

**Presentation by Dr. Mervyn Jacobson, Executive Chairman
to the Annual General Meeting of Genetic Technologies Limited (“GTG”)
Melbourne, November 28th, 2003**

Introductory Comments

- At each of the previous 3 Annual Meetings, I thought it was useful to begin my Overview presentation by reminding Stockholders of our earlier origins as GeneType – and how Genetic Technologies Limited – or “GTG” was created from the merger in August 2000 of GeneType with Duketon. I now give notice that I think 3 iterations is enough - and I do not intend to take more time reciting that history. If you will, I now intend to focus less on “where we have come from” – and much more on “where we are now going”.
- I am pleased to note that GTG is today being recognised as a serious player in the world of biotechnology, and I now wish to present a snapshot of some of our achievements during the last year.
- **GTG Today Has Three Key Revenue-Generating Activities:**

(A) **The Molecular Genetics Division.**

(B) **The Licensing Division,** and

(C) **AgGenomics**

Professor Deon Venter, Russ Granzow and Ian Goudie have each just presented snapshots of each of these, this morning.

Let me now briefly re-visit each of these three activities again, with some comments on where they each fit into the broader vision of GTG.

(A) **The Molecular Genetics Division.**

As you may recall, we initially began with **Paternity Testing** in the early days of GeneType – essentially to help support our early research program into non-coding DNA, and in those days, we were delighted to generate some modest income and then to achieve a comfortable 20% growth per year. However, in the era of GTG, we are now focussed on **substantial growth**, and last year, we announced plans to expand our genetic testing activities to **other human genes, including disease susceptibility genes – and beginning in particular with breast cancer susceptibility testing.** We have since added DNA testing of **animals, forensics, and other new and exciting discoveries - such as ACTN3 testing,** to our expanding agenda.

As you may imagine, **this has led a rapid expansion of planning, new people, new IP, new assays, new equipment, and all the necessary supporting infrastructure and resources.**

In fact, **we also expanded our mission** - to not just become the leading paternity testing lab in Australia - but to now become **the leading genetic testing laboratory in the Asian Pacific Region**. You will note we are now expanding not only the **range of tests** offered, but also the **Territory** – and we are already today receiving specimens from Asia - and even from Europe.

In this context, you may have perhaps have noted our announcement yesterday **that GTG has just joined the global GENDIA consortium** – and in fact, we are the only genetic testing laboratory in Australia or in NZ – whether public or private - to achieve such recognition.

Previously, we may have been content with a solid 20% grow per year. **Today, we are seeking to grow much more rapidly** - and to expand our revenues from genetic testing much more ambitiously – with, for example, the possibility that revenues from just one of our new opportunities could possibly exceed our entire annual revenues from paternity testing. And our strong suit, if you will, is **that we own the technology that we are now commercializing**. Amazingly, what has happened is – our other licensing activities globally have also brought us **new opportunities to build our genetic testing capacity** – for example, via the unique rights received from Myriad, the supply of state of art instruments from Pyrosequencing, new assays just developed in USA being offered to us by Orchid Bioscience for use in forensics, new genetic tests for athletic superiority (ACTN3 testing) from Sydney Uni, etc.

(B) Generating Significant Licensing Revenues.

I have previously outlined the **significant opportunity** we have identified and started to pursue, in out-licensing the original GeneType non-coding patents to other leading biotechnology companies worldwide - in return for substantial revenues for GTG.

I also pointed out that such revenues for GTG might possibly take the form of either up-front fees or ongoing royalties - or both. In fact, to our delight, we have found they have not only taken the form of cash up-front or recurring revenues or both, but they have also led to ongoing alliances, where we also received powerful new IP, instrumentation, assays, etc.

I also mentioned **some of the key components needed to achieve significant success:**

- Building the company's profile, credibility and financial capacity to be able to credibly challenge some of the major industry giants – which we have been tracking as a priority over last year,
- Successfully securing patent insurance with a financial powerhouse as underwriter,
- Attracting skilled staff to successfully drive this program forward,
- Initiating the process of engagement - and most importantly,
- Remaining focussed, persistent and patient – and maintaining an unwavering belief in the success that will inevitably come our way.

So what have we achieved?

Last year, I was pleased to report **our first licensing successes**, being:

- 1 Genetic Solutions** - an Australian animal genetics company, who took the first non-coding license to test livestock genetically – initially, beef cattle, for desirable meat qualities. They paid us A\$75,000 up-front plus ongoing royalties – which are still being received today. So our licensing program had finally borne first fruit. Other successes soon followed:
- 2 Nanogen, of San Diego** - who paid us US\$250,000 (approx A\$450,000).
- 3 Sequenom, also of San Diego** - who paid us US\$500,000 (approx A\$900,000).
- 4 Perlegen Sciences, of Mountain View, California**, who paid us US\$860,000 (approx A\$1,560,000) - and then in October, I announced the strategic alliance with
- 5 Myriad Genetics, Salt Lake City, Utah** - who paid us US\$1M (approx A\$1,820,000) as an up-front fee and also agreed to pay annual fees to GTG, as well as make their various cancer susceptibility tests available to GTG in Australia and New Zealand, on an exclusive basis.

So - 5 successes in the first year of licensing activity, and with many more then building momentum in the pipeline.

Also, at the last Meeting, I explained we had established a **special database** which at that time held the names of 879 organisations we were looking at - and at first flush, it seemed around **33%** of those we checked needed a license from GTG to do what they wanted to do.

Since then, the GTG database has continued to grow. We now have some 1,970 names, and of these we have so far assessed 649 of them, and it seems of these, 494 would appear to need a license from GTG, while 156 might not –meaning some **75%** still need to talk to us.

Meanwhile, we have steadily built infrastructure:

- setting up an office in Princeton, NJ,
- setting up more recently in Europe and the Middle East,
- and now looking to set up in NZ.
- Meanwhile, our licensing successes have continued. Since the last Meeting, we have announced:

- 6 Pyrosequencing AB of Uppsala, Sweden** - took a license in March 2003, marking a new phase whereby we received a broad package of cash, annuities, IP, instruments and support from them to help GTG develop new assays. It was also our first success in Europe.

7 ARUP, Salt Lake City, Utah – took a license as a service provider and paid us US\$75,000 as an up-front fee. This also led to an agreement with

8 Uni Utah – who became the first academic organisation to take a research-only license.

9 Orchid Bioscience – of Princeton New Jersey, who at that time, only sought a covenant not to sue for past activities, and without any future license in place. Subsequently, we have revisited with Orchid, and an expanded strategic deal is now under discussion.

10 Inquran of Texas, who agreed to take a service-provider license for US livestock.

11 Uni Sydney – who, July 2003, took the second research license in the world, and the first in Australia.

12 Quest, USA – who signed a service-provider license for USA in August 2003.

13 Via Lactia – in NZ, agreed in September to become first licensee in NZ.

This program continues to build – with more than **80 active discussions now under way**.

Meanwhile, not everyone is co-operative - and in March this year, **we saw no alternative but to file law suits against 3 US companies** – Nuvelo, Covance and Applera, all in US Federal Court, Northern California District.

And as we announced last week, **we just settled 2 of these** - Nuvelo & Covance – with now just one, Applera, still to go.

In summary:

- A clear trend is evident - GTG licensing revenues are now starting to become meaningful.
- I previously reported, for example, that in calendar year 2002, we had generated more than A\$4.8M in licensing revenues.
- In our financial year ended June 2003, that had grown to \$5.5M.
- In the current financial year ended June 2004, based on everything we know, the trend is expected to continue upwards, though, by its nature, timing is always uncertain - and especially for the larger deals, predictions are typically “lumpy”.
- Again, we initially concentrated on building the **up-front fee component** – and now that we have successfully established up-front fees at meaningful levels, we are also now focussing on the **recurring annual fees**.
- And again, we are now very interested to see what other new opportunities our licensees can also offer to GTG.

(C) **AgGenomics Pty Ltd** – Again, AgGenomics was formed in early 2002, to offer commercial contract research – initially in plants - and then also in some livestock and aquaculture species, all based on high throughput DNA extraction and genotyping, and services related to Marker Assisted Selection.

AgGenomics has now begun providing such services, and as reported earlier this week, is already starting to generate meaningful revenues for GTG.

Revenues for the first full year ended June 2003 were predicted to be about \$1M, but came in at \$1.4M. In the current year, we are already tracking well ahead of last year.

Again, AgGenomics is today owned 50.1% by GTG, and 49.9% by a subsidiary of the Victorian State Government, and the work is performed at the Plant Biotechnology Centre within LaTrobe University, using the latest state of the art technology.

New opportunities for AgGenomics are now coming in from around the world.

So, to appreciate our overall revenue expectations for GTG, one should take into account the steady growth in revenues from (1) Molecular Diagnostic Services plus from (2) Licensing plus from (3) AgGenomics. You may then appreciate why we are increasingly comfortable about where are now going.

In relation to our current R&D programs, I here support the comments of our Director of Science, Dr. Adrian Hodgson, and point out that all three projects are now attracting world-wide attention.

- **The Foetal Cell R&D Program (RareCollect Pty Ltd) –**

I previously explained last year that we had experienced instrument delays, caused by our joint venture partner, Cytomation Inc, of USA, - and in the end we switched over to alternative instrumentation offered by BD - the largest supplier in USA, and last year, a first BD instrument was installed at our Melbourne headquarters. This year, we have subsequently received and installed a much more powerful BD cell sorter from USA.

Also, last year, I reported we had appointed a senior US scientist, Dr. Ralph Bohmer, from Boston, to lead this project. Dr. Bohmer meanwhile completed his immigration formalities and has started work at GTG. Dr. Bohmer also brought some new notions – and as a result, several additional patents have now been filed.

Recently, we have received serious inquiries from a major US company wishing to explore a collaboration in USA re RareCollect.

- **The PGGP Program –**

As previously explained, the GTG 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. Under this program, GTG may commercialise any inventions arising from this collaboration.

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

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 previously reported this project was awarded a \$250,000 grant from the Australian Research Council. In addition, I am pleased to report we also reached agreement in 2003 with Meat & Livestock of Australia, who have committed some \$490K to this project.

- **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 were reported to have been sufficiently promising that our ImmunAid Technical Review Committee - made up of leading clinicians and researchers, - urged GTG to accelerate this program. Patents have since been filed and we have recently begun human monitoring trials – both in relation to the progress of AIDS and also for certain forms of cancer, for which the required ethical approvals have now been received.

- **Pursuing the U.S. Connection.**

GTG is continuing to build its presence in North America:

- Licensing the GeneType patents in USA – this effort continues to expand, with the support of our Denver-based intellectual property attorneys and licensing attorneys, and California-based attorneys in relation to the law suits.
- Opening a GTG licensing office - in Princeton, New Jersey.
- Listing GTG on NASDAQ - last year we reported we achieved a “Level 1 ADR” However, at that time, our expert advice was to defer our efforts towards the next step – “Level 2 ADR”, due to the then weak market on NASDAQ. In mid-2003, our New York-based consultants advised us to once again activate our plan.

- Completion of our "20-F" application. I went to New York in mid-year to assist completion of these formalities. We now anticipate completing our Level 2 listing in February 2004.
- Potential benefits of the NASDAQ Listing - Again, after our Level 2 ADR listing is achieved, it is possible the volume of our stock traded in USA will increase significantly. This could benefit GTG several ways – assistance with future US acquisitions, US capital raisings and US-style perceptions of value. Also, in relation to cash, it is also possible that our NASDAQ listing may encourage the exercising of original GTG founder options – with the possibility of additional cash then flowing into the GTG bank account in 2004.
- Other new US investment opportunities - continue to presented themselves to GTG, but your Board continues to apply a very conservative approach to any such expansions or use of cash, at least in the short term. As announced last year, a small investment in the US company, XY, Inc., was achieved in 2001-2002 by way of a share swap, without using any cash.
- In Vancouver, Canada, GTG now holds some 78% of Gtech International Resources Limited - a small company listed on the Canadian Venture Exchange, which could possibly be used as the vehicle for an appropriate biotechnology venture in Canada, as the opportunity presents.
- In summary:

GTG is now focussed on **generating revenues** and in **building infrastructure** – in essence, to build the senior management team - who will in turn build GTG. Specifically:

- Building our Cash Reserves –
 - Cash in bank at the time of last year's Meeting was \$7.5M. Today, it is around \$15M.
 - GTG did its first placement ever to institutions in Australia in August 2003, raising \$10M at 75 cents per share.
- Building the Team – this year Stockholders have been able to see for themselves some members of the GTG team at work.
- Capitalising on New Opportunities – includes the timely strategic alliance with CYO'Connor of Perth, with whom we now plan a broad range of new ventures:
 - To acquire their IP,
 - To support their valuable research for the benefit of GTG,
 - To sell them a license to the GTG non-coding patents
 - To explore setting up a genetic testing service in WA.
- Growth of The GTG Board of Directors – this year, Prof Deon Venter of Melbourne Uni and Mr. Russ Granzow of USA joined our Board, in addition to Fred Bart, Ian Dennis and myself. So we now have a Board made up of 5 Directors, but we are open to considering additional individuals with the desired skills and talent to add value to our mission.

- **Establishment of our Scientific Advisory Committee** - with Professor Venter as Convenor, and with first members being
 - Professor Colin Masters,
 - Professor Simon Easteal, and
 - Professor Michael Quinn.
- **Growth of Shareholder Base** – was 1,200, then grew steadily to 2,500, and recently leaped to 4,500.
- **Media** –
 - an intense year for GTG, and especially for myself.
 - numerous media events – including “Catalyst”, “60 Minutes”, “4 Corners”, Robert Gottliebson, Forbes Magazine - “the Junkyard Dogs” article etc.
 - What some sectors of the media will do to sensationalise a story.
- **Brush Tail Rock Wallaby Recovery Project.**

To update - The Board of GTG last year resolved to support the Project to save the Brush Tail Rock Wallaby – a symbol of Australia which was slaughtered in the last century, to the point where just 15 animals were left in the wild and with another 20 in captivity. GTG agreed to provide corporate leadership in support of this project, and then received widespread support and recognition in the media and from government for our socially responsible role. In the last year, we have achieved some stunning successes, with the project already being quoted as a role model for other similar rescue projects to follow.

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

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

Thank you.