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TO: COMPANY ANNOUNCEMENTS OFFICE
COMPANY: AUSTRALIAN STOCK EXCHANGE LIMITED
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UPDATE ON MBIL FERTILITY PROJECT AND APPOINTMENT OF JOINT COMPANY SECRETARY

Genesis Biomedical Limited ("GBL") writes to provide the market with an update on its interest in New Zealand based Manawatu Biotech Investments Limited ("MBIL" or "the Company") and to announce the appointment of a Joint Company Secretary.

Background

As a recap, MBIL's prime focus is the development of technology based on its own proprietary science in relation to fertility testing technology, and that of others in respect of measurement and testing technologies.

In July 2005, GBL entered into an option agreement to purchase 100% of the issued capital of MBIL on agreed terms and conditions. GBL's option had an expiry date twelve months from the date of the agreement.

In addition, GBL entered into a loan facility agreement whereby GBL agreed to loan up to $350,000 for the purposes of further developing MBIL's fertility technology.

These loan monies have been applied by MBIL in various aspects of the business and the project including;

- finalising patent prosecution;
- development of two MBIL fertility hormone assays;
- development and manufacture of test assay strips; and
- general working capital.

As previously announced, significant progress has been made in respect of the development of the test strips and it has been demonstrated that the concept of using lateral flow assays based on paramagnetic particle technology is a valid one.

In the opinion of MBIL whilst it is possible that the technology may be licensed now, further work is required to create a "market-ready" product.

After considering several alternatives in relation to this asset, the Board of GBL is pleased to announce that it has resolved to continue its involvement in MBIL on the following basis:

1. Has sought full repayment of the loan from MBIL
2. Elected not to exercise its option to purchase 100% of MBIL;
3. Has negotiated a position whereby GBL have conditionally agreed to participate in an intended equity capital raising by MBIL to a level of NZD$250,000.

Rationale for not Exercising Option

Whilst the Board is satisfied with the continued development work carried out over the last twelve months by MBIL, and after discussions with the Company and its advisers is encouraged by MBIL's ongoing commercialisation strategy, the Board recently resolved not to exercise its option to purchase 100% of the Company.

The end rationale for not proceeding with the exercise of the option was carefully considered including recent site visits made by the newly appointed Managing Director to assess and review the project and was based largely on the following:

1. Assessed difficulty of running and administering the ongoing project in regional New Zealand from GBL's head office in Perth;
2. Given the underlying status of the Company and its project, the effective value prescribed to MBIL through the exercise of the option was considered too high;
3. Upon exercise, GBL would have been responsible for providing 100% of the required funding for MBIL, which for its next stage is considered to be approximately AUD $1 million;
4. Prior to the option exercise date, GBL negotiating an in principle agreement (subject to obtaining certain MBIL approvals) whereby GBL has conditionally agreed to subscribe for shares in MBIL at an agreed lower entry value point.

The Board considers that it has achieved a very positive outcome for GBL by seeking repayment of its original loan monies, but maintaining a meaningful interest in the Company via its proposed shareholding and thereby gaining an exposure to the upside of any commercialisation success MBIL may have through implementation of its next stage commercialisation path.

The Board notes that the repayment of the loan by MBIL to GBL and any subsequent investment by GBL is conditional upon, amongst other things, MBIL being successful in raising sufficient equity capital.

MBIL Going Forward

Recent discussions with MBIL and its advisers indicate that ultimately MBIL will seek to take its fertility project to the US venture capital ("VC") investment market. The Company has indicated that it will be targeting specific "medical device/fertility" VC firms that have the appropriate background and experience in funding and developing commercialisation strategies for companies such as MBIL.

To achieve this however, MBIL will need to carry out further corporate and project development activities over the next three to six months to ensure the Company can be considered to be "VC ready".

The corporate activities will include needing to raise sufficient funds to repay GBL's outstanding loan in full as well as to provide sufficient ongoing development and working capital. We understand the Company is currently talking to a particular funding party in New Zealand who has indicated an interest in completing this capital raising.

Genesis will keep the market informed as to the ongoing progress of MBIL.

Appointment of Joint Company Secretary

With the recent appointment of Mr Don Valentino as Managing Director, GBL will look to relocate its head office over the coming months to Perth where Mr Valentino currently operates from.

As a result of this, the Company has commenced the transition process with the appointment of Perth based Mr David Semmens as Joint Company Secretary. Mr Semmens has experience in providing company secretarial, financial and corporate and other related services to organisations listed on ASX.

If you have any queries in relation to this announcement please contact Mr Don Valentino on (08) 9381 6922.