Presentation by Dr. Mervyn Jacobson, Executive Chairman
to the Annual General Meeting of Genetic Technologies Limited ("GTG")
Melbourne, November 29th, 2002

Introductory Comments

Ladies and Gentlemen - good morning –

I have previously presented and summarised the background events which led to Genetic Technologies Limited becoming a listed biotechnology company on the ASX in August 2000. Such a summary was presented, for example, at the EGM held in Sydney on August 29th, 2000, then again at the AGM held in Melbourne on November 30th, 2000, and also the AGM held in Melbourne on November 30th, 2001. I will today simply remind you of a few relevant s historical milestones. These include::

- the early years of GeneType, with its visionary and lonely research into the structure of genes - and the important discoveries and inventions we made in those early days,
- the seven different patents that were subsequently issued to GeneType, these patents now grouped into three broad patent families – and which are now regarded as having global significance,
- the subsequent merger of GeneType with Duketon in August 2000, thereby creating Genetic Technologies Limited,
- all the subsequent changes made thereafter, to establish GTG as an increasingly valuable biotechnology company. These included:

  (a) relocating the business headquarters from Sydney to Melbourne and increasing our lab size and facilities in Melbourne from just under 4,000 sq ft to more than 15,000 sq ft.

  (b) building the team of scientists, managers, business people, support staff and consultants, charged with building a world class company – and who have grown in number from around 15 at the time of the merger to around 50 today - if we include not only our direct employees, but also our research collaborators, our licensing consultants, our media and investor relations consultants, new scientific advisory consultants, attorneys etc.

  (c) progressively increasing the resources available to GTG to achieve its key commercial and research objectives.

Today, I would like to present an updated snapshot of the positive progress we have in the last year, despite some very difficult economic conditions globally:

(1) **Expanding our Service Testing Business** –

(a) **Paternity Testing** - GTG already owns and operates the largest accredited DNA testing lab in Australia for paternity testing – and last year we further expanded that business by acquiring the small Perth-based laboratory, "DNA-ID Labs". Overall, the GTG paternity-testing business continues to perform strongly. Last year, our revenues grew by some 20%. In the current year, revenues are again tracking about 20% higher than last year, and this is likely to grow by a further 10% as we now recognise revenue from a new tender with Queensland Legal Aid which we recently won.

Last year, we announced plans to expand such testing to also include other human genes, plus the DNA testing of plants and animals. Accordingly:

(b) **Plant Testing** - In March 2002, we announced the formation of AgGenomics Pty Ltd - to offer commercial genetic testing of plants, based on high throughput DNA extraction and genotyping, and services related to Marker Assisted Selection in plants. AgGenomics has now begun providing such testing, with the actual work being performed at the Plant Biotechnology Centre within Latrobe University, using the latest state of art technology. AgGenomics is owned 51% by GTG, and 49% by a subsidiary of the Victorian State Government. First revenues from AgGenomics are now being realized and after the first year of operation are budgeted to rise rapidly to more than $1M per year.

(c) **Human Disease Susceptibility Testing** – Last month, I had the pleasure of announcing a significant strategic alliance between GTG and Myriad Genetics of Salt Lake City, USA, under which Myriad will license our non-coding analysis and mapping technology and will also pay us fees - and also grant us exclusive rights for Australia and New Zealand to set up state-of-the-art DNA susceptibility testing - initially for breast cancer and ovarian cancer - and later for bowel cancer, melanoma and hypertension. We are now planning the establishment of such testing - to be based at our Melbourne headquarters. Revenues are expected to be substantial.

(d) **Forensic Testing** – it is a remarkable fact that in Australia today, there is no private laboratory accredited to perform forensic testing – for example – for specimens to be used in criminal trials. To date, any defendant wishing to verify police evidence must use another government lab or else send the specimen overseas to be tested. GTG has resolved to now seek formal accreditation to become Australia's first private forensics lab. It is also anticipated that once established, such lab may not only receive specimens from defendants, but also from the various police forces themselves, as they find, from time to time that they cannot adequately cope with their own work loads.

(2) **Generating Significant Licensing Revenues –**

Last year, I explained we believed GTG had a significant opportunity to out-license the original GeneType patents to other leading biotechnology companies world-wide - in return for substantial revenues for GTG. Such revenues for GTG could take the form of either up-front fees or ongoing royalties - or both.

I further outlined the steps we would have to pursue to achieve such success. These included:

- Building the company's profile, credibility and financial capacity to be able to challenge large overseas biotechnology, genetics or testing companies who may infringe against our patents – and we have pursued this build up as a priority over last year,
- Attracting and motivating the skilled staff and consultants required to help us successfully drive this licensing program forward,
- Securing patent insurance with a credible financial underwriter,
- Initiating the process of identifying suitable "leads", who may then become "candidates" to be contacted by GTG, and even "targets" for possible legal engagement.
- I also noted the most important component might be - remaining focussed, persistent and patient – and maintaining an unwavering belief in the success that will inevitably come our way.

Last year, I also reported the first positive evidence this process was working, when I announced GTG had signed its first Term Sheet (or Letter of Intent) with a party wishing to secure a license to the GTG patents. However, at that time, specifics were still covered by strict confidentiality - and could not yet be disclosed.

Subsequently, in February this year, I was able to announce the details of our first licensee – to **Genetic Solutions**, an Australian animal genetics company, for use in testing livestock genetically – initially, beef cattle, for desirable meat qualities. Genetic Solutions paid GTG a signing fee of A$75,000 and agreed to pay ongoing royalties, which are still being received - and so our licensing program had finally borne first fruit. Other successes soon followed.

In April, I announced our first US licenses – to the micro-array company, **Nanogen** of San Diego, who paid us US$250,000 (approx A$450,000), and to the bio-instrument maker, **Sequenom**, also of San Diego, who paid us US$500,000 (approx A$900,000). In September, I was pleased to announce a license to **Perlegen Sciences** of Mountain View, California, who paid us US$860,000 (approx A$1,560,000), and in October, I announced the strategic alliance with **Myriad Genetics.** Again, Myriad paid us US$1M (approx A$1,820,000) as an up-front fee and will also pay ongoing annual fees to GTG, and will also make their various cancer susceptibility tests available to GTG to perform in Australia and New Zealand on an exclusive basis.

Several other negotiations are now under way, and details will be provided when appropriate.

We are continually being asked what is the likely scope or total potential of our licensing programme. The short answer seems to be – it is possibly very substantial. More and more articles in scientific journals are now confirming the relevance of the non-coding DNA, and we believe there are today many companies world-wide who would "benefit from a license" from GTG. A database of potential licensees is now being compiled at our headquarters and I am advised we presently have 879 names in that database. Of these, on careful review, approx 33% definitely appear to need a license from GTG - to legally do what they wish to do.

In other words, this suggests we already have a current short list of at least 290 "candidates" to be actively pursued – and that list is now growing on a daily basis.

In summary:

- A clear trend is now evident - GTG licensing revenues are now building significantly.
- Initially, we have concentrated on the up-front fee component. Now that we have successfully established these up-front fees at meaningful levels, we will now also focus on the recurring annual component of such licensing fees.
- In calendar year 2002, the first year of receiving licensing fees from the non-coding patents, GTG has so far generated more than A$4.8M in such licensing income.

(3) **The Foetal Cell R&D Program (RareCellect Pty Ltd)** -

As previously reported, this project is based on important patents now issued to GeneType in relevant countries. The object remains to develop a new procedure to permit genetic testing upon cells derived from the unborn baby – but with no invasive procedure involved - by simply taking a blood sample from the mother's arm after 8 weeks of pregnancy, and separating foetal cells from the maternal cells in the mother's peripheral blood - using genetic markers.

Last year, our plan was to accelerate this project – and to hopefully release a product to the market in maybe 2 years.

However, since last year we have experienced instrument delays, caused by our joint venture partner at that time, Cytomation Inc, of USA, not being able to make their high-speed sorter perform to our satisfaction. In the end, the collaboration with Cytomation was terminated and their instrument was removed. In its place, we were offered alternative support from the largest supplier of such equipment in USA, and in July, a first alternative instrument was installed. We now await installation of a second – and more powerful cell sorter from USA.

Meanwhile, I am pleased to now report we have appointed a senior US scientist, Dr. Ralph Bohmer, to lead this project. Dr. Bohmer is now finalising immigration formalities and is expected to arrive in Melbourne to join GTG in January, 2003.

(4) **The PGGP Program** –

GTG's Pathogen Genomics and Genetics Program ("PGGP") is a collaboration with the Department of Veterinary Science at Melbourne University, under the supervision of Professor Robin Gasser, with GTG as the industry partner. The object is to look for novel, gene-based approaches to control a range of infectious and parasitic diseases in humans and in livestock. GTG has the right to commercialise any inventions arising from this collaboration.

The first phase of this project - is in relation to the water-borne pathogen, Cryptosporidium, and has now been successfully completed. A provisional patent has been filed, and we have already received inquiries re licensing from UK.

The second phase of this project - is to analyse and control the reproduction of various worms (nematodes) which infect livestock and cause great losses in agriculture. This work is also proceeding very well. I am pleased to now report this project was recently awarded a $250,000 grant from the Australian Research Council. We have also received expressions of support from industry-based organizations, and these are now being evaluated.

(5) **The ImmunAid Program**

ImmunAid Pty Ltd was formed by GTG in collaboration with scientists working at University of Western Australia, to pursue novel approaches in the treatment of immunodeficiency diseases, such as AIDS. GTG owns 60% ImmunAid. Early results in mice have been sufficiently promising that our Technical Review Committee, made up of leading clinicians and researchers, has urged GTG to accelerate this programme. Patents have been filed and we are now planning to start human monitoring trials, in relation to the progress of AIDS, for which the required ethical approvals have just been received. Such human monitoring may commence within days.

(6) **Amnio-PCR**

I am pleased to now report that GTG scientists have successfully developed a new test, known as "Amnio-PCR", to speed the testing of foetal tissue for a number of inherited chromosomal abnormalities. Amnio-PCR is fast, sensitive and accurate, and it can test for 14 different disorders at the one time. It is expected that GTG will soon offer this test commercially – either as a service from our own laboratory, or by way of licensing it out to other laboratories in Australia and south East Asia, who have already expressed interest.

(7) **Pursuing the U.S. Connection**.

GTG continues to build its presence in North America, in several ways:

(i) Licensing the GeneType patents in USA – this effort continues to expand, with the support of our Denver-based intellectual property attorneys and licensing attorneys.

(ii) Pursuing a NASDAQ Listing for GTG - last year we reported a "Level 1 ADR" listing was imminent. This has since been achieved. Based on expert advice from USA, we have temporarily deferred the next step – "Level 2 ADR", as a result of the current weak market on NASDAQ. GTG remains committed to completing its NASDAQ listing as soon as it is appropriate to do so. It is simply a matter of timing. We continue to be guided by our New York-based consultants who currently advise us to wait a few more months before proceeding. Once our Level 2 ADR listing is achieved, we expect the volume of our stock traded in USA will increase significantly, and this is likely to benefit GTG in a number of ways – including with future US acquisitions, US capital raisings and US-style perceptions of value.

(iii) Other new US investment opportunities continue to present themselves to GTG, but your Board has, for the time being, adopted a conservative approach to any such expansions or use of cash in the short term. A small investment in the US Company, XY, Inc., was achieved during the last year by way of a share swap, without using any cash.

(iv) In Vancouver, Canada, GTG continues to hold some 70% of Gtech International Resources Limited - a small company listed on the Canadian Venture Exchange, which may be used as the vehicle for an appropriate biotechnology venture in Canada, as the opportunity presents.

(8) **Brush Tail Rock Wallaby Recovery Project**.

The Board of GTG has resolved to support the Project to help save the Brush Tail Rock Wallaby – a symbol of Australia which was freely slaughtered in the last century to be used as a fashion accessory, to the point where today, the BTRW is on the brink of extinction. Just 15 animals now remain in the wild with another 20 in captivity. This year, GTG agreed to provide corporate leadership in support of this project, and has since received widespread support and recognition in the media and by government for our socially responsible role. At a ceremony at Healesville Wildlife Sanctuary in September, GTG was honoured by special signs being erected to recognise our socially responsible leadership role in supporting this project. Similar signs were erected at Adelaide Zoo and in Canberra. Meanwhile, as a result, the recovery project has happily achieved some stunning successes - with now up to 12 additional young wallabies soon to be able to join the captive breeding programme.

In conclusion:

Despite the generally difficult trading conditions of the last year, your Board is pleased to report steady and positive progress by GTG in relation to our general growth, revenues, scientific research and financial condition. In summary, we note:

- pleasing growth in service testing revenue,
- significant growth in licensing revenue,
- good progress with several of our new research projects,
- GTG became cash positive for the first time, in the current 6 months,
- Also, even after allowing for all operational costs, research expenses, depreciation expenses, write downs of shares held, etc, our consolidated loss for the current 6 months is likely to be modest – perhaps under $1M – or put another way, just one more license similar to the recent successes could potentially make GTG profitable for the 6 months ended December 31st.
- GTG now has some $7.5M in the bank.
- In summary - despite the current difficult economic circumstances, GTG is today in better financial condition than at any time since its formation.

Finally, I would like to express my appreciation to my fellow Directors - Fred Bart and Ian Dennis for their continuing support over the last year.

Also, a special thanks to all our loyal and committed staff, collaborators, consultants and stockholders who have enthusiastically supported our vision for GTG over the last year.

Thank you.