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ASX ANNOUNCEMENT

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CEO Interview with Aegis Equities Research

Genetic Technologies Limited (ASX: GTG; NASDAQ: GENE) is pleased to release the attached transcript of an interview given by GTG Chief Executive Officer, Dr. Mervyn Jacobson, to John Kessell, Healthcare Analyst, Aegis Equities Research, Sydney, in relation to the Aegis Corporate Insights program.

It is understood that this transcript will now be released through the Aegis network.

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Genetic Technologies Ltd

Sector: Biotechnology

The following is an edited transcript of an interview conducted by John Kessell, Healthcare Analyst at Aegis. For more on Genetic Technologies Ltd (GTG), see our Health & Life Science Blue Book at www.aer.com.au or go to GTG's website at www.gtg.com.au.

John Kessell – Healthcare Analyst

Dr Jacobson, GTG's core intellectual property asset is its collection of patents over so called non-coding DNA. Could you please explain what non-coding DNA is and why is it important?

Genetic Technologies CEO – Dr Mervyn Jacobson

I would start by saying that our understanding of DNA has increased significantly in the last 50 years since the original work of Watson and Crick, when the general view developed that only a small part of the gene, the coding part, which is about 5% of all DNA, was active in controlling what products are produced - the proteins that are then effective around the body, and that the other 95% really did nothing. This 95% was at that time regarded as historical debris.

We took the view that it seemed strange to think that 95% of all DNA did nothing, especially when it was inherited intact over thousands of generations. So in 1989, we set up our company to specifically look at the non-coding DNA, and to see indeed if it was junk or whether it was just very complicated but did do something important. We quickly showed, as is now a matter of record and has been published in scientific literature, that the non-coding DNA in fact had order. It wasn't chaos. It wasn't junk. It wasn't random. It had order. It had predictability.

Importantly, we then showed that it was linked to the coding DNA, and if I could just fast track to the conclusion, it was then shown over a period of experiments in a number of species and a number of gene systems that while the coding DNA produced the actual protein, the non-coding DNA regulated which protein it would produce.

So we effectively discovered the *operating system* of life. We then filed patents in 24 countries and the governments of those countries have issued those patents. Thus, we now have patents over the use of non-coding DNA in all genes in all species, and that's for both genetic analysis and gene mapping.

John Kessell – Healthcare Analyst

Genetic Technologies achieved a major milestone in its efforts to capitalise on the value of these non-coding patents in December 2005, when final settlement was reached in the company's patent dispute with Applera Corporation. Why was Applera such an important licensee to sign up?

Genetic Technologies CEO – Dr Mervyn Jacobson

In the general business of making money out of research, typically you need to secure a patent and when the patent is awarded, you need to license it. What a lot of young companies then find out is that the licensing process is not so easy. People will want to use it, but not necessarily want to pay for it.

Hence, we started our global licensing program. Some people took licenses willingly; some were a bit resistant; and some flatly refused. It became clear we needed to have some test cases. So we filed lawsuits, quite deliberately, against a small company, a medium company and a large company. The small and medium companies settled quickly. The large company was Applera, which is very large, and the lawsuit definitely became a test case of whether or not we can prevail in forcing large companies to respect our patents and take licenses.

So this test case became a watershed, and other large companies that were hiding or waiting to see what happened with Applera now have nowhere to hide and need to come forward and take their licenses.

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John Kessell – Healthcare Analyst

In a previous licensing deal in September 2004, Genzyme licensed access to the non-coding patents for a signing fee of A$7.2M plus annual fees of A$1M for the life of the patents, currently 2015. Genetic Technologies has revealed that the total value of consideration to be paid by Applera is in the region of A$15M, yet Genetic Technologies spent nearly A$5M in FY05 on legal and patent expenses relating to the Applera dispute. The market appeared somewhat disappointed with the Applera licensing outcome. Can you tell us a little bit more about the settlement agreement and why this should be viewed as a good result for GTG?

Genetic Technologies CEO – Dr Mervyn Jacobson

Firstly, I would point out that part of the A$5M related to normal patent costs, part related to a different law suit in New Zealand, and the balance related to the Applera dispute. Secondly, I think the market, to some degree, doesn't understand the complexity of fighting these battles and what one seeks to achieve. The market in a very simplistic way would like to see us run it through to a trial. The case had already taken three years, a trial would be another year, and even if we prevailed and got a fantastic judgment, let's say an award of $100M or more, it's quite predictable that Applera would simply appeal the next day. The case would then go to the Appeals Court for several more years, and the whole licensing program remained in suspended animation for many, many years while we battle it out with one large company in this protracted test case.

Our view, and the view of experts advising us, was to look for ways to reach a settlement with Applera such that it took the license and paid us quite substantially, without the process taking years to complete, so that we could then move on with our licensing program globally.

John Kessell – Healthcare Analyst

Genetic Technologies has now stared down six patent challenges and 24 commercial licenses have been issued to date with a total value of A$53M. You appear to be now moving decisively to compel other companies to sign licensing agreements.

Since the start of CY06, you retained specialist patent firms in the US and the UK to help rapidly expand your licensing program. Can you provide some guidance about the scope for future commercial licensing deals - what sort of companies fall within the patent net, how many commercial prospects of substantial size there are and what sign up targets have you set for the next two to three years?

Genetic Technologies CEO – Dr Mervyn Jacobson

The scope of licensing is very significant. Our in-house review has identified more than 2,000 potential licensing targets, as we would call them, in our database. We have carefully reviewed them individually and we have identified about 400 companies that would appear to need a license from GTG to the non-coding DNA patents. Clearly, this is a very substantial undertaking as more companies are being formed, or as new partnerships are being formed around the world and as more discoveries are being made almost on a daily basis in relation to the importance of non-coding DNA.

Even this week, Johns Hopkins University in the US announced further breakthroughs in the importance of non-coding DNA and this comes some 17 years after our discovery, and many, many years after the issue of our patents, and even many, many years after people first realised non-coding DNA may be important.

So we have a huge undertaking to embark on. We have therefore decided, being still a small company on a relative scale, to form licensing relationships with patent firms in different parts of the world. We have appointed one company each on the US West Coast, the US East Coast and in London, and we are now looking to appoint one in German-speaking Europe and one in Asia. These five additional licensing nodes will work with our central licensing team. So altogether, there will be six teams dealing with potential licensing negotiations on a global scale. We see it building up very rapidly, and we see licensing being the the company's main source of revenue for potentially the next 10 years.

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John Kessell – Healthcare Analyst

Are further legal battles likely?

Genetic Technologies CEO – Dr Mervyn Jacobson

It is hard to predict. We've had six battles already. We've prevailed in all six and that I think sends a message. We've had most of those battles in the US, which is the key market, and we have prevailed. As we also move into other areas, there are different laws. The laws in Europe, for example, are slightly different from the laws in the US and the patent wording is slightly different. Someone may feel comfortable enough to challenge us there, and we may need to deal with that situation if and when it arrives.

Significantly, as a result of the Applera dispute, we also achieved a positive outcome in what is called a Markman ruling, which is a ruling by the court as to the actual language and the interpretation of the words of the patent claims. That court ruling is very useful in now clarifying to other people what precisely is covered under the patents, and it will be relevant both in the US and in Europe.

John Kessell – Healthcare Analyst

Genetic Technologies has recently announced a strategic alliance with US-based MetaMorphix, a leading developer of genetic markers, which signed a license with GTG in 2004. Why is this an exciting partnership and what level of revenues are you expecting to generate from this alliance over the next few years?

Genetic Technologies CEO – Dr Mervyn Jacobson

Yes, the relationship with MetaMorphix is exciting. What many people may not be aware of is that MetaMorphix was actually formed as a spin off from Applera. After the Human Genome program was complete, Applera focused on the human applications of its huge genetic database. It spun off the animal applications to MetaMorphix, and so you have people who are trained by Applera, working in MetaMorphix and interestingly, keen to take a license even while the parent was in a lawsuit with us.

The MetaMorphix people reached out to us, they wanted to work with us and we have had an excellent relationship with them since then. They do have a reservoir of very powerful genetic markers for many species - for pigs, dairy cattle, beef cattle, poultry - and others are being developed, even for dog genetics. What is highly relevant is they acknowledge that most of those markers, which are called SNPs (Single Nucleotide Polymorphisms), are non-coding, some 97%. In other words, to apply all the available markers developed by MetaMorphix, the party also needs a license to the non-coding patents.

MetaMorphix has understood that and is working with us such that as it licenses other companies to its own technology, it will also introduce those companies to us for an appropriate non-coding license. Some of these companies who will need a license are very large multi-national firms.

John Kessell – Healthcare Analyst

And in terms of revenue potential?

Genetic Technologies CEO – Dr Mervyn Jacobson

Well, it's very difficult for me to be precise about revenue projections, given that we are also now listed on NASDAQ and we come under US laws and restrictions on making forward looking statements. I would be wary to make a specific prediction. I would just say that we expect the relationship with MetaMorphix to grow and to be further defined. We expect to work closely with them, which will give us benefit in our genetic testing business in the Asia Pacific region as we exclusively offer their tests, and we will assist them to out license their technology by also granting full value licenses to our technology.

John Kessell – Healthcare Analyst

Dr Jacobson, the 2004 Genzyme deal also contained elements of a strategic alliance. Can you outline the strategic benefits gained by GTG from Genzyme?

Genetic Technologies CEO – Dr Mervyn Jacobson

Genzyme is another highly reputable leading US biotech company. Genzyme is highly regarded, and a relationship with it is noteworthy. We have worked very closely so far with Genzyme, and it has been agreed that in fact the

license that it took to our non-coding patent is but the first step of a strategic relationship, which may well go further.

Already Genzyme has offered us some of its intellectual property, which it has invited us to out license to the world on a partnership basis. It has also offered to assist in the rapid expansion of our genetic testing business in the Asia Pacific region. Obviously with its interests in the US and Europe, the two companies together would seem to nicely cover the world. So we are going slowly and cautiously, but it is a very good company to work with.

John Kessell – Healthcare Analyst

GTG shares are now quoted in the US through a level 2 listing on NASDAQ. Why is the US listing important for the company?

Genetic Technologies CEO – Dr Mervyn Jacobson

The US is critically important for us. Firstly, our inventions, the non-coding patents and other things we are doing, are highly relevant to global markets and particularly to the US market, which is highly sophisticated. Of the companies that we have identified that need a license to our non-coding patents, 70% are based in the US. We are also keen to make our company available to US investors. It is very hard for them to invest in an Australian company in Australia, as Australian markets are typically closed, currencies are different and there are delays. So to get support from American investors and institutions, one needs to be listed in the US. We embarked on the NASDAQ listing some five years ago, and for all sorts of reasons in the US, the process was difficult, but it finally completed in September 2005 with what is called a Level 2 listing on the NASDAQ National Market under the ticker symbol GENE.

We are very excited about this achievement and believe that our future substantially rests in the US. If US investors support the stock, US institutions will support it too. We will license US companies, we will collaborate with US companies and perhaps we may even look at some acquisitions in the US.

John Kessell – Healthcare Analyst

Turning to genetic testing, Genetic Technologies has developed a breast cancer susceptibility test, which has won a major outsourcing contract in Australia. What is the size of the breast cancer susceptibility testing opportunity for GTG in the Asia Pacific region?

Genetic Technologies CEO – Dr Mervyn Jacobson

We have to face the reality that the Australian market on a global scale is quite small population-wise. The Asian market is substantially larger, but in many cases people don't have ready access to well-funded, affordable healthcare. However, we are rapidly building a world-class centre in Melbourne for breast cancer susceptibility testing. We have invested heavily in skilled personnel, in technology platforms and in the necessary bio informatics, and I would say that probably today we are able to do this very, very complicated test faster, at least as accurately, if not more accurately, and more economically than anyone else in the world.

Even though Australia doesn't have a large population, the state hospitals have backlogs of patients needing this test and we have reached out and offered to assist in that. Certainly, there is a lot of interest coming from Asia. We have discussions underway in New Zealand, but we are not particularly limited to the Asia Pacific region to source the work. In fact, we are receiving enquiries from Europe and also via the GENDIA network, which is global, seeking to have these tests done in Australia.

John Kessell – Healthcare Analyst

What is the GENDIA diagnostic testing network for which Genetic Technologies is the exclusive referral laboratory in the Asia Pacific region, and how significant is this commercial opportunity?

Genetic Technologies CEO – Dr Mervyn Jacobson

GENDIA is a voluntary grouping of private genetic testing labs around the world with every lab having a special interest in one area. Some genetic tests are rare and not every lab can do everything. So GENDIA was formed, driven by a scientist in Belgium, where the network is headquartered. It is global in its reach and we are the only

member in the Australia/New Zealand region. We offer GENDIA things that we do well and we can actually piggyback into its system to get other things done that we don't want to set up here, things that may be done very infrequently, but need to be done to very high standards.

GENDIA to us represents not only a source of getting work done but also a source of work. The network is interested in sending to us some of the tests that we have particularly chosen to focus on, and the breast cancer susceptibility work is one of them. We are hopeful of receiving some bulk orders from the GENDIA network.

John Kessell – Healthcare Analyst

Genetic Technologies' annual revenue from genetic testing has grown from A$0.7M in FY01 to A$2.4M in FY05. Revenue grew 16% in FY05 over FY04. What growth rate do you foresee for the genetic testing business going forward, and which parts of the business do you expect to be the primary growth drivers?

Genetic Technologies CEO – Dr Mervyn Jacobson

We see steady growth in genetic testing. We have two parts to our revenue-generating activities - genetic testing and licensing. They are totally different in style. Genetic testing revenue delivers steady, predictable, incremental growth. Licensing revenue, however, is very lumpy. It may be very valuable, but it is also less predictable.

Genetic testing is quite predictable and in our case, we started with human testing, which is still a key focus. We do paternity testing, forensics testing and disease susceptibility testing in humans. However, we are also looking to expand actively the animal applications, and we see particular interest in this part of the world, with, for example, the genetic testing of sheep and the potential testing of disease susceptibility in sheep and in cattle.

As a result of an agreement with MetaMorphix and other agreements now being finalised in the US, we are also setting up a substantial resource for doing genetic testing, for example, on companion animals, including dogs and horses.

John Kessell – Healthcare Analyst

GTG entered December 2005 with cash reserves of A$15.7M. Can you tell us what the company's cash burn rate is likely to be over the next 12 to 24 months? When does the company expect to be generating consistently positive operating cash flows?

Genetic Technologies CEO – Dr Mervyn Jacobson

Cash generation has been slowly building up, partly as a result of the genetic testing work and partly as a result of the recurring components of our licensing agreements - the annual recurring contributions of those past licenses. In the current year, we expect to achieve several significant licenses, which would potentially make us cash positive this year. As that work builds up through our own efforts and through those of the licensing contractors I mentioned earlier, I think we may well be cash positive from this calendar year onwards.

John Kessell – Healthcare Analyst

Finally, Dr Jacobson, what are the key milestones that investors should watch for over the next six to 12 months?

Genetic Technologies CEO – Dr Mervyn Jacobson

We are active in a number of areas. Becoming cash positive is itself quite a significant milestone. Next would be to become profitable, which would then open up our company to consideration by some of the large superannuation funds.

I would look to some significant build up in licensing revenues, including assistance from our contractors around the world. I would look at the broadening of our genetic testing base and steady growth in its revenue. I would also look at our research and development programs, and we have six key programs. Each one of these could well be what we call the next blockbuster, equivalent in value to what the first one, the non-coding invention, has turned out to be.

Then I would look at our steady expansion in the US, having completed our NASDAQ listing, and attracting serious support from US institutional investors, potentially looking at US acquisitions. I would look at some effort on

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our part to assist our Canadian listed entity, Gtech, to make an appropriate biotechnology acquisition to help that company reach its true potential. I do see our company as steadily moving forward on a broad base to become a significant leader in the world of cutting-edge Biotechnology.

END OF INTERVIEW