GENETIC TECHNOLOGIES LIMITED

A.B.N. 17 009 212 328

Quarterly Activities Report
and
Appendix 4C of the ASX Listing Rules

for the quarter ended

30 SEPTEMBER 2004

GENETIC TECHNOLOGIES LIMITED

QUARTERLY ACTIVITIES REPORT
FOR THE QUARTER ENDED 30 SEPTEMBER 2004

This Quarterly Activities Report, for the quarter ended 30 September 2004, is the first such report to be prepared and released to the Market by Genetic Technologies Limited (the Company and GTG). Attached to the Report is the Company's ASX Appendix 4C for the period then ended. These Reports will provide the shareholders of GTG and other interested parties with regular updates regarding the Company's operations and will now become a regular feature of GTG's reporting program.

GENETIC TESTING

Paternity. GTG has expanded the marketing of its range of paternity testing services through new websites, information brochures and direct consultation with potential user groups. GTG was recently awarded a two-year contract to provide paternity testing services for Queensland Health Services. The Company's parentage testing business continues to deliver revenues during the quarter in line with the Group's cash flow forecasts for the 2005 financial year.

Forensics. GTG is working closely with the police departments in two States which are considering recommendations to out-source forensic DNA sample backlogs to GTG. Such testing could commence in the New Year. The Company's forensic testing has also expanded beyond humans, with GTG recently receiving forensic dog samples from the greyhound industry. Unlike State laboratories, GTG has specific expertise in typing dogs and, combined with the exclusive dog-typing technology from MetaMorphix Inc., the Company is now in a unique and competitive position to provide such services.

Animals. Recent successes include the provision of DNA testing services to dog breeders through a program endorsed by the Australian National Kennel Council (ANKC) to provide parentage testing services for pedigree assurance and also genetic testing for several of the most common canine genetic diseases. Further, GTG has just executed a five-year service testing contract with Greyhounds Australasia to conduct parentage typing for the greyhound industry. Finally, GTG has introduced two additional genetic tests for inherited diseases of dogs, generating further interest in GTG's services. During the quarter, GTG was selected by Australian Wool Innovation (AWI) and the CSIRO to prepare a proposal to offer parentage testing for Australian and New Zealand sheep. GTG already receives orders from sheep breeders for parentage testing and anticipates further sales in the event that AWI supports GTG's proposal. In other news, GTG has commenced parentage testing for horses and, expects this business to grow. Again, access to the MetaMorphix technology for bovine parentage and profiling provides GTG with a strong competitive position for the genetic testing of cattle in Australasia and China.

Plants. AgGenomics, GTG's joint venture with the Victorian State Government, recently executed agreements with New Zealand companies, Ovita Limited and A2 Corporation Limited, to conduct testing for 20,000 sheep and the genotyping of more than 5,000 dairy cattle, respectively. AgGenomics has also completed a pilot program for wheat varietal identification and hopes to be able to offer the test for the 2004/05 harvest. AgGenomics is also in negotiations to begin a research program for the development of a varietal identification assay for barley.

Sports performance. The Company's ACTN3 sports performance test has sparked initial interest around the world and major support is expected from elite athletic training institutes. Marketing plans have identified sports associations and budding athletes-to-be, in addition to serious competitors and gym goers, as significant markets. The campaign will include Australia, North America and China.

LICENSING

Genzyme. In September, GTG signed its biggest license to date with Genzyme Corporation, a significant biotechnology company listed on NASDAQ (GENZ) based in Massachusetts USA. Under the license, Genzyme paid a signing fee of $7.5 million, of which $5 million was paid in cash on 15 October 2004. The remaining $2.5 million will be satisfied by the granting of a license to GTG over certain intellectual property owned by Genzyme, the details of which are being negotiated by the parties. In addition to the initial fees, Genzyme will also pay GTG a fee of $1 million per annum for the life of the non-coding patents (currently till 2015). The license granted by GTG to Genzyme covers a wide range of human genetic testing applications, including research, pre-clinical trials and commercial genetic testing. These rights apply non-exclusively in the USA, Europe and Japan - but not in the Asia-Pacific region, where GTG continues to build its own leading genetic testing capability.

MetaMorphix. GTG also signed two significant agreements with MetaMorphix, Inc. of Maryland USA, generating both initial and recurring cash revenues and access to valuable intellectual property for use in GTG's genetic testing service business. Under the first agreement, GTG granted to MetaMorphix a non-exclusive world-wide license to the GTG non-coding patents, limited to livestock, aquaculture and companion animals. The signing fee plus annual payments to be received by GTG in cash under this agreement total some $1.8 million. Under the second agreement, GTG acquired from a MetaMorphix subsidiary a license to a range of diagnostic assays and testing rights for cattle and dogs. Such rights, for which GTG made a one-time, all-inclusive payment to MetaMorphix, will be applied by GTG to the provision of improved genetic tests for animals.

ViaLactia. In October 2004, GTG granted a commercial licence to ViaLactia Biosciences Limited in New Zealand. This was an extension of ViaLactia's original research licence to apply the GTG non-coding patents to ViaLactia's research program in the dairy industry.

Applera. In respect of the Company's litigation against Applera Corporation, a favourable ruling was handed down by the United States District Court on 15 September 2004 following the "Markman hearing". This hearing, in which a judge rules on the precise meaning of terms in the patent claims, was heard before Judge Phyllis Hamilton and GTG was pleased to report that Judge Hamilton ruled largely in favour of GTG's proposed interpretations. Specifically, the Court ruled in favour of GTG in respect of 13 out of 15 disputed terms and, in respect of the remaining terms, the Court adopted positions of its own construction, which were not inconsistent with GTG's proposals. In no case, did the Court adopt the Applera position. Subsequent to the hearing, discussions have been held between GTG and Applera however, for reasons of confidentiality, it is inappropriate to make further comment regarding the nature of these discussions at this stage.

RESEARCH AND DEVELOPMENT

RareCellect®. RareCellect is a program to develop a widely applicable, non-invasive, prenatal genetic test based on the successful isolation of foetal cells from maternal blood as a replacement for existing invasive and high-risk tests such as Amniocentesis and Chorionic Villous sampling. GTG's team has achieved significant foetal cell separation on a number of occasions using the Company's technology. Future efforts will involve the optimisation of the procedure to facilitate its commercialisation as a standard prenatal test and the acceleration of the program. If successful, the test could be applied routinely for the pregnancy market, estimated to be in excess of $3.5 billion annually.

ImmunAid. GTG's ImmunAid project aims to improve the efficacy of cancer therapy and treatment of HIV-AIDS by developing a test that can be used to assist in the delivery of intervention therapies. Human monitoring trials have now been established for ovarian cancer, mesothelioma and HIV-AIDS. If successful, Phase II clinical trials are expected to commence during 2005.

PGGP. The first patent application filed by GTG under this program, in respect of a test to sub-type the water-borne parasite *Cryptosporidium* spp., is under technical transfer to a water analysis laboratory for commercial application. A second program seeks to discover new drug targets for the control of intestinal parasitic diseases. It focuses on the isolation and purity of proteins to help identify candidates for the treatment of cattle and sheep.

C.Y. O'Connor. Research programs at the C.Y. O'Connor ERADE Village Foundation in W.A. have commenced during the quarter. This follows agreements with the Foundation to develop novel, high-value genetic tests for future commercialisation by GTG. These projects include research into marker-assisted diagnostics for tissue typing for human diseases and selected traits in sheep and dogs.

King's College London. A research program with King's College London seeks to identify certain DNA sequences known as VNTRs (Variable Number Tandem Repeat polymorphisms) in human disease and to secure appropriate IP relating to these repeats. This work focuses on the identification of polymorphisms of potential diagnostic use, some of which may be or indicate "drugable" targets.

CORPORATE MATTERS

Financial results. Licensing revenues for the half-year ending 31 December 2004 will exceed $5.2 million, delivering significant cash flows to the Company. The attached ASX Appendix 4C discloses net consolidated cash reserves of $8.5 million at the end of the quarter, however, subsequent to that date, the Group's cash reserves have increased to approximately $12.9 million, following the receipt of significant licensing fees and the exercise of options. These reserves provide GTG with a substantial platform from which to expand its various businesses. Importantly, the Group's working capital position increased by 37 percent, i.e. from roughly $9.0 million 30 June 2004 to in excess of $12.9 million as at the date of this Report. Cash receipts rose by almost 10 percent from the preceding June quarter which did not include the $5 million initial license fee from Genzyme, received in October 2004. Approximately $221,000 was also received from the exercise of options.

Capital structure. During the period up to the date of this Report, the Company issued a total of 1,121,844 ordinary shares resulting from the exercise of 1,009,344 "Vendor" options with an exercise price of $0.20, 75,000 employee options at an exercise price of $0.56 and 37,500 employee options at an exercise price of $0.49. As at the date of this Report, there was a total of 297,930,405 ordinary shares on issue. Further, during the same period, a total of 1,830,000 employee options were issued with exercise prices ranging from $0.48 to $0.56, respectively, together with 600,000 other options with an exercise price of $0.70.

NASDAQ. The Company is currently finalising documents for submission to the US Securities and Exchange Commission to complete its Level 2 ADR program which will enable the ADRs to be traded on the Small Cap NASDAQ market. Following SEC approval, the Company will submit its application to NASDAQ. The listing of the ADRs on NASDAQ will provide the Company with access to the vast US capital markets and invaluable exposure for GTG amongst its US-based investors.

Gtech. Gtech International Resources Limited, a subsidiary listed on the NEX Board of the TSX Venture Exchange in Vancouver, Canada, has Australian dollar cash reserves of approximately $550,000 and continues to seek new opportunities in the biotechnology sector.

Signed on behalf of Genetic Technologies Limited

Dated this 29th day of October, 2004.

DR. MERVYN JACOBSON
Executive Chairman

Rule 4.7B

Appendix 4C

Quarterly report for entities admitted on the basis of commitments

Introduced 31/3/2000. Amended 30/9/2001

Name of entity

GENETIC TECHNOLOGIES LIMITED

ABN	Quarter ended ("current quarter")
17 009 212 328	30 SEPTEMBER 2004

Consolidated statement of cash flows

Cash flows related to operating activities			Current quarter $A'000	Year to date (..3...months) $A'000
1.1	Receipts from customers		1,132	1,132
1.2	Payments for	(a) staff costs	(1,028)	(1,028)
		(b) advertising and marketing	(112)	(112)
		(c) research and development	(576)	(576)
		(d) leased assets	-	-
		(e) other working capital	(2,421)	(2,421)
1.3	Dividends received		-	
1.4	Interest and other items of a similar nature received		109	109
1.5	Interest and other costs of finance paid		-	
1.6	Income taxes paid		-	
1.7	Other (provide details if material)		-	
	Net operating cash flows		(2,896)	(2,896)

		Current quarter $A'000	Year to date (..3..months) $A'000
1.8	Net operating cash flows (carried forward)	**(2,896)**	**(2,896)**
	Cash flows related to investing activities		
1.9	Payment for acquisition of:		
	(a) businesses (item 5)	-	-
	(b) equity investments	-	-
	(c) intellectual property	-	-
	(d) physical non-current assets	(105)	(105)
	(e) other non-current assets	-	-
1.10	Proceeds from disposal of:		
	(a) businesses (item 5)	-	-
	(b) equity investments	-	-
	(c) intellectual property	-	-
	(d) physical non-current assets	-	-
	(e) other non-current assets	-	-
1.11	Loans to other entities	-	-
1.12	Loans repaid by other entities	-	-
1.13	Other (provide details if material)	-	-
	Net investing cash flows	(105)	(105)
1.14	**Total operating and investing cash flows**	(3,001)	(3,001)
	Cash flows related to financing activities		
1.15	Proceeds from issues of shares, options, etc.	221	221
1.16	Proceeds from sale of forfeited shares	-	-
1.17	Proceeds from borrowings	-	-
1.18	Repayment of borrowings	-	-
1.19	Dividends paid	-	-
1.20	Other (provide details if material)	-	-
	Net financing cash flows	221	221
	Net increase (decrease) in cash held	(2,780)	(2,780)
1.21	Cash at beginning of quarter/year to date	11,363	11,363
1.22	Exchange rate adjustments to item 1.20	(48)	(48)
1.23	**Cash at end of quarter**	8,535	8,535

Payments to directors of the entity and associates of the directors

Payments to related entities of the entity and associates of the related entities

		Current quarter $A'000
1.24	Aggregate amount of payments to the parties included in item 1.2	317
1.25	Aggregate amount of loans to the parties included in item 1.11	-

1.26 Explanation necessary for an understanding of the transactions

The amount included at Item 1.24 includes $189,500 in consulting fees, directors fees, superannuation and salaries paid to Directors and entities associated with Directors during the quarter. The amount also includes rental and outgoings of $127,361 for the Melbourne laboratory premises paid to an entity associated with a director.

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

2.2 Details of outlays made by other entities to establish or increase their share in businesses in which the reporting entity has an interest

The Company has a minority interest (18.62%) in the Duketon Belt Joint Venture in Western Australia. No cash was contributed by the Company during the quarter.

Financing facilities available

Add notes as necessary for an understanding of the position. (See AASB 1026 paragraph 12.2).

		Amount available $A'000	Amount used $A'000
3.1	Loan facilities	-	-
3.2	Credit standby arrangements	-	-

+ See chapter 19 for defined terms.

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.	Current quarter $A'000	Previous quarter $A'000
4.1 Cash on hand and at bank	2,404	4,363
4.2 Deposits at call	6,131	7,000
4.3 Bank overdraft	-	-
4.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)	8,535	11,363

Acquisitions and disposals of business entities

	Acquisitions *(Item 1.9(a))*	Disposals *(Item 1.10(a))*
5.1 Name of entity		
5.2 Place of incorporation or registration		
5.3 Consideration for acquisition or disposal		
5.4 Total net assets		
5.5 Nature of business		

Compliance statement

1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act (except to the extent that information is not required because of note 2) or other standards acceptable to ASX.

2 This statement does give a true and fair view of the matters disclosed.

Sign here: .... Date: .. 29 OCTOBER 2004
(Director)

Print name: IAN ALISTAIR DENNIS

Notes

+ See chapter 19 for defined terms.

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.

2. The definitions in, and provisions of, *AASB 1026: Statement of Cash Flows* apply to this report except for the paragraphs of the Standard set out below.

   - 6.2 - reconciliation of cash flows arising from operating activities to operating profit or loss
   - 9.2 - itemised disclosure relating to acquisitions
   - 9.4 - itemised disclosure relating to disposals
   - 12.1(a) - policy for classification of cash items
   - 12.3 - disclosure of restrictions on use of cash
   - 13.1 - comparative information

3. **Accounting Standards.** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

+ See chapter 19 for defined terms.