensee is entitled to terminate the agreement at any time upon 30 days prior written notice and we can terminate in the event of an insolvency event involving the licensee or discontinuation of its business.

Table of Contents

Ovita License: In June 2004, we entered into a license agreement with Ovita Limited of New Zealand, granting them a license to our non-coding patents to the extent required in order to commercialize genetic marker tests and pedigree tests and to conduct research and development activities for new applications of our technology in connection with testing of sheep and cattle. The agreement included the payment of an initial non-refundable research license fee, a non-refundable commercial license fee and a royalty on licensed products made using our patents, payable calculated on gross sales. The license is terminable by a party for material breach that is not cured by the other party, by licensee upon 30 days written notice to us and by either party in the event of discontinuation of its business, an insolvency event or failure to pay amounts due and owing to the other.

Genzyme License: Effective as of September 17, 2004, we granted a license to our non-coding patents to Genzyme Corporation, based in Cambridge, Massachusetts, in order for the licensee to perform preclinical and human research and human genetic testing. The grant of the license was in exchange for a non-refundable license issue fee consisting of a cash component and an in-kind component. The in-kind component consisted of a license agreement in respect of patents owned by Johns Hopkins University and licensed by the licensee. In addition, Genzyme is obligated to pay to us license annuity fees in lieu of a royalty for each year of the term. Either party can terminate the agreement upon material breach not timely cured, in the event of insolvency of the licensee, or by the licensee at any time upon 30 days written notice to us.

MetaMorphix Agreements: In September 2004, we executed two agreements with MetaMorphix, Inc., based in Maryland and specializing in the genetics and genomics of certain animal species, particularly cattle and dogs. Under the first such agreement, we granted a license to use our non-coding patents in order to commercialize applications of diagnostic assays for use in the livestock, aquaculture and companion animal industries. The licensee is obligated to pay us annually increasing license annuity fees in lieu of a royalty, as well as a non-refundable license issue fee. Either party can terminate the agreement upon a material breach not timely cured, or by us upon the licensee s discontinuation of its business for any reason. Under the second license, to which MMI Genomics, Inc. (a subsidiary of MetaMorphix) is also a party, we were granted a license to the licensor s patents and associated know-how in order to perform internal DNA-based diagnostic assays for use in our cattle and canine identity and parentage verification services. We have subsequently paid the licensor a non-refundable license fee. The licensor s obligations include ongoing support for the license and know-how. The agreement is terminable by either party upon material default by the other party that is not timely cured, or by the licensor in the event we discontinue our cattle and canine identity and parentage verification genotyping services business for any reason. The license to our non-coding patents that was previously granted to MetaMorphix was terminated in October 2009 as a result of a material unremedied breach by that company.

ViaLactia License: In September 2003, we reached agreement with ViaLactia Biosciences (NZ) Limited of Auckland, New Zealand regarding the terms of a research and commercial license to the Company s non-coding patents. ViaLactia is a wholly-owned subsidiary of Fonterra, New Zealand s largest dairy cooperative. The license was formally concluded in December 2003. The purpose of the license is to permit ViaLactia to conduct internal research activities and development of applications of our technology in the dairy industry, including new applications concerning dairy cattle, pasture grasses, mice as models for dairy cattle and yeast and bacteria as applied to the dairy industry. The license is terminable by either party upon material default of the other party that is not timely cured, without other penalty.

C.Y. O Connor ERADE Village Foundation: In October 2003, we announced that we had signed heads of agreement to establish a broad strategic alliance with the C.Y. O Connor ERADE Village Foundation, a leader in biotechnology innovation based in Perth, Western Australia. Definitive documentation was concluded in June 2004. Under the terms of the agreement, we acquired all of the Foundation s patents and other intellectual property in the fields of genetics and genomics, including the Foundation s issued U.S. patent 6383747 and foreign equivalents. This extensive package of intellectual property has created additional opportunities for us in support of licensing and service testing. As part of the arrangement, the Foundation acquired a license to our non-coding patents for a fee, such that the net purchase price for us was settled by the issuance of a total of 16,666,667 of our Ordinary Shares to the Foundation based on a market value of $0.39 per share. The transaction closed in June 2004. Under the arrangement, we support the ongoing genetics and genomics programs of the Foundation. Initially, five projects were selected for priority attention and we will provide $4.5 million to the Foundation, spread over five years, to help fund such research and development of new intellectual property. On July 7, 2004, the Company supplied a letter of credit for $450,000 for the term of the agreement. Under the agreements, we are the primary commercialization vehicle for all new inventions, patents, intellectual property and business opportunities arising at the Foundation in the field of genetics or genomics. We are also obligated to pay royalties to the Foundation on gross

revenue derived from the Foundation IP. We may terminate the license following any breach of the license by the licensee, either party can terminate following a material breach that is not timely cured or following an insolvency event of the other party. On June 15, 2009, being the fifth anniversary of the Effective Dates of the various underlying agreements between the Company and the Foundation, the agreements terminated. As a result, the letter of credit for $450,000 which had been supplied by the Company was withdrawn.

Table of Contents

Bionomics Licenses: Effective November 5, 2004, we entered into two agreements with Bionomics Limited, a public company based in Adelaide, South Australia. Under the first such agreement, we granted a non-exclusive, royalty-free license to Bionomics to use our non-coding patents in order to (i) perform research and development activities relating to and arising from the identification of genetic factors that may influence epilepsy and (ii) commercialize the results of those research and development activities including, without limitation, epilepsy diagnostic assays. Bionomics paid us a non-refundable license fee on signing. Either party can terminate the agreement upon a material breach not timely cured. Under the second agreement with Bionomics, we were granted a license to use certain intellectual property rights, including patent rights and associated know-how, relating to epilepsy gene discoveries and epilepsy diagnostic assays subject to minimum annual royalties. We paid Bionomics a non-refundable license fee. The agreement is terminable by either party upon material default by the other party that is not timely cured.

Australian Genome Research Facility License: Effective December 31, 2004, we granted a license to the non-coding patents to Australian Genome Research Facility Ltd. (AGRF) pursuant to which AGRF can use the patents on a non-exclusive basis for the purpose of performing genotyping services. The license requires an advance non-refundable license fee and an annual non-refundable annuity for the term of the license in lieu of a royalty, which continues until sooner terminated or the licensee no longer utilizes the patent. The agreement is terminable by mutual agreement, or by us in the event of a breach of a term or condition by the licensee or if it is subject to an insolvency event.

New Zealand Licenses: Effective June 30, 2005, we entered into a license agreement with four commercial parties in New Zealand: AgResearch Limited, The Horticulture and Food Research Institute of New Zealand Limited, New Zealand Forest Research Limited and Livestock Improvement Corporation Limited. Under the terms of the agreement, the parties were granted licenses to our non-coding patents in consideration for which they paid us a non-refundable license issue fee.

Applera Licenses: Effective December 8, 2005, we entered into various agreements with Applera Corporation of Norwalk, Connecticut as part of a settlement of a patent dispute. The binding agreements include a final Settlement Agreement plus license agreements and a supply agreement. The total consideration receivable by us was paid partly in cash and partly in kind - including agreements supplying the Company with certain Applera equipment, reagents and intellectual property rights. Recognition of in-kind consideration as revenue is subject to us meeting certain revenue recognition criteria including, but not limited to, the measurement of fair value at the time of receipt.

Optigen Licenses: Effective May 23, 2006, we executed an agreement with Optigen, LLC of Ithaca, New York. Under the agreement, Genetic Technologies granted Optigen a non-exclusive license to our non-coding patents for applications in dogs, and Optigen granted the Company the exclusive right to offer and perform the complete range of Optigen genetic tests for diseases in dogs in the Asia-Pacific region. The addition of the Optigen tests substantially expanded the range of genetic tests offered by us to the canine industry in our region. The license granted by us to Optigen provides Optigen with access to our non-coding technology, covering all relevant genetic tests and research activities conducted by Optigen, in dogs.

Bovigen License: Effective June 1, 2006, we granted a license to the non-coding patents to Bovigen, LLC of Harahan, Louisiana. Under the agreement, Bovigen will use the Company s non-coding technology to build its business of offering genetic tests to the American livestock industry to determine the presence or absence of certain desirable traits in individual cattle. The rights that we licensed to Bovigen were granted non-exclusively, and are limited to applications in cattle in the USA, Canada and South America. In consideration for granting the license, Bovigen paid us an up-front signing fee and will pay ongoing royalties on the future sales by Bovigen for the life of the non-coding patents.

Innogenetics Licenses: Effective June 30, 2006, we granted a license to the Company s non-coding patents to Innogenetics NV of Ghent, Belgium. Innogenetics is a significant supplier of genetic testing kits in Europe and is listed on the Belgium and German stock exchanges. In

consideration for granting the license, Innogenetics paid us an up-front signing fee and will pay ongoing annuities for the life of the non-coding patents. The agreement is terminable by mutual agreement, or by us in the event of a breach of a term or condition by the licensee or if it is subject to an insolvency event. Effective November 8, 2010, we granted a second license to the Company s non-coding patents to Innogenetics as part of a settlement of a dispute which, this time, covers its work in molecular diagnostics products.

Genosense License: Effective December 1, 2006, we granted a license to the Company s non-coding patents to Genosense Diagnostics GmbH, a leading anti-aging and preventive genetic diagnostics company based in Vienna, Austria. In consideration for granting the license, Genosense paid us an up-front signing fee and will pay ongoing annuities for the life of the non-coding patents. The agreement is terminable by mutual agreement, or by us in the event of a breach of a term or condition by the licensee or if it is subject to an insolvency event.

Table of Contents

Sciona License: Effective February 16, 2007, we granted a license to the Company s non-coding patents to Sciona, Inc. based in Boulder, Colorado. This license runs for nine years and is the first step in a progressive co-operation between us and Sciona in relation to the emerging lifestyle and life-extension markets. We received a signing fee plus annual payments from Sciona, increasing with time. We were also granted the right to market the Sciona range of products in the Asia-Pacific region, and to perform the relevant genetic tests at our laboratory in Melbourne. Sciona is a leading provider of personalised genetic tests which focus primarily on lifestyle and nutritional adjustments to enhance health and longevity. The agreement is terminable by mutual agreement, or by us in the event of a breach of a term or condition by the licensee or if it is subject to an insolvency event. During 2009, Sciona was placed into receivership.

Monsanto Licenses: Effective June 20, 2007, we granted a license to the Company s non-coding patents to Monsanto Company, based in St. Louis, Missouri. As part of the license, which covers Monsanto s work in plants, Monsanto made an up-front cash payment which, under the terms of the license, cannot be disclosed. Effective August 22, 2007, we granted a second license to Monsanto which, this time, covers its work in swine. In respect of this second license, Monsanto paid us a further up-front payment. Effective July 30, 2010, we granted a third license to the Company s non-coding patents to Monsanto which, this time, covers its work in cattle. In respect of this third license, Monsanto paid us a third up-front payment.

Thermo Fisher Scientific License: Effective June 29, 2007, we granted a license to the Company s non-coding patents to Thermo Fisher Scientific Inc., based in Waltham, Massachusetts. Thermo Fisher is the parent company of Athena Diagnostics, Inc, a genetic testing laboratory based in Worcester, Massachusetts, with whom we had been in discussions for some time. As part of the license, Thermo Fisher made an up-front cash payment which, under the terms of the license, cannot be disclosed.

Syngenta License: Effective September 28, 2007, we granted a license to the Company s non-coding patents to Syngenta Crop Protection AG, based in Basel, Switzerland. Syngenta is a large plant and seed company, active in more than 90 countries, with more than 19,000 employees. As part of the license, Syngenta made an up-front cash payment which, under the terms of the license, cannot be disclosed.

BioSearch License: Effective September 30, 2007, we granted a license to the Company s non-coding patents to BioSearch Technologies Inc., based in Novato, California. As part of the license, pursuant to which BioSearch is permitted to distribute certain DNA structures, known as oligos or probes, to end users worldwide for research purposes only, BioSearch made an up-front cash payment which, under the terms of the license, cannot be disclosed.

Kimball License: Effective November 16, 2007, we granted a license to the Company s non-coding patents to Kimball Genetics Inc., based in Denver, Colorado. As part of the license, Kimball made an up-front cash payment which, under the terms of the license, cannot be disclosed.

Prometheus License: Effective December 23, 2007, we granted a license to the Company s non-coding patents to Prometheus Laboratories Inc., based in San Diego, California. As part of the license, Prometheus made an up-front cash payment which, under the terms of the license, cannot be disclosed.

GE Settlement and License: Effective January 14, 2008, we executed a Settlement and License Agreement with General Electric Company (and indirectly its subsidiary GE Healthcare Bio-Sciences Corp.), based in Piscataway, New Jersey. The agreement between the Company and GE Healthcare involves a settlement of all disputes between the parties and the granting of a license to GTG s non-coding patents. As part of the

agreement, GE Healthcare made an up-front cash payment which, under the terms of the agreement, cannot be disclosed.

GeneDx License: Effective October 1, 2008, we granted a license to the Company s non-coding patents to GeneDx, a subsidiary of Bio Reference Laboratories Inc., based in Gaithersburg, Maryland. The license granted permits GeneDx to perform PTEN testing until the patent expires in March 2010. As part of the license, GeneDx made an up-front cash payment which, under the terms of the agreement, cannot be disclosed.

Millennium License: Effective October 22, 2008, we granted a license to the Company s non-coding patents to Millennium Pharmaceuticals Inc., based in Cambridge, Massachusetts. As part of the license, Millennium made an up-front cash payment which, under the terms of the agreement, cannot be disclosed.

TIB MOLBIOL License: Effective December 8, 2008, we granted a license to the Company s non-coding patents to TIB MOLBIOL Syntheselabor GmbH, based in Berlin, Germany. As part of the license, TIB MOLBIOL made an up-front cash payment which, under the terms of the agreement, cannot be disclosed.

Table of Contents

Gen-Probe License: Effective April 29, 2010, we granted a license to the Company s non-coding patents as part of a settlement agreement to Gen-Probe Inc., based in San Diego, California. As part of the license, Gen-Probe made an up-front cash payment which, under the terms of the agreement, cannot be disclosed.

EraGen License: Effective April 30, 2010, we granted a license to the Company s non-coding patents as part of a settlement agreement to EraGen Biosciences Inc., based in Madison, Wisconsin. As part of the license, EraGen made an up-front cash payment which, under the terms of the agreement, cannot be disclosed.

Molecular Pathology License: Effective June 18, 2010, we granted a license to the Company s non-coding patents as part of a settlement agreement to Molecular Pathology Laboratory Network Inc., based in Maryville, Tennessee. As part of the license, Molecular Pathology made an up-front cash payment which, under the terms of the agreement, cannot be disclosed.

Beckman Coulter / Clinical Data License: Effective August 24, 2010, we granted a license to the Company s non-coding patents as part of a settlement agreement to Beckman Coulter Inc. and Clinical Data Inc., based in Brea, California and Newton, Massachusetts, respectively. As part of the license, both parties made an up-front cash payment which, under the terms of the agreement, cannot be disclosed.

Interleukin License: Effective October 1, 2010, we granted a license to the Company s non-coding patents as part of a settlement agreement to Interleukin Genetics Inc., based in Waltham, Massachusetts. As part of the license, Interleukin made an up-front cash payment and one further cash payment in 2011 both of which, under the terms of the agreement, cannot be disclosed.

Laboratoires Réunis License: Effective October 20, 2010, we granted a license to the Company s non-coding patents as part of a settlement agreement to Laboratoires Réunis, based in Junglinster, Luxembourg. As part of the license, Laboratoires Réunis made an up-front cash payment together with subsequent instalment payments which, under the terms of the agreement, cannot be disclosed.

Pioneer Hi-Bred License: Effective November 29, 2010, we granted a license to the Company s non-coding patents to Pioneer Hi-Bred International Inc. Pioneer is a DuPont corporation based in Johnston, Iowa. As part of the license, Pioneer made an up-front cash payment which, under the terms of the agreement, cannot be disclosed.

Qiagen License: Effective December 22, 2010, we granted a license to the Company s non-coding patents to Qiagen Sciences LLC as part of a settlement agreement. Qiagen is a company based in Germantown, Maryland. As part of the license, Qiagen made an up-front cash payment which, under the terms of the agreement, cannot be disclosed.

Sunrise License: Effective January 17, 2011, we granted a license to the Company s non-coding patents to Sunrise Medical Laboratories Inc. as part of a settlement agreement. Sunrise is a company based in Hicksville, New York. As part of the license, Sunrise made an up-front cash payment which, under the terms of the agreement, cannot be disclosed.

ViennaLab License: Effective March 25, 2011, we granted a license to the Company s non-coding patents to ViennaLab Diagnostics GmbH as part of a settlement agreement. ViennaLab is a company based in Vienna, Austria. As part of the license, ViennaLab made an up-front cash payment which, under the terms of the agreement, cannot be disclosed.

Orchid Cellmark License: Effective March 31, 2011, we granted a license to the Company s non-coding patents to Orchid Cellmark Inc. as part of a settlement agreement. Orchid Cellmark is a company based in Princeton, New Jersey. As part of the license, Orchid Cellmark made an up-front cash payment which, under the terms of the agreement, cannot be disclosed.

Navigenics License: Effective June 29, 2011, we granted a license to the Company s non-coding patents to Navigenics Inc. as part of a settlement agreement. Navigenics is a company based in Foster City, California. As part of the license, Navigenics made an up-front cash payment which, under the terms of the agreement, cannot be disclosed.

Attomol License: Effective August 15, 2011, we granted a license to the Company s non-coding patents to Attomol GmbH as part of a settlement agreement. Attomol is a company based in Bronkow, Germany. As part of the license, Attomol made an up-front cash payment which, under the terms of the agreement, cannot be disclosed.

Hologic License: Effective October 18, 2011, we granted a license to the Company s non-coding patents to Hologic Inc. as part of a settlement agreement. Hologic is a company based in Bedford, Massachusetts. As part of the license, Hologic made an up-front cash payment which, under the terms of the agreement, cannot be disclosed.

AutoImmun Diagnostika License: Effective November 18, 2011, we granted a license to the Company s non-coding patents to AutoImmun Diagnostika GmbH, a company based in Strassberg, Germany. As part of the license, AutoImmun Diagnostika made an up-front cash payment which, under the terms of the agreement, cannot be disclosed.

Table of Contents

Research Licenses and Collaborations

University of Melbourne collaboration: On January 22, 2003, we entered into a collaborative research agreement with the University of Melbourne, Australia, concerning the so-called ARC Linkage Project : toward novel approaches for the control of parasitic nematodes via genomics/phenomics. This agreement sets forth the terms of the collaboration between GeneType Pty. Ltd. and the university for research under an Australian government Research Council Linkage Project. Under the terms of this agreement, GeneType Pty. Ltd. was obligated to use its best efforts to provide additional funds for the project to make up the projected shortfall as contemplated by the original proposal.

University of Utah License: On April 30, 2003, we granted a research license to the University of Utah, in Salt Lake City, Utah. This is a royalty-free license to permit the University to conduct research in exchange for a nominal fee.

Horticulture Australia Limited collaboration: On June 18, 2003, AgGenomics Pty. Ltd., a subsidiary of the Company, entered into a three-year Collaborative Research Agreement with Horticulture Australia Limited (HAL) to try and identify a genetic trait for day/night neutrality in strawberries which, if found, could lead to an extension of the cultivation season and consequently higher production. The research program, costing approximately $2.1 million, is funded by HAL as to 45% and AgGenomics as to 55%. Any and all intellectual property generated from the project will be owned in the same proportions. This initial agreement was concluded in June 2006, following which it was agreed that it be extended for a period of a further three years at a total cost of $2.1 million, to be funded 42.03% by HAL and 57.97% by AgGenomics. Once again, any and all intellectual property generated from the project will be owned in the revised proportions. In 2010, work commenced to investigate the possible commercial application of the research, however efforts made to date have proved unsuccessful.

University of Sydney License: In July 2003, we granted a research license to the University of Sydney, in Australia. We subsequently entered into a further agreement (dated September 4, 2003) with the University of Sydney pursuant to which we received the exclusive right to commercialize a new and potentially significant genetic invention made by a professor in the Neurogenetics Research Unit and the University s Faculty of Medicine. This Australian invention is intended to permit an improved understanding of the genetic factors underlying superior athletic and sports performance, based on the presence or absence of the ACTN3 gene. Under the terms of this agreement, we made an upfront payment, agreed to pay a royalty on net sales of the invention by us and a fee on first grant of a patent for the invention or any patent rights in any country and a further payment of part of any consideration of whatever kind received by us under a license of the assigned intellectual property.

King s College License: In December 2003, we granted a license to our non-coding patents to King s College, London, in the United Kingdom. Under the terms of the license, King s College will be able to apply the non-coding patents to its internal research programs. The license is terminable by either party upon any material breach not timely cured, without penalty. King s College is considered a leader in the field of researching the genetic basis of various psychiatric and psychological disorders, including schizophrenia, anxiety / depression and certain attention deficit disorders. Future commercial applications arising from research at King s College would require an additional commercial license from us. In March 2004, we initiated a joint research project in the United Kingdom to explore the functionality of certain non-coding DNA elements, initially with special focus on the genetics of breast cancer susceptibility and the genetics of certain neuro-psychiatric conditions, such as schizophrenia. The project was funded by us for a further period of six months, in an amount of GBP53,000 that was paid in two instalments. In May 2005, we extended the project for the period from June 1, 2005 to December 31, 2005 and agreed to fund the costs incurred by King s College during that period up to a maximum amount of GBP51,360. In February 2006, the Company agreed to further extend its research agreement with King s College for the period from February 1, 2006 to August 31, 2006 and agreed to fund the costs incurred by King s College during that period up to a maximum amount of GBP63,700. Following the conclusion of this funding round, the project was terminated.

University of Technology License: Effective December 23, 2003, we granted a research license to the University of Technology, Sydney, to permit the University to conduct internal research activities to research, identify, map and develop tests for genetic markers and genes of interest. Either party has the right to terminate the agreement upon the occurrence of a material breach that is not timely cured, without other penalty.

Colorado State University License: Effective May 14, 2004, we granted a research license to the Colorado State University. This is a royalty-free license to permit the University to conduct research in exchange for a nominal fee.

Texas A&M University License: Effective February 7, 2007, we granted a research license to Merlogen LLC, a company associated with Texas A&M University. As part of the license, we received a nominal fee and received rights to use certain technologies in the field of animal genetics.

In addition to the above agreements, we continue to negotiate licensing terms to grant licenses to our non-coding patents to many companies, large and small, and also to government and private institutes, in many countries. Refer above for details of the Company s current assertion program.

Table of Contents

Our Support for Significant Research Projects

Genetic Technologies currently supports two major research programs (RareCellect and ImmunAid), details of which have been provided below. In previous years, other projects, which have since been terminated, have also been supported by the Company. Some projects have arisen from new inventions made by the Company while some have been made by others who have approached the Company seeking collaboration and support for their activities.

By its very nature, research is unpredictable and involves a considerable element of risk. Such risks may relate to scientific concepts, the implementation of the science, the protection of any inventions made and the success or otherwise in persuading others to respect the intellectual property acquired or created by the Company.

Specifically, patents filed may not issue or may later be challenged by others. Even if patents issue, the methods described may, with time, be superseded by alternative methods which may prove to be commercially more attractive. Even if patents issue and the methods developed are successfully reduced to practice and can be shown to be commercially relevant, there is still no assurance that other parties will respect the patents or will take licenses to use the intellectual property. In such circumstances, it is possible that legal action will be necessary to enforce the Company s rights. Such action, in turn, raises a new series of risks including potentially significant legal costs and uncertain outcomes.

To the extent that delays are encountered in concluding the research projects, additional costs may be incurred. Further, the projected revenues from the projects may also be deferred, potentially impacting on the Company s liquidity. In such cases, the Company may seek to partner with outside parties, who will contribute to the costs of research in return for an interest in the project, or the Company may seek to raise additional working capital from the Market. In a worst case scenario, the projects may well be closed down with no valuable intellectual property having been created for the Company.

(1) RareCellect™ Project

In March 2001, the Company began to develop and commercialize patents held by GeneType AG, a subsidiary of Genetic Technologies, relating to the recovery of fetal cells circulating in the peripheral blood of a pregnant woman. These patents, with an earliest priority date of March 27, 1990, have been granted or allowed in most countries where filed, including the United States, United Kingdom, France, Germany, Australia and Japan.

It has long been recognized that a simple, universally applicable, non-invasive means of obtaining fetal cells for prenatal diagnosis would represent a major advance over existing practices which could be widely adopted throughout the developed world. As part of the RareCellect™ project, the Company has designed and tested a proprietary sampling device that can safely and reliably collect fetal material from the cervix, and has combined this with a proprietary processing technology that delivers either cellular material or DNA from the fetus which is suitable for analysis to identify genetic disorders using currently available technologies.

From its inception, the RareCellectTM project was focused on the recovery and isolation of fetal cells from peripheral blood samples of pregnant women. However, the project subsequently abandoned this approach in favour of focusing solely on the recovery and isolation of fetal DNA from cervical mucus samples. The Company is now actively pursuing out-licensing/co-development partnering options for the RareCellect Project.

Background and unmet need

Genetic disorders account for a significant health burden across the world, with over 330,000 children born with congenital malformations annually in the US, Europe and Japan. In addition, between 20% and 30% of post-natal deaths are due to such congenital malformations. In the developed world, it is increasingly common for women to have babies later in life (25% of these births are born to women over 35 years of age), and this can significantly increase the risk of genetic disorders in their offspring.

Current pre-natal testing involves non-invasive screening and invasive diagnostic testing. Screening uses ultrasound of the fetus and maternal serum testing and can be performed from 11 to 13 weeks of pregnancy. Although safe, these tests are not reliable, with a detection rate of 80% (20% of abnormalities are not detected), and a false positive rate of 5% (women with healthy babies being subjected to unnecessary invasive testing).

Diagnostic testing requires the removal of fetal material using chorionic villus sampling (from 10 to 12 weeks) or amniocentesis (from 15 to 18 weeks). Each of these surgical procedures involves the insertion of a needle into the uterus to obtain cellular material from the fetus which can then be tested for abnormalities using a variety of tests. Although accurate, these tests are invasive and carry a significant risk to both the fetus and the mother. Miscarriage rates, which can be as high as 5%, are dependent on the skill of the operator and the gestation age. Furthermore, testing is limited to high-risk patients including women over the age of 35 and results may take as long as two weeks to obtain.

The Company now believes that there is a clear unmet need in pre-natal testing for risk-free (for both mother and fetus) chromosomal/genetic testing for the fetus at as early as eight weeks gestation.

Table of Contents

The RareCellect solution

The Company has developed a proprietary sampling device using materials and design features which will ensure safe, non-traumatic sampling of the optimal region of the cervix to yield fetal cellular material. Prototypes of the device have been tested on over 250 women to sample fetal material during early stages of pregnancy (6 to 12 weeks). The device is protected by a US provisional patent.

The Company has also identified a number of issues in the processing of the freshly isolated fetal material that limit its utility for subsequent testing. These include contamination with maternal cells and DNA, as well as with sperm cells and DNA. Following testing of more than 1,000 transcervical samples collected by a number of healthcare professionals (the highest of any group), the Company has developed processing methods that can deliver fetal cells or DNA in a form that is suitable for testing using any of the currently approved diagnostic methodologies. These processing methods are also covered by provisional patents.

Commercial opportunity

The Company believes that RareCellect offers a unique opportunity to successfully penetrate the $2 billion global pre-natal testing market, with the potential for market launch within three to five years. By offering a safe sampling and processing methodology that provides sufficient fetal material for subsequent analysis, it has the potential to displace currently available maternal screening tests and to avoid the need for most of the current invasive diagnostic procedures.

A comprehensive memorandum detailing technical aspects of the technology and the commercial potential of the project has been compiled as has a virtual data room containing a full data package on the project. As detailed above, a number of international parties who operate in the RareCellect space have now been identified with a view to partnering the project by way of out-license or co-development arrangement on reasonable commercial terms.

Markets and competition: There are some four million pregnancies per year in the United States alone. It is already the case that some form of antenatal screening is provided for most pregnancies in developed countries. The trend towards increasing numbers of women becoming pregnant later in life is resulting in an increasing risk of chromosomal aberrations in these pregnancies. Given the expense, inconvenience and inaccuracy of current screening strategies, and the risks associated with subsequent invasive diagnostic procedures, it seems probable that a reliable, accurate, non-invasive, and relatively inexpensive diagnostic test would be rapidly adopted and applied in all pregnancies early in the pregnancy which would substantially increase the current markets. This conclusion has, of course, been reached by a number of other parties. There are currently several competing groups actively pursuing different methods for the isolation of fetal DNA from maternal blood.

Government regulation: The provision of clinical testing services and in vitro diagnostic medical devices is subject to extensive regulatory requirements in most developed countries. In the United States, the Centers for Medicare & Medicaid Services (CMS) regulates all laboratory testing (except research) performed on humans in the United States through the Clinical Laboratory Improvement Amendments (CLIA). The Food and Drug Administration (FDA) regulates clinical trials and medical devices. In Australia, the regulation of clinical trials and medical devices is performed by the Therapeutic Goods Administration (TGA). Accreditation of laboratories offering pathology services is granted by the Health Insurance Commission, based on a report of assessment by the National Association of Testing Authorities, Australia (NATA). In addition, in the State of Victoria, where the Company has its headquarters, accreditation may also be obtained from the Pathology Services

Accreditation Board, again subject to favorable assessment by NATA.

(2) ImmunAid Project

ImmunAid Pty. Ltd. was established in March 2001 to research, validate, patent and commercialize the ImmunAid technology. Genetic Technologies currently owns 71.7% of ImmunAid Pty. Ltd., with the balance of shares owned by private investors including the inventors of the ImmunAid technology.

The ImmunAid technology describes a method of leveraging a patient s immune system to potentially improve the efficacy of treatments for a number of diseases, including cancer, autoimmune and degenerative diseases. The method builds on a discovery that the human immune system oscillates under chronic disease load. This oscillation has been observed across a range of cancer types and other chronic disease conditions (HIV, MS) and can be elucidated by serial measurements of acute phase inflammatory markers such as C-reactive protein (CRP) and other cytokines and antigen markers. The central hypothesis underlying ImmunAid is that timing the administration of treatment to a prescribed point in a particular patient s immune cycle will increase the efficacy of the treatment for that patient.

Table of Contents

Targeting the immune system

The research undertaken as part of the ImmunAid project has discovered a phenomenon of the immune cycle which shows that the immune system switches itself on and off in a continuous and repetitive cycle in patients with chronic diseases such as cancer and HIV.

A critical insight made by the inventor behind the ImmunAid research is that the precise timing of administration of chemotherapy in relation to a particular patient s immune cycle may then determine that patient s response.

In cancer, the off switch is controlled by a group of cells called T-Regulatory cells which can be manipulated by the accurate and skilful timing of chemotherapy. Once unleashed, the immune system is then free to attack the cancer. Until now, it has been observed that in many major cancer trials, about 7% of cases seem to have responded very effectively and the cancer appears to have been eliminated. This observation has never been adequately explained until now. The ImmunAid researchers now postulate that the chemotherapy may in fact have been administered co-incidentally at the optimal time in the immune cycle of those patients, and in fact was having a greater effect on the immune system than on the cancer. This is a major paradigm shift in the fields of cancer treatment and immunology.

At the recent American Society of Clinical Oncology conference held in Orlando, Florida, investigators at the Mayo Clinic in Rochester, Minnesota reported the results of an independently-funded pilot trial they conducted entitled Possible therapeutic reversal of immune suppression in patients with metastatic melanoma by timed delivery of temozolomide chemotherapy . This pilot study, co-designed by the ImmunAid team, applied ImmunAid s concept for timed intervention with chemotherapy. It has since provided sufficient preliminary supportive human data to warrant a larger definitive study.

Commercial opportunity

With encouraging technical results having now been obtained from various clinical studies, including that undertaken at the Mayo Clinic, ImmunAid stakeholders have decided to invite expressions of interest from third parties capable of participating to expedite the development and potential commercialization of the ImmunAid technology. Following the granting of a key ImmunAid patent in Europe in late 2011, expressions of interest have been invited from a number of potential commercial partners and efforts are being made to secure independent funding for the company to support its further trials and commercialization from its own resources.

(3) Nematode Project (formerly reported as the Pathogens Program)

In March 2001, GTG entered into a Collaborative Research Agreement (CRA) with the University of Melbourne (Department of Veterinary Science) to conduct applied research on methods for the diagnosis and control of parasitic diseases in animals and humans. Two scientists were employed via the University and work commenced in mid-2001 under the direction of Associate Professor Robin Gasser. A substantial portion of the costs associated with this project were paid for by interested third parties, including relevant industry bodies such as Meat and Livestock Australia (MLA) and the Australian Research Council (ARC). A summary of the project s development costs and outcomes is summarized below:

Project 1 (undertaken between April 2001 and March 2003) - *Cryptosporidium parvum*

Gasser *et al* developed a new, DNA-based test to identify and sub-type *Cryptosporidium* species and sub-species. Independent validation of sensitivity and specificity was conducted by Robin Gasser and Rachel Chalmers (PHLS *Cryptosporidium* Reference Unit, Swansea, UK) post our funding. Collectively, the Company and Gasser have transferred the test from gels to capillary instruments. Following a review of potential markets, GTG decided to terminate the project.

Project 2 - Novel methods for the control of the major worm parasites of sheep and cattle including *Haemonchus contortus, Trichostrongylus vitrinus* and *Ostertagia ostertagi.*

The project s objective was to discover and develop novel compounds for the control of nematodes (principally *Haemonchus contortus* - the barber s pole worm) in sheep. Parasites that affect livestock are a major cause of disease globally and the financial losses they cause are substantial. Infestation of sheep and cattle with parasites is estimated to cost Australian producers approximately $1 billion annually. To make matters worse, these parasites have grown resistant to the drugs that are commonly used to treat them. Left unattended, parasitic worms infest the gut of livestock, reducing their growth and leading to lower productivity and quality of wool. Farmers typically control parasitic worms by drenching, but the efficacy of current treatments is becoming less due to the development of resistance and, as such, there is a major global drive to develop novel means to control parasites.

This project is a collection of collaborative research projects involving Genetic Technologies Limited and:

- Professor Robin Gasser s group in the Department of Veterinary Science, University of Melbourne;
- Associate Professor Adam McClusky s group in the Department of Chemistry, University of Newcastle;
- Meat and Livestock Australia (MLA).

Table of Contents

Professor Gasser s group was working on target identification by investigating the genome of parasites, target validation, assay development and compound screening. Professor McClusky s group was working on synthesis of compounds directed against the targets identified by Professor Gasser s group. Funding was provided by two ARC Linkage grants supplemented by direct and in-kind contributions from the Company and MLA. The Company s total cash commitment under ARC Linkage Project LP0667795 was $250,000 per year for three years ended June 30, 2009. The Company had a further commitment under ARC Linkage Project LP0882285 of $90,000 per year for the three years ending December 2010. Project IP ownership was split between the Company (as to 75%) and MLA (as to 25%).

During 2008, it became apparent that the methods previously used to screen compounds synthesized by the University of Newcastle were flawed. Consequently, an industry standard larvae development assay (LDA) was designed and implemented by the University of Melbourne. All compounds previously synthesized either have been or are planned to be re-screened with the LDA. Initial results from the re-screening have identified two lead compounds exhibiting highly promising nematocidal performance.

During 2009, the Company s collaboration with the researchers at the Universities of Melbourne and Newcastle to discover new classes of chemicals for the treatment of nematodes (worms) in livestock continued. The project was supported by a grant from Meat & Livestock Australia who actively participated in the project. In the first phase of the project, genetic techniques were used to identify proteins essential for the survival of the nematodes. Several such targets were prioritized and their DNA sequences have been compared with that of humans and sheep. The logic behind this approach is that the protein targets in the parasites that have the least similarity with man or the host will be safer and less environmentally dangerous.

Several compounds were synthesized as part of the project and a number of major livestock pharmaceutical companies active in the field of animal health, and several smaller companies with an interest in animal parasitology were approached to determine their interest in this project. Unfortunately, after extensive negotiations with, and internal validation testing by, a number of these companies, it was decided to abandon this project.

(4) Sponsored Research Agreement with C.Y. O Connor

In June 2004, we entered into a series of agreements with the C.Y. O Connor ERADE Village Foundation, incorporating the Immunogenetics Research Foundation and the Institute of Molecular Genetics and Immunology (CYO and the Foundation) under which (i) we acquired CYO s entire patent estate in the field of genetics and genomics, known collectively as the Genomic Matching Technique (GMT) (ii) we granted a license to CYO to utilize our non-coding patents, and (iii) we agreed to provide research funding to the Foundation for a period of five years ending June 2009 to develop novel, high-value genetic tests for commercialization by GTG.

The program was formed upon the acquisition by the Company of all the genetics and genomics intellectual property generated by the Foundation, which showed promise in a number of important areas, including improved tissue typing and transplantation techniques in human bone marrow transplantation, plus an extensive range of new opportunities in the field of human genetics and animal genetics, including cattle, horses, dogs and fish. The Company has certain rights to any and all intellectual property generated by the Foundation as part of the agreement between the parties.

It is becoming increasingly apparent that the traditional genetic tests which have been developed to diagnose individuals susceptible to diseases, or identify plants or animals that have desirable characteristics, provide limited information. As such, the Company worked with the Foundation to develop a novel approach designed to overcome these shortcomings. The GMT developed by CYO, is an effective, yet relatively simple, method for identifying genetic differences between individuals.

One such potential disease association was discovered with Age-related Macular Degeneration (AMD), an inflammatory disease of the eye which often results in blindness in the aged. GMT may be used to effectively identify those susceptible to disease progression, enabling early intervention with therapy. This approach could potentially delay the onset of the disease, or reduce its severity. A study was undertaken during 2006/07 by the Company into the utility of the application of GMT to AMD. Upon completion of this study, the Company decided to terminate its support of this project.

In the area of tissue and marrow transplantation, CYO and independent laboratories have shown that transplant recipients who were matched to donors using the traditional immune markers and by GMT had an increased chance of long term survival as compared with patients matched for the immune markers alone. This data demonstrates that the GMT is revealing information about the haplotype of the individuals above that provided by traditional immunological typing, a principle that could be extended to a range of similar disorders.

CYO previously investigated applications of the GMT as they relate to immune-related diseases, including autoimmune diseases. These included the early identification of people who are susceptible to disorders such as Type I diabetes, multiple sclerosis, lupus and rheumatoid arthritis, thereby increasing their lifespan and quality of life by delaying the onset of disease, reducing the severity of disease or potentially eliminating the disease altogether. Research was undertaken by CYO to investigate whether this principle could be extended to diseases outside the immune system, including diseases and desirable traits of plants and animals. The tests are rapid, inexpensive, can be performed on standard equipment and provide more information than regular genetic tests.

Table of Contents

Impairment of patents

During the 2007 financial year, in conjunction with work performed by an independent valuation expert, an impairment charge of $1,150,000 was calculated by Management and recorded against the carrying value of the patents that were originally acquired from the Foundation. The recoverable amount of the patents was based on value-in-use calculations. The estimated risk adjusted cashflows were discounted by the risk free rate of 6.5%. The 2007 financial year was the first year in which an indicator of impairment had arisen, requiring an assessment of the recoverable amount of the patents.

During the 2008 financial year, following a detailed scientific review of the work that had been undertaken in respect of one of the applications of the underlying technology, a second impairment charge was made. This charge resulted from a lack of progress with the research related to the commercialisation of certain applications of the technology covered by the patents and it was subsequently decided to terminate that aspect of the program. Whilst work continues in respect of the use of the technology in relation to other related areas, the lack of progress made as at balance date in relation to GMT and AMD gave rise to an impairment charge of $2,378,000 during the year ended June 30, 2008.

Given that the Company s previous attempts to commercialize the technology associated with the patents had not delivered the anticipated revenues, the Company believed that it was appropriate to base its assessment of the carrying value of the underlying patents as at June 30, 2008 around a further product based on the technology which had already been successfully completed and from the sale of which revenues had already been generated. Accordingly, the carrying value of the underlying patents as at June 30, 2008 had been based on the anticipated net cash flows that the Company believed would be generated from the future sales of this product.

The cashflow forecasts associated with the impairment assessment of the patents have been projected to 2012, being the first year in which the respective patents will expire, using the Company s estimated weighted average cost of capital and projections of anticipated sales volumes over the next three years. Further, given the competitive advantage afforded to the Company in respect of this product, a termination value has also been included to reflect that sales of the product are expected to continue beyond the date of the patent expiry. The forecasts and associated recoverable amount has been determined by Management taking into account the sales that have been generated to date and the considerable interest arising from pre-launch market analysis. Based on the sales of the products achieved during the year ended June 30, 2009 and the continued amortization of the patents, no further impairment charges were raised during that year in respect of the underlying patents.

On June 15, 2009, contract research undertaken at CYO in Perth, Western Australia ceased, following the expiry of the Sponsored Research Agreement between the Company and CYO. To date, none of the technology that was developed as part of the program has been commercialized.

Competition

Licensing

Our licensing business principally covers two families of non-coding patents. As we are the sole owners of these patents there is, by definition, no direct competition in this activity. However, to some degree, there are alternate technologies in the market place which can be used to perform genetic analysis and genomic mapping and so in this regard we do face indirect competition and a potential risk of technological obsolescence. A risk of patent invalidation always exists with the possibility of the discovery of previously unknown prior art as well as patent re-examination.

During the year ended June 30, 2009, we successfully prevailed in legal proceedings with respect to a Nullity Action in the German Patent Court regarding the equivalent to US Patent No. 5,612,179 and we have responded to questions raised by the US Patents and Trademarks Office in relation to a Request for Re-examination of seven of the thirty six claims contained in US Patent No. 5,612,179. Apart from these risks, the inevitable expiry of our non-coding family of patents in future years remains, at which time our ability to generate future license revenues from these particular patents may be restricted. It is anticipated that, over time, however, licensing of additional patents filed by the Company in other areas of genetics and our other research projects may replace revenues currently generated from the licensing of these non-coding patents.

On May 10, 2010, we announced that we had received formal notification from the United States Patent and Trademarks Office (USPTO) that the USPTO had upheld, without amendment, all of the claims which formed the basis of the re-examination action of the Company s core 5,612,179 non-coding deoxyribonucleic acid (DNA) patent (as detailed in our ASX announcement dated June 30, 2009).

Genetic testing - paternity

The size of the Australian DNA paternity testing market can only be estimated, as the tests fall outside of the Australian public health (Medicare) regime and hence no central records are kept. Our best estimate is that the total size of the market is about 5,000 to 6,000 tests per year which, if correct, would give the Company approximately a 50 percent total market share. There are presently a number of other laboratories that offer these tests in Australia, all of which are NATA accredited.

Table of Contents

Sonic and Healthscope are the two largest pathology companies in Australia. Throughout Australia, Healthscope refers exclusively to DNALabs. In Victoria, New South Wales and Western Australia, Sonic refer exclusively to their own laboratories. The Australian market for paternity testing is now saturated and, since the entry of two of the three major pathology companies in the later part of 2003, our ability to generate growing revenues from this market has reduced. At present, our market share appears to have stabilized.

Other competitors in this marketplace include: DNAlabs (a wholly-owned subsidiary of Sydney IVF), Sonic Health Care (a division of Sonic, the second largest pathology provider in Australia), Healthscope - formerly Gribbles (the third largest pathology provider in Australia), Victorian Institute of Forensic Medicine (this is the Coroner s laboratory in Victoria), John Tonge Centre (this is the Coroner s laboratory in Queensland), Medvet Science (owned by the South Australian State Government), DNA Solutions (which sells its services over the internet) and DNA-Bioscience.

Genetic testing - diagnostics

As the sole licensee in Australia and New Zealand for the genetic test for the predisposition for familial breast cancer, we do not have any commercial competitors in this area but Healthscope also supply genetic tests to the healthcare market. In the public arena, tests are provided by the pathology departments of certain public hospitals. They are not true competitors in that the numbers of such tests that can be performed is restricted due to limited Government funding, but they do constitute the majority of tests conducted in this field. State Health Departments fund tests for the public sector based on various criteria and skewed to the most at risk profiles.

Genetic testing - forensics

Forensic DNA testing is defined to include DNA tests, the results of which can be relied upon as evidence in a court of law. To meet the strict standards of court evidence, forensic testing can only be conducted through NATA accredited laboratories that have been approved for such work. We are the first non-government owned, NATA accredited forensics laboratory in Australia. At the moment, virtually all forensic testing is conducted through state government owned laboratories. These laboratories have substantial backlogs and do not generally undertake private DNA forensic tests. As such, we are one of a few accredited laboratory currently providing forensic testing services to the public. To resolve the backlog problem, various state governments have already suggested that they plan to investigate the possibility of outsourcing the testing of forensic samples to the private sector. In January 2008, the Company announced that it had been awarded a three year contract to supply New South Wales Police with DNA analysis services, a contract that was further extended for one year in February 2011.

Genetic testing - animals

GTG offers a DNA testing service across a number of animal species, particularly with respect to establishing an animal s pedigree and parentage. This test is common across animal species and is not proprietary. Accordingly, any laboratory that can provide a DNA parentage / pedigree test is able to enter this market.

GTG has also developed a large portfolio of genetic tests for the canine area. Currently, GTG is the only provider of canine DNA services for the growing pedigree dog market in China. Tests are also sold by the Company in various parts of Asia including Japan and the Philippines.

Some major pathology companies in Australia already have vet pathology businesses and almost all have expertise in human DNA profiling. We anticipate that they may enter the animal testing market in the medium term. Currently, the major canine pathology company in Australia has a relationship with GTG whereby it sends all of its canine genetic testing to GTG.

Genetic testing - plants

There are no material levels of commercial DNA service tests conducted in Australia for plants, other than commissioned research conducted by public authorities (such as universities and CSIRO) or by commercial organizations that internally conduct DNA tests as part of the ordinary course of their operations. In recognition of this, we established AgGenomics Pty. Ltd., a joint venture between Genetic Technologies and the Victorian State Government. The joint venture is controlled by Genetic Technologies (owning 50.1%). The commercial goal of AgGenomics is to offer the following services to plant breeders and researchers:

- High throughput extraction of plasmid DNA and genomic DNA;
- High throughput DNA sequencing;
- High throughput genotyping; and
- SNP discovery and analysis.

Table of Contents

AgGenomics has focused on the commercial species of greatest value to the Australian economy and also species where the most substantial funding has been invested, including wheat, barley, canola, cotton and wine grapes. To date, AgGenomics has completed commercial projects on behalf of some of these industries.

In Australia, we have two major competitors. The first is Southern Cross University, which specializes in tropical fruits and rice but, as they are highly specialized and do not match AgGenomics testing capacity, they are not seen as a major threat. The second, South Australian Research & Development Institute (SARDI), is seen as our major threat as in the next few years there is a reasonable expectation that they will have the capacity to match AgGenomics.

Whilst we have few domestic competitors, our major commercial threat comes from offshore laboratories based in the United States, England and Korea which have a higher throughput than AgGenomics and enjoy greater economies of scale, thereby reducing their costs. To date, a few large Australian plant sequencing contracts have been lost offshore in cases where the client simply requires the return of the genetic data and does not require our expertise in its interpretation.

Genetic testing - athletic performance

The Company has been granted patents in India, Japan, Australia and New Zealand over genotyping of the ACTN3 gene for athletic performance. Patents are pending in the United States, Europe, China, Canada, Russia and South Korea. Recently, ACTN3 has been offered by the United States based lifestyle genetics company 23andMe Inc., as part of its overall product involving the analysis of more than 500,000 genetic variations. While the ACTN3 SportsGene Test provides an indication of an individual s predisposition to sports/power sport performance as opposed to endurance sport performance, there are a range of other tests, genetic and non genetic that may also indicate a predisposition to particular sporting performance. None of these, however, specifically relate to a genetic test on the ACTN3 gene which, scientifically, has shown a very high correlation to sports performance.

GTG has distribution agreements in place for Europe, parts of Asia and the USA where tests are collected and processed in the GTG laboratory, where as the arrangement for Japan to via a Japanese based laboratory.

Research

RareCellect Project

Whilst a number of companies around the world are active in the area of prenatal testing, there are currently no commercially available products that compete directly with the RareCellectTM cervical sampling technology.

ImmunAid Project

Although a number of major research groups around the world are working on immune-based therapeutics for cancer, apart from the joint ImmunAid / Mayo Clinic abstract presented at the American Society of Clinical Oncology (ASCO) 2009 and the Mayo Clinic abstract presented in 2010, there are no commercially-available products relating to the immune cycle and timed therapeutic intervention for the treatment of cancer. However, there is momentum building in this field, and public funding programs are readily accessible by independent academic groups which would facilitate large clinical trials and uptake into practice if improvement in clinical outcomes by the use of the immune cycle to time therapy is adequately validated.

Environmental Regulations

The Company s operations are subject to environmental regulations under Australian State legislation. In particular, the Company is subject to the requirements of the Environment Protection Act 1993. A license has been obtained under this Act to produce listed waste.

As of June 30, 2008, the Company held a 14.66% direct equity interest in the North Laverton Joint Venture with Regis Resources Limited (Regis) that had been equity accounted to a nil balance. The Joint Venture had continuing expenditure requirements as prescribed by the Western Australian Mines Department in respect of its prospecting and exploration licenses and mining leases owned by the joint venture. As of June 30, 2008, the Company had recorded a provision for $94,987 in respect of its share of the estimated rehabilitation costs associated with the North Laverton project. The amount of the provision was based on calculations provided to the Company by Regis as project manager.

On August 27, 2008, the Company sold its entire interest in the Joint Venture and, as part of the sale, it was fully indemnified by Regis against any future rehabilitation liabilities which may arise from the exploration activities of the Joint Venture undertaken up until the date of sale. This indemnification subsequently enabled the Company, during the year ended June 30, 2009, to fully reverse the provision of $94,987 in respect of such liabilities which had been recorded in the Company s balance sheet as of June 30, 2008.

Table of Contents

Item 4.C Corporate Structure

The diagram below shows the corporate structure of the Genetic Technologies group as of the date of this Annual Report:

Genetic Technologies is the holding company of the group and is listed on the Australian Securities Exchange, under the code GTG and, via its ADRs, on the NASDAQ Capital Market, under the ticker symbol GENE.

Item 4.D Property, Plant and Equipment

As of the date of this Report, the Company has executed two leases in respect of premises occupied by the Group.

Fitzroy, Victoria

Genetic Technologies Limited rents the offices and laboratory premises which are located at 60-66 Hanover Street, Fitzroy, Victoria, Australia (an inner suburb of Melbourne) from Crude Pty. Ltd. The lease is due to expire on September 30, 2013. The current annual rental charge is approximately $316,000. Genetic Technologies Limited does not have an option to purchase the leased premises at the expiry of the lease period.

Charlotte, North Carolina

Phenogen Sciences Inc., a wholly-owned subsidiary of Genetic Technologies Limited, rents office premises which are located at 9115 Harris Corners Parkway, Suite 320, Charlotte, North Carolina, USA from HC 9115 LLC. The lease is due to expire on October 31, 2012. The current annual rental charge is approximately USD 31,540. Phenogen Sciences Inc. does not have an option to purchase the leased premises at the expiry of the lease period.

Item 5. Operating and Financial Review and Prospects

You should read the following discussion and analysis in conjunction with Item 3.A Selected Financial Data and our financial statements, the notes to the financial statements and other financial information appearing elsewhere in this Annual Report. In addition to historical information, the following discussion and other parts of this Annual Report contain forward-looking statements that reflect our plans, estimates, intentions, expectations and beliefs. Our actual results could differ materially from those discussed in the forward-looking statements. See the Risk Factors section of Item 3 and other forward-looking statements in this Annual Report for a discussion of some, but not all, factors that could cause or contribute to such differences.

Item 5.A Operating Results

Overview

Our Formation

GeneType AG was incorporated in Zug, Switzerland on February 13, 1989 to exploit the commercialization of the hypothesis that the non-coding region of the human HLA gene complex of chromosome 6 is a valuable and highly ordered reservoir of useful genetic information, largely overlooked by the rest of the world.

Table of Contents

Genetic Technologies Limited was incorporated on January 5, 1987 as Concord Mining NL in Western Australia. On August 13, 1991, we changed our name to Consolidated Victorian Gold Mines NL to better reflect the operations of the Company at the time. On December 2, 1991, we again changed our name to Consolidated Victorian Mines NL. On March 5, 1995, we again changed our name to Duketon Goldfields NL. On October 15, 1995, we changed our status from a No Liability company to a company limited by shares and the name became Duketon Goldfields Limited. On August 29, 2000, we changed our name to Genetic Technologies Limited, which is the current name of the Company.

On August 29, 2000, Duketon Goldfields Limited received shareholder approval to change its activities from a mining company to a biotechnology and genetics company on the acquisition of all the issued capital of GeneType AG of Switzerland. Following the acquisition of GeneType AG, the new combination has been engaged in the researching, developing and commercialization of genetic concepts primarily related to our intron sequence patents and genomic mapping patents. We are also the largest accredited paternity testing laboratory in Australia which GeneType has been operating since 1990. Over the past seven years, the Company has granted licenses to its patents and expects to derive revenue from further licensing of its patents. Prior to the merger with GeneType AG, the mining exploration activities had ceased and were being progressively disposed of by August 2000. The company was basically an investment shell and following the completion of the merger the old shareholders of GeneType AG were in control of the company which formed the basis for treating the acquisition of GeneType AG as a reverse acquisition.

Formerly a Development Stage Enterprise

Until 2002, we were a development stage enterprise. We had been developing our technology that resulted in the granting of seven families of patents in the USA which we have now actively started to commercialize and enforce. Since inception up to June 30, 2011, we have incurred $67,464,026 in accumulated operating losses. Our losses have resulted principally from costs incurred in research and development, general and administrative and sales and marketing costs associated with our operations. Refer to the Consolidated Statements of Operations in Item 18.

The research and development costs incurred prior to August 2000 were funded by the shareholders of GeneType AG. On completion of the merger of Duketon Goldfields Limited and GeneType AG in August 2000, to form Genetic Technologies Limited, existing funds of approximately $6 million within Genetic Technologies Limited were applied towards the Group s research and development and general and administrative expenses. The Company also sold its investment in Cytomation Inc. of Fort Collins, Colorado in November 2001 for approximately $6 million. The Company has completed several placements of shares, including one in August 2003 and July 2011, and there have been other amounts raised from the exercise of unlisted options, principally in April 2005. We have primarily depended on these sources of funds to meet our financing needs. However, we now license our non-coding technology and provide a series of genetic tests, both of which generate revenue to fund our expenses.

In 2011, we generated our first net profit after tax. However, the extent to which we continue to generate profits will, amongst other things, depend on the quantum of license fees received from the licensing of our patents, the amount of annuities and royalties we receive from past licenses, the success we have with respect to the commercialization of our research projects, the rate at which our new genetic tests are taken up by our customers, and in particular the BREVAGenTM test in the U.S. market, and generally the number of genetic tests we conduct.

Where We Derive our Revenues

Our major source of revenues up to June 30, 2002 were grants received from the Australian Government under the START Program licensing, fees from licensing the non-coding patents, DNA paternity testing services income in Australia and interest income from our cash on deposit and other cash equivalents. Since 2002, our revenues have been derived principally from the sale of genetic tests and the granting of licenses to our non-coding technology. During that period, our licensing program has been successful in securing licenses from a total of 55 commercial licensees and 6 research licensees (see Item 4.A for a complete list).

Fiscal Year

As an Australian company, our fiscal, or financial, year ends on June 30 each year. We produce audited consolidated accounts at the end of June each year and provide reviewed half-yearly accounts for the periods ending on December 31 each year, both of which are prepared under Australian Accounting Standards as issued by the Australian Accounting Standards Board and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

Recent Accounting Pronouncements

In respect of the year ended June 30, 2011, the Group has assessed all new accounting standards mandatory for adoption during the current year, noting no new standards which would have a material affect on the disclosure in these financial statements. There has been no affect on the profit and loss or the financial position of the Group.

Table of Contents

Certain new accounting standards and interpretations (and their equivalent IASB standards) have been published that are not mandatory for June 30, 2011 reporting periods. The Group s and the parent entity s assessment of the impact of these new standards and interpretations is set out below.

- *AASB 9 Financial Instruments, AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9 and AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) (effective from January 1, 2013)*

AASB 9 Financial Instruments addresses the classification, measurement and derecognition of financial assets and financial liabilities. The standard is not applicable until January 1, 2013 but is available for early adoption. When adopted, the standard will affect the Group s accounting for its available-for-sale financial assets, since AASB 9 only permits the recognition of fair value gains and losses in other comprehensive income if they relate to equity investments that are not held for trading. Fair value gains and losses on available-for-sale debt investments will therefore have to be recognized directly in profit or loss. There will be no impact on the Group s accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the group does not have any such liabilities. The derecognition rules have been transferred from *AASB 139 Financial Instruments: Recognition and Measurement* and have not been changed. The Group has not yet decided when to adopt AASB 9.

- *Revised AASB 124 Related Party Disclosures and AASB 2009-12 Amendments to Australian Accounting Standards (effective from January 1, 2011)*

In December 2009, the AASB issued a revised *AASB 124 Related Party Disclosures*. It is effective for accounting periods beginning on or after January 1, 2011 and must be applied retrospectively. The amendment clarifies and simplifies the definition of a related party and removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities. The Group will apply the amended standard from July 1, 2011. When the amendments are applied, the Group will need to disclose any transactions between its subsidiaries and its associates. However, there will be no impact on any of the amounts recognized in the financial statements.

- *AASB 2009-14 Amendments to Australian Interpretation Prepayments of a Minimum Funding Requirement (effective from January 1, 2011)*

In December 2009, the AASB made an amendment to Interpretation 14 *The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*. The amendment removes an unintended consequence of the interpretation related to voluntary prepayments when there is a minimum funding requirement in regard to the entity s defined benefit scheme. It permits entities to recognise an asset for a prepayment of contributions made to cover minimum funding requirements. The Group does not make any such prepayments. The amendment is therefore not expected to have any impact on the Group s financial statements. The Group intends to apply the amendment from July 1, 2011.

- *AASB 1053 Application of Tiers of Australian Accounting Standards and AASB 2010-2 Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements (effective from July 1, 2013)*

On June 30, 2010, the AASB officially introduced a revised differential reporting framework in Australia. Under this framework, a two-tier differential reporting regime applies to all entities that prepare general purpose financial statements. Genetic Technologies Limited is listed on the ASX and is not eligible to adopt the new Australian Accounting Standards Reduced Disclosure Requirements. The two standards will therefore have no impact on the financial statements of the entity.

- *AASB 2010-6 Amendments to Australian Accounting Standards Disclosures on Transfers of Financial Assets (effective for annual reporting periods beginning on or after July 1, 2011)*

Amendments made to *AASB 7 Financial Instruments: Disclosures* in November 2010 introduce additional disclosures in respect of risk exposures arising from transferred financial assets. The amendments will particularly affect entities that sell, factor, securitize, lend or otherwise transfer financial assets to other parties. They are not expected to have any significant impact on the Group s disclosures. The Group intends to apply the amendment from July 1, 2011.

- *AASB 2010-8 Amendments to Australian Accounting Standards Deferred Tax: Recovery of Underlying Assets (effective from January 1, 2012)*

In December 2010, the AASB amended *AASB 112 Income Taxes* to provide a practical approach for measuring deferred tax liabilities and assets when investment property is measured using the fair value model. AASB 112 requires the measurement of deferred tax assets or liabilities to reflect the tax consequences that would follow from the way management expects to recover or settle the carrying amount of the relevant assets or liabilities, that is through use or through sale. The amendment introduces a rebuttable presumption that investment property which is measured at fair value is recovered entirely by sale. The Group will apply the amendment from July 1, 2012 and is currently evaluating the impact of the amendment.

Table of Contents

- *AASB 10 Consolidated Financial Statements, AASB 11 Joint Arrangements, AASB 12 Disclosure of Interests in Other Entities, revised AASB 127 Separate Financial Statements and AASB 128 Investments in Associates and Joint Ventures and AASB 2011-7 Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards (effective January 1, 2013)*

In August 2011, the AASB issued a suite of five new and amended standards which address the accounting for joint arrangements, consolidated financial statements and associated disclosures.

AASB 10 replaces all of the guidance on control and consolidation in *AASB 127 Consolidated and Separate Financial Statements, and Interpretation 12 Consolidation Special Purpose Entities*. The core principle that a consolidated entity presents a parent and its subsidiaries as if they are a single economic entity remains unchanged, as do the mechanics of consolidation. However, the standard introduces a single definition of control that applies to all entities. It focuses on the need to have both power and rights or exposure to variable returns before control is present. Power is the current ability to direct the activities that significantly influence returns. Returns must vary and can be positive, negative or both. There is also new guidance on participating and protective rights and on agent/principal relationships. While the Group does not expect the new standard to have a significant impact on its composition, it has yet to perform a detailed analysis of the new guidance in the context of its various investees that may or may not be controlled under the new rules.

AASB 11 introduces a principles based approach to accounting for joint arrangements. The focus is no longer on the legal structure of joint arrangements, but rather on how rights and obligations are shared by the parties to the joint arrangement. Based on the assessment of rights and obligations, a joint arrangement will be classified as either a joint operation or joint venture. Joint ventures are accounted for using the equity method and the choice to proportionately consolidate will no longer be permitted. Parties to a joint operation will account their share of revenues, expenses, assets and liabilities in much the same way as under the previous standard. AASB 11 also provides guidance for parties that participate in joint arrangements but do not share joint control. As the Group is not party to any joint arrangements, this standard will not have any impact on its financial statements.

AASB 12 sets out the required disclosures for entities reporting under the two new standards, AASB 10 and AASB 11, and replaces the disclosure requirements currently found in AASB 128. Application of this standard by the Group will not affect any of the amounts recognised in the financial statements, but will impact the type of information disclosed in relation to the Group s investments.

AASB 127 is renamed *Separate Financial Statements* and is now a standard dealing solely with separate financial statements. Application of this standard by the Group will not affect any of the amounts recognised in the financial statements.

Amendments to AASB 128 provide clarification that an entity continues to apply the equity method and does not remeasure its retained interest as part of ownership changes where a joint venture becomes an associate, and vice versa. The amendments also introduce a partial disposal concept. The Group is still assessing the impact of these amendments.

The Group does not expect to adopt the new standards before their operative date. They would therefore be first applied in the financial statements for the annual reporting period ending June 30, 2014.

- *AASB 13 Fair Value Measurement and AASB 2011-8 Amendments to Australian Accounting Standards arising from AASB 13 (effective January 1, 2013)*

AASB 13 was released in September 2011. It explains how to measure fair value and aims to enhance fair value disclosures. The Group has yet to determine which, if any, of its current measurement techniques will have to change as a result of the new guidance. It is therefore not possible to state the impact, if any, of the new rules on any of the amounts recognised in the financial statements. However, application of the new standard will impact the type of information disclosed in the notes to the financial statements. The Group does not intend to adopt the new standard before its operative date, which means that it would be first applied in the annual reporting period ending June 30, 2014.

- *AASB 2011-9 Amendments to Australian Accounting Standards Presentation of Items of Other Comprehensive Income (effective July 1, 2012)*

In September 2011, the AASB made an amendment to *AASB 101 Presentation of Financial Statements* which requires entities to separate items presented in other comprehensive income into two groups, based on whether they may be recycled to profit or loss in the future. This will not affect the measurement of any of the items recognised in the balance sheet or the profit or loss in the current period. The group intends to adopt the new standard from July 1, 2012.

These are the only changes which are expected to be of relevance to the Group.

Table of Contents

Critical Accounting Policies

(a) Basis of consolidation

The consolidated financial statements comprise the financial statements of Genetic Technologies Limited and its subsidiaries (collectively the Group). The financial statements of subsidiaries are prepared for the same reporting period as the parent, using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies that may exist. All intercompany balances and transactions, including unrealized profits arising from intra-group transactions, have been eliminated in full. Unrealized losses are eliminated unless costs cannot be recovered.

Subsidiaries are consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group. Where there is loss of control of a subsidiary, the consolidated financial statements include the results for the part of the reporting period during which Genetic Technologies Limited has control. Minority interests represent the interests not held by the Group in Gtech International Resources Limited, ImmunAid Pty. Ltd. and AgGenomics Pty. Ltd.

(b) Foreign currency translation

Both the functional and presentation currency of Genetic Technologies Limited and its Australian subsidiaries is the Australian dollar (AUD). Transactions in foreign currencies are initially recorded in the functional currency at the exchange rates ruling at the date of the transaction. Monetary assets and liabilities which are denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. All differences are taken to the statement of comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate ruling at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates ruling at the date when the fair value was determined.

The functional currencies of the Company s five overseas subsidiaries are as follows:

Gtech International Resources Limited Canadian dollars (CAD)

Genetic Technologies (Beijing) Limited Chinese yuan (CNY)

GeneType AG Swiss francs (CHF)

GeneType Corporation United States dollars (USD)

Phenogen Sciences Inc. United States dollars (USD)

As at the reporting date, the assets and liabilities of these overseas subsidiaries are translated into the presentation currency of Genetic Technologies Limited at the rate of exchange ruling at the balance sheet date and the statement of comprehensive income is translated at the weighted average exchange rates for the period. The exchange differences arising on the retranslation are taken directly to a separate component of equity. On disposal of a foreign entity, the deferred cumulative amount recognized in equity relating to that particular foreign operation is recognized in the statement of comprehensive income.

(c) Fair value estimation

The fair value of financial instruments that are not traded in an active market (for example, non-listed equity securities classified as available-for-sale investments) is determined using valuation techniques, including the last price at which shares were issued to third parties, where amounts are reliably measured. The Group uses various methods and makes assumptions that are based on market conditions existing at each balance date. Information including quoted market prices and details of recent capital raisings is used to determine fair value for these remaining financial instruments. In cases where fair value cannot be reliably determined, available-for-sale investments are measured at approximate market value.

The carrying values less impairment provisions of trade receivables are assumed to approximate their fair values due to their short-term nature.

(d) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing the performance of the operating segments, has been identified as the Chief Executive Officer.

(e) Earnings per share

Basic EPS is calculated as the net profit attributable to members divided by the weighted average number of ordinary shares.

Table of Contents

(f) Parent entity financial information

The financial information for the parent entity, Genetic Technologies Limited has been prepared on the same basis as the consolidated financial statements, except as set out below:

Investments in, and loans to, subsidiaries

Investments in subsidiaries are accounted for at cost in the financial statements of Genetic Technologies Limited. Loans to subsidiaries are written down to their recoverable value as at balance date.

Financial guarantees

As at balance date, the parent entity had agreed to fund by way of loan all of the operating expenses of ImmunAid Pty. Ltd. (a subsidiary) up to, and including, December 31, 2011 and that it would not seek repayment of the loan during that period.

(g) Revenue recognition

Revenues are recognized to the extent that it is probable that the economic benefits will flow to the entity and the revenues can be reliably measured. Revenues are recognized at the fair value of the consideration received or receivable net of the amounts of Goods and Services Tax (GST). The following specific recognition criteria must also be met before revenue is recognized:

License fees received

License fee income is recorded on the execution of a binding agreement where the Group has no future obligations, income is fixed and determinable, and collection is reasonably assured. The terms of the licenses do not allow refunds to be granted.

Rendering of services

Revenues from the rendering of services are recognized when the services are provided and the fee for the services provided is recoverable. Service arrangements are of short duration (in most cases less than three months).

Royalties and annuities received

The Company licenses the use of its patented genetic technologies. Royalties and annuities arising from these licenses are recognized when earned in accordance with the substance of the agreement, in cases where no future performance is required by the Company and collection is reasonably assured.

Interest received

Revenue is recognized as the interest accrues using the effective interest method. Interest charged on loans to related parties is charged on commercial and arm s-length terms and conditions.

Research and development grants received

The Company receives non-refundable non-Government grants that assist it to fund specific research and development projects. These grants generally provide for the reimbursement of approved costs incurred as defined in the various agreements.

(h) Share-based payment transactions

The Group provides benefits to Group employees in the form of share-based payment transactions, whereby employees render services and receive rights over shares (equity-settled transactions). There is currently an Employee Option Plan in place to provide these benefits to executives and employees and the cost of these transactions is measured by reference to the fair value at the date they are granted. The fair value of options granted is determined by Cape Leveque Securities Pty. Ltd., an independent valuer, using a Black-Scholes option pricing model. Cape Leveque Securities Pty. Ltd. has consented to having its name included in this Report.

In valuing equity-settled transactions, no account is taken of any non-market performance conditions. The cost of equity-settled transactions is recognized, together with a corresponding increase in equity, over the period in which the relevant vesting conditions are fulfilled, ending on the date that the relevant employees become fully entitled to the award (vesting date).

The cumulative expense recognized for equity-settled transactions at each reporting date until vesting date reflects (i) the extent to which the vesting period has expired; and (ii) the number of awards that, in the opinion of the Directors of the Group, will ultimately vest. This opinion is formed based on the best information available at balance date. No expense is recognized for any awards that do not ultimately vest. Where the terms of an equity-settled award are modified, as a minimum an expense is recognized as if the terms had not been modified. In addition, an expense is recognized for any increase in the value of the transaction as a result of the modification, as measured at the date of modification. Where appropriate, the dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per

share.

The Company s policy is to treat the share options of terminated employees as forfeitures.

Table of Contents

(i) Finance costs

Finance costs are recognized as an expense when incurred.

(j) Income tax

The income tax expense or benefit for the period is the tax payable on the current period s taxable income based on the national income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and unused tax losses.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that, at the time of the transaction, affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled. Deferred tax assets are recognized for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognized for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future. Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously. Current and deferred tax balances attributable to amounts recognized directly in equity are also recognized directly in equity.

Current and deferred tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

Tax consolidation legislation

Genetic Technologies Limited and its wholly-owned Australian-resident subsidiaries have implemented the tax consolidation legislation. The head entity, Genetic Technologies Limited, and the subsidiaries in the tax consolidated group account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated group continues to be a stand alone taxpayer in its own right.

In addition to its own current and deferred tax amounts, Genetic Technologies Limited also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from subsidiaries in the tax consolidated group.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognized as amounts receivable from or payable to other entities in the Group. Details. Any difference between the amounts assumed and amounts receivable or payable under the tax funding agreements are recognized as a contribution to (or distribution from) wholly-owned tax subsidiaries.

(k) Withholding tax

The Group generates revenues from the granting of licenses to parties resident in overseas countries. Such revenues may, in certain circumstances, be subject to the deduction of local withholding tax.

(l) Other taxes

Revenues, expenses and assets are recognized net of the amount of Goods and Services Tax (GST) except where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

Cash flows are included in the cash flow statement on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

Table of Contents

(m) Cash and cash equivalents

Cash and cash equivalents in the balance sheet comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less. For the purposes of the cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above. Cash at bank earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between one day and six months, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates.

(n) Trade and other receivables

Trade receivables, which are non-interest bearing and generally have terms of between 30 to 90 days, are recognized and carried at original invoice amount less an allowance for any uncollectible amounts. An allowance for doubtful debts is made when there is objective evidence that a receivable is impaired. Such evidence includes an assessment of the debtor s ability and willingness to pay the amount due. The amount of the allowance/impairment loss is measured as the difference between the carrying amount of the trade receivables and the estimated future cash flows expected to be received from the relevant debtors. Details regarding interest rate and credit risk of current receivables are disclosed in Note 34 to the Consolidated Financial Statements.

(o) Inventories

Inventories principally comprise laboratory and other supplies and are valued at the lower of cost and net realizable value. Inventory costs are recognized as the purchase price of items from suppliers plus freight inwards and any applicable landing charges. Costs are assigned on the basis of weighted average costs.

(p) Restricted security deposits

Restricted security deposits include cash deposits held as security for the performance of certain contractual obligations.

(q) Investments and other financial assets

All investments are initially recognized at cost, being the fair value of the consideration given plus directly attributable transaction costs. After initial recognition, investments in subsidiaries are carried at cost, less any impairment disclosed in the separate financial statements of Genetic Technologies Limited. Other investments, which are classified as available-for-sale, are measured at fair value if this can reliably be determined or at cost where fair value cannot be reliably determined. Gains or losses on available-for-sale investments are recognized as a separate component of equity until the investment is sold, or otherwise disposed of, or until the investment is determined to be impaired, at which time

the cumulative gain or loss previously reported in equity is included in the statement of comprehensive income.

Available-for-sale investments

Available-for-sale investments consist of investments in ordinary shares which have no fixed maturity date or coupon rate. After initial recognition, available-for-sale securities are measured at fair value with gains or losses being recognized as a separate component of equity until such time as the investment is either derecognized or is determined to be impaired, at which time the cumulative gain or loss previously recognized in equity is recognized in profit or loss. The fair values of investments that are actively traded in organized financial markets are determined by reference to the quoted market bid prices applicable as at the close of business on the balance sheet date.

The fair value of unlisted available-for-sale investments has been estimated using valuation techniques based on assumptions that are not supported by observable market prices or rates. Management believes the estimated fair values (where reliably measured) resulting from the valuation techniques and recorded in the balance sheet are reasonable and the most appropriate at the balance sheet date. Any related changes in fair values are directly recorded in equity.

(r) Property, plant and equipment

Plant and equipment is stated at cost less accumulated depreciation and any impairment in value. Depreciation is calculated on either a straight-line or diminishing value basis over the estimated useful life of the respective asset as follows:

Laboratory / veterinary equipment 3 to 5 years

Computer equipment 2 to 5 years

Office equipment 2 to 5 years

Equipment under hire purchase 3 years

Leasehold improvements lease term, being between 4 and 10 years

Costs relating to day-to-day servicing of any item of property, plant and equipment, which may include the cost of small parts, are recognized in profit or loss as incurred. The cost of replacing larger parts of some items of property, plant and equipment are capitalized when incurred and depreciated over the period until their next scheduled replacement.

Table of Contents

(s) Intangible assets

Patents

Patents held by the Group are used in the licensing, testing and research areas and are carried at cost and amortised on a straight-line basis over their useful lives, being from 5 to 10 years. External costs incurred in filing and protecting patent applications, for which no future benefit is reasonably assured, are expensed as incurred.

Research and development costs

Costs relating to research and development activities are expensed as incurred. An intangible asset arising from development expenditure on an internal project is recognized only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the development and the ability to measure reliably the expenditure attributable to the intangible asset during its development. To date, all development costs have been expensed as incurred as their recoverability cannot be regarded as assured.

(t) Goodwill

Goodwill on acquisition is initially measured at cost, being the excess of the cost of the business combination over the acquirer s interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Following its initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is not amortised.

Goodwill is reviewed for impairment at each reporting date, or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Impairment is determined by assessing the recoverable amount of the cash-generating unit to which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognized.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured on the basis of the relative values of the operation disposed of and the portion of the cash-generating unit retained.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group s cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units. Each unit or group of units to which the goodwill is

so allocated represents the lowest level within the Group at which the goodwill is monitored for internal management purposes and is not larger than an operating segment in accordance with *IFRS 8 (AASB 8) Operating Segments*.

(u) Impairment of assets (other than goodwill)

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, the Group makes an estimate of the asset s recoverable amount. An asset s recoverable amount is the higher of its fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. In such cases, the asset is tested for impairment as part of the cash-generating unit to which it belongs. When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset or cash-generating unit is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses relating to operations are recognized in those expense categories consistent with the function of the impaired asset unless the asset is carried at its revalued amount.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset s recoverable amount since the last impairment loss was recognized. If so, the carrying amount of the asset is increased to its recoverable amount. The increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit or loss unless it reverses a decrement previously charged to equity, in which case the reversal is treated as a revaluation increase. After such a reversal, the depreciation charge is adjusted in future periods to allocate the asset s revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Table of Contents

(v) Trade and other payables

Trade payables and other payables are carried at amortized cost and represent future liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services. Trade payables and other payables generally have terms of between 30 and 60 days.

(w) Leases and hire purchase agreements

Finance leases and hire purchase agreements, which transfer to the Group substantially all the risks and benefits incidental to ownership of the financed item, are capitalized at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments.

Lease and hire purchase payments are apportioned between finance charges and a reduction of the associated liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized as an expense in profit or loss. Capitalized leased assets and assets under hire purchase are depreciated over the shorter of the estimated useful life of the asset or the term of the agreement. Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognized as an expense in the statement of comprehensive income on a straight-line basis over the lease term.

(x) Deferred revenue

License revenues and annuities

Where a licence agreement provides for the payment of regular annuities to the Company and the licensee has the right to terminate the agreement prior to the payment of those annuities with no penalty, the Company does not recognise revenue until such time as the associated cash payments are received, as it is not considered probable that the benefits of the transaction will flow to the Company until the cash collection is made. Where such annuities are paid in advance, the revenue is allocated on a pro-rata basis with the balance being reflected in the balance sheet as a deferred revenue liability.

Genetic testing and reproductive services revenues

The Company operates facilities which provide genetic testing and reproductive services. The Company recognises revenue from the provision of these services when the services have been completed. Fees received in advance of the testing process or reproductive service are deferred until such time as the Company completes its performance obligations.

Grant revenues

Grants are recognized when there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognized as income over the periods necessary to match the grant on a systematic basis to the costs that it is intended to compensate. When the grant relates to an asset, the fair value is credited to a deferred income account and is released to the statement of comprehensive income over the expected useful life of the relevant asset by equal annual instalments.

(y) Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of comprehensive income net of any reimbursement.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

Table of Contents

(z) Employee benefits

Provision is made for employee benefits accumulated as a result of employees rendering services up to the reporting date. These benefits include wages and salaries, annual leave and long service leave. Liabilities arising in respect of wages and salaries, annual leave and any other employee benefits expected to be settled within twelve months of the reporting date are measured at their nominal amounts based on remuneration rates which are expected to be paid when the liability is settled. All other employee benefit liabilities are measured at the present value of the estimated future cash outflows to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Expenses for non-accumulating sick leave are recognized when the leave is taken during the year and are measured at rates paid or payable.

In determining the present value of future cash outflows, the market yield as at the reporting date on national government bonds, which have terms to maturity approximating the terms of the related liability, are used. Employee benefits expenses and revenues arising in respect of wages and salaries, non-monetary benefits, annual leave, long service leave and other leave benefits and other types of employee benefits are recognized against profits on a net basis in their respective categories.

(aa) Contributed equity

Issued and paid up capital is recognized at the fair value of the consideration received by the Company. Any transaction costs arising on the issue of ordinary shares are recognized directly in equity as a deduction, net of tax, of the share proceeds received.

The Company has a share-based payment option plan under which options to subscribe for the Company s shares have been granted to certain executives and other employees.

(ab) Reclassifications

Certain reclassifications have been made in the financial statements to ensure that prior year comparatives conform to current year presentations.

(ac) Business combinations

The acquisition method of accounting is used to account for all business combinations, including business combinations involving entities or businesses under common control, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes the fair value of any contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent

liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest s proportionate share of the acquiree s net identifiable assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the Group s share of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired and the measurement of all amounts has been reviewed, the difference is recognized directly in profit or loss as a bargain purchase. Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity s incremental borrowing rate, being the rate at which a similar borrowing could be obtained from a financier under comparable terms and conditions.

Comparison of the year ended June 30, 2011 to the year ended June 30, 2010

Revenues from operations

Our revenues from operations (which include fees from the sale of genetic testing services) decreased by 7%, or $320,568, as compared to the 2010 financial year. The business of reproductive services, which formed the basis of the business owned by Frozen Puppies Dot Com Pty. Ltd., was discontinued during this period. Its results have therefore been excluded from this comparison as the amounts were reported under the heading of discontinued operations . Breast cancer testing (up $95,677), together with other medical testing (up $51,730) contributed to the decrease. Our recently-introduced METS test contributed $27,000 to this area of revenue growth. Looking forward, we envisage encouraging growth in the volume of tests conducted in future following the scheduled launch of the Company s new BREVAGenTM breast cancer risk test in the U.S. during the 2012 financial year. The income we earned from paternity testing fell by $208,737 from the 2010 financial year due to greater competition. Canine disease testing also fell by $85,094 as revenues from the 2010 financial year included amounts received form a substantial Chinese contract which ceased during that year. Forensic testing also fell during the financial year by $154,912 due to changes with our contract with the New South Wales Police Force. Revenues from operations principally form part of the Australian geographic segment.

Table of Contents

Cost of sales

Our cost of sales from operations (which include costs of genetic testing services) decreased by 25%, or $688,059, from the 2010 financial year. As stated above, the business of reproductive services, which formed the basis of the business owned by Frozen Puppies Dot Com Pty. Ltd., was discontinued during this period. It was therefore excluded from this comparison as the amounts were reported under the heading of discontinued operations . $198,144 of the decrease in cost of sales was attributable to the reduction in depreciation expenses due to major assets which are now fully depreciated. $271,694 of the overall decrease was due to a reduction of direct labor allocated to the cost of sales caused by a reallocation of staff between different business segments.

Other revenue

Other revenue includes the total revenues generated from our licensing activities. For the 2011 financial year, the licensing revenues were $13,680,741 which represented an increase of 266% on the result from the previous year of $3,739,747. Following the filing by the Company of a patent infringement suit in the U.S. against nine separate parties in February 2010, there have been two other filings made during the current financial year, one involving six parties that was filed in January 2011 in the U.S. District Court for the Western District of Texas, whilst the other, involving ten parties, was filed in May 2011 in the U.S. District Court for the District of Colorado.

The number of new licenses granted during the financial year increased significantly. New licenses were granted as part od settlement and license agreements with companies including to Monsanto, Beckman Coulter and Clinical Data, Interleukin, Innogennetics, Pioneer, Qiagen, Sunrise, Orchid Cellmark, Vienna Lab and Navigenics. Subsequent to year end, two further licenses have been granted by the Company (refer Item 4.B for further details).

As with the 2010 financial year, we continued to receive income from the Applera settlement. Revenues received during 2011, which totaled $526,369, came in the form of equipment and reagent credits and represented a decrease of $85,052 over the previous year. Included in the total licensing revenues is royalty and annuity income of $1,365,681, which decreased by $315,763 during the 2011 year. Licensing revenues form part of the Australian geographic segment.

Selling and marketing expenses

Selling and marketing expenses increased by $338,968 (13%) to $3,018,947 during the financial year. While considerable expenses were incurred in the establishment of the Company s U.S. subsidiary Phenogen Sciences Inc. ($1,457,300) there were offsetting reductions due to the discontinuation of the reproductive services area of the business ($815,033) in Australia, a reduction in expenses in our Beijing office ($87,445) and a reduction of expenses from our New Zealand branch ($58,662). Adverting of our paternity area of the business (which fell by $60,834) and consulting fees (which fell by $90,670) were other areas in where a reduction occurred.

General and administrative expenses

General and administrative expenses increased by $499,677 (16%) to $3,696,165 during the financial year. $331,437 of this increase was due to a significant increase in consultancy fees.

Licensing, patent and legal costs

Licensing, patent and legal costs increased by $174,221 (4%) to $4,097,323 during the financial year. While the overall movement was small, commissions payable in respect of new licenses were $2,554,273 more than previous financial year. This increase was in line with the substantial increase in gross fees generated from the granting of additional new licenses during the year. This increase was offset by a significant reduction in the amortization expenses of $2,743,427 due to the Company s non-coding patent families becoming fully amortized during the 2010 financial year.

Laboratory, research and development costs

Laboratory, research and development costs decreased by $1,878,005 (30%) to $4,380,866 during the 2011 financial year. During the 2010 financial year, the Company recognized an impairment loss on goodwill of $1,264,603. The impairment charge, which related to the Company s reproductive services business, arose following a decision by the Company to strategically realign the business and to focus on the provision of animal genetic tests, rather than the services that were acquired as part of the acquisition of the Frozen Puppies Dot Com business during the 2009 financial year. Plant and equipment ($115,413) and inventories ($6,232) were also impaired due to the decision to exit this business. In addition, $377,648 of plant and equipment which was acquired from Applera was impaired following a decision to exchange surplus laboratory equipment with an Australian-based subsidiary of that company.

Finance costs

Finance costs decreased by $18,488 (18%) over the financial year due to the reduction in assets financed under hire purchase.

Table of Contents

Non-operating income and expenses

Non-operating income and expenses included the following movements:

- Interest income decreased by $11,408 (5%) during the financial year due to the decrease in cash balances held by the Company.

- Foreign exchange losses incurred during financial year of $68,057 compared with foreign exchange gain in prior year of $10,517. This represented a net increase in loss of ($78,574) or 747% and was due to the movement in exchange rates, particularly the fall in U.S. dollar against the Australian dollar.

- The loss on fixed assets of $217,737 in financial year compared to $6,904 in prior year. The loss in the current financial year comprised of items of equipment acquired under the Supply Agreement with Applera Corporation ($373,677), offset by write-backs of items of equipment associated with the Company s reproductive services business ($105,413).

- In the prior year, there was a gain on the disposal of investments of $210,195. There was no similar amount in the current financial year.

Net profit from discontinued operations

During the 2010 financial year, the Company s reproductive services business was terminated following a decision to realign the business and to focus on the provision of animal genetic tests, rather than the services that were acquired as part of the acquisition of the Frozen Puppies business in 2008. Due to this decision the net profit was only $21,562 for this area of the business during the financial year compared to a net profit of $446,114 in the prior period when the segment was fully operational.

Comparison of the year ended June 30, 2010 to the year ended June 30, 2009

Revenues from operations

Our revenues from operations (which include fees from the sale of genetic testing services) increased by 7%, or $316,242, on the 2009 financial year. The business of reproductive services, which formed the basis of the business owned by Frozen Puppies Dot Com Pty. Ltd., was discontinued during this period. It was therefore excluded from this comparison as the amounts were reported under discontinued operations.

Breast cancer testing (which increased $355,343), canine disease testing (which increased $55,346) and forensic testing (which increased $90,899) also contributed significantly to the increase. Our recently-introduced Ancestry test also contributed $34,435 to revenue growth. The income we earned from paternity testing fell by $76,564 from the 2009 financial year. Revenues from operations principally form part of the Australian geographic segment.

Cost of sales

Our cost of sales from operations (which include costs of genetic testing services) decreased by 1%, or $37,384 from the 2009 financial year. As detailed above, the business of reproductive services, which formed the basis of the business owned by Frozen Puppies Dot Com Pty. Ltd., was discontinued during this period. It was therefore excluded from this comparison as the amounts were reported under discontinued operations. The decrease was mainly due to the reduction in depreciation expenses due to major fixed assets becoming fully depreciated.

Other revenues

The total revenues generated from our licensing activities for the 2010 financial year were $3,739,747 which represented a decrease of 31% on the result from the previous year of $5,391,714. However, following the filing by the Company of a patent infringement suit in the U.S. against nine separate parties in February 2010, the number of new licenses granted has increased significantly. Since that date, new licenses were granted to EraGen Biosciences Inc., Gen-Probe Inc., Laboratories Réunis, Molecular Pathology Laboratory Network Inc. and Quest Diagnostics Inc. prior to the end of the 2010 financial year. Subsequent to year end, further licenses have been granted by the Company as part of settlements reached with several parties named in the infringement suit which have generated total gross fees for the Company of approximately $5.7 million.

As with the 2009 financial year, we continued to receive income from the Applera settlement totaling $611,421, in the form of equipment and reagent credits, representing a decrease of $1,435,786 on the previous year. This reduction is due to the fact that the balance of the equipment credits due under the agreement were drawn down in full during the 2009 financial year. Included in the total licensing revenues is royalty and annuity income of $1,681,444, which has remained stable during the 2010 year. Licensing revenues form part of the Australian geographic segment.

Table of Contents

Selling and marketing expenses

Selling and marketing expenses decreased by $85,081 (3%) to $2,765,060 during the financial year. Marketing and promotion expenses increased by $67,904, or 25%, during the 2010 financial year. This increase was due to the advertising incurred by the medical area of the business and the launch of the Ancestry tests. The increase was more than offset by a reduction in certain Frozen Puppies expenses during the 2010 financial year.

General and administrative expenses

General and administrative expenses decreased by $1,085,787 (25%) to $4,282,275 during the financial year. Accounting and audit expenses decreased by $426,143 or 51%, during the 2010 financial year due principally to lower audit and accounting fees and the fact that two years worth of audit fees in respect of the Company s U.S. reporting obligations fell into the 2009 financial year. During the 2009 financial year, there were also impairment charges of $245,959 for the write-down of available for sale investments. There was also a significant fall in the Group s consultancy fees which decreased by $104,868 (39%) during the 2010 financial year.

Licensing, patent and legal costs

Licensing, patent and legal costs decreased overall by $94,619 (2%) to $3,923,102 during the financial year. Royalties, license fees and commissions paid increased by $44,634, or 13%, during the 2010 financial year. The expense primarily relates to the payment of commissions to licensing contractors in respect of new licenses granted by the Company during the year. The amount of revenue generated from the granting of new licenses decreased during the year, but the commissions increased due to the inclusion of amounts now payable to Sheridan Ross PC, the Denver-based law firm that is managing the Company s assertion program and its U.S. patent infringement suit, as mentioned above. This increase was offset by a decrease in amortization expense of $126,337 (4%) due to a patent becoming fully written down during the 2010 financial period.

Laboratory, research and development costs

Laboratory, research and development costs increased by $142,421 (2%) to $6,258,871 during the financial year. During the 2010 financial year, the Company recognized an impairment loss on goodwill of $1,264,603. The impairment charge, which related to the Company s reproductive services business, arose following a decision by the Company to strategically realign the business and to focus on the provision of animal genetic tests. Plant and equipment ($115,413) and inventories ($6,232) were also impaired due to the decision to exit this business. In addition, $377,648 worth of plant and equipment which was acquired from Applera was impaired due to a decision to exchange surplus laboratory equipment with an Australian-based subsidiary of that company.

The increase in impairment charges was offset by a reduction in the contract research and trial expenses. During the 2009 financial year, the final payment was made to the C.Y. O Connor ERADE Village Foundation following the termination of the agreements on June 15, 2009. The expenditure was therefore significantly reduced in the 2010 financial year from $1,209,260 to only $90,000. The $90,000 related to the agreement with the University of Newcastle which terminated on December 31, 2010.

Finance costs

Finance costs increased by $10,923 (12%) over the financial year due to the increase in assets financed under hire purchase.

Non-operating income and expenses

Non-operating income and expenses included the following movements:

- Interest income decreased by $378,163, or 64%, over the 2009 financial year. This is mainly due to the decrease in cash and cash equivalent balances which fell by 58% over the same period. The prime interest rate, as set by the Reserve Bank of Australia (Australia s Central Bank), rose from 3.00% per annum to 4.50% per annum during this period.

- Foreign exchange gains in financial year of $10,517 compared with foreign exchange gains in prior year of $68,007. This represented a net increase in gains of ($57,490) or 85%. This was due to the movement in the exchange rates, particularly the fall in U.S. dollar against the Australian dollar.

- Loss on fixed assets of $6,904 in financial year compared to gains of $100,811 during the prior year.

- During the 2010 financial year, there was a gain on the disposal of investments of $210,195. There was no similar amount in the prior financial year.

- The prior financial year included income amounts for the certain items which had no comparatives for the current financial year, including rental recovery ($30,613), reversal of rehabilitation expenses ($94,987), net gain on disposal of joint venture interest ($185,000), and grant revenue ($338,724).

- The previous year included an additional milestone payment from Horticulture Australia Ltd. that became payable on the successful conclusion of the research and development project which the grant income was being used to fund. Grant income forms part of the Australian geographic segment.

57

Table of Contents

Net profit from discontinued operations

During the 2010 financial year, the Company s reproductive services business was terminated following a decision to realign the business and to focus on the provision of animal genetic tests, rather than the services that were acquired as part of the acquisition of the Frozen Puppies business in 2008. The net profit was $446,114 for this area of the business during the financial year compared to a net profit of $774,214 in the prior period due to these operations being treated as discontinued operations during this financial year.

Item 5.B Liquidity and Capital Resources

Summary

Our overall cash position depends on numerous factors, including the success of licensing our non-coding patents, the numbers of genetic tests processed by our laboratory, completion of our product research and development activities, ability to commercialize our products, market acceptance of our products and services and how we choose to commercially exploit our technology. We expect to devote additional capital resources to the expansion of our licensing program on a worldwide basis, continue our research and development programs with a view to commercializing our technology in our target markets, hire and train additional staff, and acquire or make investments in businesses that are complementary to our existing business. Each of these activities will inevitably involve the outflow of cash reserves.

During the year ended June 30, 2011, we generated a comprehensive profit of $804,677. During the years ended June 30, 2010 and 2009, we incurred comprehensive losses of $9,530,428 and $7,695,596, respectively. We anticipate incurring additional costs during the next twelve months as we launch the Company s BREVAGenTM breast cancer test in the U.S. market and elsewhere and broaden the range of products we offer and increase the number of the markets in which they are sold and commercialize our two principal research and development projects. The extent to which we will generate profits in future years depends largely on the success of the licensing of our non-coding technologies and the expansion of our genetic testing business.

Since inception, our operations have been financed primarily from capital contributions by our stockholders, proceeds from our licensing activities and revenues from operations, grants, and interest earned on the Company s cash and cash equivalents.

During the year ended June 30, 2011, the Company generated net cash flows from continuing operations of $2,217,725, whilst during the years ended June 30, 2010 and 2009, the Company s net cash flows used in continuing operations were $4,710,189 and $5,685,298, respectively. We believe that our cash and cash equivalents of approximately $5.1 million as of June 30, 2011 will, together with the $11.7 million raised from the issue of shares in July 2011, provide us with sufficient capital to fund a base level of operations for the next eighteen months as from that date. During this period, we expect to be able to continue to adequately fund our research and development activities, licensing program, product development and commercialization efforts and other operations. Further, as the Company s operations continue to expand, we anticipate that the revenues generated should assist the Company to once again achieve a cash positive result from operations.

Our net cash from / (used in) operating activities was $2,233,279, $(4,302,880) and $(4,923,491) for the years ended June 30, 2011, 2010 and 2009, respectively. Cash used in operating activities for each period consisted primarily of losses incurred in operations reduced by depreciation and amortization expenses, exchange movements and unrealized profits and losses relating to investments. In approximate order of magnitude, cash outflows typically consist of staff-related costs, service testing expenses, general and administrative expenses, legal/patent fees and research and development costs.

Our net cash from / (used in) investing activities was $5,030, $(1,039,483) and $(353,191) for the years ended June 30, 2011, 2010 and 2009, respectively. Typically, cash used in investing activities related to the acquisition of laboratory equipment. In addition, the agreement reached with Applera Corporation in December 2005 has provided us with significant credits for laboratory equipment and reagents produced by that company. As of June 30, 2011, the balance of credits due under the various agreements with Applera Corporation was $1,867,634.

Our net cash from / (used in) financing activities was $(314,762), $786,243 and $(192,591) for the years ended June 30, 2011, 2010 and 2009, respectively. In respect of the year ended June 30, 2010, the Company generated net cash flows of $1,011,650 from the issue of 27,940,530 ordinary shares. In all three years, outflows from financing activities included the repayment of hire purchase principal in respect of various items of laboratory equipment.

Apart from the purchase of laboratory equipment of $139,678 in 2011, $144,796 in 2010 and $213,300 in 2009, we had no material capital expenditures for the years ended June 30, 2011, 2010 and 2009, other than the costs associated with the purchase of assets from Perlegen Sciences, Inc. in 2010.

Table of Contents

On January 14, 2005, the Company executed a Master Asset Finance Agreement with National Australia Bank Limited in respect of a $2.5 million asset hire purchase facility (the Facility). As of June 30, 2011, the Company had an outstanding liability in respect of the acquisition of laboratory equipment and associated maintenance contracts under the Facility amounting to $67,878. The use of this Facility enables the Company to better match the cost of the equipment with the future revenues to be generated from it in a cost-effective manner and minimizes the outflow of valuable cash. Also, as of June 30, 2011, the Group had breached one of the covenants of the Facility which governs the hire purchase agreements. Subsequent to balance date, National Australia Bank Limited provided the Group with a letter waiving its right to take any further action in respect of the breach. As a result of the breach, however, all liabilities in respect of the hire purchase agreements as of June 30, 2011 have been classified as current liabilities in the balance sheet.

Future Cash Needs

We expect that operating expenses and, to a lesser extent, capital expenditures will be a material use of our cash resources in future. As of June 30, 2011, we had cash and cash equivalents totaling approximately $5.1 million. However, following the issue of 60 million fully paid ordinary shares in July 2011, our available cash resources had increased to more than $14.8 million by September 30, 2011. We believe that this amount, together with revenues generated from the granting of new licenses to the Company s non-coding technology, will provide us with working capital that is sufficient for our anticipated needs for the next eighteen months as from that date. We do not have any lines of credit apart from the equipment finance facility with National Australia Bank Limited and a nominal credit card facility with Westpac Banking Corporation (via its St. George Bank division) which, as of June 30, 2011, had available credit of $145,000. We anticipate generating additional cash in future years from our licensing activities and the continued expansion of our operational businesses.

Operating Leases

We are obligated under various operating leases for periods expiring through September 30, 2013. Payments under non-cancelable operating lease arrangements for office premises, laboratory and veterinary facilities expire on various dates, resulting in the lease commitments over that period which are stated in the table below.

The following is a schedule of future minimum lease payments for operating leases that had initial or remaining non-cancellable lease terms in excess of one year as of June 30, 2011:

Year ending June 30,		
2012	$	354,192
2013		355,624
2014		76,427
Total minimum lease payments	$	786,243

Rent expense and associated body corporate expenses totaling $84,583, $579,806 and $529,234 for the years ended June 30, 2011, 2010 and 2009, respectively, were paid to Bankberg Pty. Ltd., a company associated with former Director and major shareholder, Dr. Mervyn Jacobson, in respect of the Company s office and laboratory expenses in Fitzroy, Victoria, Australia.

The following is a schedule of future minimum hire purchase payments for equipment finance that had initial or remaining non-cancelable lease terms in excess of one year as of June 30, 2011:

Minimum hire purchase payments		
Year ending 2012	$	53,008
Year ending 2013		17,981
Total minimum hire purchase payments	$	70,989
Less: future finance charges		(3,111)
Aggregate hire purchase expenditure contracted for as at reporting date	$	67,878
Aggregate expenditure commitments comprise:		
Current liability	$	67,878
Non-current liability		
Total expenditure commitments	$	67,878

Table of Contents

Item 5.C Research and Development, Patents and Licenses, etc.

Our principal business is biotechnology, with the emphasis on genomics and genetics, the licensing of the non-coding patents, reduction to practice of our fetal cell patents and expansion of the related service testing business.

The following table details historic R&D expenditure by project. All projects are described at Item 4.B above.

	2011 $	2010 $	2009 $
RareCellect	$ 223,717	$ 553,768	$ 709,725
ImmunAid	305,775	287,470	331,155
Nematode project	52,523	126,664	365,705
Research at C.Y. O Connor (refer note)	67,444	72,148	933,641
Other general R&D	392,002	536,453	674,549
Total R&D expense	$ 1,041,461	$ 1,576,503	$ 3,014,775
Other expenditure	16,295,690	17,305,334	17,016,589
Total expenditure	$ 17,310,151	$ 18,881,837	$ 20,031,364
R&D as a % of total expenditure	6%	8%	15%

Note: Research by the C.Y. O Connor ERADE Village Foundation was terminated during the 2009 financial year.

Due to the nature of the Company s business, it is important that any intellectual property in the form of new discoveries be protected. The table described in Item 4.B hereinabove provides the status of all patent applications the Company has filed.

Item 5.D Trend Information

The Direction of Genetic Research

Following upon the original non-coding inventions made by GeneType AG and the publication and dissemination of this work in the early 1990 s, research groups world-wide increasingly have sought to investigate and, if possible, establish non-coding associations in a great number of diseases which were hitherto unexplained.

In 2002, Nature Publishing Group produced a summary of some 284 separate research projects which sought to establish non-coding associations in relation to either the cause or the outcome of many human diseases. Within that group, more than 100 human conditions have since been shown to be linked to non-coding genetic variations. In 1999, an international collaboration, known as the SNP Consortium was established to identify all single nucleotide polymorphisms (SNPs) of relevance to a complete understanding of human genetics. More recently, the international HapMap project was launched to identify relevant human haplotypes.

All of these projects depend significantly on the basic inventions owned by our Company. It remains our corporate objective to encourage all such research which we expect will, in time, lead to a great number of new commercial licensing opportunities for Genetic Technologies. Such opportunities are also not limited to human applications, given the recent expansion of interest in the genetics of animals, plants and lower forms of life, including parasites and many organisms that contribute to either disease or to recuperative environmental systems of our planet. Such research is likely to expand significantly in the coming years. Our ability to secure licensing agreements from these areas of research as they develop into commercial operations will determine the level of revenue in the future.

The Direction of Genetic Testing

Further to the completed first phase of the Human Genome Project in mid-2001, and then the Mouse Genome Project in December 2002, there is now a greatly improved general understanding of gene structure, gene function and gene expression. This is likely to lead to new genetic tests and new genetic treatments - perhaps even tailored to an individual s unique genetic code. DNA testing for forensic purposes has already been shown to be extremely reliable in matters of criminal justice, disputed paternity and family relationships. Genetic testing will also be increasingly relied upon to assist with disease diagnosis, and also in the improved assessment disease risk factors. In addition, genetic testing will be applied more and more to help identify specific animal and plant traits that are either desirable or undesirable, in order to help breeders better select their future seed stock. We believe the demand for an expansion of genetic testing will continue to grow in the coming years.

Table of Contents

Item 5E. Off-balance sheet arrangements

Apart from our settlement arrangements with Applera Corporation, pursuant to which we are entitled to draw down certain items of equipment and reagents, we have no off-balance sheet arrangements that have or are reasonably likely to have current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that are material to investors.

Item 5F. Information about Contractual Obligations

The table below shows the contractual obligations and commercial commitments as of June 30, 2011:

	0-1 year	>1-<3 years	>3-<5 years	>5 years
Operating lease commitments	$ 354,192	$ 432,051	$	$
Hire purchase commitments	$ 53,008	$ 17,981	$	$

The above purchase obligations are in respect of subcontracted research and development activities and equipment purchases.

Item 6. Directors, Senior Management and Employees

Item 6.A Directors and Senior Management

The Directors of the Company as of the date of this Annual Report are:

Sidney C. Hack, CPA *(Non-Executive Chairman)*

In office from July 1, 2010 up to the date of this Report

Mr. Hack, 73, was appointed to the Board on November 19, 2008 and was appointed as its Chairman on November 24, 2009. He also serves as Chairman of both the Company s Audit Committee and its Corporate Governance Committee. He is a Certified Practising Accountant and Registered Company Auditor and retired in 2005 after serving 30 years as a senior partner of Hack Anderson & Thomas, Chartered

Accountants. Mr. Hack has extensive experience in large company audits, financial planning, taxation, preparation of large company financial accounts and has served on various other Boards during his career.

Tommaso Bonvino, FAICD *(Non-Executive)*

In office from July 1, 2010 up to the date of this Report

Mr. Bonvino, 50, was appointed to the Board on November 25, 2009 and also serves as a member of the Company s Corporate Governance Committee. He has over 27 years experience in consumer marketing and product development and has managed companies for various Italian, Spanish and French firms, distributing and marketing goods throughout South-East Asia. He has established strong bilateral trade relationships between Australian and European companies in the technology and consumer goods sectors. Mr. Bonvino is currently CEO and Managing Director of Private Branded Beverages Limited. He is also a non-executive Director of the Melbourne Recital Centre and a Fellow of the Australian Institute of Company Directors.

Dr. Malcolm R. Brandon, BScAgr, PhD *(Non-Executive)*

In office from July 1, 2010 up to the date of this Report

Dr. Brandon, 64, was appointed to the Board on October 5, 2009 and also serves as 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 commercialized a wide range of technologies. As the founding director of the Centre for Animal Biotechnology, a research arm within the University of Melbourne Veterinary Science School, he was responsible for fund raising and the development of many agricultural technologies and products. Dr. Brandon was a co-founder and Director of Stem Cell Sciences Ltd. and Smart Drug Systems Inc. and is the Chairman of genetics and artificial animal breeding company Clone International.

Dr. Mervyn Cass, MBBS *(Non-Executive)*

In office from September 30, 2011 up to the date of this Report

Dr. Cass, 70, was appointed to the Board on September 30, 2011. He is a practising medical practitioner and after 28 years as the senior partner in an occupational medical practice in Port Melbourne accepted the appointment as Medical Director of a plastic surgery centre in 1996. He was the founding Chairman of the Australasian Occupational Medical Group and was a Director of Wolfe Research Pty Ltd a private Medial Biotech company associated with RMIT University. He has been an advisor to the Victorian Government on Workers Compensation and Radiological Standards in General Practice. He is currently an executive member of the Jewish Community Council of Victoria, the roof body of the Victorian Jewish Community.

Table of Contents

Huw D. Jones, BEng (Hons), MBA *(Non-Executive)*

In office from July 1, 2010 up to the date of this Report

Mr. Jones, 48, was appointed to the Board on November 19, 2008. He also serves as a member of the Company s Audit Committee and its Corporate Governance Committee. He has 20 years experience in international sales and marketing in the health care industry and is currently Managing Director of Fresh Investments Pty. Ltd.

Senior Management

We have a professional team of qualified and experienced research and development scientists and technicians. The Company currently has 54 full-time-equivalent employees, of which seven have PhD qualifications. The members of Senior Management, and a brief summary of their relevant experience, is as follows:

Dr. Paul D.R. MacLeman, BVSc, MBA, Grad Dip Tech Mgt, Grad Cert Eng, FAICD *(Chief Executive Officer)*

Dr. MacLeman, 45, was appointed as Chief Executive Officer on May 4, 2009. He is a registered veterinary surgeon and holds additional qualifications including an MBA (MGSM), Grad Dip Tech Mgt, Grad Cert Eng and is a member of the AICD. He is a member and past Chairman of the Ausbiotech Agricultural, Environmental and Industrial Advisory Committee and was most recently Chief Executive Officer of Hatchtech Pty. Limited where he led the company from research through to international Phase II human clinical trials. Dr. MacLeman was responsible for opening up animal health and agricultural opportunities, climaxing in an agreement with one of the top three global chemicals companies. Prior to this, he was Chief Operating Officer of Imugene Ltd. and Vice President at Agenix Ltd. Dr. MacLeman has also previously founded life sciences start-ups and worked in investment banking focusing on the analysis and financing of technology companies.

Thomas G. Howitt, BCom, CA, FTIA, ACIS, AICPA *(Company Secretary and Chief Financial Officer)*

Mr. Howitt, 47, was appointed as the group s first full-time Chief Financial Officer on June 1, 2004 and as its Company Secretary on June 30, 2005. During his 20-plus year career, he has served as CFO and Company Secretary for a number of companies, listed on both the ASX and several foreign stock exchanges. His wide experience covers all facets of financial management and control across a variety of industries, including resources and technology (domestic and international), having been instrumental in the successful development, patenting and subsequent commercialisation of several innovative technologies. He has played key roles in the raising of bank debt and equity capital and the management of complex due diligence programs and has worked as a senior Taxation Consultant for Ernst & Young and in the investment banking industry. He also serves as President of the Company s Canadian-listed subsidiary, Gtech International Resources Limited.

Alison J. Mew, MSc Hons *(Chief Operating Officer)*

Ms. Mew, 53, was appointed as the Group s Chief Operating Officer on August 31, 2009. Prior to joining the Group, she had extensive experience in the bio-pharmaceutical industry in operations management roles - both in Australia and overseas. Her most recent corporate experience was 13 years with CSL Ltd., in senior executive positions across the Animal Health, Biosciences and Pharmaceutical Divisions - managing vaccines, diagnostics and other biologicals manufacture. Just prior to joining Genetic Technologies Limited, Ms. Mew spent three years providing consulting services in both operational and strategic management areas to both local and international organizations.

Dr. David J. Sparling BVSc (Hons), LLB (Hons), Grad Dip Corp Governance *(Vice President Legal and Corporate Development)*

Dr. Sparling, 39, was appointed as the Group s first Vice President Legal and Corporate Development on October 26, 2009. He is an experienced corporate development executive who has been appointed to drive M&A, expansion and strategy development. Dr. Sparling s expertise includes: senior executive management, intellectual property maintenance and defence, licensing, corporate governance, corporate finance and strategic planning. His experience extends to both pharmaceutical and diagnostic applications; in both human and animal health. Prior to joining the Group, Dr. Sparling was chief operating officer for Solbec Pharmaceuticals Ltd., a publicly listed bio-pharmaceutical company based in Perth, Western Australia. Prior to this, he was Commercial Counsel for Agenix Limited, a listed biotechnology company in Queensland. He currently serves as Chairman of ASX-listed FYI Resources Limited.

Gregory J. McPherson BA, BBus *(Vice President Sales and Marketing)*

Mr. McPherson, 47, was appointed as the Group s first Vice President Sales and Marketing on July 20, 2009. He brings over 20 years experience in developing both retail and consumer businesses in Australia and the Asian region, including the development of new retail formats and multi-media campaigns for chains such as Mitre 10, Spotlight and Symbion Health. There, his expertise in multi-site customer operations translated strategy into broad line management accountability. Overseas assignments in Asia for Whirlpool Corporation included setting up Joint Ventures in China and India and Pan-Asian supplier negotiations. Whilst working in Australia, he assisted in the development of manufacturer/wholesalers such as Electrolux, Whirlpool and Brivis/Carrier, where he implemented advanced measurement and process improvement techniques directly increasing profitability and shareholder value.

Table of Contents

Ivan Jasenko, BAppSc (Hons) *(Quality and Regulatory Manager)*

Mr. Jasenko, 46, was appointed as the Group s first Quality and Regulatory Manager on August 16, 2010. He has over ten years local and international Biopharmaceutical experience in both human and animal health in Quality and Regulatory roles, particularly with FDA and TGA compliance ranging from the manufacture of vaccines and IVD s to proteins and cell culture. He was appointed to obtain and maintain compliance certification with relevant U.S. and European regulatory authorities for the Group s products. Most recently, he held senior leadership roles with Intervet-Schering Plough and prior to that ICPBio, a publicly listed New Zealand protein biologics manufacturer acquired by MP Biomedicals. He is well versed in Asia Pacific, U.S. and European regulatory requirements and GMP, ISO9001/ISO15189/ISO13485 and 21CFR820 Quality System requirements.

Lewis J. Stuart, BA *(President and General Manager Phenogen Sciences Inc.)*

Mr. Stuart, 52, was appointed as General Manager Phenogen Sciences Inc. on June 16, 2010 and subsequently as its first President on April 16, 2011. He brings more than 28 years of health sector sales and marketing experience across multiple therapeutic categories including women s health, infectious disease and endocrinology. Mr. Stuart most recently served as Senior Vice President, Commercial Operations at cardiovascular drug developer CV Therapeutics (CVT), where he led the launch of Ranexa and played a significant role in growing CVT s market cap from $300 million to its $1.5 billion acquisition by Gilead. In this role, Mr. Stuart had responsibility for sales, marketing, medical affairs, managed care and investor relations. Prior to CVT, Mr. Stuart held senior sales and marketing positions within the biotechnology sector, including six years as Vice President, Sales at Agouron Pharmaceuticals, Inc., a Pfizer company. Earlier in Mr. Stuart s career, he directed the sales teams for several cardiovascular products at Bristol Myers Squibb, Inc. and has also held senior sales and marketing positions with Solvay Pharmaceuticals, Centocor and Upjohn.

Item 6.B Compensation

Details of the nature and amount of each major element of the compensation of each director of the Company and each of the named officers of the Company and its subsidiaries, for services in all capacities during the financial year ended June 30, 2011 are listed below. All figures are stated in Australian dollars (AUD).

Name and title of Directors	Year	Short-term Salary/fees	Other	Post-employment Superannuation	Long-term Long service leave	Share-based Options	Totals
Sidney C. Hack	**2011**	**24,500**		**51,800**			**76,300**
Non-Executive Chairman	2010	16,474		51,077			67,551
Tommaso Bonvino	**2011**	**50,000**		**4,500**			**54,500**
Non-Executive Director	2010	29,935		2,694			32,629
Dr. Malcolm R. Brandon	**2011**	**30,000**		**24,500**			**54,500**
Non-Executive Director	2010	37,115		3,340			40,455
Huw D. Jones	**2011**	**50,000**		**4,500**			**54,500**
Non-Executive Director	2010	50,000		4,500			54,500

Fred Bart (note 1) Ex. Non-Executive Chairman	**2011**			
	2010	28,134	2,532	30,666
Sub-totals for Directors	**2011**	**154,500**	**85,300**	**239,800**
	2010	161,658	64,143	225,801

Table of Contents

Name and title of Executives	Year	Short-term Salary/fees	Other	Post-employment Superannuation	Long-term Long service leave	Share-based Options	Totals
Dr. Paul D.R. MacLeman	**2011**	**250,000**	**51,000**	**27,090**	**594**	**54,450**	**383,134**
Chief Executive Officer	2010	224,653	45,000	24,268	186		294,107
Thomas G. Howitt	**2011**	**214,000**		**19,260**	**7,059**	**22,688**	**263,007**
Chief Financial Officer and Company Secretary	2010	214,000		19,260	5,754	28,257	267,271
Alison J. Mew	**2011**	**171,200**		**15,408**	**356**	**22,688**	**209,652**
Chief Operating Officer	2010	133,948		12,055	78		146,081
Lewis J. Stuart (note 3)	**2011**	**272,937**				**36,300**	**309,237**
General Manager US ops.	2010						
Gregory J. McPherson	**2011**	**175,100**		**15,759**	**376**	**22,688**	**213,923**
VP Sales and Marketing	2010	162,371		14,613	93		177,077
Dr. David J. Sparling	**2011**	**185,400**		**16,686**	**368**	**22,688**	**225,142**
VP Legal and Corp. Develop.	2010	115,846		10,426	76		126,348
Sub-totals for Executives	**2011**	**1,268,637**	**51,000**	**94,203**	**8,753**	**181,502**	**1,604,095**
	2010	850,818	45,000	80,622	6,187	28,257	1,010,884
Total remuneration of Key Management Personnel	**2011**	**1,423,137**	**51,000**	**179,503**	**8,753**	**181,502**	**1,843,895**
	2010	1,012,476	45,000	144,765	6,187	28,257	1,236,685

Note: The Company and the Group had six Executives, as defined, during the year ended June 30, 2011.

The column above entitled Other of $51,000 (2010: $45,000) comprises bonuses (refer notes below).

The details of those Executives nominated as Key Management Personnel under section 300A of the *Corporations Act 2001* have been disclosed in this Report. No other employees of the Company meet the definition of Key Management Personnel as defined in *IAS 24 / (AASB 124) Related Party Disclosures*, or senior manager as defined in the *Corporations Act 2001*.

Notes:

1. Mr. Bart resigned as Chairman of the Company on November 24, 2009.

2. During the year ended June 30, 2011, Dr. MacLeman received an STI payment of $51,000 (2010: $45,000).

3. Mr. Stuart was appointed as General Manager of Phenogen Sciences Inc., the Company s wholly-owned US subsidiary, on July 5, 2010 and as its inaugural President on April 16, 2011.

Executive officers are those officers who were involved during the year in the strategic direction, general management or control of the business at a company or operating division level. The remuneration paid to Executives is set with reference to prevailing market levels and comprises a fixed salary, various short term incentives (which are linked to agreed key performance indicators), and an option component. Options are granted to Executives in line with their respective levels of experience and responsibility.

Options

We introduced a Staff Share Plan on November 30, 2001. On November 19, 2008, the shareholders of the Company approved the introduction of a new Employee Option Plan. Collectively, these Plans establish the eligibility of our employees and those of any subsidiaries, and of consultants and independent contractors to a participating company who are declared by the Board to be eligible, to participate. Broadly speaking, the respective Plans permits us, at the discretion of the Board, to issue traditional options (with an exercise price). The Plans conform with the IFSA Executive Share and Option Scheme Guidelines and, where participation is to be made available to staff who reside outside Australia, there may have to be modifications to the terms of grant to meet or better comply with local laws or practice.

As of the date of this Annual Report, there were seven executives and 19 employees who have been granted options under the Plans. Options issued under the Plan carry no rights to dividends and no voting rights.

Table of Contents

Options issued under the Plans during the following financial years are as follows:

Year ended June 30, 2009:

There were no options granted during the year ended June 30, 2009.

A total of 5,700,602 of the options issued under the Plan were forfeited during the year ended June 30, 2009 and a further 1,075,000 options were cancelled.

Year ended June 30, 2010:

There were no options granted during the year ended June 30, 2010.

A total of 600,000 of the options issued under the Plans were forfeited during the year ended June 30, 2010 and a further 500,000 options were cancelled.

Year ended June 30, 2011:

During the year ended June 30, 2011, a total of 17,300,000 options over the Company s ordinary shares were issued to executives and certain employees of the Group. Each option, which was issued at no charge, entitles the holder to acquire one ordinary share in the Company at exercise prices ranging from $0.045 to $0.19 cents each up to, and including, March 31, 2016, unless exercised before that date. The majority of the options vest in three equal tranches after 12 months, 24 months and 36 months from the date of grant, respectively.

Also during the 2011 financial year, a total of 950,000 options that had previously been issued to employees lapsed. Of this number, a total of 200,000 options were forfeited, whilst the remaining 750,000 options expired. Option holders do not have any right, by virtue of their options, to participate in any share issue of the Company or any related body corporate.

As of the date of this Annual Report, there was a total of 19,275,000 options outstanding.

Prior option issues:

On August 2, 2001, the Company announced that it had entered into an agreement with GTH Capital of New York to pursue its listing on the National Association of Securities Dealers Automated Quotations (NASDAQ). This agreement was assigned by GTH Capital to GMCG, LLC, the successor of GTH Capital, on April 1, 2002. In accordance with the agreement, Genetic Technologies issued 150,000 shares to GTH Capital on October 10, 2001 and agreed to issue 900,000 options at an exercise price of $0.70 to GTH Capital within three years, subject to it meeting certain performance criteria. On January 14, 2002, GTH were entitled to receive 540,000 of the options. During the year ended June 30, 2004, GMCG, LLC became entitled to a further 60,000 options. We have now issued to GMCG, LLC the 600,000 options that have met specific performance criteria. Subsequent to June 30, 2005, the parties agreed not to proceed with the issue of the 300,000 remaining options, notwithstanding the successful listing of the Company s Level II ADR s on NASDAQ on September 2, 2005, as certain performance criteria were not met by GMCG, LLC. The 600,000 options granted to GMCG, LLC lapsed on September 7, 2007.

On May 22, 2001, Gtech International Resources Limited, a controlled entity issued 130,000 directors options to Dr. Mervyn Jacobson at an exercise price of CAD0.38 which vested immediately. These options lapsed unexercised on May 22, 2006. On February 3, 2005, Fred Bart and Ian Dennis exercised a total of 158,500 options in Gtech International at an exercise price of CAD0.20 each. On August 26, 2005, 100,000 options in Gtech International were granted to each of Tom Howitt and Elizabeth Sy, both Directors of Gtech, at an exercise price of CAD0.45 each.

On September 4, 2003, as part of the placement of 13,333,333 shares at $0.75, we issued the subscriber with 6,666,667 options exercisable at $1.00 on or before September 30, 2005. These options subsequently lapsed on September 30, 2005.

Options granted under the Plans carry no rights to dividends and no voting rights. In accordance with the terms of the Plans, options granted prior to June 2007 generally vest on the basis of 25% per annum and can be exercised at any time after vesting to the date of their expiry. The options generally have an expiry date of six years from the date of grant. Options granted after July 2007, generally vest on the basis of 100% after three years from the date of grant and can be exercised at any time after vesting to the date of their expiry. These later options generally have an expiry date of five years from the date of grant.

During the years ended June 30, 2011, 2010 and 2009, the Company recorded a share-based payments (credit)/expense in respect of the options granted of $253,851, $5,866 and $(43,497), respectively.

Table of Contents

The following is additional information relating to the options granted under the respective Plans as of June 30, 2011:

Range of exercise prices	Options outstanding Number of options	Weighted average exercise price	Remaining weighted average contractual life (years)	Options exercisable Number of options	Weighted average exercise price
$0.01 - $0.10	12,500,000	$ 0.045	3.85		$ 0.045
$0.11 - $0.20	4,800,000	$ 0.19	4.75		$ 0.19
$0.21 - $0.30	1,700,000	$ 0.22	1.32	1,700,000	$ 0.22
$0.31 - $0.40	150,000	$ 0.40	0.92	150,000	$ 0.40
$0.41 - $0.50	250,000	$ 0.43	0.12	250,000	$ 0.43
$0.51 - $0.60	250,000	$ 0.53	0.12	250,000	$ 0.53
	19,650,000	$ 0.11	3.73	2,350,000	$ 0.29

The following is additional information relating to the options granted under the respective Plans as of June 30, 2010:

Range of exercise prices	Options outstanding Number of options	Weighted average exercise price	Remaining weighted average contractual life (years)	Options exercisable Number of options	Weighted average exercise price
$0.21 - $0.30	1,900,000	$ 0.22	2.32	1,425,000	$ 0.22
$0.31 - $0.40	150,000	$ 0.40	1.92	150,000	$ 0.40
$0.41 - $0.50	1,000,000	$ 0.47	0.31	1,000,000	$ 0.47
$0.51 - $0.60	250,000	$ 0.53	0.47	250,000	$ 0.53
	3,300,000	$ 0.33	1.55	2,825,000	$ 0.34

The following is additional information relating to the options granted under the respective Plans as of June 30, 2009:

Range of exercise prices	Options outstanding Number of options	Weighted average exercise price	Remaining weighted average contractual life (years)	Options exercisable Number of options	Weighted average exercise price
$0.21 - $0.30	2,400,000	$ 0.22	3.32		N/A
$0.31 - $0.40	150,000	$ 0.40	2.92	112,500	$ 0.40
$0.41 - $0.50	1,400,000	$ 0.47	1.31	1,312,500	$ 0.47
$0.51 - $0.60	450,000	$ 0.54	1.47	387,500	$ 0.55
	4,400,000	$ 0.34	2.48	1,812,500	$ 0.48

The fair value for the options issued to employees was estimated at the date of grant using a Black-Scholes option-pricing model with the following weighted-average assumptions for June 30:

	June 30,		
	2011	2010	2009

Risk Free Interest Rate	4.60% to 5.04%	N/A	N/A
Expected Dividend Yield		N/A	N/A
Historic and Expected Volatility	84% to 95%	N/A	N/A
Option Exercise Prices	$0.045 to $0.19	N/A	N/A
Weighted Average Exercise Price	$0.085	N/A	N/A
Expected Lives	3.94 years	N/A	N/A

A total of 17,300,000 options were granted during the year ended June 30, 2011. No options were granted during the years ended June 30, 2010 and June 30, 2009.

Table of Contents

Indemnification and Insurance with Respect to Directors

We are obligated pursuant to an indemnity agreement, to indemnify the current Directors and executive officers and former Directors against all liabilities to third parties that may arise from their position as Directors or officers of the Company and our controlled entities, except where to do so would be prohibited by law.

In addition, we currently carry insurance in respect of Directors and officers liabilities for current and former Directors, Company Secretary and executive officers or employees.

Item 6.C Board Practices

The Board of Directors

Under our Constitution, our Board of Directors is required to comprise at least three Directors. As of the date of this Annual Report, our Board comprised five Directors.

The role of the Board includes:

(a) Reviewing and making recommendations in remuneration packages and policies applicable to directors, senior executives and consultants.

(b) Nomination of external auditors and reviewing the adequacy of external audit arrangements.

(c) Establishing the overall internal control framework over financial reporting, quality and integrity of personnel and investment appraisal. In establishing an appropriate framework, the board recognized that no cost effective internal control systems will preclude all errors and irregularities.

(d) Establishing and maintaining appropriate ethical standards in dealings with business associates, suppliers, advisers and regulators, competitors, the community and other employees.

(e) Identifying areas of significant business risk and implementing corrective action as soon as practicable after a risk is identified.

(f) Nominating of audit and nomination and remuneration committee members.

The Board meets to discuss business regularly throughout the year, with additional meetings being held when circumstances warrant. Included in the table below are details of the meetings of the Board and the committees of the Board that were held during the 2011 financial year.

	Directors meetings		Sub-Committees of the Board			
			Audit		Corporate Governance	
Name of Director	**Eligible**	**Attended**	**Eligible**	**Attended**	**Eligible**	**Attended**
Sidney C. Hack	14	14	2	2	1	1
Tommaso Bonvino	14	14			1	1
Dr. Malcolm R. Brandon	14	12	2	2		
Huw D. Jones	14	14	2	2	1	1

Committees of the Board

The Board has established an Audit Committee which operates under a specific Charter approved by the Board. It is the Board s responsibility to ensure that an effective internal control framework exists within the entity. This includes internal controls to deal with both the effectiveness and efficiency of significant business processes, the safeguarding of assets, the maintenance of proper accounting records, and the reliability of financial information as well as non-financial considerations such as the benchmarking of operational key performance indicators.

The Board has delegated the responsibility for the establishment and maintenance of a framework of internal control and ethical standards for the management of the Group to the Audit Committee. The Audit Committee also provides the Board with assurance regarding the reliability of financial information for inclusion in the financial reports. All members of the Audit Committee are independent Non-Executive Directors.

Table of Contents

Committee membership

As at the date of this Report, the Company had an Audit Committee and a Corporate Governance Committee of the Board of Directors (the latter being formerly known as the Nomination and Remuneration Committee). The individuals who served as members of these Committees during the financial year were:

Name of Member	Audit Committee Period served	Corporate Governance Committee Period served
Sidney C. Hack	July 1, 2010 to June 30, 2011	July 1, 2010 to June 30, 2011
Tommaso Bonvino	Not applicable	July 1, 2010 to June 30, 2011
Dr. Malcolm R. Brandon	July 1, 2010 to June 30, 2011	Not applicable
Huw D. Jones	July 1, 2010 to June 30, 2011	July 1, 2010 to June 30, 2011

Notes:

1. In accordance with the Charter, the auditor attended one meeting of the Audit Committee at the request of the Committee.

2. Mr. Hack served as the Chairman of both Sub-Committees from July 1, 2010 to June 30, 2011.

As of the date of this Annual Report, the members of the Audit Committee were:

Sidney C. Hack *(Chairman)*

Dr. Malcolm R. Brandon

Huw D. Jones

During the 2005 financial year, the Board established a Nomination and Remuneration Committee, which meets to ensure that the Board continues to operate within the established guidelines including selecting candidates for the position of Director. During the 2006 financial year, the role of the Committee was expanded to include matters related to the Company s Corporate Governance affairs and its name changed to the Corporate Governance Committee to reflect that additional role. The members of the Committee have the right to appoint an independent consultant to attend meetings of the Committee, as appropriate.

As of the date of this Annual Report, the members of the Corporate Governance Committee were:

Sidney C. Hack *(Chairman)*

Tommaso Bonvino

Huw D. Jones

Compliance with NASDAQ Rules

NASDAQ listing rules require that we disclose the home country practices that we will follow in lieu of compliance with NASDAQ corporate governance rules. The following describes the home country practices and the related NASDAQ rule:

Majority of Independent Directors: We follow home country practice rather than NASDAQ s requirement in Marketplace Rule 4350(c)(1) that the majority of the Board of each issuer be comprised of independent directors as defined in Marketplace Rule 4200. As of the date of this Annual Report, our Board of Directors comprises of a majority of independent directors.

Compensation of Officers: We follow home country practice rather than NASDAQ s requirement in Marketplace Rule 4350(c)(3) that chief executive compensation be determined or recommended to the Board by the majority of independent directors or a compensation committee of independent directors. Similarly, compensation of other officers is not determined or recommended to the Board by a majority of the independent directors or a compensation committee comprised solely of independent directors. These decisions are made by our corporate governance committee which is comprised of a majority of independent directors. The ASX does not have a requirement that each listed issuer have a remuneration committee or otherwise follow the procedures embodied in NASDAQ s Marketplace Rule. Furthermore, no law, rule or regulation of the ASIC has such a requirement nor does the applicable corporate law legislation. Such home country practices are not prohibited by the laws of Australia.

Nomination: We follow home country practice rather than NASDAQ s requirement in Marketplace Rule 4350(c)(4) that director nominees be selected or recommended by a majority of the independent directors or by a nominations committee (in our case, the Corporate Governance Committee) comprised of independent directors. These decisions are made by our corporate governance committee which is comprised of a majority of independent directors. The ASX does not have a requirement that each listed issuer have a nominations committee or otherwise follow the procedures embodied in NASDAQ s Marketplace Rule. Furthermore, no law, rule or regulation of the ASIC has such a requirement nor does the applicable corporate law legislation. Accordingly, selections or recommendations of director nominees by a committee that is not comprised of a majority of directors that are not independent is not prohibited by the laws of Australia.

Table of Contents

Quorum: We follow home country practice rather than NASDAQ s requirement in Marketplace Rule 4350(f) that each issuer provide for a quorum of at least 33 1/3 percent of the outstanding shares of the issuer s ordinary stock (voting stock). Pursuant to our Constitution we are currently required to have a quorum for a general meeting of three persons holding at least 10% of our Ordinary Shares. The practice followed by us is not prohibited by Australian law.

Item 6.D Employees

As of the date of this Annual Report, the Group comprising the Company and its subsidiaries, employed 58 full-time equivalent employees. The number of full-time equivalent employees as of the end of each respective financial year ended June 30 are as follows:

2011	60
2010	54
2009	65

Item 6.E Share Ownership

The relevant interest of the directors in the share capital of the Company as notified by them to the Australian Securities Exchange in accordance with section 205G(1) of the *Corporations Act 2001* as of the date of this Annual Report is as follows:

Director	Ordinary shares	Percentage of Capital held
Sidney C. Hack		N/A
Tommaso Bonvino		N/A
Dr. Malcolm R. Brandon		N/A
Dr. Mervyn Cass	473,667	0.10%
Huw D. Jones	797,887	0.17%

Notes: As of the date of this Annual Report, no options over Ordinary Shares are held by the Directors.

Item 7. Major Shareholders and Related Party Transactions

Item 7.A Major Shareholders

The table below sets forth the beneficial owners of 5% or more of our voting securities as of November 15, 2011:

Name	Number of Ordinary Shares held	Percentage of Capital held
Dr. Mervyn Jacobson	149,145,492 (refer note)	32.1%

Note: Includes shares held by Mervyn Jacobson ApS and JGT ApS.

The number of Ordinary Shares on issue in Genetic Technologies as of the date of this Annual Report was 464,605,152. The number of holders of Ordinary Shares in Genetic Technologies as of the date of this Annual Report was approximately 3,100.

The Company is not aware of any direct or indirect ownership or control of it by another corporation(s), by any foreign government or by any other natural or legal person(s) severally or jointly. Principal shareholders do not enjoy any special or different voting rights from those to which other holders of Ordinary Shares are entitled. The Company does not know of any arrangements, the operation of which may at a subsequent date result in a change in control of the Company.

Item 7.B Related Party Transactions

During the year ended June 30, 2011:

- The Company and GeneType Pty. Ltd., a subsidiary, collectively paid a total of $84,583 (2010: $579,806) to Bankberg Pty. Ltd. (Bankberg), a company associated with a former Director and majority shareholder of the Company, Dr. Mervyn Jacobson, for rent and its share of body corporate expenses in respect of the office and laboratory premises in Fitzroy, Victoria that are leased by the Group. On August 20, 2010, Bankberg Pty. Ltd. sold the Fitzroy premises to an unrelated third party.

- The Company paid a total of $50,000 (2010: $50,000) to Dr. Jacobson in respect of an administrative allowance associated with his role as the Company s Vice President Global Licensing and Intellectual Property. Also during the year, Genetic Technologies Limited paid a total of $924,679 (2010: $238,100) to Transmedia Inc., another company associated with Dr. Jacobson, in respect of commissions paid in relation to licensing services provided to the Company and reimbursement of associated travel expenses of $152,033 (2010: $153,151). During the 2011 financial year, Dr. Jacobson also served as Chief Executive Officer of ImmunAid Pty. Ltd., a subsidiary. He received no compensation in respect of this role.

Table of Contents

All transactions with Key Management Personnel have been entered into under terms and conditions no more favourable than those which the entity would have adopted if dealing at arm s length. Please refer below for a description of transactions with Key Management Personnel.

Item 7.C Interests of Experts and Counsel

Not applicable.

Item 8. Financial Information

Item 8.A Consolidated Statements and Other Financial Information

The information included in Item 18 of this Annual Report is referred to and incorporated by reference into this Item 8.A.

Litigation and Other Legal Proceedings

Australian Federal Court Patent Proceeding

In June 2010, a group of Australian plaintiffs initiated litigation in the Australian Federal Court challenging the validity of certain claims of an Australian patent owned by Myriad Genetics Inc. (Australian patent 686004 - 004). Genetic Technologies was named as a respondent to this matter by virtue of the fact that Genetic Technologies is the exclusive licensee of the BRCA patents in Australia (which includes the 004 patent).

This matter bears a striking resemblance to the US litigation filed by the American Civil Liberties Union against Myriad s US patent equivalent in which a US Federal District Court ruled that isolated DNA sequences are not eligible for patent protection because of the fact that they are products of nature . On July 29, 2011, Myriad successfully appealed this decision with the Federal Circuit Court of Appeals reversing the decision of the United States District Court for the Southern District of New York.

On September 30, 2011, Genetic Technologies filed documents with the Australian Federal Court to the effect that Genetic Technologies submits to the orders of the Court and takes no further part in the proceedings.

We do not express an opinion as to the probable outcome of any of the pending or threatened litigation or disputes referred to above or to estimate the potential amount or range of any loss, but do not believe any amounts to be material to the Company.

With the exception of the above proceedings, and the two U.S. patent infringement suits currently on file that were initiated by us as part of our licensing assertion program (refer Item 4.B for details), we are unaware of any other material proceedings involving us.

Dividends

Until our businesses are profitable beyond our expected research and development needs, our Directors are unlikely to be able to recommend that any dividend be paid to our shareholders. Our Directors will not resolve a formal dividend policy until we generate profits. Our current intention is to reinvest our income in the continued development and expansion of our businesses.

Item 8.B Significant Changes to Financial Information

Our consolidated financial statements are set out on pages F1 to F40 of this Annual Report (refer to Item 18).

Cost of sales

Effective July 1, 2008, a standard costing system was implemented which allowed the Group to calculate the direct labor and materials used in each of the genetic tests offered. As a result, the financial year ended June 30, 2009 was the first time that cost of sales information was separately identified in the income statement. Data was not collected in prior periods in a way that allows reclassification and therefore the Group has determined it is not practicable to recreate the information in respect of financial years ended before 2008.

Significant Other Changes

On July 13, 2010, the Company announced that it had granted a total of 12,000,000 options over ordinary shares in the Company to members of its Senior Leadership team. The options were issued pursuant to the Company s Employee Share Option Plan, which was approved by shareholders on November 19, 2008, and each option entitles the holders to acquire one ordinary share in the Company at a price of $0.045 at any time up to, and including, May 8, 2015. The exercise price represented a 25% premium to the volume weighted average price of the Company s shares on the ASX for the 20 trading days preceding the date on which the options were granted.

Table of Contents

On January 20, 2011, the Company announced that it had filed a further patent infringement law suit in the USA, this time in the US District Court, Western District of Texas, Austin Division. The action followed the successful initial patent infringement law suit which GTG had filed in the US District Court, Western District of Wisconsin, in relation to infringement of the Company s non-coding patents. The counterparties to the new action were companies associated with Sonic Healthcare Limited.

On February 3, 2011, GTG granted a further 500,000 options over ordinary shares in the Company to a senior employee. Each option, which was granted at nil cost, entitles the holder to acquire one ordinary share in the Company at a price of $0.045 at any time up to, and including, September 30, 2015.

On April 13, 2011, the Company announced that it had successfully concluded the first patent infringement law suit it had instigated in the US District Court, Western District of Wisconsin against nine US companies in February 2010.

On April 27, 2011, Company announced that it had gained certification of its Australian laboratory under the US Clinical Laboratories Improvements Amendments, as regulated by the Centers for Medicare and Medicaid in Baltimore, Maryland. This certification, which enables the Company to accept and test samples from US residents, was the culmination of preparations required for the US launch of the Company s BREVAGenTM breast cancer risk test.

On May 26, 2011, Company announced that it had filed a third patent infringement law suit in the US District Court, District of Colorado, asserting infringement of its primary non-coding patent against ten parties including Agilent Technologies Inc., Bristol-Myers Squibb Company, GlaxoSmithKline PLC and Pfizer Inc.

Also on May 26, 2011, the Company granted a further 4,800,000 options over ordinary shares in the Company to a number of employees, including its newly-recruited US sales staff. Each option, which was granted at nil cost, entitles the holder to acquire one ordinary share in the Company at a price of $0.19 at any time up to, and including, March 31, 2016.

On June 1, 2011, former subsidiary Frozen Puppies Dot Com Pty. Ltd. was deregistered.

During the 2011 financial year, Genetic Technologies Limited executed Settlement and License Agreements in respect of the Company s non-coding technologies with companies including Monsanto Company, Beckman Coulter Inc. / Clinical Data Inc., Interleukin Genetics Inc., Innogenetics NV, Pioneer Hi-Bred International Inc., Qiagen NV, Sunrise Medical Laboratories, Orchid Cellmark Inc., ViennaLab Diagnostics GmbH and Navigenics Inc.

On July 27, 2011, the Company announced that it had issued by way of private placement a total of 60,000,000 ordinary shares in the Company to institutional and sophisticated investors in the U.S.A. and Australia. The placement, in which the shares were issued at a price of $0.195 each, raised a total of $11,700,000 in cash, before the payment of associated expenses of $805,463. All of the shares were issued in accordance with ASX Listing Rule 7.1 and, as such, shareholder approval for the placement was not required. Proceeds from the placement will be used to fund acquisition growth in the molecular diagnostics field focusing on women s cancer and management, and to accelerate the roll-out of the

Company s lead cancer risk test BREVAGenTM in the U.S.A.

On October 3, 2011, Dr. Mervyn Cass was appointed as a Director of the Company.

Also on October 3, 2011, a total of 1,000,000 options over ordinary shares in the Company were granted to a senior employee. Each option, which was granted a nil cost, entitles the holder to acquire one ordinary share in the Company at a price of $0.20 at any time up to, and including July 31, 2016, subject to first satisfying certain vesting restrictions.

On October 24, 2011, a total of 875,000 options over ordinary shares in the Company which had been previously been granted to former employees were forfeited.

There were no other significant changes in the state of affairs that are not described elsewhere in this Annual Report.

Since June 30, 2011, there has not been any other matter or circumstance, other than as referred to elsewhere in this Annual Report, Note 35 of the attached Financial Statements or the notes thereto, that has arisen that has significantly affected, or may significantly affect our operations, results of those operations or the state of our affairs in future years.

Table of Contents

Item 9. The Offer and Listing

Item 9.A Offer and Listing Details

The Company s Ordinary Shares were listed on the Australian Securities Exchange (the ASX) in July 1987. Set out below is the highest and lowest market quotations for the Ordinary Shares reported on the Daily Official List of the ASX since that date.

Financial Year		Period Covered	High (in $0.00)	Low
Yearly data	2007	Year ended June 30, 2007	0.42	0.12
	2008	Year ended June 30, 2008	0.26	0.09
	2009	Year ended June 30, 2009	0.10	0.03
	2010	Year ended June 30, 2010	0.063	0.033
	2011	Year ended June 30, 2011	0.285	0.02
Quarterly data	2010	Quarter ended September 30, 2009	0.063	0.05
		Quarter ended December 31, 2009	0.057	0.034
		Quarter ended March 31, 2010	0.048	0.033
		Quarter ended June 30, 2010	0.044	0.034
	2011	Quarter ended September 30, 2010	0.04	0.026
		Quarter ended December 31, 2010	0.039	0.02
		Quarter ended March 31, 2011	0.155	0.034
		Quarter ended June 30, 2011	0.285	0.078
Monthly data	2011	Month ended June 30, 2011	0.245	0.14
		Month ended July 31, 2011	0.35	0.175
		Month ended August 31, 2011	0.225	0.155
		Month ended September 30, 2011	0.225	0.145
		Month ended October 31, 2011	0.175	0.115

As of the date of this Annual Report, we had 464,605,152 Ordinary Shares on issue, without par value. See Item 10B Our Constitution for a detailed description of the rights attaching to our shares and Item 12D American Depositary Receipts for a description of the rights attaching to the American Depositary Shares.

The Company s securities are also listed on NASDAQ Capital Market (under the ticker GENE) in the form of American Depositary Shares. Each American Depositary Share evidences thirty Ordinary Shares. Since listing on the NASDAQ Global Market on September 2, 2005, the ADRs have traded in a range from a low of USD 0.35 to a high of USD 13.85. The most recent sale of the Company s ADRs, as recorded on November 15, 2011, occurred at a price of USD 4.01.

Following the listing of the Company s ADRs in September 2005, our Ordinary Shares are registered under Section 12 of the Securities Exchange Act of 1934 and we file an Annual Report with the Securities and Exchange Commission on Form 20-F. As a foreign private issuer, we are not be subject to the proxy rules under Section 14 of the Securities Exchange Act of 1934, and our officers, Directors and principal

stockholders are not subject to the insider short-swing profit disclosure and recovery provisions of Section 16 of that Act.

Starting in January 14, 2002, the ADSs traded in the USA over-the-counter market under the symbol GNTLY and dealers prices for the ADSs have been quoted in the pink sheets published by the National Quotations Bureau, Inc. Commencing on September 2, 2005, our ADSs were listed on the NASDAQ Global Market and, subsequently, the NASDAQ Capital Market, under the ticker GENE .

The Company has registered one class of American Depositary Shares (ADSs) on Form F-6 pursuant to the U.S. Securities Act of 1933, as amended. One ADS represents thirty Ordinary Shares without par value. As of June 30, 2011, there were 2,015,574 ADSs outstanding.

Table of Contents

The table below sets forth the high and low sales prices in United States dollars for the ADSs during the periods indicated:

Financial Year		Period Covered	High (in USD)	Low
Yearly data	2007	Year ended June 30, 2007	10.00	3.50
	2008	Year ended June 30, 2008	5.21	2.26
	2009	Year ended June 30, 2009	4.99	0.35
	2010	Year ended June 30, 2010	1.99	0.90
	2011	Year ended June 30, 2011	9.80	0.65
Quarterly data	2010	Quarter ended September 30, 2009	1.99	1.25
		Quarter ended December 31, 2009	1.55	1.00
		Quarter ended March 31, 2010	1.53	1.00
		Quarter ended June 30, 2010	1.35	0.90
	2011	Quarter ended September 30, 2010	1.15	0.79
		Quarter ended December 31, 2010	1.11	0.65
		Quarter ended March 31, 2011	6.94	0.95
		Quarter ended June 30, 2011	9.80	2.29
Monthly data	2011	Month ended June 30, 2011	7.90	4.26
		Month ended July 31, 2011	11.06	5.50
		Month ended August 31, 2011	8.10	4.30
		Month ended September 30, 2011	7.40	4.32
		Month ended October 31, 2011	5.20	3.65

Item 9.B Plan of Distribution

Not applicable.

Item 9.C Markets

Effective September 2, 2005, our ADSs were listed on the NASDAQ Global Market under the ticker GENE . Effective July 1, 2010, the ADSs were transferred to the NASDAQ Capital Market. The ticker remained unchanged. Our Ordinary Shares are listed and trade on the Australian Securities Exchange under the code GTG .

Item 9.D Selling Shareholders

Not applicable.

Item 9.E Dilution

Not applicable.

Item 9.F Expenses of the Issue

Not applicable.

Item 10. Additional Information

Item 10.A Share Capital

As of June 30, 2011, we had a total of 404,605,152 Ordinary Shares on issue. None of these shares were subject to any form of escrow as of that date and, as such, all of the shares were listed on the Australian Securities Exchange and were freely tradable.

Based on our review of shareholder records (based solely on the addresses), as of June 30, 2011 there were 45 U.S. resident shareholders of our Ordinary Shares holding 16,467,543 shares representing 4.1% of the total issued and outstanding Ordinary Shares. Our Ordinary Shares do not have a par value. These figures do not include any Ordinary Shares which may held by U.S. residents in the form of American Depositary Receipts (ADRs).

Table of Contents

During the last five years, our capital has increased, in connection with acquisition transactions and the exercise of options. In 2001, we issued 9,754,080 Ordinary Shares to owners of shares of Cytomation Inc. resulting in a total of 257,793,804 Ordinary Shares being on issue as of June 30, 2001. On July 30, 2001, we acquired the business of DNA-Id Labs of Perth, Western Australia, by payment of consideration that included 94,340 Ordinary Shares, with further consideration being paid on August 1, 2002, following fulfillment of performance warranties. On September 4, 2000, our shares were transferred from the mining board of the ASX to the industrial board under the new symbol of GTG .

Between July 1, 2001 and June 30, 2003, we issued a total of 4,440,621 Ordinary Shares resulting from the exercise of vendor options, the exercise of options granted under the Staff Share Plan, a small placement for cash of 1,000,000 shares, two exchanges of our shares for shares in XY, Inc., and the issuance of shares in lieu of legal fees to our counsel, all of which resulted in 262,234,425 Ordinary Shares being outstanding as of June 30, 2003. Subsequently, on September 4, 2003, we completed a brokered private placement to professional Australian investors of 13,333,333 Ordinary Shares at $0.75 each, raising $10,000,000. As part of the placement, we also issued 6,666,667 options to the subscribers to the placement with an exercise price of $1.00 on or before September 30, 2005.

On June 15, 2004, we issued 16,666,667 Ordinary Shares to the C.Y. O Connor ERADE Village Foundation, as consideration under our licensing agreement with that Foundation. During the year ended June 30, 2005, we issued a further 65,561,338 Ordinary Shares resulting from the exercise of vendor options and a small number of options granted under the Staff Share Plan. During the year ended June 30, 2006, we issued a further 20,000 Ordinary Shares as consideration for the acquisition of certain intellectual property, all of which resulted in 362,389,899 Ordinary Shares being outstanding as of June 30, 2006. There were no shares issued during the years ended June 30, 2007 and June 30, 2008.

On July 22, 2008, we issued 12,254,902 Ordinary Shares to the five former owners of Frozen Puppies Dot Com Pty. Ltd. in part consideration for the acquisition of that company by Genetic Technologies Limited (refer to the Company s 2009 Annual Report).

On April 14, 2010, we issued 29,960,351 Ordinary Shares by way of private placement. The placement involved the issue of 27,940,530 shares to an institutional investor group in the USA at a price of $0.039 each, which raised a total of $1,089,681 in cash, before the payment of associated expenses. The remaining 2,019,821 shares, which were issued at a price of $0.040 each, were issued as partial consideration for the acquisition of assets from Perlegen, as detailed above. All of the shares were issued in accordance with ASX Listing Rule 7.1 and, as such, shareholder approval for the placement was not required. The majority of the net cash proceeds raised from the placement were used by the Company to purchase assets from Perlegen, including BREVAGen , as detailed above.

On July 27, 2011, the Company announced that it had issued by way of private placement a total of 60,000,000 ordinary shares in the Company to institutional and sophisticated investors in the USA and Australia. The placement, in which the shares were issued at a price of $0.195 each, raised a total of $11,700,000 in cash, before the payment of associated expenses of $805,463. All of the shares were issued in accordance with ASX Listing Rule 7.1 and, as such, shareholder approval for the placement was not required. Proceeds from the placement will be used to fund acquisition growth in the molecular diagnostics field focusing on women s cancer and management, and to accelerate the roll-out of the Company s lead cancer risk test BREVAGenTM in the U.S.A.

As of June 30, 2011 and 2010, the following outstanding unlisted options, together with their respective ASX codes and expiry dates, were convertible into Ordinary Shares. The exercise prices are quoted in Australian dollars.

Option description	2011	Weighted ave. exercise price	2010	Weighted ave. exercise price
GTGAA (expiring September 6, 2010)			750,000	$ 0.48
GTGAD (expiring August 12, 2011)	**250,000**	**$ 0.43**	250,000	$ 0.43
GTGAE (expiring August 12, 2011)	**250,000**	**$ 0.53**	250,000	$ 0.53
GTGAH (expiring May 31, 2012)	**150,000**	**$ 0.40**	150,000	$ 0.40
GTGAI (expiring May 8, 2015)	**12,000,000**	**$ 0.045**		
GTGAK (expiring September 30, 2015)	**500,000**	**$ 0.045**		
GTGAW (expiring March 31, 2016)	**4,500,000**	**$ 0.19**		
GTGAW (expiring May 31, 2012)	**300,000**	**$ 0.19**		
GTGAY (expiring October 23, 2012)	**1,700,000**	**$ 0.22**	1,900,000	$ 0.22
Balance at the end of the financial year	**19,650,000**	**$ 0.11**	3,300,000	$ 0.33

Table of Contents

Item 10.B Our Constitution

At the Annual General Meeting of the Company held on November 23, 2005, the shareholders resolved to replace the existing Constitution with a revised version. A copy of the Constitution has been posted on the Company s website: www.gtglabs.com. The principal changes which have been implemented in the new Constitution may be summarized as follows:

- General changes general changes are proposed to make the Constitution consistent with best practice, update legal matters under the existing Constitution consistent with legislative and regulatory developments and to address certain content and language aspects.

- ASX Listing Rules it provides that the Listing Rules prevail in the event of any inconsistency.

- Shares it allows the Directors to issue shares subject to the *Corporations Act 2001* and the Listing Rules.

- Proportionate takeover power the existing Constitution has a clause in it requiring shareholder approval to be obtained before any proportionate takeover is made. However, that clause is ineffective because it needs to have been renewed at least every three years in accordance with the requirements of the Corporations Act. The new Constitution does not include this clause on the basis that it offers no real benefit.

- Unmarketable parcels the new Constitution permits the Company to sell holdings of less than a marketable parcel in accordance with the procedural and timing requirements of the Listing Rules. This only applies if a shareholder has an opportunity to opt out of any proposed sale arrangement and does not do so.

- Notice of shareholders meetings the new Constitution enables notice of shareholders meetings to be given by electronic means.

- Changes to general meetings the new Constitution enables the Directors to change the venue for, and postpone or cancel a general meeting if such meeting is unnecessary, in the interests of shareholders, if the venue would be unreasonable or impractical, or for reasons of efficiency. This does not apply in the event of a meeting requisitioned by shareholders.

- Quorum for shareholders meetings a quorum of three shareholders represents a quorum for shareholders meetings, whether by way of being personally present, attorney, proxy or corporate representative.

- Casting vote the Chairman of a shareholders meeting does not have a casting vote.

- Number of Directors it contemplates that the number of Directors need to be not less than three nor more than the number determined by the Directors which, until otherwise determined, is ten.

- Share qualification a Director need not hold any shares in the Company in order to be a Director.

- Alternate directors there are no provisions entitling the Directors to appoint alternate directors, on the basis that this is an outdated and undesirable approach.

- Directors tenure of office a Director must retire from office or seek re-election by no later than the third Annual General Meeting following his or her appointment or re-election or three years, whichever is longer (other than the Managing Director).

- Vacation of office the office of a Director is automatically vacated if the Director is an Executive Director under an employment agreement and that agreement terminates, unless the Board otherwise determines.

- Powers of Directors the Directors have a general power to manage the Company s business.

- Meetings of Directors the Directors may meet in person or by electronic means.

- Quorum for Directors meetings the quorum for Directors meetings is three, unless otherwise determined.

- Casting vote the Chairman has a casting vote at Directors meetings.

- Indemnity the new Constitution contains an updated indemnity clause in favor of the current and former Directors, Secretaries indemnifying them from liability consistent with the Corporations Act provisions and to the maximum extent permitted by law.

- Insurance the Company must maintain and pay insurance premiums with respect to its current and former Directors, Secretaries and other officers to the extent permitted by law.

- Access current and former Directors may access the financial and other records of the Company for the purposes of legal proceedings involving the person.

Table of Contents

Item 10.C Material Contracts

There were no material contracts entered into during the year preceding the date of this Annual Report which were outside the ordinary course of business. See also Item 4.B Our Licenses and Commercial Collaborations .

Item 10.D Exchange Controls and Other Limitations Affecting Security Holders

Under existing Australian legislation, the Reserve Bank of Australia does not inhibit the import and export of funds, and, generally, no permission is required to be given to Genetic Technologies for the movement of funds in and out of Australia. However, payments to or from (or relating to) Iraq, its agencies or nationals, the government or a public authority of Libya, or certain Libyan undertakings, the authorities in the Federal Republic of Yugoslavia (Serbia and Montenegro) or their agencies, the Taliban (also referred to as the Islamic Emirate of Afghanistan), or the National Union for the Total Independence of Angola (also known as UNITA), its senior officials or the adult members of their immediate families, may not be made without the specific approval of the Reserve Bank of Australia.

Accordingly, at the present time, remittances of any dividends, interest or other payment by Genetic Technologies to non-resident holders of Genetic Technologies securities in the US are not, subject to the above, restricted by exchange controls or other limitations.

Takeovers Act

There are no limitations, either under the laws of Australia or under the Company s Constitution, to the right of non-residents to hold or vote Genetic Technologies Ordinary Shares other than the Commonwealth Foreign Acquisitions and Takeovers Act 1975 (the Takeovers Act). The Takeovers Act may affect the right of non-Australian residents, including US residents, to hold Ordinary Shares but does not affect the right to vote, or any other rights associated with, any Ordinary Shares held in compliance with its provisions. Acquisitions of shares in Australian companies by foreign interests are subject to review and approval by the Treasurer of the Commonwealth of Australia under the Takeovers Act. The Takeovers Act applies to any acquisition of outstanding shares of an Australian company that exceeds, or results in a foreign person or persons controlling the voting power of more than a certain percentage of those shares. The thresholds are 15% where the shares are acquired by a foreign person, or group of associated foreign persons, or 40% in aggregate in the case of foreign persons who are not associated. Any proposed acquisition that would result in an individual foreign person (with associates) holding more than 15% must be notified to the Treasurer in advance of the acquisition. As of the date of this Annual Report, approximately 38.3% of the outstanding Ordinary Shares in the Company were held by shareholders whose registered addresses were located outside Australia (excluding Ordinary Shares which were held in ADR format). In addition to the Takeovers Act, there are statutory limitations in Australia on foreign ownership of certain businesses, such as banks and airlines, not relevant to the Company. However, there are no other statutory or regulatory provisions of Australian law or Australian Securities Exchange requirements that restrict foreign ownership or control of Genetic Technologies.

Corporations Act 2001

As applied to Genetic Technologies Limited, the *Corporations Act 2001* (the *Corporations Act 2001*) prohibits any legal person (including a corporation) from acquiring a relevant interest in Ordinary Shares if after the acquisition that person or any other person s voting power in Genetic Technologies Limited increases from 20% or below to more than 20%, or from a starting point that is above 20% and below 90%.

This prohibition is subject to a number of specific exceptions set out in section 611 of the *Corporations Act 2001* which must be strictly complied with to be applicable.

In general terms, a person is considered to have a relevant interest in a share in Genetic Technologies if that person is the holder of that share, has the power to exercise, or control the exercise of, a right to vote attached to that share, or has the power to dispose of, or to control the exercise of a power to dispose of that share.

It does not matter how remote the relevant interest is or how it arises. The concepts of power and control are given wide and extended meanings in this context in order to deem certain persons to hold a relevant interest. For example, each person who has voting power above 20% in a company or a managed investment scheme which in turn holds shares in Genetic Technologies is deemed to have a relevant interest in those Genetic Technologies shares. Certain situations (set out in section 609 of the *Corporations Act 2001*) which would otherwise constitute the holding of a relevant interest are excluded from the definition.

A person s voting power in Genetic Technologies Limited is that percentage of the total votes attached to Ordinary Shares in which that person and its associates (as defined in the *Corporations Act 2001*) holds a relevant interest.

Table of Contents

Item 10.E Taxation

This summary of material tax consequences is based on the tax laws of the United States (including the Internal Revenue Code of 1986, as amended, its legislative history, existing and proposed regulations thereunder, published rulings and court decisions) and on the Australian tax law and practice as in effect on the date hereof. In addition, this summary is based on the income tax convention between the United States and Australia (the Treaty). The foregoing laws and legal authorities as well as the Treaty are subject to change (or changes in interpretation), possibly with retroactive effect. Finally, this summary is based in part upon the representations of our ADR Depositary and the assumption that each obligation in the Deposit Agreement and any related agreement will be performed in accordance with its terms.

The discussion does not address any aspects of U.S. taxation other than federal income taxation or any aspects of Australian taxation other than federal income taxation, stamp duty and goods and services tax. This discussion does not necessarily address all aspects of U.S. or Australian federal tax considerations that may be important to particular investors in light of their individual investment circumstances or investors subject to special tax regimes, like broker-dealers, insurance companies, banks or other financial institutions, tax-exempt organizations, regulated investment companies, real estate investment trusts or financial asset securitization investment trusts, persons who actually or constructively own 10% or more of our ADRs or Ordinary Shares, persons who hold ADRs or Ordinary Shares as part of a straddle, hedge, conversion or constructive sale transaction or other integrated transaction, persons who have elected mark-to-market accounting, U.S. holders whose functional currency is not the U.S. dollar, U.S. expatriates, investors liable for the alternative minimum tax, partnerships and other pass-through entities, or persons who acquired their ADRs or Ordinary Shares through the exercise of options or similar derivative securities or otherwise as compensation. Prospective investors are urged to consult their tax advisers regarding the U.S. and Australian federal, state and local tax consequences and any other tax consequences of owning and disposing of ADRs and shares.

Australian Tax Consequences

In this section, we discuss Australian tax considerations that apply to non-Australian tax residents who are residents of the United States with respect to the ownership and disposal by the absolute beneficial owners of ADRs. This summary does not discuss any foreign or state tax considerations, other than stamp duty.

Nature of ADRs for Australian Taxation Purposes

ADRs held by a U.S. holder will be treated for Australian taxation purposes as being held under a bare trust for that holder. Consequently, the underlying Ordinary Shares will be regarded as owned by the ADR holder for Australian income tax and capital gains tax purposes. Dividends paid on the underlying Ordinary Shares will also be treated as dividends paid to the ADR holder, as the person beneficially entitled to those dividends. Therefore, in the following analysis, we discuss the tax consequences to non-Australian resident holders of Ordinary Shares which, for Australian taxation purposes, will be the same as to U.S. holders of ADRs.

Taxation of Dividends

Australia operates a dividend imputation system under which dividends may be declared to be franked to the extent of tax paid on company profits. Fully franked dividends are not subject to dividend withholding tax. Dividends payable by our company to non-Australian resident stockholders will be subject to dividend withholding tax, to the extent the dividends are unfranked. Dividend withholding tax will be imposed at 30%, unless a stockholder is a resident of a country with which Australia has a double taxation agreement. Under the provisions of the Treaty, the Australian tax withheld on unfranked dividends paid by us to which a resident of the United States is beneficially entitled is generally limited to 15% if the U.S. resident holds less than 10% of the voting rights of our company, unless the shares are effectively connected to a permanent establishment or fixed base in Australia through which the stockholder carries on business or provides independent personal services, respectively. Where a U.S. corporate resident holds 10% or more of the voting rights of our company, the withholding tax rate is reduced to 5%.

Tax on Sales or other Dispositions of Shares - Capital Gains Tax

Non-Australian resident stockholders who hold their shares in us on capital account will not be subject to Australian capital gains tax on any gain made on a sale or other disposal of our shares, unless they hold 10% or more of our issued capital and the Company holds real property situated in Australia, the market value of which is 50% or more of the market value of the Company. The Australian Taxation Office maintains the view that the Treaty does not limit Australian capital gains tax. Australian capital gains tax applies to net capital gains charged at a taxpayer s marginal tax rate but, for certain stockholders, a discount of the capital gain may apply if the shares have been held for 12 months or more. For individuals, this discount is 50%. For superannuation funds, the discount is 33%. There is no discount for a company that derives a net capital gain. Net capital gains are calculated after deducting capital losses, which may only be offset against such gains.

Table of Contents

Tax on Sales or other Dispositions of Shares - Stockholders Holding Shares on Revenue Account

Some non-Australian resident stockholders may hold shares on revenue rather than on capital account, for example, share traders. These stockholders may have the gains made on the sale or other disposal of the shares included in their assessable income under the ordinary income provisions of the income tax law, if the gains are sourced in Australia. Non-Australian resident stockholders assessable under these ordinary income provisions in respect of gains made on shares held on revenue account would be assessed for those gains at the Australian tax rates for non-Australian residents, which start at a marginal rate of 29%. Some relief from the Australian income tax may be available to non-Australian resident stockholders under the Treaty, for example, because the stockholder derives business profits not through a permanent establishment in Australia. To the extent an amount would be included in a non-Australian resident stockholder s assessable income under both the capital gains tax provisions and the ordinary income provisions, the capital gain amount would generally be reduced, so that the stockholder would not be subject to double tax on any part of the income gain or capital gain.

Dual Residency

If a stockholder were a resident of both Australia and the United States under the respective domestic taxation laws of those countries, that stockholder may be subject to tax as an Australian resident. If, however, the stockholder is determined to be a U.S. resident for the purposes of the Treaty, the Australian tax would be subject to limitation by the Treaty. Stockholders should obtain specialist taxation advice in these circumstances.

Stamp Duty

Any transfer of shares through trading on the Australian Securities Exchange, whether by Australian residents or foreign residents, is not subject to stamp duty within Australia.

Australian Death Duty

Australia does not have estate or death duties. Further, no capital gains tax liability is realized upon the inheritance of a deceased person s shares but, rather, the subsequent disposal of inherited shares by beneficiaries may give rise to a capital gains tax liability.

Goods and Services Tax

The issue or transfer of shares will not incur Australian goods and services tax and does not require a stockholder to register for Australian goods and services tax purposes.

United States Federal Income Taxation

As used below, a U.S. holder is a beneficial owner of an ADR that is, for U.S. federal income tax purposes, (i) a citizen or resident alien individual of the United States, (ii) a corporation (or an entity treated as a corporation) created or organized under the law of the United States, any State thereof or the District of Columbia, (iii) an estate the income of which is subject to U.S. federal income tax without regard to its source or (iv) a trust if (1) a court within the United States is able to exercise primary supervision over the administration of the trust, and one or more United States persons have the authority to control all substantial decisions of the trust, or (2) the trust has a valid election in effect under applicable U.S. Treasury Regulations to be treated as a United States person. For purposes of this discussion, a non-U.S. holder is a beneficial owner of an ADR that is (i) a nonresident alien individual, (ii) a corporation (or an entity treated as a corporation) created or organized in or under the law of a country other than the United States or a political subdivision thereof or (iii) an estate or trust that is not a U.S. Holder. If a partnership (including for this purpose any entity treated as a partnership for U.S. federal tax purposes) is a beneficial owner of an ADR, the U.S. federal tax treatment of a partner in the partnership generally will depend on the status of the partner and the activities of the partnership. A holder of an ADR that is a partnership and partners in that partnership should consult their own tax advisers regarding the U.S. federal income tax consequences of holding and disposing of ADRs. We have not sought a ruling from the Internal Revenue Service (IRS) or an opinion of counsel as to any U.S. federal income tax consequence described herein. The IRS may disagree with the description herein, and its determination may be upheld by a court.

GIVEN THE COMPLEXITY OF THE TAX LAWS AND BECAUSE THE TAX CONSEQUENCES TO ANY PARTICULAR INVESTOR MAY BE AFFECTED BY MATTERS NOT DISCUSSED HEREIN, PROSPECTIVE INVESTORS ARE URGED TO CONSULT THEIR OWN TAX ADVISORS WITH RESPECT TO THE SPECIFIC TAX CONSEQUENCES OF THE ACQUISITION, OWNERSHIP AND DISPOSITION OF ADRs, INCLUDING THE APPLICABILITY AND EFFECT OF STATE, LOCAL AND NON-U.S. TAX LAWS, AS WELL AS U.S. FEDERAL TAX LAWS.

Table of Contents

TO ENSURE COMPLIANCE WITH REQUIREMENTS IMPOSED BY THE IRS UNDER TREASURY CIRCULAR 230, WE INFORM YOU THAT (1) ANY DISCUSSION OF U.S. FEDERAL INCOME TAX ISSUES CONTAINED HEREIN (INCLUDING ANY ATTACHMENTS), UNLESS OTHERWISE SPECIFICALLY STATED, WAS NOT INTENDED OR WRITTEN TO BE USED, AND CANNOT BE USED, FOR THE PURPOSE OF AVOIDING PENALTIES UNDER THE UNITED STATES INTERNAL REVENUE CODE, AND (2) EACH U.S. HOLDER SHOULD SEEK ADVICE BASED UPON THEIR PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISOR.

Nature of ADRs for U.S. Federal Income Tax Purposes

In general, for U.S. federal income tax purposes, a holder of an ADR will be treated as the owner of the underlying shares. Accordingly, except as specifically noted below, the tax consequences discussed below with respect to ADRs will be the same as for shares in the Company, and exchanges of shares for ADRs, and ADRs for shares, generally will not be subject to U.S. federal income tax.

Taxation of Dividends

U.S. holders. In general, subject to the passive foreign investment company rules discussed below, a distribution on an ADR will constitute a dividend for U.S. federal income tax purposes to the extent that it is made from our current or accumulated earnings and profits as determined under U.S. federal income tax principles. If a distribution exceeds our current and accumulated earnings and profits, it will be treated as a non-taxable reduction of basis to the extent of the U.S. holder s tax basis in the ADR on which it is paid, and to the extent it exceeds that basis it will be treated as capital gain. For purposes of this discussion, the term dividend means a distribution that constitutes a dividend for U.S. federal income tax purposes.

The gross amount of any dividend on an ADR (which will include the amount of any Australian taxes withheld) generally will be subject to U.S. federal income tax as foreign source dividend income, and will not be eligible for the corporate dividends received deduction. The amount of a dividend paid in Australian dollars will be its value in U.S. dollars based on the prevailing spot market exchange rate in effect on the day the U.S. holder receives the dividend or, in the case of a dividend received in respect of an ADR, on the date the Depositary receives it, whether or not the dividend is converted into U.S. dollars. A U.S. holder will have a tax basis in any distributed Australian dollars equal to its U.S. dollar amount on the date of receipt, and any gain or loss realized on a subsequent conversion or other disposition of Australian dollars generally will be treated as U.S. source ordinary income or loss. If dividends paid in Australian dollars are converted into U.S. dollars on the date they are received by a U.S. holder, the U.S. holder generally should not be required to recognize foreign currency gain or loss in respect of the dividend income.

Subject to certain exceptions for short-term and hedged positions, a dividend that a non-corporate holder receives on an ADR in a taxable year beginning before January 1, 2013 will be subject to a maximum tax rate of 15% if the dividend is a qualified dividend (for tax years beginning after January 1, 2013, the treatment of dividends and the maximum potential tax rate is subject to change, and unless tax law changes are implemented in the interim, dividends received by non-corporate holders could be subject to ordinary income treatment and a corresponding tax rate of up to 39.6%). A dividend on an ADR will be a qualified dividend if (i) either (a) the ADRs are readily tradable on an established market in the United States or (b) we are eligible for the benefits of a comprehensive income tax treaty with the United States that the Secretary of the Treasury determines is satisfactory for purposes of these rules and that includes an exchange of information program, and (ii) we were not, in the year prior to the year the dividend was paid, and are not, in the year the dividend is paid, a passive foreign investment company (PFIC). The ADRs are listed on the NASDAQ Capital Market, which should qualify them as readily tradable on an established securities market in the United States. In any event, the Treaty satisfies the requirements of clause (i)(b), and we are a resident of Australia entitled to the benefits of the

Treaty. Based on our audited financial statements and relevant market and shareholder data, we believe we were not a PFIC for U.S. federal income tax purposes for our taxable years ended June 30, 2010 and June 30, 2011, respectively, but we may be classified as a PFIC in the current taxable year. Given that the determination of PFIC status involves the application of complex tax rules, and that it is based on the nature of our income and assets from time to time, no assurances can be provided that we will not be considered a PFIC for the current (or any past or future) taxable year. In addition, as described in the section below entitled Passive Foreign Investment Company Rules, if we were a PFIC in a year while a U.S. holder held an ADR, and if the U.S. holder has not made a qualified electing fund election effective for the first year the U.S. holder held the ADR, the ordinary share underlying the ADR remains an interest in a PFIC for all future years or until such an election is made. The IRS takes the position that such rule will apply for purposes of determining whether an ADR is an interest in a PFIC in the year a dividend is paid or in the prior year, even if we do not satisfy the tests to be a PFIC in either of those years. Even if dividends on the ADRs would otherwise be eligible for qualified dividend treatment, in order to qualify for the reduced qualified dividend tax rates, a non-corporate holder must hold the ordinary share on which a dividend is paid for more than 60 days during the 120-day period beginning 60 days before the ex-dividend date, disregarding for this purpose any period during which the non-corporate holder has an option to sell, is under a contractual obligation to sell or has made (and not closed) a short sale of substantially identical stock or securities, is the grantor of an option to buy substantially identical stock or securities or, pursuant to Treasury regulations, has diminished their risk of loss by holding one or more other positions with respect to substantially similar or related property. In addition, to qualify for the reduced qualified dividend tax rates, the non-corporate holder must not be obligated to make related payments with respect to positions in substantially similar or related property. Payments in lieu of dividends from short sales or other similar transactions will not qualify for the reduced qualified dividend tax rates.

Table of Contents

A non-corporate holder that receives an extraordinary dividend eligible for the reduced qualified dividend rates must treat any loss on the sale of the stock as a long-term capital loss to the extent of the dividend. For purposes of determining the amount of a non-corporate holder s deductible investment interest expense, a dividend is treated as investment income only if the non-corporate holder elects to treat the dividend as not eligible for the reduced qualified dividend tax rates. Special limitations on foreign tax credits with respect to dividends subject to the reduced qualified dividend tax rates apply to reflect the reduced rates of tax.

The U.S. Treasury has announced its intention to promulgate rules pursuant to which non-corporate holders of stock of non-U.S. corporations, and intermediaries through whom the stock is held, will be permitted to rely on certifications from issuers to establish that dividends are treated as qualified dividends. Because those procedures have not yet been issued, it is not clear whether we will be able to comply with them.

Non-corporate holders of ordinary shares are urged to consult their own tax advisers regarding the availability of the reduced qualified dividend tax rates with respect to dividends received on the ADRs in the light of their own particular circumstances.

Any Australian withholding tax imposed on dividends received with respect to the ADRs will be treated as a foreign income tax eligible for credit against a U.S. holder s U.S. federal income tax liability, subject to generally applicable limitations under U.S. federal income tax law. For purposes of computing those limitations separately under current law for specific categories of income, a dividend generally will constitute foreign source passive category income or, in the case of certain holders, general category income. A U.S. holder will be denied a foreign tax credit with respect to Australian income tax withheld from dividends received with respect to the ADRs to the extent the U.S. holder has not held the ADRs for at least 16 days of the 30-day period beginning on the date which is 15 days before the ex-dividend date or to the extent the U.S. holder is under an obligation to make related payments with respect to substantially similar or related property. Any days during which a U.S. holder has substantially diminished its risk of loss on the ADRs are not counted toward meeting the 16-day holding period required by the statute. The rules relating to the determination of the foreign tax credit are complex, and U.S. holders are urged to consult with their own tax advisers to determine whether and to what extent they will be entitled to foreign tax credits as well as with respect to the determination of the foreign tax credit limitation. Alternatively, any Australian withholding tax may be taken as a deduction against taxable income, provided the U.S. holder takes a deduction and not a credit for all foreign income taxes paid or accrued in the same taxable year. In general, special rules will apply to the calculation of foreign tax credits in respect of dividend income that is subject to preferential rates of U.S. federal income tax.

Non-U.S. holders. A dividend paid to a non-U.S. holder of an ADR will not be subject to U.S. federal income tax unless the dividend is effectively connected with the conduct of trade or business by the non-U.S. holder within the United States (and is attributable to a permanent establishment or fixed base the non-U.S. holder maintains in the United States if an applicable income tax treaty so requires as a condition for the non-U.S. holder to be subject to U.S. taxation on a net income basis on income from the ADR). A non-U.S. holder generally will be subject to tax on an effectively connected dividend in the same manner as a U.S. holder. A corporate non-U.S. holder under certain circumstances may also be subject to an additional branch profits tax, the rate of which may be reduced pursuant to an applicable income tax treaty.

Taxation of Capital Gains

U.S. holders. Subject to the passive foreign investment company rules discussed below, on a sale or other taxable disposition of an ADR, a U.S. holder will recognize capital gain or loss in an amount equal to the difference between the U.S. holder s adjusted basis in the ADR and the amount realized on the sale or other disposition, each determined in U.S. dollars. Such capital gain or loss will be long-term capital gain or loss if at the time of the sale or other taxable disposition the ADR has been held for more than one year. In general, any adjusted net capital gain of an individual in a taxable year beginning before January 1, 2013 is subject to a maximum tax rate of 15% (for tax years beginning after January 1, 2013, the maximum potential tax rate on capital gains may increase to 20%, unless tax law changes are implemented in the interim).

Capital gains recognized by corporate U.S. holders generally are subject to U.S. federal income tax at the same rate as ordinary income. The deductibility of capital losses is subject to limitations.

Any gain a U.S. holder recognizes generally will be U.S. source income for U.S. foreign tax credit purposes, and, subject to certain exceptions, any loss will generally be a U.S. source loss. If an Australian tax is paid on a sale or other disposition of an ADR, the amount realized will include the gross amount of the proceeds of that sale or disposition before deduction of the Australian tax. The generally applicable limitations under U.S. federal income tax law on crediting foreign income taxes may preclude a U.S. holder from obtaining a foreign tax credit for any Australian tax paid on a sale or other disposition of an ADR. The rules relating to the determination of the foreign tax credit are complex, and U.S. holders are urged to consult with their own tax advisers regarding the application of such rules. Alternatively, any Australian tax paid on the sale or other disposition of an ADR may be taken as a deduction against taxable income, provided the U.S. holder takes a deduction and not a credit for all foreign income taxes paid or accrued in the same taxable year.

Table of Contents

Non-U.S. holders. A non-U.S. holder will not be subject to U.S. federal income tax on gain recognized on a sale or other disposition of an ADR unless (i) the gain is effectively connected with the conduct of trade or business by the non-U.S. holder within the United States (and is attributable to a permanent establishment or fixed base the non-U.S. holder maintains in the United States if an applicable income tax treaty so requires as a condition for the non-U.S. holder to be subject to U.S. taxation on a net income basis on income from the ADR), or (ii) in the case of a non-U.S. holder who is an individual, the holder is present in the United States for 183 or more days in the taxable year of the sale or other disposition and certain other conditions apply. Any effectively connected gain of a corporate non-U.S. holder may also be subject under certain circumstances to an additional branch profits tax, the rate of which may be reduced pursuant to an applicable income tax treaty.

Passive Foreign Investment Company Rules

A special set of U.S. federal income tax rules applies to a foreign corporation that is a PFIC for U.S. federal income tax purposes. As noted above, based on our audited financial statements and relevant market and shareholder data, we believe that we were not a PFIC for U.S. federal income tax purposes for our taxable years ended June 30, 2010 and June 30, 2011, respectively, but we may be classified as a PFIC in the current taxable year. In addition, given that the determination of PFIC status involves the application of complex tax rules, and that it is based on the nature of our income and assets from time to time, no assurances can be provided that we will not be considered a PFIC for any past or future taxable years.

In general, a foreign corporation is a PFIC if at least 75% of its gross income for the taxable year is passive income or if at least 50% of its assets for the taxable year produce passive income or are held for the production of passive income. In general, passive income for this purpose means, with certain designated exceptions, dividends, interest, rents, royalties (other than certain rents and royalties derived in the active conduct of trade or business), annuities, net gains from dispositions of certain assets, net foreign currency gains, income equivalent to interest, income from notional principal contracts and payments in lieu of dividends. The determination of whether a foreign corporation is a PFIC is a factual determination made annually and is therefore subject to change. Subject to exceptions pursuant to certain elections that generally require the payment of tax, once stock in a foreign corporation is stock in a PFIC in the hands of a particular shareholder that is a United States person, it remains stock in a PFIC in the hands of that shareholder.

If we are treated as a PFIC, contrary to the tax consequences described in U.S. Federal Income Tax Considerations Taxation of Dividends and U.S. Federal Income Tax Considerations Taxation of Capital Gains above, a U.S. holder that does not make an election described in the succeeding two paragraphs would be subject to special rules with respect to (i) any gain realized on a sale or other disposition of an ADR (for purposes of these rules, a disposition of an ADR includes many transactions on which gain or loss is not realized under general U.S. federal income tax rules) and (ii) any excess distribution by the Company to the U.S. holder (generally, any distribution during a taxable year in which distributions to the U.S. holder on the ADR exceed 125% of the average annual taxable distributions (whether actual or constructive and whether or not out of earnings and profits) the U.S. holder received on the ADR during the preceding three taxable years or, if shorter, the U.S. holder s holding period for the ADR). Under those rules, (i) the gain or excess distribution would be allocated ratably over the U.S. holder s holding period for the ADR, (ii) the amount allocated to the taxable year in which the gain or excess distribution is realized would be taxable as ordinary income in its entirety and not as capital gain, would be ineligible for the reduced qualified dividend rates, and could not be offset by any deductions or losses, and (iii) the amount allocated to each prior year, with certain exceptions, would be subject to tax at the highest tax rate in effect for that year, and the interest charge generally applicable to underpayments of tax would be imposed in respect of the tax attributable to each of those years. A U.S. holder who owns an ADR during any year we are a PFIC may have to file IRS Form 8621.

The special PFIC rules described above will not apply to a U.S. holder if the U.S. holder makes a timely election, which remains in effect, to treat the Company as a qualified electing fund (QEF) in the first taxable year in which the U.S. holder owns an ADR and the Company is a PFIC and if the Company complies with certain reporting requirements. Instead, a shareholder of a QEF generally is currently taxable on a pro rata share of the Company s ordinary earnings and net capital gain as ordinary income and long-term capital gain, respectively. Neither that ordinary

income nor any actual dividend from the Company would qualify for the 15% maximum tax rate on dividends described above if the Company is a PFIC in the taxable year the ordinary income is realized or the dividend is paid or in the preceding taxable year. We have not yet determined whether, if we are a PFIC, we would make the computations necessary to supply U.S. holders with the information needed to report income and gain pursuant to a QEF election. It is, therefore, possible that U.S. holders would not be able to make or retain that election in any year we are a PFIC. Although a QEF election generally cannot be revoked, if a U.S. holder made a timely QEF election for the first taxable year it owned an ADR and the Company is a PFIC (or is treated as having done so pursuant to any of certain elections), the QEF election will not apply during any later taxable year in which the Company does not satisfy the tests to be a PFIC. If a QEF election is not made in that first taxable year, an election in a later year generally will require the payment of tax and interest.

Table of Contents

In lieu of a QEF election, a U.S. holder of stock in a PFIC that is considered marketable stock could elect to mark the stock to market annually, recognizing as ordinary income or loss each year an amount equal to the difference as of the close of the taxable year between the fair market value of the stock and the U.S. holder s adjusted basis in the stock. Losses would be allowed only to the extent of net mark-to-market gain previously included in income by the U.S. holder under the election for prior taxable years. A U.S. holder s adjusted basis in the ADRs will be adjusted to reflect the amounts included or deducted with respect to the mark-to-market election. If the mark-to-market election were made, the rules set forth in the second preceding paragraph would not apply for periods covered by the election. A mark-to-market election will not apply during any later taxable year in which the Company does not satisfy the tests to be a PFIC. In general, the ADRs will be marketable stock if the ADRs are traded, other than in *de minimis* quantities, on at least 15 days during each calendar quarter on a national securities exchange that is registered with the SEC or on a designated national market system or on any exchange or market that the Treasury Department determines to have rules sufficient to ensure that the market price accurately represents the fair market value of the stock**.** Under current law, the mark-to-market election may be available to U.S. holders of ADRs because the ADRs are listed on the Nasdaq Capital Market, which constitutes a qualified exchange, although there can be no assurance that the ADRs will be regularly traded for purposes of the mark-to-market election.

Given the complexities of the PFIC rules and their potentially adverse tax consequences, U.S. holders of ADRs are urged to consult their own tax advisers about the PFIC rules, including the consequences to them of making a QEF election or a mark-to-market election with respect to the ordinary shares in the event that the Company is classified as a PFIC for any taxable year.

Information Reporting and Backup Withholding

Dividends paid on, and proceeds from the sale or other disposition of, an ADR to a U.S. holder generally may be subject to information reporting requirements and may be subject to backup withholding at the rate of 28% unless the U.S. holder provides an accurate taxpayer identification number or otherwise establishes an exemption. The amount of any backup withholding collected from a payment to a U.S. holder will be allowed as a credit against the U.S. holder s U.S. federal income tax liability and may entitle the U.S. holder to a refund, provided certain required information is furnished to the Internal Revenue Service. A non-U.S. holder generally will be exempt from these information reporting requirements and backup withholding tax but may be required to comply with certain certification and identification procedures in order to establish its eligibility for exemption.

Under U.S. federal income tax law and U.S. Treasury Regulations, certain categories of U.S. holders must file information returns with respect to their investment in, or involvement in, a foreign corporation. For example, pursuant to recently enacted legislation, beginning in 2011, all U.S. holders of PFIC stock will generally be required to make annual return filings reporting their PFIC ownership and certain other information that the IRS may require. U.S. holders are urged to consult with their own tax advisors concerning such reporting requirements.

THE DISCUSSION ABOVE IS NOT INTENDED TO CONSTITUTE A COMPLETE ANALYSIS OF ALL TAX CONSIDERATIONS APPLICABLE TO AN INVESTMENT IN ADRs. HOLDERS AND POTENTIAL HOLDERS ARE URGED TO CONSULT THEIR OWN TAX ADVISERS CONCERNING THE TAX CONSEQUENCES RELEVANT TO THEM IN THEIR PARTICULAR SITUATION.

Item 10.F Dividends and Paying Agents

No dividends have been paid by the Company or recommended by the directors since the end of the previous financial year.

Item 10.G Statement by Experts

Not applicable.

Item 10.H Documents on Display

The documents concerning the Company which are referred to in this Annual Report may be inspected at the offices of the Company at 60-66 Hanover Street, Fitzroy, Victoria 3065 Australia. Following our listing on NASDAQ Global Market in September 2005, we are now subject to the information requirements of the U.S. Securities Exchange Act of 1934, as amended, and, in accordance therewith, we are required to file reports, including annual reports on Form 20-F, and other information with the U.S. Securities and Exchange Commission in electronic form. These materials, including this Annual Report and the exhibits thereto, may be inspected and copied at the Commission s public reference room in Washington, D.C. Please call the Commission at 1-800-SEC-0330 for further information regarding the public reference rooms. As a foreign private issuer, we are required to make filings with the Commission by electronic means. Any filings we make electronically will be available to the public over the Internet at the Commission s website at http://www.sec.gov. We also maintain a website at www.gtglabs.com. Information on our website and websites linked to it do not constitute a part of this Annual Report.

Table of Contents

Item 10.I Subsidiary Information

The following is a list of the Company s subsidiaries as of the date of this Annual Report:

Name of subsidiary	Place of incorporation	Interest held
GeneType AG	Zug, Switzerland	100%
GeneType Corporation	California, USA	100%
GeneType Pty. Ltd.	Victoria, Australia	100%
Genetic Technologies Corporation Pty. Ltd.	New South Wales, Australia	100%
RareCellect Pty. Ltd.	New South Wales, Australia	100%
Genetic Technologies (Beijing) Limited	Beijing Municipality, China	100%
Phenogen Sciences Inc.	Delaware, USA	100%
Gtech International Resources Limited	Yukon Territory, Canada	75.8%
ImmunAid Pty. Ltd.	Victoria, Australia	71.7%
AgGenomics Pty. Ltd.	Victoria, Australia	50.1%

Item 11. Quantitative And Qualitative Disclosures About Market Risk

Genetic Technologies Limited has exposure to changes in foreign currency exchange rates and interest rates. Refer Note 34 of the attached financial statements for further analysis surrounding market risk.

We invest excess cash in interest-bearing, investment-grade securities and time deposits in high-quality institutions. We do not utilize derivative financial instruments, derivative commodity instruments, positions or transactions in any material matter. Accordingly, we believe that, while the investment-grade securities and time-deposits we hold are subject to changes in financial standing of the issuer of such securities, the principal is not subject to any material risks arising from changes in interest rates, foreign currency exchange rates, commodity prices, equity prices or other market changes that affect market risk sensitive instruments. Since we invest in locations outside Australia, we are subject to certain cross-border risks.

We operate in Australia, and we will be subject to certain foreign currency exposure. Historically, currency translation gains and losses have been reflected as adjustments to stockholders equity, while transaction gains and losses have been reflected as components of income and loss. Transaction gains and losses could be material depending upon changes in the exchange rates between the Australian dollar and the U.S. dollar. A significant amount of our license revenue has historically been denominated in U.S. dollars.

Credit risk represents the accounting loss that would be recognized at the reporting date if counterparties failed completely to perform as contracted. Concentrations of credit risk (whether on or off-balance sheet) that arise from financial instruments exist for groups of customers or counterparties when they have similar economic characteristics that would cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions. Financial instruments on the balance sheet that potentially subject the Company to concentration of credit risk consist principally of cash and cash equivalents and trade accounts receivable. The Company places its cash and cash equivalents with quality institutions holding superior credit ratings in order to limit the degree of credit exposure. The Company has established guidelines relative to credit ratings, diversification and maturities that seek to maintain safety and liquidity. The Company does not

require collateral to provide credit. In addition, the majority of the Company s licensing customers are large, reputable organizations, which also reduces the risk of credit exposure. The Company has not entered into any transactions that would qualify as a financial derivative instrument.

At June 30, 2011, three customers accounted for 18% ($122,216), 17% ($114,189) and 15% ($98,060), respectively, of trade accounts receivable. At June 30, 2010, three customers accounted for 17% ($128,223), 14% ($107,435) and 12% ($92,937), respectively, of trade accounts receivable.

At June 30, 2011, one supplier accounted for 12% ($76,884) of trade accounts payable. At June 30, 2010, one supplier accounted for 14% ($93,588) of trade accounts payable.

In 2011, there were two customers from whom the Group generated revenues representing 18% ($823,528) and 12% ($531,129) of the total consolidated revenue from continuing operations (excluding licensing). In 2010, there was one customer from whom the Group generated revenues representing 19% ($941,772) of the total consolidated revenue from operations (excluding licensing).

Export and other sales, mainly to the U.S.A., which included licensing revenue, were $14,308,304, $4,608,735 and $5,918,421 in 2011, 2010 and 2009, respectively.

Table of Contents

Item 12. Description Of Securities Other Than Equity Securities

Item 12.A Debt Securities

Not applicable.

Item 12.B Warrants and Rights

Not applicable.

Item 12.C Other Securities

Not applicable

Item 12.D American Depositary Shares

Not applicable.

PART II

Item 13. Defaults, Dividend Arrearages and Delinquencies

Not applicable.

Item 14. Material Modifications to The Rights Of Security Holders and Use Of Proceeds

Not applicable.

Item 15. Controls and Procedures

Item 15.A Disclosure controls and procedures

We maintain disclosure controls and procedures as such term is defined in Rules 13a - 15(e) and 15d - 15(e) under the Securities Exchange Act of 1934 (the Exchange Act), as amended, that are designed to ensure that information required to be disclosed in the reports that we file or submit under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the Securities and Exchange Commission. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed in our reports filed or submitted under the Securities Exchange Act of 1934 is accumulated and communicated to management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. Disclosure controls and procedures, no matter how well designed and operated, can only provide reasonable assurance of achieving the desired control objectives.

Our Management, including our Chief Executive Officer and Chief Financial Officer, does not expect that our disclosure controls and procedures or our internal control over financial reporting will provide absolute assurance that all appropriate information will, in fact, be communicated to Management to allow timely decisions to be made or prevent all error and fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Additionally, the design of a control system must reflect the fact that there are resource constraints, and the benefit of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the company have been detected or that our control system will operate effectively under all circumstances. Moreover, the design of any system of controls is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions.

Our Management has carried out an evaluation, under the supervision and with the participation of our Chief Executive Officer and the Chief Financial Officer, of the effectiveness of our disclosure controls and procedures as of June 30, 2011. Based on that evaluation, including the material weakness noted below in Item 15.B, the Chief Executive Officer and the Chief Financial Officer concluded that the Company s disclosure controls and procedures were ineffective as of June 30, 2011.

Table of Contents

Item 15.B Management s annual report on internal control over financial reporting

Our Management is responsible for establishing and maintaining adequate internal control over financial reporting. The Securities Exchange Act of 1934 defines internal control over financial reporting in Rule 13a-15(f) and 15d-15(f) as a process designed by, or under the supervision of, the Company s principal executive and principal financial officers and effected by the Company s Board of directors, Management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles and includes those policies and procedures that:

- Pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the Company;

- Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of Management and directors of the Company; and

- Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company s assets that could have a material effect on the consolidated financial statements.

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of the annual financial statements will not be prevented or detected on a timely basis.

Our Management, under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer, have assessed the effectiveness of the Company s internal control over financial reporting as of June 30, 2011. In making this assessment, Management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission, or COSO, in Internal Control-Integrated Framework. As a result of that assessment, Management identified the following control deficiency as of June 30, 2011 that constituted a material weakness:

- *The Company did not maintain an adequate segregation of duties with respect to internal control over financial reporting*. Specifically, the Company did not design or implement controls to ensure that the duties and responsibilities related to the authorization, custody, recordkeeping and reconciliation of transactions related to payables and cash were performed by individuals who had incompatible roles and responsibilities or were otherwise not monitored by those in charge of governance. This control deficiency did not result in material adjustments to the financial statements, however there is a reasonable possibility that a material misstatement of the annual financial statements would not have been prevented or detected on a timely basis due to the failure to design and implement appropriate segregation of duty controls.

Based upon its assessment, because of the material weakness described above, our Management has concluded that, as of June 30, 2011, our internal control over financial reporting is not effective based upon the abovementioned criteria.

This Annual Report does not include an attestation report of the Company s registered public accounting firm regarding internal control over financial reporting. Management s report was not subject to attestation by the Company s registered public accounting firm pursuant to rules of the Securities and Exchange Commission that permit the Company to provide only Management s report in this Annual Report.

Item 15.C Attestation report of the registered public accounting firm

Not applicable.

Item 15.D Changes in internal control over financial reporting

Except as described above, there were no other changes in our internal control over financial reporting during the period covered by this Annual Report that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Remediation plan

Segregation of duties. The Company plans to remediate the identified segregation of duties conflicts by implementing appropriate access controls within the payables and cash applications, as well as additional review and oversight responsibilities to individuals who are independent to the processing of transactions for these significant accounts.

Subsequent to year end, the Company commissioned a detailed independent review of its internal control procedures and framework by Chartered Accounting firm PKF. The report that was generated by PKF following this review contained a number of suggested recommendations which, if implemented, would assist in remediating the segregation of duties conflicts and which, in turn, will in part remove the associated material weakness.

Table of Contents

As of the date of this Annual Report, steps are underway to implement many of the recommendations contained in the PKF report. Furthermore, the Company will undertake a full review of the design of the IT environment, including the roles and responsibilities within the financial reporting system. One aspect of this review is to remove conflicting roles and to implement monitoring controls which will mitigate the risks associated with segregation of duties conflicts.

Item 16.A Audit Committee Financial Expert

The definition of audit committee financial expert requires such a person to have:

- An understanding of generally accepted accounting principles and financial statements;

- The ability to assess the general application of such principles in connection with the accounting for estimates, accruals and reserves;

- Experience preparing, auditing, analyzing or evaluating financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of issues that can reasonably be expected to be raised by the registrant s financial statements, or experience actively supervising one or more persons engaged in such activities;

- An understanding of internal control over financial reporting; and

- An understanding of audit committee functions.

The current Chairman of the Audit Committee is Mr. Sidney Hack. Mr. Hack is a Certified Practising Accountant and Registered Company Auditor and retired in 2005 after serving 30 years as a senior partner of Hack Anderson & Thomas, Chartered Accountants. Mr. Hack has extensive experience in large company audits, financial planning, taxation, preparation of large company financial accounts and has served on various other Boards during his career. As such, we believe Mr. Hack qualifies as a financial expert within the meaning of the Sarbanes-Oxley Act and related regulations.

Item 16.B Code Of Ethics

We have adopted a Code of Ethics (styled Code of Conduct) that applies to all of our Directors and employees, including our principal executive officer, principal financial officer, principal accounting officer or controller. The Code can be downloaded at our website (www.gtglabs.com). Additionally, any person, upon request, can ask for a hard copy or electronic file of such Code. If we make any substantive amendment to the Code of Ethics or grant any waivers, including any implicit waiver, from a provision of the Code of Ethics, we will disclose the nature of such amendment or waiver on our website. During the year ended June 30, 2011, no such amendment was made or waiver granted.

Our Board of Directors is responsible for the corporate governance of the consolidated entity and guides and monitors the business and affairs of Genetic Technologies on behalf of the shareholders by whom they are elected and to whom they are accountable. We are required to publish a Corporate Governance Statement annually that accords with the introduction last year of the Australian Securities Exchange Corporate Governance Council s (the Council s) Principles of Good Corporate Governance and Best Practice Recommendations . In accordance with the Council s recommendations, the Corporate Governance Statement must now contain certain specific information and must disclose the extent to which we have followed the guidelines during the period. Where a recommendation has not been followed, that fact must be disclosed, together with the reasons for the departure. The Company s Corporate Governance Statement is now structured with reference to the Corporate Governance Council s principles and recommendations. Below is an extract from the Company s most recent Corporate Governance Statement:

As of the date of this Annual Report, the following eleven Corporate Governance documents had been adopted by the Board, in addition to the Company s Constitution which was revised and approved by the shareholders of the Company in November 2005. All of these documents are available on the Company s website: www.gtglabs.com

- Board Charter which defines the role of the Board and that of Management;
- Audit Committee Charter;
- Corporate Governance Committee Charter;
- Board Protocol which clarifies the responsibilities of Directors and the Company s expectations of them;
- Code of Conduct, including a Document Retention Policy;
- Board Performance Evaluation Policy;
- Risk and Compliance Policy;
- Continuous Disclosure Policy;
- Securities Trading Policy;
- Shareholder Communications Policy; and
- Whistleblower Policy.

Table of Contents

Item 16.C Principal Accountant Fees and Services

The following table sets forth the fees billed to us by our Independent Registered Public Accounting Firm, PricewaterhouseCoopers, during the financial years ended June 30, 2011and 2010, respectively:

	2011 $	2010 $
Audit services		
PricewaterhouseCoopers in respect of:		
Audit of the Company s Financial Report under the *Corporations Act 2001*	**250,812**	271,766
Other audit firms in respect of:		
Audit of the Financial Reports of subsidiaries	**15,403**	17,013
Total remuneration in respect of audit services	**266,215**	288,779
Non-audit services		
PricewaterhouseCoopers in respect of:		
Accounting and other services (refer note)		60,000
Other audit firms in respect of:		
Tax advice and compliance, accounting and other services	**14,388**	16,514
Total remuneration in respect of non-audit services	**14,388**	76,514
Total auditors remuneration	**280,603**	365,293

Note: The non-audit accounting and other services above, which amount to $60,000, relate to professional services provided to the Company by PricewaterhouseCoopers (PwC). These services related to the planning, scoping and some controls testing which was expected to be required to enable PwC to opine on the Company s internal controls over financial reporting for the year ended June 30, 2010.

Audit Committee Pre-Approval Policies and Procedures

Our Board of Directors has established pre-approval and procedures for the engagement of its Independent Registered Public Accounting Firm for audit and non-audit services. The Board of Directors reviews the scope of the services to be provided, before their commencement, in order to ensure that there are no independence issues and the services are not prohibited services, as defined by the Sarbanes-Oxley Act of 2002.

Item 16.D Exemptions From The Listing Standards For Audit Committees

Not applicable.

Item 16.E Purchases Of Equity Securities By The Issuer And Affiliated Purchasers

Not applicable.

Item 16.F Change in Registrant s Certifying Accountant

Not applicable.

Item 16.G Corporate Governance

Refer to Item 6C regarding the Company s Corporate Governance practices and the key differences between the Listing Rules of the Australian Securities Exchange and the Marketplace Rules of NASDAQ as they apply to us.

Table of Contents

PART III

Item 17. Financial Statements

The Company has responded to Item 18 in lieu of responding to this Item.

Item 18. Financial Statements

GENETIC TECHNOLOGIES LIMITED

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

	Page
Genetic Technologies Limited - Report of Independent Registered Public Accounting Firm.	F1
Genetic Technologies Limited - Consolidated Statements of Comprehensive Income for the years ended June 30, 2011, 2010 and 2009.	F2
Genetic Technologies Limited - Consolidated Balance Sheets as of June 30, 2011 and 2010.	F3
Genetic Technologies Limited - Consolidated Statements of Changes in Equity for the years ended June 30, 2011, 2010 and 2009.	F4
Genetic Technologies Limited - Consolidated Statements of Cash Flows for the years ended June 30, 2011, 2010 and 2009.	F5
Genetic Technologies Limited - Notes to Consolidated Financial Statements.	F6

Item 19. Exhibits

The following documents are filed as exhibits to this Annual Report on Form 20-F:

1.1 Constitution of the Registrant. +

2.1 Deposit Agreement, dated as of January 14, 2002, by and among Genetic Technologies Limited, The Bank of New York Mellon, as Depositary, and the Owners and Holders of American Depositary Receipts (such agreement is incorporated herein by reference to the

Registration Statement on Form F-6 relating to the ADSs (File No. 333-14270) filed with the Commission on January 14, 2002).

2.2. The total indebtedness authorized under any instrument relating to long term debt of the Company does not exceed 10% of our total consolidated assets. Any instrument relating to indebtedness will be supplied to the Commission upon its request.

Table of Contents

4(b)(i)	Lease over premises in Fitzroy, Victoria, Australia with an effective date of November 4, 2010.
4(b)(ii)	Lease over premises in Charlotte, North Carolina, USA with an effective date of August 17, 2010.
12.01	Section 302 Certification
12.02	Section 302 Certification
13.01	Section 1350 Certification
13.02	Section 1350 Certification
23.1	Consent of Cape Leveque Securities Pty Ltd.

+ Previously filed with the Company s Registration Statement on Form 20-F (File No. 0-51504) filed with the Commission on December 21, 2010 and incorporated herein by reference.

Table of Contents

SIGNATURES

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this Annual Report on its behalf.

GENETIC TECHNOLOGIES LIMITED

Dated: November 21, 2011

By: /s/ Dr. Paul D.R. MacLeman
Name: Dr. Paul D.R. MacLeman
Title: Chief Executive Officer

Table of Contents

Report of Independent Registered Public Accounting Firm

To The Board of Directors and Shareholders of Genetic Technologies Limited

In our opinion, the accompanying consolidated balance sheet and the related consolidated statement of comprehensive income, consolidated statement of changes in stockholders equity, and consolidated statement of cash flow present fairly, in all material respects, the financial position of Genetic Technologies Limited and its subsidiaries at 30 June 2011 and 30 June 2010, and the results of their operations and their cash flows for each of the three years in the period ended 30 June 2011 in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board. These financial statements are the responsibility of the Company s management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

Our audit of the consolidated financial statements of Genetic Technologies Limited and its subsidiaries was conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The Company has included parent entity only information in the notes to the financial statements. Such parent entity only information is presented for purposes of additional analysis and is not a requirement of the consolidated financial statements presented in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board. Such information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements, and, in our opinion, is fairly stated in all material respects in relation to the consolidated financial statements taken as a whole.

PricewaterhouseCoopers

Melbourne, Australia

21 November 2011

F1

Table of Contents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended June 30

	Notes	Consolidated 2011 $	2010 $	2009 $
Revenue from continuing operations				
Genetic testing services		**4,594,960**	4,915,528	4,599,286
Less: cost of sales	4	**(2,034,916)**	(2,722,975)	(2,760,359)
Gross profit from continuing operations		**2,560,044**	2,192,553	1,838,927
Other revenue	5	**13,680,741**	3,739,747	5,391,714
Selling and marketing expenses	6	**(3,018,947)**	(2,679,979)	(2,765,060)
General and administrative expenses	6	**(3,696,165)**	(3,196,488)	(4,282,275)
Licensing, patent and legal costs	6	**(4,097,323)**	(3,923,102)	(4,017,721)
Laboratory and research and development costs	6	**(4,380,866)**	(6,258,871)	(6,116,450)
Finance costs		**(81,934)**	(100,422)	(89,499)
Operating profit / (loss) before income tax expense		**965,550**	(10,226,562)	(10,040,364)
Non-operating income and expenses	7	**(85,771)**	425,239	1,407,829
Profit / (loss) from continuing operations before income tax expense		**879,779**	(9,801,323)	(8,632,535)
Net profit from discontinued operation	8	**21,562**	446,114	774,214
Profit / (loss) before income tax expense		**901,341**	(9,355,209)	(7,858,321)
Income tax expense				
Profit / (loss) for the year		**901,341**	(9,355,209)	(7,858,321)
Other comprehensive income / (loss)				
Realized gain on sale of available-for-sale investments transferred from reserve			(170,000)	
Unrealized gain on available-for-sale investments				170,000
Exchange gains / (losses) on translation of controlled foreign operations	22	**(85,079)**	(8,623)	(13,408)
Exchange gains / (losses) on translation of non-controlled foreign operations	24	**(11,585)**	3,404	6,133
Other comprehensive income / (loss) for the year, net of tax		**(96,664)**	(175,219)	162,725
Total comprehensive profit / (loss) for the year		**804,677**	(9,530,428)	(7,695,596)
Profit / (loss) for the year is attributable to:				
Owners of Genetic Technologies Limited		**910,002**	(9,343,766)	(7,841,073)
Non-controlling interests		**(8,661)**	(11,443)	(17,248)
Total profit / (loss) for the year		**901,341**	(9,355,209)	(7,858,321)
Total comprehensive profit / (loss) for the year is attributable to:				
Owners of Genetic Technologies Limited		**824,923**	(9,522,389)	(7,684,481)
Non-controlling interests		**(20,246)**	(8,039)	(11,115)
Total comprehensive profit / (loss) for the year		**804,677**	(9,530,428)	(7,695,596)
Earnings per share attributable to owners of the Company:				
Basic earnings per share (cents per share)	9	**0.22**	(2.46)	(2.10)
Diluted earnings per share (cents per share)	9	**0.22**	(2.46)	(2.10)

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

F2

Table of Contents

CONSOLIDATED BALANCE SHEET

As at June 30

	Notes	Consolidated 2011 $	Consolidated 2010 $
ASSETS			
Current assets			
Cash and cash equivalents	11	**5,104,667**	3,306,311
Trade and other receivables	12	**674,369**	754,657
Prepayments and other assets	13	**473,659**	369,535
Performance bond and deposits	14	**2,649**	71,658
Total current assets		**6,255,344**	4,502,161
Non-current assets			
Property, plant and equipment	15	**947,500**	1,977,826
Intangible assets and goodwill	16	**1,719,510**	1,799,585
Total non-current assets		**2,667,010**	3,777,411
Total assets		**8,922,354**	8,279,572
LIABILITIES			
Current liabilities			
Trade and other payables	17	**1,115,028**	1,195,673
Interest-bearing liabilities	18	**67,878**	382,640
Deferred revenue	19	**163,546**	194,441
Provisions	20	**679,177**	706,189
Total current liabilities		**2,025,629**	2,478,943
Non-current liabilities			
Provisions	20	**82,730**	82,933
Total non-current liabilities		**82,730**	82,933
Total liabilities		**2,108,359**	2,561,876
Net assets		**6,813,995**	5,717,696
EQUITY			
Contributed equity	21	**72,378,105**	72,378,105
Reserves	22	**1,697,914**	1,529,142
Accumulated losses	23	**(67,464,026)**	(68,374,028)
Parent entity interest		**6,611,993**	5,533,219
Minority interests	24	**202,002**	184,477
Total equity		**6,813,995**	5,717,696

The above consolidated balance sheet should be read in conjunction with the accompanying notes.

Table of Contents

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended June 30

	Attributable to Members of Genetic Technologies Limited					
Consolidated	**Contributed equity $**	**Reserves $**	**Accumulated losses $**	**Parent interests $**	**Minority interests $**	**Total equity $**
Balance at June 30, 2009	**71,285,663**	**1,701,899**	**(59,030,262)**	**13,957,300**	**154,745**	**14,112,045**
Total comprehensive loss		(178,623)	(9,343,766)	(9,522,389)	(8,039)	(9,530,428)
Transactions with owners in their capacity as owners						
Contributions of equity	1,092,442			1,092,442		1,092,442
Share-based payments		5,866		5,866		5,866
Share of issued capital					37,771	37,771
	1,092,442	5,866		1,098,308	37,771	1,136,079
Balance at June 30, 2010	**72,378,105**	**1,529,142**	**(68,374,028)**	**5,533,219**	**184,477**	**5,717,696**
Total comprehensive income / (loss)		(85,079)	910,002	824,923	(20,246)	804,677
Transactions with owners in their capacity as owners						
Share-based payments		253,851		253,851		253,851
Share of issued capital					37,771	37,771
		253,851		253,851	37,771	291,622
Balance at June 30, 2011	**72,378,105**	**1,697,914**	**(67,464,026)**	**6,611,993**	**202,002**	**6,813,995**

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Table of Contents

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended June 30

	Notes	Consolidated 2011 $	2010 $	2009 $
Cash flows from / (used in) operating activities				
Receipts from customers		**18,009,739**	9,265,671	8,445,978
Payments to suppliers and employees		**(15,910,103)**	(14,150,281)	(15,216,132)
Interest received		**200,023**	216,549	585,776
Interest paid		**(81,934)**	(42,128)	(39,267)
Other receipts				469,430
Refund of performance bond				68,917
Net cash flows from / (used in) operating activities in continuing operations		**2,217,725**	(4,710,189)	(5,685,298)
Net cash flows from operating activities in discontinued operations		**15,554**	407,309	761,807
Net cash flows from / (used in) operating activities	11	**2,233,279**	(4,302,880)	(4,923,491)
Cash flows from / (used in) investing activities				
Proceeds from the sale of plant and equipment		**144,708**	4,977	338,269
Purchases of plant and equipment		**(139,678)**	(144,796)	(213,300)
Proceeds from the sale of available-for-sale investments			295,195	
Purchase of assets associated with BREVAGenTM breast cancer risk test			(952,480)	
Purchase of non-coding patents			(242,379)	
Investment in Frozen Puppies Dot Com Pty. Ltd.				(469,730)
Costs incurred on acquisition of subsidiary				(8,430)
Net cash flows from / (used in) investing activities		**5,030**	(1,039,483)	(353,191)
Cash flows from / (used in) financing activities				
Repayment of hire purchase principal		**(314,762)**	(225,407)	(192,591)
Net proceeds from the issue of shares			1,011,650	
Net cash flows from / (used in) financing activities		**(314,762)**	786,243	(192,591)
Net increase / (decrease) in cash and cash equivalents		**1,923,547**	(4,556,120)	(5,469,273)
Cash and cash equivalents at beginning of year		**3,306,311**	7,826,902	13,370,772
Net foreign exchange difference		**(125,191)**	35,529	(74,597)
Cash and cash equivalents at end of year	11	**5,104,667**	3,306,311	7,826,902

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

Table of Contents

NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2011

1. CORPORATE INFORMATION

The Financial Report of Genetic Technologies Limited (the Company) for the year ended June 30, 2011 was authorised for issue in accordance with a resolution of the Directors dated August 24, 2011. Genetic Technologies Limited is incorporated in Australia and is a company limited by shares.

The Company s ordinary shares are publicly traded on the Australian Securities Exchange under the symbol GTG and, via Level II American Depositary Receipts, on the NASDAQ Capital Market under the ticker GENE.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

This general purpose Financial Report has been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*.

Compliance with IFRS

The Financial Report complies with Australian Accounting Standards as issued by the Australian Accounting Standards Board and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

Historical cost convention

These financial statements have been prepared under the historical cost convention, as modified by the measurement of the available-for-sale investments at fair value.

Critical accounting estimates

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires Management to exercise its judgement in the process of applying the Group s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are critical to the financial statements, are disclosed in Note 3.

(b) New accounting standards and interpretations

In respect of the year ended June 30, 2011, the Group has assessed all new accounting standards mandatory for adoption during the current year, noting no new standards which would have a material affect on the disclosure in these financial statements. There has been no affect on the profit and loss or the financial position of the Group. Certain new accounting standards and interpretations have been published that are not mandatory for June 30, 2011 reporting periods.

The Group s and the parent entity s assessment of the impact of these new standards and interpretations (and their equivalent IASB standards) is set out below.

- *AASB 9 Financial Instruments, AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9 and AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)*

(effective from January 1, 2013)

AASB 9 Financial Instruments addresses the classification, measurement and derecognition of financial assets and financial liabilities. The standard is not applicable until January 1, 2013 but is available for early adoption. When adopted, the standard will affect the Group s accounting for its available-for-sale financial assets, since AASB 9 only permits the recognition of fair value gains and losses in other comprehensive income if they relate to equity investments that are not held for trading. Fair value gains and losses on available-for-sale debt investments will therefore have to be recognized directly in profit or loss. There will be no impact on the Group s accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the group does not have any such liabilities. The derecognition rules have been transferred from *AASB 139 Financial Instruments: Recognition and Measurement* and have not been changed. The Group has not yet decided when to adopt AASB 9.

Table of Contents

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

(b) New accounting standards and interpretations (cont.)

- *Revised AASB 124 Related Party Disclosures and AASB 2009-12 Amendments to Australian Accounting Standards (effective from January 1, 2011)*

In December 2009, the AASB issued a revised *AASB 124 Related Party Disclosures*. It is effective for accounting periods beginning on or after January 1, 2011 and must be applied retrospectively. The amendment clarifies and simplifies the definition of a related party and removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities. The Group will apply the amended standard from July 1, 2011. When the amendments are applied, the Group will need to disclose any transactions between its subsidiaries and its associates. However, there will be no impact on any of the amounts recognized in the financial statements.

- *AASB 2009-14 Amendments to Australian Interpretation Prepayments of a Minimum Funding Requirement (effective from January 1, 2011)*

In December 2009, the AASB made an amendment to Interpretation 14 *The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*. The amendment removes an unintended consequence of the interpretation related to voluntary prepayments when there is a minimum funding requirement in regard to the entity s defined benefit scheme. It permits entities to recognize an asset for a prepayment of contributions made to cover minimum funding requirements. The Group does not make any such prepayments. The amendment is therefore not expected to have any impact on the Group s financial statements. The Group intends to apply the amendment from July 1, 2011.

- *AASB 1053 Application of Tiers of Australian Accounting Standards and AASB 2010-2 Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements (effective from July 1, 2013)*

On June 30, 2010, the AASB officially introduced a revised differential reporting framework in Australia. Under this framework, a two-tier differential reporting regime applies to all entities that prepare general purpose financial statements. Genetic Technologies Limited is listed on the ASX and is not eligible to adopt the new Australian Accounting Standards Reduced Disclosure Requirements. The two standards will therefore have no impact on the financial statements of the entity.

- *AASB 2010-6 Amendments to Australian Accounting Standards Disclosures on Transfers of Financial Assets (effective for annual reporting periods beginning on or after July 1, 2011)*

Amendments made to *AASB 7 Financial Instruments: Disclosures* in November 2010 introduce additional disclosures in respect of risk exposures arising from transferred financial assets. The amendments will particularly affect entities that sell, factor, securitize, lend or otherwise transfer financial assets to other parties. They are not expected to have any significant impact on the Group s disclosures. The Group intends to apply the amendment from July 1, 2011.

- *AASB 2010-8 Amendments to Australian Accounting Standards Deferred Tax: Recovery of Underlying Assets (effective from January 1, 2012)*

In December 2010, the AASB amended *AASB 112 Income Taxes* to provide a practical approach for measuring deferred tax liabilities and deferred tax assets when investment property is measured using the fair value model. AASB 112 requires the measurement of deferred tax assets or liabilities to reflect the tax consequences that would follow from the way management expects to recover or settle the carrying amount of the relevant assets or liabilities through use or through sale. The amendment introduces a rebuttable presumption that investment property which is measured at fair value is recovered entirely by sale. The Group will apply the amendment from July 1, 2012 and is evaluating the impact of the amendment.

- *AASB 10 Consolidated Financial Statements, AASB 11 Joint Arrangements, AASB 12 Disclosure of Interests in Other Entities, revised AASB 127 Separate Financial Statements and AASB 128 Investments in Associates and Joint Ventures and AASB 2011-7 Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards (effective January 1, 2013)*

In August 2011, the AASB issued a suite of five new and amended standards which address the accounting for joint arrangements, consolidated financial statements and associated disclosures.

AASB 10 replaces all of the guidance on control and consolidation in *AASB 127 Consolidated and Separate Financial Statements, and Interpretation 12 Consolidation Special Purpose Entities*. The core principle that a consolidated entity presents a parent and its subsidiaries as if they are a single economic entity remains unchanged, as do the mechanics of consolidation. However, the standard introduces a single definition of control that applies to all entities. It focuses on the need to have both power and rights or exposure to variable returns before control is present. Power is the current ability to direct the activities that significantly influence returns. Returns must vary and can be positive, negative or both. There is also new guidance on participating and protective rights and on agent/principal relationships. While the Group does not expect the new standard to have a significant impact on its composition, it has yet to perform a detailed analysis of the new guidance in the context of its various investees that may or may not be controlled under the new rules.

Table of Contents

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

(b) New accounting standards and interpretations (cont.)

AASB 11 introduces a principles based approach to accounting for joint arrangements. The focus is no longer on the legal structure of joint arrangements, but rather on how rights and obligations are shared by the parties to the joint arrangement. Based on the assessment of rights and obligations, a joint arrangement will be classified as either a joint operation or joint venture. Joint ventures are accounted for using the equity method and the choice to proportionately consolidate will no longer be permitted. Parties to a joint operation will account their share of revenues, expenses, assets and liabilities in much the same way as under the previous standard. AASB 11 also provides guidance for parties that participate in joint arrangements but do not share joint control. As the Group is not party to any joint arrangements, this standard will not have any impact on its financial statements.

AASB 12 sets out the required disclosures for entities reporting under the two new standards, AASB 10 and AASB 11, and replaces the disclosure requirements currently found in AASB 128. Application of this standard by the Group will not affect any of the amounts recognised in the financial statements, but will impact the type of information disclosed in relation to the Group s investments.

AASB 127 is renamed *Separate Financial Statements* and is now a standard dealing solely with separate financial statements. Application of this standard by the Group will not affect any of the amounts recognised in the financial statements.

Amendments to AASB 128 provide clarification that an entity continues to apply the equity method and does not remeasure its retained interest as part of ownership changes where a joint venture becomes an associate, and vice versa. The amendments also introduce a partial disposal concept. The Group is still assessing the impact of these amendments.

The Group does not expect to adopt the new standards before their operative date. They would therefore be first applied in the financial statements for the annual reporting period ending June 30, 2014.

- *AASB 13 Fair Value Measurement and AASB 2011-8 Amendments to Australian Accounting Standards arising from AASB 13 (effective January 1, 2013)*

AASB 13 was released in September 2011. It explains how to measure fair value and aims to enhance fair value disclosures. The Group has yet to determine which, if any, of its current measurement techniques will have to change as a result of the new guidance. It is therefore not possible to state the impact, if any, of the new rules on any of the amounts recognised in the financial statements. However, application of the new standard will impact the type of information disclosed in the notes to the financial statements. The Group does not intend to adopt the new standard before its operative date, which means that it would be first applied in the annual reporting period ending June 30, 2014.

- *AASB 2011-9 Amendments to Australian Accounting Standards Presentation of Items of Other Comprehensive Income (effective July 1, 2012)*

In September 2011, the AASB made an amendment to *AASB 101 Presentation of Financial Statements* which requires entities to separate items presented in other comprehensive income into two groups, based on whether they may be recycled to profit or loss in the future. This will not affect the measurement of any of the items recognised in the balance sheet or the profit or loss in the current period. The group intends to adopt the new standard from July 1, 2012.

(c) Basis of consolidation

The consolidated financial statements comprise the financial statements of Genetic Technologies Limited and its subsidiaries (collectively the Group). The financial statements of subsidiaries are prepared for the same reporting period as the parent, using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies that may exist. All intercompany balances and transactions, including unrealized profits arising from intra-group transactions, have been eliminated in full. Unrealized losses are eliminated unless costs cannot be recovered.

Subsidiaries are consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group. Where there is loss of control of a subsidiary, the consolidated financial statements include the results for the part of the reporting period during which Genetic Technologies Limited has control. Minority interests represent the interests not held by the Group in Gtech International Resources Limited, ImmunAid Pty. Ltd. and AgGenomics Pty. Ltd. (refer Note 31).

Table of Contents

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

(d) Foreign currency translation

Both the functional and presentation currency of Genetic Technologies Limited and its Australian subsidiaries is the Australian dollar (AUD). Transactions in foreign currencies are initially recorded in the functional currency at the exchange rates ruling at the date of the transaction. Monetary assets and liabilities which are denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. All differences are taken to the statement of comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate ruling at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates ruling at the date when the fair value was determined.

The functional currencies of the Company s five overseas subsidiaries are as follows:

Gtech International Resources Limited Canadian dollars (CAD)

Genetic Technologies (Beijing) Limited Chinese yuan (CNY)

GeneType AG Swiss francs (CHF)

GeneType Corporation United States dollars (USD)

Phenogen Sciences Inc. United States dollars (USD)

As at the reporting date, the assets and liabilities of these overseas subsidiaries are translated into the presentation currency of Genetic Technologies Limited at the rate of exchange ruling at the balance sheet date and the statement of comprehensive income is translated at the weighted average exchange rates for the period. The exchange differences arising on the retranslation are taken directly to a separate component of equity. On disposal of a foreign entity, the deferred cumulative amount recognized in equity relating to that particular foreign operation is recognized in the statement of comprehensive income.

(e) Fair value estimation

The fair value of financial instruments that are not traded in an active market (for example, non-listed equity securities classified as available-for-sale investments) is determined using valuation techniques, including the last price at which shares were issued to third parties,

where amounts are reliably measured. The Group uses various methods and makes assumptions that are based on market conditions existing at each balance date. Information including quoted market prices and details of recent capital raisings is used to determine fair value for these remaining financial instruments. In cases where fair value cannot be reliably determined, available-for-sale investments are measured at approximate market value.

The carrying values less impairment provisions of trade receivables are assumed to approximate their fair values due to their short-term nature.

(f) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing the performance of the operating segments, has been identified as the Chief Executive Officer.

(g) Earnings per share

Basic EPS is calculated as the net profit attributable to members divided by the weighted average number of ordinary shares.

(h) Parent entity financial information

The financial information for the parent entity, Genetic Technologies Limited, as disclosed in Note 33, has been prepared on the same basis as the consolidated financial statements, except as set out below:

Investments in, and loans to, subsidiaries

Investments in subsidiaries are accounted for at cost in the financial statements of Genetic Technologies Limited. Loans to subsidiaries are written down to their recoverable value as at balance date.

Financial guarantees

As at balance date, the parent entity had agreed to fund by way of loan all of the operating expenses of ImmunAid Pty. Ltd. (a subsidiary) up to, and including, September 30, 2011 and that it would not seek repayment of the loan during that period.

Table of Contents

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

(i) Revenue recognition

Revenues are recognized to the extent that it is probable that the economic benefits will flow to the entity and the revenues can be reliably measured. Revenues are recognized at the fair value of the consideration received or receivable net of the amounts of Goods and Services Tax (GST). The following specific recognition criteria must also be met before revenue is recognized:

License fees received

License fee income is recorded on the execution of a binding agreement where the Group has no future obligations, income is fixed and determinable, and collection is reasonably assured. The Group does not grant refunds to its customers. Refer also to Note 2(z).

Rendering of services

Revenues from the rendering of services are recognized when the services are provided and the fee for the services provided is recoverable. Service arrangements are of short duration (in most cases less than three months).

Royalties and annuities received

The Company licenses the use of its patented genetic technologies. Royalties and annuities arising from these licenses are recognized when earned in accordance with the substance of the agreement, in cases where no future performance is required by the Company and collection is reasonably assured.

Interest received

Revenue is recognized as the interest accrues using the effective interest method. Interest charged on loans to related parties is charged on commercial and arm s-length terms and conditions.

Research and development grants received

The Company receives non-refundable non-Government grants that assist it to fund specific research and development projects. These grants generally provide for the reimbursement of approved costs incurred as defined in the various agreements.

(j) Share-based payment transactions

The Group provides benefits to Group employees in the form of share-based payment transactions, whereby employees render services and receive rights over shares (equity-settled transactions). There is currently an Employee Option Plan in place to provide these benefits to executives and employees and the cost of these transactions is measured by reference to the fair value at the date they are granted.

The fair value of options granted is determined by Cape Leveque Securities Pty. Ltd., an independent valuer, using a Black-Scholes option pricing model. Cape Leveque Securities Pty. Ltd. has consented to having its name included in this Report.

In valuing equity-settled transactions, no account is taken of any non-market performance conditions. The cost of equity-settled transactions is recognized, together with a corresponding increase in equity, over the period in which the relevant vesting conditions are fulfilled, ending on the date that the relevant employees become fully entitled to the award (vesting date).

The cumulative expense recognized for equity-settled transactions at each reporting date until vesting date reflects (i) the extent to which the vesting period has expired; and (ii) the number of awards that, in the opinion of the Directors of the Group, will ultimately vest. This opinion is formed based on the best information available at balance date.

No expense is recognized for any awards that do not ultimately vest. Where the terms of an equity-settled award are modified, as a minimum an expense is recognized as if the terms had not been modified. In addition, an expense is recognized for any increase in the value of the transaction as a result of the modification, as measured at the date of modification. Where appropriate, the dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share.

The Company s policy is to treat the share options of terminated employees as forfeitures.

(k) Finance costs

Finance costs are recognized as an expense when incurred.

Table of Contents

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

(l) Income tax

The income tax expense or revenue for the period is the tax payable on the current period s taxable income based on the national income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and unused tax losses.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that, at the time of the transaction, affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled. Deferred tax assets are recognized for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilize those temporary differences and losses.

Deferred tax liabilities and assets are not recognized for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future. Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously. Current and deferred tax balances attributable to amounts recognized directly in equity are also recognized directly in equity.

Current and deferred tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

Tax consolidation legislation

Genetic Technologies Limited and its wholly-owned Australian-resident subsidiaries have implemented the tax consolidation legislation. The head entity, Genetic Technologies Limited, and the subsidiaries in the tax consolidated group account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated group continues to be a stand-alone taxpayer in its own right.

In addition to its own current and deferred tax amounts, Genetic Technologies Limited also recognizes the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from subsidiaries in the tax consolidated group.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognized as amounts receivable from or payable to other entities in the Group. Details about the tax funding agreement are disclosed in Note 10. Any difference between the amounts assumed and amounts receivable or payable under the tax funding agreements are recognized as a contribution to (or distribution from) wholly-owned tax subsidiaries.

(m) Withholding tax

The Group generates revenues from the granting of licenses to parties resident in overseas countries. Such revenues may, in certain circumstances, be subject to the deduction of local withholding tax.

(n) Other taxes

Revenues, expenses and assets are recognized net of the amount of Goods and Services Tax (GST) except where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

Cash flows are included in the cash flow statement on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

Table of Contents

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

(o) Cash and cash equivalents

Cash and cash equivalents in the balance sheet comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less. For the purposes of the cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above. Cash at bank earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between one day and six months, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates.

(p) Trade and other receivables

Trade receivables, which are non-interest bearing and generally have terms of between 30 to 90 days, are recognized and carried at original invoice amount less an allowance for any uncollectible amounts. An allowance for doubtful debts is made when there is objective evidence that a receivable is impaired. Such evidence includes an assessment of the debtor s ability and willingness to pay the amount due. The amount of the allowance/impairment loss is measured as the difference between the carrying amount of the trade receivables and the estimated future cash flows expected to be received from the relevant debtors. Details regarding interest rate and credit risk of current receivables are disclosed in Note 34.

(q) Inventories

Inventories principally comprise laboratory and other supplies and are valued at the lower of cost and net realizable value. Inventory costs are recognized as the purchase price of items from suppliers plus freight inwards and any applicable landing charges. Costs are assigned on the basis of weighted average costs.

(r) Restricted security deposits

Restricted security deposits include cash deposits held as security for the performance of certain contractual obligations.

(s) Investments and other financial assets

All investments are initially recognized at cost, being the fair value of the consideration given plus directly attributable transaction costs. After initial recognition, investments in subsidiaries are carried at cost, less any impairment disclosed in the separate financial statements of Genetic Technologies Limited. Other investments, which are classified as available-for-sale, are measured at fair value if this can reliably be determined or at cost where fair value cannot be reliably determined. Gains or losses on available-for-sale investments are recognized as a separate component of equity until the investment is sold, or otherwise disposed of, or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in the statement of comprehensive income.

Available-for-sale investments

Available-for-sale investments consist of investments in ordinary shares which have no fixed maturity date or coupon rate. After initial recognition, available-for-sale securities are measured at fair value with gains or losses being recognized as a separate component of equity until such time as the investment is either derecognized or is determined to be impaired, at which time the cumulative gain or loss previously recognized in equity is recognized in profit or loss. The fair values of investments that are actively traded in organized financial markets are determined by reference to the quoted market bid prices applicable as at the close of business on the balance sheet date.

The fair value of unlisted available-for-sale investments has been estimated using valuation techniques based on assumptions that are not supported by observable market prices or rates. Management believes the estimated fair values (where reliably measured) resulting from the valuation techniques and recorded in the balance sheet are reasonable and the most appropriate at the balance sheet date. Any related changes in fair values are directly recorded in equity. Available-for-sale investments are measured at approximate market value, where fair value cannot be reliably determined.

(t) Property, plant and equipment

Plant and equipment is stated at cost less accumulated depreciation and any impairment in value. Depreciation is calculated on either a straight-line or diminishing value basis over the estimated useful life of the respective asset as follows:

Laboratory / veterinary equipment 3 to 5 years

Computer equipment 2 to 5 years

Office equipment 2 to 5 years

Equipment under hire purchase 3 years

Leasehold improvements lease term, being between 4 and 10 years

Costs relating to day-to-day servicing of any item of property, plant and equipment, which may include the cost of small parts, are recognized in profit or loss as incurred. The cost of replacing larger parts of some items of property, plant and equipment are capitalized when incurred and depreciated over the period until their next scheduled replacement.

Table of Contents

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

(u) Intangible assets

Patents

Patents held by the Group are used in the licensing, testing and research areas and are carried at cost and amortized on a straight-line basis over their useful lives, being from 5 to 10 years. External costs incurred in filing and protecting patent applications, for which no future benefit is reasonably assured, are expensed as incurred.

Research and development costs

Costs relating to research and development activities are expensed as incurred. An intangible asset arising from development expenditure on an internal project is recognized only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the development and the ability to measure reliably the expenditure attributable to the intangible asset during its development. To date, all development costs have been expensed as incurred as their recoverability cannot be regarded as assured.

(v) Goodwill

Goodwill on acquisition is initially measured at cost, being the excess of the cost of the business combination over the acquirer s interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Following its initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is not amortized.

Goodwill is reviewed for impairment at each reporting date, or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Impairment is determined by assessing the recoverable amount of the cash-generating unit to which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognized.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured on the basis of the relative values of the operation disposed of and the portion of the cash-generating unit retained.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group s cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units. Each unit or group of units to which the goodwill is so allocated represents the lowest level within the Group at which the goodwill is monitored for internal management purposes and is not larger than an operating segment in accordance with *IFRS 8 (AASB 8) Operating Segments*.

(w) Impairment of assets (other than goodwill)

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, the Group makes an estimate of the asset s recoverable amount. An asset s recoverable amount is the higher of its fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets and the asset s value-in-use cannot be estimated to be close to its fair value. In such cases, the asset is tested for impairment as part of the cash-generating unit to which it belongs. When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset or cash-generating unit is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses relating to operations are recognized in those expense categories consistent with the function of the impaired asset unless the asset is carried at its revalued amount (in which case the impairment loss is treated as a revaluation decrease).

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset s recoverable amount since the last impairment loss was recognized. If so, the carrying amount of the asset is increased to its recoverable amount. The increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit or loss unless it reverses a decrement previously charged to equity, in which case the reversal is treated as a revaluation increase. After such a reversal, the depreciation charge is adjusted in future periods to allocate the asset s revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Table of Contents

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

(x) Trade and other payables

Trade payables and other payables are carried at amortized cost and represent future liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services. Trade payables and other payables generally have terms of between 30 and 60 days.

(y) Leases and hire purchase agreements

Finance leases and hire purchase agreements, which transfer to the Group substantially all the risks and benefits incidental to ownership of the financed item, are capitalized at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments.

Lease and hire purchase payments are apportioned between finance charges and a reduction of the associated liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized as an expense in profit or loss. Capitalized leased assets and assets under hire purchase are depreciated over the shorter of the estimated useful life of the asset or the term of the agreement. Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognized as an expense in the statement of comprehensive income on a straight-line basis over the lease term.

(z) Deferred revenue

License revenues and annuities

License revenues received in respect of future accounting periods are deferred until the Company has fulfilled its obligations under the terms of the agreement. Where deferred revenue relates to a license agreement with a specific term but the Company has no future performance obligations, the revenue is recognized on a straight-line accruals basis over the term in accordance with the substance of the agreements. Where revenue has been deferred because the Company has future performance obligations, revenue is recognized as the Company s performance obligations are satisfied.

Where a licence agreement provides for the payment of regular annuities to the Company and the licensee has the right to terminate the agreement prior to the payment of those annuities with no penalty, the Company does not recognize revenue until such time as the associated cash payments are received, as it is not considered probable that the benefits of the transaction will flow to the Company until the cash collection is made. Where such annuities are paid in advance, the revenue is allocated on a pro-rata basis with the balance being reflected in the balance

sheet as a deferred revenue liability.

Genetic testing and reproductive services revenues

The Company operates facilities which provide genetic testing and reproductive services. The Company recognizes revenue from the provision of these services when the services have been completed. Fees received in advance of the testing process or reproductive service are deferred until such time as the Company completes its performance obligations.

Grant revenues

Grants are recognized when there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognized as income over the periods necessary to match the grant on a systematic basis to the costs that it is intended to compensate. When the grant relates to an asset, the fair value is credited to a deferred income account and is released to the statement of comprehensive income over the expected useful life of the relevant asset by equal annual instalments.

(aa) Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of comprehensive income net of any reimbursement.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

Table of Contents

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

(ab) Employee benefits

Provision is made for employee benefits accumulated as a result of employees rendering services up to the reporting date. These benefits include wages and salaries, annual leave and long service leave. Liabilities arising in respect of wages and salaries, annual leave and any other employee benefits expected to be settled within twelve months of the reporting date are measured at their nominal amounts based on remuneration rates which are expected to be paid when the liability is settled. All other employee benefit liabilities are measured at the present value of the estimated future cash outflows to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Expenses for non-accumulating sick leave are recognized when the leave is taken during the year and are measured at rates paid or payable.

In determining the present value of future cash outflows, the market yield as at the reporting date on national government bonds, which have terms to maturity approximating the terms of the related liability, are used. Employee benefits expenses and revenues arising in respect of wages and salaries, non-monetary benefits, annual leave, long service leave and other leave benefits and other types of employee benefits are recognized against profits on a net basis in their respective categories.

(ac) Contributed equity

Issued and paid up capital is recognized at the fair value of the consideration received by the Company. Any transaction costs arising on the issue of ordinary shares are recognized directly in equity as a deduction, net of tax, of the share proceeds received.

The Company has a share-based payment option plan under which options to subscribe for the Company s shares have been granted to certain executives and other employees (refer Note 28).

(ad) Reclassifications

Certain reclassifications have been made in the financial statements to ensure that prior year comparatives conform to current year presentations.

(ae) Business combinations

The acquisition method of accounting is used to account for all business combinations, including business combinations involving entities or businesses under common control, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes the fair value of any contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognizes any non-controlling interest in the acquiree either at fair value or at the non-controlling interest s proportionate share of the acquiree s net identifiable assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the Group s share of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired and the measurement of all amounts has been reviewed, the difference is recognized directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity s incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Table of Contents

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the Company and that are believed to be reasonable under the circumstances.

(a) Critical accounting estimates and assumptions

The carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. The key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying value of certain assets and liabilities within the next annual reporting period are set out below.

Impairment of intangible assets and goodwill

The Group determines whether intangible assets with indefinite useful lives, including goodwill, are impaired on at least a bi-annual basis, in accordance with the accounting policies stated in Notes 2(v) and 2(w). This process requires an estimation to be made of the recoverable amount of the cash-generating units to which the respective assets are allocated.

Income and withholding taxes

The Group is subject to income and withholding taxes in both Australia and jurisdictions where it has foreign operations. Significant judgement is required in determining the worldwide provision for income and withholding taxes. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. Where the final outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current, deferred and withholding tax provisions in the period in which such determination is made (refer Notes 2(l), 2(m) and 2(n)).

In addition, the Group has considered the recognition of deferred tax assets relating to carried forward tax losses to the extent there are sufficient taxable temporary differences (deferred tax liabilities) relating to the same taxation authority and the same subsidiary against which the unused tax losses can be utilized. However, utilisation of the tax losses also depends on the ability of the entity to satisfy certain tests at the time the losses are recouped.

Share-based payments transactions

The Group measures the cost of equity-settled transactions with employees by reference to the value of the equity instruments at the date on which they are granted. The fair value is determined by an independent valuer using a Black-Scholes options pricing model.

Useful lives of assets

The estimation of the useful lives of assets has been based on historical experience as well as lease terms (for leased equipment) and patent terms (for patents). In addition, the condition of the assets is assessed at least annually and considered against the remaining useful life and adjustments to useful lives are made when considered necessary.

(b) Critical judgements in applying the entity s accounting policies

Research and development costs

An intangible asset arising from development expenditure on an internal project is recognized only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the development and the ability to measure reliably the expenditure attributable to the intangible asset during its development.

To date, all development costs have been expensed as incurred as their recoverability cannot be regarded as assured. In addition to the costs incurred by the Company s research and development group, costs of clinical and other trials are also included. The costs of research and development are expensed in full in the period in which they are incurred. The Group will only capitalize its development expenses when the specific milestones are met and when the Group is able to demonstrate that future economic benefits are probable.

Table of Contents

4. COST OF SALES

	Consolidated		
	2011	2010	2009
	$	$	$
Inventories used	**860,078**	982,481	880,592
Direct labor costs	**782,875**	1,054,569	1,137,485
Depreciation expense	**252,090**	450,234	565,109
Inventories written off	**139,873**	235,691	177,173
Total cost of sales	**2,034,916**	2,722,975	2,760,359

5. OTHER REVENUE

License fees received	**12,315,060**	2,058,303	3,693,866
Royalties and annuities received	**1,365,681**	1,681,444	1,697,848
Total other revenue	**13,680,741**	3,739,747	5,391,717

6. OTHER EXPENSES

Amortization of intangible assets	**77,575**	2,821,002	2,947,337
Depreciation of fixed assets	**287,205**	435,094	475,550
Employee benefits expenses	**5,435,053**	5,945,605	6,439,549
Net impairment of plant and equipment	**268,264**	493,061	
Net impairment of other assets	**741**	1,293,472	318,025

7. NON-OPERATING INCOME AND EXPENSES

Interest received	**200,023**	211,431	589,594
Net gain / (loss) on disposal of plant and equipment	**(217,737)**	(6,904)	100,811
Net foreign exchange gains / (losses)	**(68,057)**	10,517	68,007
Net profit on disposal of available-for-sale investments		210,195	
Grants received and related income			338,724
Net gain on disposal of joint venture interest			185,000
Reversal of provision of rehabilitation expenses and other revenue			125,693
Total non-operating income and expenses	**(85,771)**	425,239	1,241,329

8. NET PROFIT FROM DISCONTINUED OPERATION

Revenue from reproductive services	**66,054**	890,030	782,803
Less: cost of sales	**(44,492)**	(443,916)	(8,589)
Total net profit from discontinued operation	**21,562**	446,114	774,214

During the 2010 financial year, the Company s reproductive services business was terminated following a decision to realign the business and to focus on the provision of animal genetic tests, rather than the services that were acquired as part of the acquisition of the Frozen Puppies business in 2008. As a result, Frozen Puppies Dot Com Pty. Ltd. was deregistered on June 1, 2011.

9. PROFIT / (LOSS) PER SHARE

The following reflects the income and share data used in the calculations of basic and diluted profit / (loss) per share:

	2011	**2010**	**2009**
	$	**$**	**$**
Profit / (loss) for the year attributable to the owners of the Company	**910,002**	(9,343,766)	(7,841,073)
Weighted average number of ordinary shares	**404,605,152**	380,965,204	373,906,149

None of the 19,650,000 (2010: 3,300,000) options outstanding as at the reporting date are considered to be dilutive for the purposes of calculating diluted earnings per share and have therefore been excluded from the weighted average number of shares.

Table of Contents

9. PROFIT / (LOSS) PER SHARE (cont.)

Earnings per share attributable to owners of the Company from continuing operations is $0.21, $(2.57) and $(2.30) for the years ending June 30, 2011, 2010 and 2009, respectively. Earnings per share attributable to owners of the Company from discontinued operations is $0.01, $0.11 and $0.20 for the years ending June 30, 2011, 2010 and 2009, respectively.

10. INCOME TAX

	Consolidated		
	2011	**2010**	**2009**
	$	**$**	**$**
Reconciliation of income tax expense to prima facie tax payable			
Profit / (loss) before income tax expense	**901,341**	(9,355,209)	(7,858,321)
Tax at the Australian tax rate of 30% (2010: 30%)	**270,402**	(2,806,563)	(2,357,496)
Tax effect amounts which are not deductible / (taxable) in calculating taxable income			
Net impairment losses and other write-downs	**80,701**	535,960	
Share-based payments expense / (credit)	**76,155**	1,760	(13,049)
Research and development expenses	**(312,438)**	(445,951)	(300,000)
Withholding tax expense	**18,000**	19,165	26,886
Other non-deductible items	**2,930**	3,330	3,559
	135,750	(2,692,299)	(2,640,100)
Tax effect of adjustments relating to temporary differences			
Amortization and depreciation expenses	**185,061**	1,111,899	1,196,399
Net movements in provisions	**(8,164)**	386,783	(7,579)
Settlement proceeds from Applera Corporation	**(157,911)**	(183,426)	(614,162)
Other			(117,256)
Tax losses utilized	**(154,736)**		
Tax losses not recognized		1,377,043	2,182,698
Income tax expense			
Income tax expense			
Current tax			
Deferred tax			
Aggregate income tax expense			
Deferred tax assets			
Deferred revenue	**49,064**	58,332	68,702
Applera settlement	**581,510**	739,421	922,847
Intangible assets	**515,853**	927,311	562,004
Doubtful debts	**17,010**	30,750	33,900
Provisions	**228,572**	236,737	187,678
Total deferred tax assets	**1,392,009**	1,992,551	2,365,776
Deferred tax assets on temporary differences not brought to account	**(1,392,009)**	(1,992,551)	(2,365,776)
Total net deferred tax assets			
Tax losses			
Unused tax losses for which no deferred tax asset has been recognized	**31,690,991**	32,206,778	26,291,400
Potential tax benefit @ 30%	**9,507,297**	9,662,033	7,887,420

Subject to the Group continuing to meet relevant statutory tests, the tax losses are available for offset against future taxable income.

Table of Contents

10. INCOME TAX (cont.)

As at balance date, there are unconfirmed tax losses with a benefit of approximately $9,507,297 (2010: $9,662,033; 2009: $7,887,420) that have not been recognized as a deferred tax asset to the Group. These unrecognized deferred tax assets will only be obtained if:

(a) The Group companies derive future assessable income of a nature and amount sufficient to enable the benefits to be realized;

(b) The Group companies continue to comply with the conditions for deductibility imposed by the law; and

(c) No changes in tax legislation adversely affect the Group companies from realizing the benefit.

Tax consolidation legislation

Genetic Technologies Limited and its wholly-owned Australian subsidiaries implemented the tax consolidation legislation as from July 1, 2003. The accounting policy in relation to this legislation is set out in Note 2(l). The entities in the tax consolidated group have entered into a Tax Sharing Agreement which, in the opinion of the Directors, limits the joint and several liabilities of the wholly-owned entities in the case of a default by the head entity, Genetic Technologies Limited.

The entities have also entered into a Tax Funding Agreement under which the wholly-owned entities fully compensate Genetic Technologies Limited for any current tax payable assumed and are compensated by Genetic Technologies Limited for any current tax receivable and deferred tax assets relating to unused tax losses or unused tax credits that are transferred to Genetic Technologies Limited under the tax consolidation legislation. The funding amounts are determined by reference to the amounts recognized in the respective subsidiaries financial statements. The amounts receivable or payable under the Tax Funding Agreement are due upon receipt of the funding advice from the head entity, which is issued as soon as practicable after the end of each financial year.

As at June 30, 2011, there are no unrecognized temporary differences associated with the Group s investments in subsidiaries, as the Group has no liability for additional taxation should unremitted earnings be remitted (2010: $nil; 2009: $nil).

11. CASH AND CASH EQUIVALENTS

	Consolidated		
	2011	**2010**	**2009**
	$	**$**	**$**
Reconciliation of cash and cash equivalents			
Cash at bank and on hand	**1,985,257**	1,773,152	3,076,902
Short-term deposits	**3,119,410**	1,533,159	4,750,000

Total cash and cash equivalents	**5,104,667**	3,306,311	7,826,902

Note: As at June 30, 2011, cash amounting to $80,911 was held on deposit as security for the Group s hire purchase obligations (2010: $418,733; 2009: $301,432) (refer Note 27).

Reconciliation of profit / (loss) for the year			
Reconciliation of profit / (loss) for the year after income tax to net cash flows used in operating activities is as follows:			
Profit / (loss) for the year after income tax	**901,341**	(9,355,209)	(7,858,321)
Adjust for non-cash items			
Amortization and depreciation expenses	**616,870**	3,706,330	3,987,996
Share-based payments expense / (credit)	**253,851**	5,866	(43,497)
Net impairment losses and other write-downs	**269,005**	1,786,533	318,025
Net loss on disposal of plant and equipment	**217,737**	6,904	(100,811)
Net foreign exchange losses / (gains)	**68,057**	(10,517)	(68,007)
Net profit on disposal of available-for-sale investments		(210,195)	
Fair value of listed shares acquired			(85,000)
Adjust for changes in assets and liabilities			
(Increase) / decrease in trade and other receivables	**80,288**	1,074,582	(232,501)
(Increase) / decrease in prepayments / other assets	**(104,124)**	77,290	410,400
(Increase) / decrease in other financial assets	**69,009**	(71,458)	68,917
Increase / (decrease) in trade and other payables	**(80,645)**	(962,884)	372,145
Increase / (decrease) in deferred revenue	**(30,895)**	(34,567)	90,067
Increase / (decrease) in provisions	**(27,215)**	(315,555)	18,724
Net cash flows provided by / (used in) operating activities	**2,233,279**	(4,302,880)	(4,923,491)

Table of Contents

11. CASH AND CASH EQUIVALENTS (cont.)

	Consolidated		
	2011	**2010**	**2009**
	$	**$**	**$**
Financing facilities available			
As at June 30, 2011, the following financing facilities had been negotiated and were available:			
Total facilities			
Hire purchase facility	**2,500,000**	2,500,000	2,500,000
Credit cards	**145,000**	147,000	147,000
Facilities used as at reporting date			
Hire purchase facility (refer note below)	**(67,878)**	(382,640)	(373,444)
Credit cards	**(18,786)**	(29,123)	(22,958)
Facilities unused as at reporting date			
Hire purchase facility	**2,432,122**	2,117,360	2,126,556
Credit cards	**126,214**	117,877	124,042

Non-cash activities

During the financial year, the Group acquired plant and equipment with an aggregate fair value of $nil (2010: $213,275; 2009: $269,420) by means of hire purchase agreements.

Hire purchase facility

As at June 30, 2011, the Company had breached one of the covenants of the Master Asset Finance Facility which governs the hire purchase agreements. Subsequent to balance date, National Australia Bank Limited provided the Company with a letter waiving its right to take any further action in respect of the breach. As a result of the breach, however, all liabilities in respect of the hire purchase agreements as at June 30, 2011 have been classified as current liabilities in the balance sheet.

12. TRADE AND OTHER RECEIVABLES (CURRENT)

	Consolidated	
	2011	**2010**
	$	**$**
Trade receivables	**718,070**	833,243
Less: provision for doubtful debts	**(56,700)**	(102,500)
Net trade receivables	**661,370**	730,743
Other receivables	**12,999**	23,914
Total current net trade and other receivables	**674,369**	754,657

Note: Trade and other receivables for the Group include amounts due in US dollars of USD 113,276 (2010: USD 119,677), European Euros of EUR 90,105 (2010: EUR 90,000), Chinese yuan of CNY nil (2010: CNY 56,259) and Swiss francs of CHF nil (2010: CHF 550).

Refer Note 34 for details of aging, interest rate and credit risks applicable to trade and other receivables for which, due to their short-term nature, their carrying value approximates their fair value.

13. PREPAYMENTS AND OTHER ASSETS (CURRENT)

Prepayments	**191,047**	113,568
Inventories at the lower of cost and net realizable value	**282,612**	255,967
Total current prepayments and other assets	**473,659**	369,535

Table of Contents

14. PERFORMANCE BOND AND DEPOSITS (CURRENT)

	Consolidated	
	2011	**2010**
	$	**$**
Performance bond	**2,449**	71,235
Other deposits	**200**	423
Total current performance bond and deposits	**2,649**	71,658

15. PROPERTY, PLANT AND EQUIPMENT

Laboratory / veterinary equipment, at cost	**4,301,671**	5,800,013
Less: accumulated depreciation	**(2,822,791)**	(3,804,498)
Less: impairment loss	**(751,325)**	(448,527)
Net laboratory / veterinary equipment	**727,555**	1,546,988
Computer equipment, at cost	**615,420**	697,641
Less: accumulated depreciation	**(519,625)**	(636,022)
Net computer equipment	**95,795**	61,619
Office equipment, at cost	**211,065**	199,741
Less: accumulated depreciation	**(145,205)**	(144,925)
Less: impairment loss		(10,613)
Net office equipment	**65,860**	44,203
Equipment under hire purchase, at cost	**1,282,389**	2,017,271
Less: accumulated depreciation	**(1,228,071)**	(1,690,651)
Less: impairment loss	**(10,000)**	(31,087)
Net equipment under hire purchase	**44,318**	295,533
Leasehold improvements, at cost	**108,212**	114,665
Less: accumulated depreciation	**(94,240)**	(82,348)
Less: impairment loss		(2,834)
Net leasehold improvements	**13,972**	29,483
Total net property, plant and equipment	**947,500**	1,977,826
Reconciliation of property, plant and equipment		
Opening gross carrying amount	**8,829,331**	8,647,873
Add: additions purchased during the year	**369,809**	358,071
Less: disposals made during the year	**(2,680,383)**	(176,613)
Closing gross carrying amount	**6,518,757**	8,829,331
Opening accumulated depreciation	**(6,851,505)**	(5,637,848)
Add: disposals made during the year	**2,087,807**	164,732
Less: depreciation expense charged	**(539,295)**	(885,328)
Less: impairment losses	**(268,264)**	(493,061)
Closing accumulated depreciation	**(5,571,257)**	(6,851,505)
Total net property, plant and equipment	**947,500**	1,977,826

Table of Contents

15. PROPERTY, PLANT AND EQUIPMENT (cont.)

Reconciliation of movements in property, plant and equipment by asset category

Asset category	Opening net carrying amount $	Additions during year $	Net disposals during year $	Depreciation expense and impairment loss $	Closing net carrying amount $
Laboratory / veterinary equipment	1,546,988	231,708	(459,942)	(591,199)	**727,555**
Computer equipment	61,619	86,109	(4,668)	(47,265)	**95,795**
Office equipment	44,203	45,480	(16,292)	(7,531)	**65,860**
Equipment under hire purchase	295,533		(103,693)	(147,522)	**44,318**
Leasehold improvements	29,483	6,512	(7,981)	(14,042)	**13,972**
Totals	1,977,826	369,809	(592,576)	(807,559)	**947,500**

Impairment loss

The total plant and equipment impairment loss for the 2011 financial year was $268,264 (2010: $493,061). This loss comprised items of equipment acquired under the Supply Agreement with Applera Corporation ($373,677) (Applera), offset by write-backs of items of equipment associated with the Company s reproductive services business ($105,413).

The impairment charges relating to the equipment acquired under the Supply Agreement with Applera arose following an exchange of surplus laboratory equipment with an Australian-based subsidiary of Applera.

As at balance date, the Company believes that the carrying values of the remaining items of plant and equipment of $947,500 is appropriate.

16. INTANGIBLE ASSETS AND GOODWILL

	Consolidated	
	2011 $	**2010 $**
Patents		
Patents, at cost	**36,538,523**	36,417,619
Less: accumulated amortization	**(32,639,674)**	(32,441,195)
Less: impairment losses	**(3,528,000)**	(3,528,000)

Total net patents	**370,849**	448,424
Other intangible assets		
Assets associated with BREVAGenTM breast cancer risk test, at cost	**1,033,273**	1,033,273
Total net other intangible assets	**1,033,273**	1,033,273
Goodwill		
Goodwill, at cost	**358,012**	1,625,115
Less: accumulated amortization	**(42,624)**	(42,624)
Less: impairment losses		(1,264,603)
Total net goodwill	**315,388**	317,888
Total net intangible assets and goodwill	**1,719,510**	1,799,585

Table of Contents

16. INTANGIBLE ASSETS AND GOODWILL (cont.)

	Consolidated	
	2011	**2010**
	$	**$**
Reconciliation of patents		
Opening gross carrying amount	**36,417,619**	36,319,304
Add: additions purchased during the year (refer note)		242,379
Adjust for exchange rate movements	**120,904**	(144,064)
Closing gross carrying amount	**36,538,523**	36,417,619
Opening accumulated amortization and impairment losses	**(35,969,195)**	(33,292,255)
Add: amortization expense charged	**(77,575)**	(2,821,004)
Adjust for exchange rate movements	**(120,904)**	144,064
Closing accumulated amortization and impairment losses	**(36,167,674)**	(35,969,195)
Total net patents	**370,849**	448,424
Reconciliation of other intangible assets		
Opening gross carrying amount	**1,033,273**	
Add: acquisition of BREVAGenTM breast cancer risk test (refer note)		1,033,273
Total net other intangible assets	**1,033,273**	1,033,273
Reconciliation of goodwill		
Opening gross carrying amount	**1,625,115**	1,625,115
Less: goodwill written off	**(1,267,103)**	
Closing gross carrying amount	**358,012**	1,625,115
Opening accumulated amortization and impairment losses	**(1,307,227)**	(42,624)
Add: goodwill written off	**1,264,603**	
Less: impairment losses		(1,264,603)
Closing accumulated amortization and impairment losses	**(42,624)**	(1,307,227)
Total net goodwill	**315,388**	317,888

Acquisition of BREVAGenTM breast cancer risk test

On April 14, 2010, the Company acquired various intangible assets from California-based Perlegen Sciences Inc. (Perlegen), the majority of which relate to a proprietary genetic breast cancer risk test called BREVAGenTM. The carrying value of the assets acquired from Perlegen, which also equates to cost, is dissected as follows:

	$
Intangible assets related to the BREVAGenTM test	1,033,273

Non-coding patents	242,379
Total value of assets acquired from Perlegen	1,275,652

In assessing the correct accounting treatment for the acquisition of the BREVAGenTM assets, consideration was given to the factors for determining a business combination in accordance with IFRS 3R.

As the BREVAGenTM assets were acquired in an arm s-length transaction and the forecast revenues from the sale of the BREVAGenTM test demonstrate the likely use of the assets, there is no indication of impairment as at June 30, 2011. Certain royalties, representing a fixed percentage of future sales of the BREVAGenTM test, will be payable by the Company to Perlegen and other parties.

Table of Contents

17. TRADE AND OTHER PAYABLES (CURRENT)

	Consolidated	
	2011	**2010**
	$	**$**
Trade payables	**653,046**	680,377
Other payables	**301,018**	228,899
Accrued expenses	**160,964**	286,397
Total current trade and other payables	**1,115,028**	1,195,673

Note: Trade payables and other payables for the Group include amounts due in US dollars of USD 217,168 (2010: USD 97,957), Chinese yuan of CNY 68,158 (2010: CNY 50,508), Canadian dollars of CAD 22,539 (2010: CAD 9,326), European euros of EUR 17,250 (2010: EUR 45,187), Swiss francs of CHF 3,290 (2010: CHF 3,190), New Zealand dollars of NZD 136 (2010: NZD 39) and Pounds Sterling of GBP nil (2010: GBP 3,729).

Refer Note 34 for details of contractual maturity and management of interest rate, foreign exchange and liquidity risks applicable to trade and other payables for which, due to their short-term nature, their carrying value approximates their fair value.

18. INTEREST-BEARING LIABILITIES (CURRENT)

Hire purchase liability (Notes 27 and 34)	**67,878**	382,640
Total current interest-bearing liabilities	**67,878**	382,640

Note: The carrying values of the hire purchase liabilities approximate their fair values. As at June 30, 2011, the Company had breached one of the covenants of the Master Asset Finance Facility which governs the hire purchase agreements. Subsequent to balance date, National Australia Bank Limited provided the Company with a letter waiving its right to take any further action in respect of the breach. As a result of the breach, however, all liabilities in respect of the hire purchase agreements as at June 30, 2011 have been classified as current liabilities in the balance sheet.

19. DEFERRED REVENUE (CURRENT)

Genetic testing fees received in advance	**159,001**	192,841
Reproductive service fees received in advance	**4,545**	1,600
Total current deferred revenue	**163,546**	194,441

20. PROVISIONS (CURRENT AND NON-CURRENT)

Current provisions		
Annual leave	**417,603**	442,108
Long service leave	**261,574**	264,081
Total current provisions	**679,177**	706,189
Non-current provisions		
Long service leave	**82,730**	82,933
Total non-current provisions	**82,730**	82,933
Total provisions	**761,907**	789,122
Reconciliation of annual leave provision		
Balance at the beginning of the financial year	**442,108**	396,198
Add: obligation accrued during the year	**403,929**	383,883
Less: utilized during the year	**(428,434)**	(337,973)
Balance at the end of the financial year (note)	**417,603**	442,108

Table of Contents

20. PROVISIONS (CURRENT) (cont.)

	Consolidated	
	2011	**2010**
	$	**$**
Reconciliation of long service leave provision		
Balance at the beginning of the financial year	**347,014**	338,133
Add: obligation accrued during the year	**60,342**	54,401
Less: utilized during the year	**(63,052)**	(45,520)
Balance at the end of the financial year (note)	**344,304**	347,014
Reconciliation of withholding tax		
Balance at the beginning of the financial year		370,346
Add: obligation accrued during the year		
Less: reversal of provision		(370,346)
Balance at the end of the financial year		

Note: The current provisions for annual leave and long service leave include a total amount of $417,603 (2010: $442,475) in respect of obligations which, based on historical evidence, the Company estimates will be settled more than 12 months from balance date.

21. CONTRIBUTED EQUITY

Issued and paid-up capital		
Fully paid ordinary shares	**72,378,105**	72,378,105
Total contributed equity	**72,378,105**	72,378,105

	Shares	**$**
Movements in shares on issue		
Year ended June 30, 2011		
Balance at the beginning of the financial year	**404,605,152**	**72,378,105**
Add: shares issued during the year		
Balance at the end of the financial year	**404,605,152**	**72,378,105**
Year ended June 30, 2010		
Balance at the beginning of the financial year	374,644,801	71,285,663
Add: shares issued during the year for cash (net of associated costs)	27,940,530	1,011,650
Add: shares issued during the year other than for cash	2,019,821	80,792
Balance at the end of the financial year	404,605,152	72,378,105

Terms and conditions of contributed equity

Ordinary shares have the right to receive dividends as declared and, in the event of winding up the Company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held. Ordinary shares entitle their holder to one vote, either in person or by proxy, at a meeting of the Company.

Capital management

When managing capital, Management s objective is to ensure that the Group continues as a going concern as well as to maintain optimal returns for shareholders and benefits for other stakeholders. Management also aims to maintain a capital structure that ensures the lowest cost of capital available to the entity.

Table of Contents

22. RESERVES

	Consolidated	
	2011	**2010**
	$	**$**
Foreign currency translation	**(155,040)**	(69,961)
Share-based payments	**1,852,954**	1,599,103
Net unrealized gains reserve		
Total reserves	**1,697,914**	1,529,142
Reconciliation of foreign currency translation reserve		
Balance at the beginning of the financial year	**(69,961)**	(61,338)
Add: net currency translation loss	**(85,079)**	(8,623)
Balance at the end of the financial year	**(155,040)**	(69,961)
Reconciliation of share-based payments reserve		
Balance at the beginning of the financial year	**1,599,103**	1,593,237
Add: share-based payments expense	**253,851**	5,866
Balance at the end of the financial year	**1,852,954**	1,599,103
Reconciliation of net unrealized gains reserve		
Balance at the beginning of the financial year		170,000
Less: reversal of reserve		(170,000)
Balance at the end of the financial year		

Nature and purpose of reserves

Foreign currency translation reserve

This reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries.

Share-based payments reserve

This reserve is used to record the value of share-based payments provided to employees and others providing similar services as part of their remuneration.

Net unrealized gains reserve

This reserve is used to record movements in the fair value of available-for-sale investments.

23. ACCUMULATED LOSSES

	Consolidated	
	2011	**2010**
	$	**$**
Balance at the beginning of the financial year	**(68,374,028)**	(59,030,262)
Add: net profit / (loss) attributable to members of Genetic Technologies Limited	**910,002**	(9,343,766)
Balance at the end of the financial year	**(67,464,026)**	(68,374,028)

Table of Contents

24. MINORITY INTERESTS

	Consolidated	
	2011 $	**2010 $**
Reconciliation of minority interests in subsidiaries		
Balance at the beginning of the financial year	**184,477**	154,745
Add: movements during the year		
Less: share of operating losses	**(8,661)**	(11,443)
Less: share of movement in reserves	**(11,585)**	3,404
Net loss attributable to minority interests	**(20,246)**	(8,039)
Add: share of issued capital	**37,771**	37,771
Balance at the end of the financial year	**202,002**	184,477

25. OPTIONS

As at June 30, 2011, the following options over ordinary shares in the Company were outstanding.

	2011	**Weighted ave. exercise price**	**2010**	**Weighted ave. exercise price**
Unlisted employee options (refer below)	**19,650,000**	**$ 0.11**	3,300,000	$ 0.33

On November 30, 2001, the Directors of the Company established a Staff Share Plan. On November 19, 2008, the shareholders of the Company approved the introduction of a new Employee Option Plan. Under the terms of the respective Plans, the Directors of the Company may grant options over ordinary shares in Genetic Technologies Limited to executives, consultants and employees of the Group. The options, which are granted at nil cost, are not transferable and are not quoted on ASX. As at June 30, 2011, there were 6 executives and 23 employees who held options that had been granted under the Plans. Options granted under the Plans carry no rights to dividends and no voting rights. The movements in the number of options granted under the Plans are as follows:

	2011	**Weighted ave. exercise price**	**2010**	**Weighted ave. exercise price**
Balance at the beginning of the financial year	**3,300,000**	**$ 0.33**	4,400,000	$ 0.34
Add: options granted during the year	**17,300,000**	**$ 0.09**		
Less: options forfeited during the year	**(200,000)**	**$ 0.22**	(600,000)	$ 0.26
Less: options expired during the year	**(750,000)**	**$ 0.48**	(500,000)	$ 0.52
Balance at the end of the financial year	**19,650,000**	**$ 0.11**	3,300,000	$ 0.33
Exercisable at the end of the financial year	**2,650,000**	**$ 0.28**	2,825,000	$ 0.34

No funds were raised from the exercise of options granted under the Staff Share Plan during the year ended June 30, 2011 (2010: $nil). The numbers of options outstanding as at June 30, 2011 by ASX code, including the respective dates of expiry and exercise prices, are tabled below. Refer Note 28 for further information. The options tabled below are not listed on ASX.

Option description	2011	Weighted ave. exercise price	2010	Weighted ave. exercise price
GTGAA (expiring 6 September 2010)			750,000	$ 0.48
GTGAD (expiring 12 August 2011)	**250,000**	**$ 0.43**	250,000	$ 0.43
GTGAE (expiring 12 August 2011)	**250,000**	**$ 0.53**	250,000	$ 0.53
GTGAH (expiring 31 May 2012)	**150,000**	**$ 0.40**	150,000	$ 0.40
GTGAI (expiring 8 May 2015)	**12,000,000**	**$ 0.045**		
GTGAK (expiring 30 September 2015)	**500,000**	**$ 0.045**		
GTGAW (expiring 31 March 2016)	**4,500,000**	**$ 0.19**		
GTGAW (expiring 31 May 2012)	**300,000**	**$ 0.19**		
GTGAY (expiring 23 October 2012)	**1,700,000**	**$ 0.22**	1,900,000	$ 0.22
Balance at the end of the financial year	**19,650,000**	**$ 0.11**	3,300,000	$ 0.33

Table of Contents

26. SEGMENT INFORMATION

Identification of reportable segments

The Group has identified three reportable segments based on the similarity of the products produced and sold and/or the services provided, as these represent the sources of the Group s major risks and have the greatest effect on the rates of return. The separate groups of products and services are then divided into operating businesses, the performances of which are reported to the Chief Executive Officer, the Senior Leadership Team and the Board of Directors on a monthly basis. The segments are reported in a manner that is consistent with the internal reporting provided to the chief operating decision maker. The Group also separately reports the corporate headquarter function to clearly identify costs associated with that function. The corporate function is not considered to be an operating or reportable segment. The Group s three operating segments can be described as follows:

Operations involves the provision of a range of genetic testing services.

Licensing involves the out-licensing of the Group s non-coding technology.

Research involves the undertaking of a range of research and development projects in the field of genetics and related areas.

The *Corporate* disclosures below include all revenues, costs, assets and liabilities associated with the headquarter function.

Business segments

Segment		Revenues and income			Profit / (loss) after tax
		Sales	Other	Totals	
		$	$	$	$
Operations (continuing)	**2011**	**4,594,960**		**4,594,960**	**(4,017,757)**
	2010	4,915,528		4,915,528	(5,166,294)
Licensing	**2011**		**13,680,741**	**13,680,741**	**9,583,419**
	2010		3,739,747	3,739,747	(186,856)
Research	**2011**				**(1,041,461)**
	2010				(1,576,503)
Sub-total	**2011**	**4,594,960**	**13,680,741**	**18,275,701**	**4,524,201**
	2010	4,915,528	3,739,747	8,655,275	(6,929,653)
Corporate	**2011**		**(85,771)**	**(85,771)**	**(3,644,422)**
	2010		425,239	425,239	(2,871,670)
Totals	**2011**	**4,594,960**	**13,594,970**	**18,189,930**	**879,779**
	2010	4,915,528	4,164,986	9,080,514	(9,801,323)

		Amortization	Impairment	Purchases of

Segment		Assets $	Liabilities $	/depreciation $	losses/write downs $	equipment $
Operations (continuing)	**2011**	**2,946,818**	**(1,035,198)**	**(469,383)**	**(269,005)**	**341,549**
	2010	3,885,395	(1,646,160)	(783,826)	(1,786,533)	345,801
Licensing	**2011**	**557,866**	**(189,704)**	**(29,960)**		**1,545**
	2010	674,373	(274,602)	(2,771,907)		6,477
Research	**2011**	**79,781**	**(42,517)**	**(87,799)**		
	2010	165,523	(81,442)	(111,412)		
Sub-total	**2011**	**3,584,465**	**(1,267,419)**	**(587,142)**	**(269,005)**	**343,094**
	2010	4,725,291	(2,002,204)	(3,667,145)	(1,786,533)	352,278
Corporate	**2011**	**5,337,889**	**(840,940)**	**(29,728)**		**26,715**
	2010	3,554,281	(559,672)	(39,185)		5,793
Totals	**2011**	**8,922,354**	**(2,108,359)**	**(616,870)**	**(269,005)**	**369,809**
	2010	8,279,572	(2,561,876)	(3,706,330)	(1,786,533)	358,071

Notes: *Other revenues and income - corporate* includes interest received of $200,023 (2010: $211,431).
Expenses - corporate includes employee benefits expenses of $1,808,821 (2010: $1,649,169).
Assets - corporate includes cash of $5,104,667 (2010: $3,306,311).
Liabilities - corporate includes trade and other payables of $627,608 (2010: $373,043) and provisions of $213,334 (2010: $173,607).
There were no intersegment sales.

Table of Contents

26. SEGMENT INFORMATION (cont.)

Geographic information

Australia is the home country of the parent entity and the location of the Company s genetic testing and licensing operations.

USA is the home of Phenogen Sciences Inc. and GeneType Corporation.

China is the home of Genetic Technologies (Beijing) Limited.

Canada is the home of Gtech International Resources Limited.

Switzerland is the home of GeneType AG.

Geographic segments

Segment		Revenues and income Sales $	Other $	Totals $	Profit / (loss) after tax $
Australia	**2011**	**4,591,389**	**13,583,021**	**18,174,410**	**2,473,786**
	2010	4,834,035	4,164,896	8,998,931	(9,511,225)
USA	**2011**		**66,595**	**66,595**	**(1,412,164)**
	2010				(118,429)
China	**2011**	**3,571**	**(54,646)**	**(51,075)**	**(132,774)**
	2010	81,493	90	81,583	(105,068)
Canada	**2011**				**(35,819)**
	2010				(47,325)
Switzerland	**2011**				**(13,250)**
	2010				(19,276)
Totals	**2011**	**4,594,960**	**13,594,970**	**18,189,930**	**879,779**
	2010	4,915,528	4,164,986	9,080,514	(9,801,323)

Segment		Assets $	Liabilities $	Amortization /depreciation $	Impairment losses /write downs $	Purchases of equipment $
Australia	**2011**	**8,420,967**	**352,832**	**(596,416)**	**(263,099)**	**303,526**
	2010	7,795,180	(1,759,575)	(3,686,873)	(1,786,533)	339,793
USA	**2011**	**187,807**	**(2,005,722)**	**(10,575)**		**66,283**
	2010		(407,148)			
China	**2011**	**271**	**(323,256)**	**(9,879)**	**(5,906)**	
	2010	105,420	(294,230)	(19,457)		18,278
Canada	**2011**	**302,968**	**(21,775)**			
	2010	375,305	(10,383)			
Switzerland	**2011**	**10,341**	**(110,438)**			

	2010	3,667	(90,540)			
Totals	**2011**	**8,922,354**	**(2,108,359)**	**(616,870)**	**(269,005)**	**369,809**
	2010	8,279,572	(2,561,876)	(3,706,330)	(1,786,533)	358,071

Included in the above figures are the following intersegment balances and transactions:

	Consolidated	
	2011	**2010**
	$	**$**
Loan payable (USA) and loan receivable (Australia)	**1,851,870**	407,148
Loan payable (China) and loan receivable (Australia)	**633**	633
Loan payable (Switzerland) and loan receivable (Australia)	**106,170**	87,109
Accounts payable (China) and accounts receivable (Australia)	**312,689**	276,135
Foreign exchange gain (USA) and foreign exchange loss (Australia)	**67,041**	
Cost of sales (China) and sales (Australia)	**389**	6,702
Management fees paid (China) and management fees received (Australia)	**19**	331

Table of Contents

26. SEGMENT INFORMATION (cont.)

Segment products and locations

The three principal business segments of the Group are operations, licensing and research. The principal geographic segment is Australia, with the Company s headquarters being located in Melbourne in the State of Victoria.

Segment accounting policies

Segment information is prepared in conformity with the accounting policies of the entity and Accounting Standard *IFRS 8 (AASB 8) Operating Segments* which was adopted by the Company in 2009. As a result, the primary reporting segments now reflect more closely the information that Management uses to make decisions about operating matters. Interest received and finance costs are allocated under the heading *Corporat*e as they are not part of the core operations of any other segment.

Major customers

The Group has a number of major customers to which it provides both products and services. During the year ended June 30, 2011, there were two customers from whom the Group generated revenues representing more than 10% of the total consolidated revenue from operations. During the year ended June 30, 2010, there were no such customers.

27. COMMITMENTS AND CONTINGENCIES

On January 14, 2005, the Company executed a Master Asset Finance Agreement with National Australia Bank Limited in respect of a $2,500,000 asset finance facility (the Facility). Each of the Company s Australian-resident subsidiaries has provided a guarantee to the Company in respect of the Facility. Refer Note 18 in respect of a breach of the Facility s terms.

	Consolidated	
	2011	**2010**
	$	**$**
Hire purchase expenditure commitments		
Minimum hire purchase payments		
- not later than one year	**53,008**	259,597
- later than one year but not later than five years	**17,981**	152,954
- later than five years		

Total minimum hire purchase payments	**70,989**	412,551
Less: future finance charges	**(3,111)**	(29,911)
Present value of hire purchase payments	**67,878**	382,640
Aggregate expenditure commitments comprise:		
Current liability (Note 18)	**67,878**	382,640
Operating lease expenditure commitments		
Minimum operating lease payments		
- not later than one year	**354,192**	459,193
- later than one year but not later than five years	**432,051**	723,103
- later than five years		
Total minimum operating lease payments	**786,243**	1,182,296

As at June 30, 2011, the above operating leases related to the following premises that are currently occupied by the Group:

Location	**Landlord**	**Use**	**Date of expiry of lease**		**Minimum payments**
60-66 Hanover Street Fitzroy, Victoria 3065 Australia	Crude Pty. Ltd.	Office and laboratory	September 30, 2013	$	746,496
9115 Harris Corners Parkway, Suite 320 Charlotte, North Carolina 28269 USA	New Boston Harris Corners LLC	Office	October 31, 2012	$	39,747
			Total	$	786,243

Apart from the above, there were no other commitments or contingencies as at June 30, 2011.

Table of Contents

28. EMPLOYEE BENEFITS

Employee options

On November 30, 2001, the Directors of the Company established a Staff Share Plan. On November 19, 2008, the shareholders of the Company approved the introduction of a new Employee Option Plan. Under the terms of the respective Plans, the Directors may, at their discretion, grant options over the ordinary shares in the Genetic Technologies Limited to executives, consultants, employees, and formerly Non-Executive Directors, of the Group (refer Notes 25 and 29).

On July 8, 2010, a total of 12,000,000 options over ordinary shares in the Company were granted, at no cost, to members of the Company s Senior Leadership Team. Each option, which entitles the holder to acquire one ordinary share at a cost of $0.045, will expire on May 8, 2015, unless exercised before that date. On February 3, 2011, a further 500,000 similar options were granted.

On May 26, 2011, a total of 4,800,000 options over ordinary shares in the Company were granted, at no cost, to a number of employees, including those employed by its subsidiary, Phenogen Sciences Inc. Each option, which entitles the holder to acquire one ordinary share at a cost of $0.19, will expire no later than March 31, 2016, unless exercised before that date.

The majority of above options granted during the 2011 financial year vest in three equal tranches after 12 months, 24 months and 36 months from the date of grant, respectively. As at June 30, 2011, there were 6 executives and 23 employees who held options that had been granted under the Plans. There were no options granted during the year ended June 30, 2010.

Superannuation commitments

The Group does not have any defined benefit funds. The Group makes statutory contributions to various superannuation funds on behalf of all employees at a rate of 9% per annum, in addition to making other superannuation contributions as part of salary packaging arrangements with staff. All contributions are expensed when incurred. Contributions made by the Group of up to 9% per annum of employees wages and salaries are legally enforceable in Australia.

29. RELATED PARTY DISCLOSURES

Ultimate parent

Genetic Technologies Limited is the ultimate Australian parent company. As at the date of this Report, no shareholder controls more than 50% of the issued capital of the Company.

Transactions within the Group

During the year ended June 30, 2011, various transactions within the Group occurred, as listed below. All amounts were charged on commercial, arm s-length terms and at commercial rates.

- AgGenomics Pty. Ltd., a subsidiary, paid interest to the Company amounting to $12,523 (2010: $12,302) in respect of an outstanding loan between the parties.

- ImmunAid Pty. Ltd., a subsidiary, paid management fees to the Company amounting to $22,500 (2010: $45,000).

- Genetic Technologies (Beijing) Limited (GTBL), a subsidiary, paid management fees to Genetic Technologies Corporation Pty. Ltd. (GTC) of $19 (2010: $331). GTBL also purchased testing services from GTC at a cost of $389 (2010: $6,702).

Other related party transactions

During the year ended June 30, 2011, the Company and GeneType Pty. Ltd., a subsidiary, collectively paid a total of $84,583 (2010: $579,806) to Bankberg Pty. Ltd. (Bankberg), a company associated with a former Director and majority shareholder of the Company, Dr. Mervyn Jacobson, for rent and its share of body corporate expenses in respect of the office and laboratory premises in Fitzroy, Victoria that are leased by the Group. On August 20, 2010, Bankberg Pty. Ltd. sold the Fitzroy premises to an unrelated third party (refer Note 27).

During the year ended June 30, 2011, the Company paid a total of $50,000 (2010: $50,000) to Dr. Jacobson in respect of an administrative allowance associated with his role as the Company s Vice President Global Licensing and Intellectual Property. Also during the year, Genetic Technologies Limited paid a total of $924,679 (2010: $238,100) to Transmedia Inc., another company associated with Dr. Jacobson, in respect of commissions paid in relation to licensing services provided to the Company and reimbursement of associated travel expenses of $152,033 (2010: $153,151). During the 2011 financial year, Dr. Jacobson also served as Chief Executive Officer of ImmunAid Pty. Ltd., a subsidiary. He received no compensation in respect of this role.

All transactions with Key Management Personnel have been entered into under terms and conditions no more favourable than those which the entity would have adopted if dealing at arm s length. Please refer below for a description of transactions with Key Management Personnel.

Table of Contents

29. RELATED PARTY DISCLOSURES (cont.)

Details of Key Management Personnel

Directors
Sidney C. Hack *(Non-Executive Chairman)*
Tommaso Bonvino *(Non-Executive)*
Dr. Malcolm R. Brandon *(Non-Executive)*
Huw D. Jones *(Non-Executive)*

Executives
Dr. Paul D.R. MacLeman *(Chief Executive Officer)*
Thomas G. Howitt *(Chief Financial Officer and Company Secretary)*
Alison J. Mew *(Chief Operating Officer)*
Lewis J. Stuart *(General Manager US operations)*
Gregory J. McPherson *(VP Sales and Marketing)*
Dr. David J. Sparling *(VP Legal and Corporate Development)*

Notes: Mr. Stuart was appointed as General Manager of Phenogen Sciences Inc., the Company s wholly-owned US subsidiary, on July 5, 2010.

	Consolidated	
	2011	**2010**
	$	**$**
Remuneration of Key Management Personnel		
Short-term employee benefits	**1,474,137**	1,057,476
Post-employment benefits	**179,503**	144,765
Share-based payments	**181,502**	28,257
Long-term benefits	**8,753**	6,187
Total remuneration of Key Management Personnel	**1,843,895**	1,236,685

Optionholdings of Key Management Personnel

June 30, 2011

		Number of options				Vesting as at year end	
Name of optionholder	**Opening balance**	**Granted**	**Exercised**	**Lapsed**	**Closing balance**	**Exercisable**	**Not exercisable**
Executive							
Dr. Paul D.R. MacLeman		3,600,000			3,600,000		3,600,000
Thomas G. Howitt	2,000,000	1,500,000		(750,000)	2,750,000	1,250,000	1,500,000
Alison J. Mew		1,500,000			1,500,000		1,500,000
Lewis J. Stuart		2,400,000			2,400,000		2,400,000
Gregory J. McPherson		1,500,000			1,500,000		1,500,000
Dr. David J. Sparling		1,500,000			1,500,000		1,500,000
Totals	2,000,000	12,000,000		(750,000)	13,250,000	1,250,000	12,000,000

Notes: Mr. Stuart became a member of Key Management Personnel during the year ended June 30, 2011.
The heading Lapsed includes options which expired.

June 30, 2010

Name of optionholder	Opening balance	Granted	Number of options Exercised	Lapsed	Closing balance	Vesting as at year end Exercisable	Not exercisable
Executive							
Dr. Paul D.R. MacLeman							
Thomas G. Howitt	2,000,000				2,000,000	250,000	1,750,000
Alison J. Mew							
Gregory J. McPherson							
Dr. David J. Sparling							
Totals	2,000,000				2,000,000	250,000	1,750,000

Notes: Ms. Mew, Mr. McPherson and Dr. Sparling became members of Key Management Personnel during the year ended June 30, 2010.

Table of Contents

29. RELATED PARTY DISCLOSURES (cont.)

Shareholdings of Key Management Personnel

June 30, 2011

Shares held in Genetic Technologies Limited	Opening balance	Number of shares Bought	Sold	Acquired on exercise of options	Closing balance
Director					
Sidney C. Hack					
Tommaso Bonvino					
Dr. Malcolm R. Brandon					
Huw D. Jones		797,887			797,887
Executive					
Dr. Paul D.R. MacLeman					
Thomas G. Howitt					
Alison J. Mew					
Lewis J. Stuart					
Gregory J. McPherson					
Dr. David J. Sparling					
Totals		797,887			797,887

During the year ended June 30, 2010, no members of Key Management Personnel bought, sold or held a beneficial interest in any shares in the Company.

Notes: Mr. Stuart became a member of Key Management Personnel during the year ended June 30, 2011.
Ms. Mew, Mr. McPherson and Dr. Sparling became members of Key Management Personnel during the year ended June 30, 2010.

All equity transactions with Key Management Personnel, other than those arising from the exercise of options, have been entered into under terms and conditions no more favourable than those which the entity would have adopted if dealing at arm s length.

30. AUDITORS REMUNERATION

	Consolidated 2011 $	2010 $
Audit services		
PricewaterhouseCoopers in respect of:		
Audit of the Company s Financial Report under the *Corporations Act 2001*	**250,812**	271,766
Other audit firms in respect of:		

Audit of the Financial Reports of subsidiaries	**15,403**	17,013
Total remuneration in respect of audit services	**266,215**	288,779
Non-audit services		
PricewaterhouseCoopers in respect of:		
Accounting and other services		60,000
Other audit firms in respect of:		
Tax advice and compliance, accounting and other services	**14,388**	16,514
Total remuneration in respect of non-audit services	**14,388**	76,514
Total auditors remuneration	**280,603**	365,293

Table of Contents

31. SUBSIDIARIES

The following diagram is a depiction of the Group structure as at June 30, 2011.

Name of Group company	Incorporation details	Group interest (%) 2011	Group interest (%) 2010	Net carrying value ($) 2011	Net carrying value ($) 2010
Entities held directly by parent					
GeneType Pty. Ltd.	September 5, 1990 Victoria, Australia	**100%**	100%	**1**	1
Genetic Technologies Corporation Pty. Ltd.	October 11, 1996 N.S.W., Australia	**100%**	100%	**2**	2
RareCellect Pty. Ltd.	March 7, 2001 N.S.W., Australia	**100%**	100%	**10**	10
GeneType AG	February 13, 1989 Zug, Switzerland	**100%**	100%	**6,614**	236
GeneType Corporation	December 18, 1989 California, U.S.A.	**100%**	100%		
Phenogen Sciences Inc.	June 28, 2010 Delaware, U.S.A.	**100%**	100%	**11,006**	
Gtech International Resources Limited	November 29, 1968 Yukon Territory, Canada	**75.8%**	75.8%	**281,193**	364,922
ImmunAid Pty. Ltd. (refer note below)		**71.7%**	71.7%	**70**	60

	March 21, 2001 Victoria, Australia				
Frozen Puppies Dot Com Pty. Ltd. (refer note below)	February 15, 2006 N.S.W., Australia		100%		
Total carrying value				**298,896**	365,231
Entities held by other subsidiaries					
AgGenomics Pty. Ltd.	February 15, 2002 Victoria, Australia	**50.1%**	50.1%		
Genetic Technologies (Beijing) Limited	December 25, 2008 Beijing Municipality, China	**100%**	100%		

Note: During the year ended June 30, 2011, Frozen Puppies Dot Com Pty. Ltd. was deregistered (refer Note 32).

Table of Contents

32. CHANGES IN THE COMPOSITION OF THE ENTITY

Deregistration of subsidiary

During the year ended June 30, 2010, a decision was made by the Company to strategically realign its animal business and to focus on the provision of animal genetic tests, rather than the services that were acquired as part of the acquisition of the Frozen Puppies Dot Com business in 2008. As a result, during the 2010 financial year, several impairment charges were raised in relation to:

- certain inventories associated with the Company s reproductive services business, in the amount of $6,232;
- certain items of plant and equipment associated with the reproductive services business, in the amount of $115,413; and
- goodwill arising from the acquisition of Frozen Puppies Dot Com Pty. Ltd., in the amount of $1,264,603.

Following the disposal of assets related to the reproductive services business during the 2011 financial year, Frozen Puppies Dot Com Pty. Ltd. was subsequently deregistered on June 1, 2011.

33. PARENT ENTITY FINANCIAL INFORMATION

Summary financial information

The financial statements for the parent entity, Genetic Technologies Limited, disclose the amounts set out in the following table.

	Consolidated	
	2011 $	**2010 $**
Balance sheet		
Current assets	**4,936,355**	3,243,890
Total assets	**8,878,935**	7,856,620
Current liabilities	**9,174,781**	7,381,481
Total liabilities	**9,275,259**	7,609,844
Equity		
Contributed equity	**72,378,105**	72,378,105
Reserves		
Share-based payments	**1,798,257**	1,544,406

Accumulated losses	**(74,572,686)**	(73,675,735)
	(396,324)	246,776
Loss for the year	**(896,951)**	(11,371,189)
Total comprehensive loss	**(896,951)**	(11,371,189)

Note: The current liabilities of Genetic Technologies Limited exceed its current assets as at June 30, 2011 due to the fact that the asset loans to, and investments in, its subsidiaries have been written down, whilst the loans from the subsidiaries to the parent entity as at that date have not.

Guarantees entered into by the parent entity

As at balance date, the parent entity had agreed to fund by way of loan all of the operating expenses of ImmunAid Pty. Ltd. (a subsidiary) up to, and including, September 30, 2011 and that it would not seek repayment of the loan during that period.

Related party information

As at June 30, 2011, $33,113,037 (2010: $30,793,956) was receivable by the Company from its various subsidiaries. As at the same date, an amount of $7,672,892 (2010: $5,626,740) was payable by the Company to its wholly-owned subsidiaries. All such loans are unsecured, generally interest free and there are no fixed terms of repayment.

Financial risk management

In assessing the recoverability of intercompany receivables, Genetic Technologies Limited, the parent entity, raises a provision for diminution to ensure that the carrying amount of these receivables does not exceed the net tangible assets of the subsidiaries.

Contingent liabilities and commitments of the parent entity

As at the date of this Report, the parent entity had no contingent liabilities or other commitments.

Table of Contents

34. FINANCIAL RISK MANAGEMENT

The Group s activities expose it to a variety of financial risks such as market risk (including currency risk and interest rate risk), credit risk and liquidity risk. The Group s overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance of the Group. The Group uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of foreign exchange, interest rate and aging analysis for credit risk.

Risk management is managed by the Group s Risk Management Committee under guidance provided by the Board of Directors. The Committee identifies and evaluates financial risks in close cooperation with the Group s operating units. The Board, via its Audit Committee, provides guidance for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk and credit risk.

The Group s principal financial instruments comprise cash at bank and on hand, short-term deposits and hire purchase liabilities. The Group has other financial assets and liabilities, such as trade receivables and payables, which arise directly from its operations.

The Group does not typically enter into derivative transactions, such as interest rate swaps or forward currency contracts. It is, and has been throughout the period under review, the Group s policy that no trading in financial instruments shall be undertaken. The main risks arising from the Group s financial instruments are credit risk exposures, liquidity risk, interest rate risk and foreign currency risk. The policies for managing each of these risks are summarized below.

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognized, in respect of each class of financial asset, financial liability and equity instrument are disclosed in Note 2.

The Group holds the following financial instruments:

	Consolidated	
	2011	**2010**
	$	**$**
Financial assets		
Cash at bank / on hand	**1,985,257**	1,773,152
Short-term deposits	**3,119,410**	1,533,159
Trade and other receivables	**674,369**	754,657
Performance bond and deposits	**2,649**	71,658
Total financial assets	**5,781,685**	4,132,626
Financial liabilities		
Trade and other payables	**1,115,028**	1,195,673
Hire purchase liabilities	**67,878**	382,640
Total financial liabilities	**1,182,906**	1,578,313

Credit risk

The Group s credit risk is managed on a Group basis. Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables and committed transactions. If there is no independent rating, the Group assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings. The compliance with credit limits by customers is regularly monitored by Management. Sales to retail customers are required to be settled in cash or using major credit cards, mitigating credit risk. The maximum exposures to credit risk as at June 30, 2011 in relation to each class of recognized financial assets is the carrying amount of those assets, as indicated in the balance sheet.

Financial assets included on the balance sheet that potentially subject the Group to concentration of credit risk consist principally of cash and cash equivalents and trade receivables. In accordance with the guidelines of the Group s Short Term Investment Policy, the Group minimizes this concentration of risk by placing its cash and cash equivalents with financial institutions that maintain superior credit ratings in order to limit the degree of credit exposure. For banks and financial institutions, only independently-rated parties with a minimum rating of A-1 are accepted. The Group has also established guidelines relative to credit ratings, diversification and maturities that seek to maintain safety and liquidity. The Group does not require collateral to provide credit to its customers, however, the majority of the Group s customers are large, reputable organizations and, as such, the risk of credit exposure is limited. The Group has not entered into any transactions that qualify as a financial derivative instrument.

Table of Contents

34. FINANCIAL RISK MANAGEMENT (cont.)

Credit risk (cont.)

In addition, receivable balances are monitored on an ongoing basis with the result that the Group s exposure to bad debts is not significant. As at June 30, 2011, the balance of the Group s provision for doubtful debts was $56,700 (2010: $102,500), out of a total net receivables balance as at that date of $674,369 (2010: $754,657). For some trade receivables, the Group may also obtain security in the form of guarantees, deeds of undertaking or letters of credit which can be called upon if the counterparty is in default under the terms of the agreement.

Credit risk further arises in relation to financial guarantees given by the Group to certain parties in respect of obligations of its subsidiaries. Such guarantees are only provided in exceptional circumstances.

An analysis of the aging of trade and other receivables and trade and other payables is provided below:

	Consolidated	
	2011	**2010**
	$	**$**
Net trade and other receivables		
Current (less than 30 days)	**616,550**	578,417
31 days to 60 days	**21,337**	98,533
61 days to 90 days (note)	**2,148**	10,702
Greater than 90 days (note)	**34,334**	67,005
Total net trade and other receivables (Note 12)	**674,369**	754,657
Net trade and other payables		
Current (less than 30 days)	**1,085,480**	1,153,364
31 days to 60 days	**28,866**	42,309
61 days to 90 days		
Greater than 90 days	**682**	
Total net trade and other payables (Note 17)	**1,115,028**	1,195,673

Notes: Net trade and other receivables for the Group that are greater than 90 days include net amounts receivable from wholly-owned subsidiaries of $2,096,631 (2010: $2,351,077). The loans to and from these subsidiaries are interest free and there are no fixed terms of repayment.

A total of $36,482 in net trade and other receivables greater than 60 days is past due, of which a total of $21,213 had been received prior to the date of this Financial Report. The Company considers that the remaining $15,269 is recoverable and not impaired.

Market risk

Foreign currency risk

The Group operates internationally and is exposed to foreign currency exchange risk, primarily with respect to the US dollar and Canadian dollar, through financial assets and liabilities. It is the Group s policy not to hedge these transactions as the exposure is considered to be minimal from a consolidated operations perspective. Further, as the Group incurs expenses payable in US dollars, the financial assets that are held in US dollars provide a natural hedge for the Group.

Foreign exchange risk arises from planned future commercial transactions and recognized assets and liabilities denominated in a currency that is not the entity s functional currency and net investments in foreign operations. The risk is measured using sensitivity analysis and cash flow forecasting.

The Group has a Foreign Exchange Management Policy which was developed to establish a formal framework and procedures for the efficient management of the financial risks that impact on Genetic Technologies Limited through its activities outside of Australia, predominantly in the United States. The policy governs the way in which the financial assets and liabilities of the Group that are denominated in foreign currencies are managed and any risks associated with that management are identified and addressed. Under the policy, which is updated on a regular basis as circumstances dictate, the Group generally retains in foreign currency only sufficient funds to meet the expected expenditures in that currency. Surplus funds, if any, are converted into Australian dollars as soon as practicable after receipt.

Table of Contents

34. FINANCIAL RISK MANAGEMENT (cont.)

Market risk (cont.)

As at June 30, 2011, the Group held the following financial assets and liabilities that were denominated in foreign currencies:

Consolidated	Year	USD	CAD	EUR	GBP	CNY	NZD	CHF	SGD
Financial assets									
Cash at bank / on hand	**2011**	**437,717**	**313,637**	**34,191**	**1**	**1,854**	**1,240**	**6,626**	**154**
	2010	15,191	335,821	840	206	53,748	941	908	
Trade and other receivables	**2011**	**113,276**		**90,105**					
	2010	119,677		90,000		56,259		550	
Performance bond / deposit	**2011**								
	2010			50,000					
Total financial assets	**2011**	**550,993**	**313,637**	**124,296**	**1**	**1,854**	**1,240**	**6,626**	**154**
	2010	134,868	335,821	140,840	206	110,007	941	1,458	
Financial liabilities									
Trade and other payables	**2011**	**217,168**	**22,539**	**17,250**		**68,158**	**136**	**3,290**	
	2010	97,957	9,326	45,187	3,729	50,508	39	3,190	
Total financial liabilities	**2011**	**217,168**	**22,539**	**17,250**		**68,158**	**136**	**3,290**	
	2010	97,957	9,326	45,187	3,729	50,508	39	3,190	

Notes: **USD** United States dollars **CAD** Canadian dollars **EUR** European euros **CHF** Swiss francs

GBP Great Britain pounds **CNY** Chinese yuan **NZD** New Zealand dollars **SGD** Singapore dollars

During the year ended June 30, 2011, the Australian dollar / US dollar exchange rate increased by 25.0%, from 0.8480 at the beginning of the year to 1.0597 at the end of the year. During the same period, Australian dollar / Canadian dollar exchange rate increased by 15.2%, from 0.8982 at the beginning of the year to 1.0351 at the end of the year.

Based on the financial instruments held at June 30, 2011, had the Australian dollar weakened / strengthened by 10% against the US dollar with all other variables held constant, the Group s profit for the year would have been $47,000 lower / $58,000 higher (2010: loss $4,000 lower / loss $5,000 higher), mainly as a result of changes in the values of cash and cash equivalents which are denominated in US dollars, as detailed in the above tables.

Based on the financial instruments held at June 30, 2011, had the Australian dollar weakened / strengthened by 10% against the Canadian dollar with all other variables held constant, the Group s profit for the year would have been $48,000 lower / $34,000 higher (2010: loss $33,000 lower / loss $40,000 higher), due to changes in the values of cash and cash equivalents which are denominated in Canadian dollars, as detailed in the above tables.

Interest rate risk

The Group s main interest rate risk arises in relation to its short-term deposits with various financial institutions. If rates were to decrease, the Group may generate less interest revenue from such deposits. However, given the relatively short duration of such deposits, the associate risk is relatively minimal. The Group also has various hire purchase liabilities with fixed interest rates. While these rates do not vary once the contract has been executed, the Group may be subject to interest rate movements if it were to acquire additional assets via similar contracts in the future.

The Group has a Short Term Investment Policy which was developed to manage the Group s surplus cash and cash equivalents. In this context, the Group adopts a prudent approach that is tailored to cash forecasts rather than seeking high returns that may compromise access to funds as and when they are required. Under the policy, the Group deposits its surplus cash in a range of deposits / securities over different time frames and with different institutions in order to diversify its portfolio and minimize risk.

On a monthly basis, Management provides the Board with a detailed list of all cash and cash equivalents, showing the periods over which the cash has been deposited, the name and credit rating of the institution holding the deposit and the interest rate at which has been deposited. A comparison of interest rate movements from month to month and a variance to an 11am deposit rate is also provided.

At June 30, 2011, if interest rates had changed by +/- 50 basis points from the year-end rates, with all other variables held constant, the Group s profit for the year would have been $22,000 lower / higher (2010: loss $16,000 lower / higher), as a result of higher / lower interest income from cash and cash equivalents. Consolidated equity for the Group would have been $22,000 higher / lower (2010: $16,000 higher / lower) mainly as a result of an increase / decrease in the fair value of cash and cash equivalents.

Table of Contents

34. FINANCIAL RISK MANAGEMENT (cont.)

Market risk (cont.)

The exposure to interest rate risks and the effective interest rates of financial assets and liabilities, both recognized and unrealized, for the Group is as follows:

Consolidated	Year	Floating rate $	Fixed rate $	Carrying amount $	Weighted ave. effective rate %	Ave. maturity period days
Financial assets						
Cash at bank / on hand	**2011**	**1,985,257**		**1,985,257**	**1.56%**	**At call**
	2010	1,773,152		1,773,152	1.69%	At call
Short-term deposits	**2011**		**3,119,410**	**3,119,410**	**5.92%**	**92**
	2010		1,533,159	1,533,159	5.67%	92
Performance bond / deposits	**2011**		**2,649**	**2,649**		**At call**
	2010		71,658	71,658		At call
Totals	**2011**	**1,985,257**	**3,122,059**	**5,107,316**		
	2010	1,773,152	1,604,817	3,377,969		
Financial liabilities						
Hire purchase liabilities (Note 27)	**2011**		**70,989**	**67,878**	**6.30%**	**428**
	2010		412,551	382,640	8.64%	575
Totals	**2011**		**70,989**	**67,878**		
	2010		412,551	382,640		

Notes: All periods in respect of financial assets are for less than one year.

In respect of the hire purchase liabilities attributable to the Group, the interest rates are fixed for the terms of the facility, which is less than one year ($50,130) and between one and five years ($17,748).

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents and the availability of funding through an adequate amount of committed credit facilities, such as its hire purchase and credit card facilities. The Group manages liquidity risk by continuously monitoring forecast and actual cash flows and, wherever possible, matching the maturity profiles of financial assets and liabilities. Due to the dynamic nature of the underlying businesses, Management aims to maintain flexibility in funding by keeping committed credit lines available. Surplus funds are generally only invested in instruments that are tradable in highly liquid markets.

A balanced view of cash inflows and outflows affecting the Group is summarized in the table below:

Consolidated	Year	< 6 months $	6 to 12 months $	1 to 5 years $	> 5 years $	Totals $
Financial assets						
Cash at bank / on hand	**2011**	**1,985,257**				**1,985,257**
	2010	1,773,152				1,773,152
Short-term deposits	**2011**	**3,119,410**				**3,119,410**
	2010	1,533,159				1,533,159
Trade and other receivables	**2011**	**674,369**				**674,369**
	2010	754,657				754,657
Performance bond and deposits	**2011**	**2,649**				**2,649**
	2010	71,658				71,658
Total financial assets	**2011**	**5,781,685**				**5,781,685**
	2010	4,132,626				4,132,626

Table of Contents

34. FINANCIAL RISK MANAGEMENT (cont.)

Liquidity risk (cont.)

Consolidated	Year	< 6 months $	6 to 12 months $	1 to 5 years $	> 5 years $	Totals $
Financial liabilities						
Trade and other payables	**2011**	**1,115,028**				**1,115,028**
	2010	1,195,673				1,195,673
Hire purchase liabilities	**2011**	**26,306**	**26,702**	**17,981**		**70,989**
	2010	134,326	125,271	152,954		412,551
Total financial liabilities	**2011**	**1,141,334**	**26,702**	**17,981**		**1,186,017**
	2010	1,329,999	125,271	152,954		1,608,224
Net maturity	**2011**	**4,640,351**	**(26,702)**	**(17,981)**		**4,595,668**
	2010	2,802,627	(125,271)	(152,954)		2,524,402

The Group had access to the following undrawn borrowing facilities as at June 30, 2011:

	Facility limit $	Amount used $	Amount available $
Nature of facility			
Master Asset Finance Facility	2,500,000	(67,878)	2,432,122
Credit card facilities	145,000	(18,786)	126,214

Note: The Master Asset Finance Facility may be drawn at any time, subject to compliance with applicable banking covenants, and is subject to annual review (refer Note 18 in respect of a breach of the terms of the Facility).

Fair value measurements

The following methods and assumptions are used to determine the fair values of financial assets and liabilities:

Cash and cash equivalents: the carrying amount approximates fair value due to their short term to maturity.

Trade and other receivables: the carrying amount approximates fair value.

Consumables: the carrying amount approximates fair value.

Performance bond and deposits: the carrying amount approximates fair value due to its short term to maturity.

Unlisted shares: the carrying amount has been written down to recoverable amount which approximates fair value.

Trade and other payables: the carrying amount approximates fair value.

Accrued expenses: the carrying amount approximates fair value.

Hire purchase liabilities: the carrying amount approximates fair value.

35. SUBSEQUENT EVENTS

On July 27, 2011, the Company announced that it had issued by way of private placement a total of 60,000,000 ordinary shares in the Company to institutional and sophisticated investors in the USA and Australia. The placement, in which the shares were issued at a price of $0.195 each, raised a total of $11,700,000 in cash, before the payment of associated expenses of $805,463. All of the shares were issued in accordance with ASX Listing Rule 7.1 and, as such, shareholder approval for the placement was not required. Proceeds from the placement will be used to fund acquisition growth in the molecular diagnostics field focusing on women s cancer and management, and to accelerate the roll-out of the Company s lead cancer risk test BREVAGenTM in the USA.

On October 3, 2011, Dr. Mervyn Cass was appointed as a Director of the Company.

Also on October 3, 2011, a total of 1,000,000 options over ordinary shares in the Company were granted to a senior employee. Each option, which was granted a nil cost, entitles the holder to acquire one ordinary share in the Company at a price of $0.20 at any time up to, and including July 31, 2016, subject to first satisfying certain vesting restrictions.

On October 24, 2011, a total of 875,000 options over ordinary shares in the Company which had been previously been granted to former employees were forfeited.

Apart from these events, there have been no other significant events which have occurred after balance date.