GENETIC TECHNOLOGIES LTD
Form 20-F
October 28, 2016
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 20-F

o	**REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OF THE SECURITIES EXCHANGE ACT OF 1934**
	OR
x	**ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934** **For the fiscal year ended June 30, 2016**
	OR
o	**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
	OR
o	**SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

Date of event requiring this shell company report . . . . . .

For the transition period from to

Commission file number 0-51504

GENETIC TECHNOLOGIES LIMITED

(Exact name of Registrant as specified in its charter)

N/A
(Translation of Registrant s name into English)

AUSTRALIA
(Jurisdiction of incorporation or organization)

60-66 Hanover Street, Fitzroy, Victoria, 3065, Australia

Telephone: 011 61 3 8412 7000; Facsimile: 011 61 3 8412 7040
(Address of principal executive offices)

Kevin Fischer

Telephone: 011 61 3 8412 7000; Facsimile: 011 61 3 8412 7040

Email: kevin.fischer@gtglabs.com

60-66 Hanover Street, Fitzroy, Victoria, 3065, Australia
(Name, Telephone, E-mail and/or Facsimile number and Address of Company Contact Person)

Securities registered or to be registered pursuant to Section 12(b) of the Act. **None**

Securities registered or to be registered pursuant to Section 12(g) of the Act.

American Depositary Shares each representing 150 Ordinary Shares

and evidenced by American Depositary Receipts
Title of each Class

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Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act. **None**

Number of outstanding shares of each of the issuer s classes of capital or common stock as of the close of the period covered by the annual report.

1,715,282,724 Ordinary Shares

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

o Yes x No

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.

o Yes x No

Note Checking the box above will not relieve any registrant required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 from their obligations under those Sections.

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

x Yes o No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer o	Accelerated filer o	Non-accelerated filer x

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP o	International Financial Reporting Standards as issued by the International Accounting Standards Board x	Other o

If Other has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow.

o Item 17 o Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

o Yes x No

(APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY PROCEEDINGS DURING THE PAST FIVE YEARS)

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court.

o Yes o No

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INTRODUCTION

In this Annual Report, the Company, Genetic Technologies , we, us and our refer to Genetic Technologies Limited and its consolidated subsidiaries.

Our consolidated financial statements are set out on pages F1 to F41 of this Annual Report (refer to Item 18 Financial Statements).

References to the ADSs are to our ADSs described in Item 12.D American Depositary Shares and references to the Ordinary Shares are to our Ordinary Shares described in Item 10.A Share Capital .

Our fiscal year ends on June 30 and references in this Annual Report to any specific fiscal year are to the twelve month period ended on June 30 of such year.

FORWARD-LOOKING STATEMENTS

This Annual Report contains forward-looking statements that involve risks and uncertainties. We use words such as anticipates , believes , plans , expects , future , intends and similar expressions to identify such forward-looking statements. This Annual Report also contains forward-looking statements attributed to certain third parties relating to their estimates regarding the growth of Genetic Technologies and related service markets and spending. You should not place undue reliance on these forward-looking statements, which apply only as of the date of this Annual Report. Our actual results could differ materially from those anticipated in these forward-looking statements for many reasons, including the risks faced by us described below under the caption Risk Factors and elsewhere in this Annual Report.

Although we believe that the expectations reflected in such forward-looking statements are reasonable at this time, we can give no assurance that such expectations will prove to be correct. Given these uncertainties, readers are cautioned not to place undue reliance on such forward-looking statements. Important factors that could cause actual results to differ materially from our expectations are contained in cautionary statements in this Annual Report including, without limitation, in conjunction with the forward-looking statements included in this Annual Report and specifically under Item 3.D Risk Factors .

All subsequent written and oral forward-looking statements attributable to us are expressly qualified in their entirety by reference to these cautionary statements.

ENFORCEMENT OF LIABILITIES AND SERVICE OF PROCESS

We are incorporated under the laws of Western Australia in the Commonwealth of Australia. The majority of our directors and executive officers, and any experts named in this Annual Report, reside outside the U.S. Substantially all of our assets, our directors and executive officers assets and such experts assets are located outside the U.S. As a result, it may not be possible for investors to affect service of process within the U.S. upon us or our directors, executive officers or such experts, or to enforce against them or us in U.S. courts, judgments obtained in U.S. courts based upon the civil liability provisions of the federal securities laws of the U.S. In addition, we have been advised by our Australian solicitors that there is doubt that the courts of Australia will enforce against us, our directors, executive officers and experts named herein, judgments obtained in the U.S. based upon the civil liability provisions of the federal securities laws of the U.S. or will enter judgments in original actions brought in Australian courts based upon the federal securities laws of the U.S.

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PART I

Item 1. Identity of Directors, Senior Management and Advisers

Not applicable

Item 2. Offer Statistics and Expected Timetable

Not applicable.

Item 3. Key Information

Item 3.A Selected Financial Data

The following selected financial data for the five years ended June 30, 2016 is derived from the audited consolidated financial statements of Genetic Technologies Limited, prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board, which became effective for our Company as of our fiscal year ended June 30, 2006.

The balance sheet data as of June 30, 2016 and 2015 and the statement of comprehensive income/(loss) data for the 2016, 2015 and 2014 fiscal years are derived from our audited consolidated financial statements which are included in this Annual Report. Balance sheet data as of June 30, 2014, 2013 and 2012 and statement of comprehensive income/ (loss) data for the 2013 and 2012 financial years are derived from our audited consolidated financial statements which are not included in this Annual Report. The data should be read in conjunction with the consolidated financial statements, related notes and other financial information included herein.

All amounts are stated in Australian dollars as of June 30, as noted.

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GENETIC TECHNOLOGIES LIMITED

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME/ (LOSS)

FOR 2016, 2015, 2014, 2013 AND 2012

	Year ended June 30, 2016 AUD	Year ended June 30, 2015 AUD	Year ended June 30, 2014 AUD	Year ended June 30, 2013 AUD	Year ended June 30, 2012 AUD
Revenue from operations					
Genetic testing services	824,586	2,011,918	4,564,280	3,377,183	3,691,215
Less: cost of sales	(743,060)	(891,243)	(1,837,729)	(1,945,467)	(1,948,625)
Gross profit from operations	81,526	1,120,675	2,726,551	1,431,716	1,742,590
Other revenue	300,548	1,027,151	863,832	4,784,913	2,526,599
Gain on deconsolidation of subsidiary			761,361		5,113,175
Selling and marketing expenses	(3,186,497)	(4,504,299)	(6,251,595)	(5,266,818)	(4,384,184)
General and administrative expenses	(3,429,357)	(4,222,988)	(3,173,109)	(4,413,782)	(5,608,038)
Licensing, patent and legal costs	(103,581)	(435,418)	(1,079,199)	(2,399,824)	(1,267,838)
Laboratory, research and development costs	(2,584,752)	(2,851,665)	(3,298,127)	(3,462,466)	(4,029,369)
Finance costs	(28,889)	(264,694)	(744,199)	(38,968)	(45,217)
Gain on disposal of business		1,396,798			
Fair value loss on ImmunAid option fee		(795,533)			
Share of net loss of associates accounted for using the equity method			(362,682)	(437,185)	(132,037)
Fair value gain/ (loss) on financial liabilities at fair value through profit or loss		349,246	(648,374)		
Non-operating income and expenses	492,037	370,557	1,071,072	452,931	787,491
Profit/(loss) from continuing operations before income tax	(8,458,965)	(8,810,170)	(10,134,469)	(9,349,483)	(5,296,828)
Net profit from discontinued operation					
Profit/(loss) before income tax	(8,458,965)	(8,810,170)	(10,134,469)	(9,349,483)	(5,296,828)
Income tax expense					
Profit/(loss) for the year	(8,458,965)	(8,810,170)	(10,134,469)	(9,349,483)	(5,296,828)
Other comprehensive income/(loss)					
Realized gain on sale of available-for-sale investments transferred from reserve					
Exchange gains/(losses) on translation of controlled foreign operations	1,307,219	414,005	(149,162)	9,347	(6,818)
Exchange gains/(losses) on translation of non-controlled foreign operations			86	17,073	(296)
Other comprehensive income/(loss) for the year, net of tax	1,307,219	414,005	(149,076)	26,420	(7,114)
Total comprehensive profit/(loss) for the year	(7,151,746)	(8,396,165)	(10,283,545)	(9,323,063)	(5,303,942)
Profit/(loss) for the year is attributable to:					
Owners of Genetic Technologies Limited	(8,458,965)	(8,810,170)	(10,125,197)	(9,298,367)	(5,287,523)
Non-controlling interests			(9,272)	(51,116)	(9,305)
Total profit/(loss) for the year	(8,458,965)	(8,810,170)	(10,134,469)	(9,349,483)	(5,296,828)
Total comprehensive profit/(loss) for the year is attributable to:					
Owners of Genetic Technologies Limited	(7,151,746)	(8,396,165)	(10,274,359)	(9,289,020)	(5,294,341)
Non-controlling interests			(9,186)	(34,043)	(9,601)

Total profit/(loss) for the year	(7,151,746)	(8,396,165)	(10,283,545)	(9,323,063)	(5,303,942)
Earnings/(loss) per share (cents per share)					
Basic and diluted net profit/(loss) per ordinary share	(0.49)	(0.82)	(1.76)	(1.97)	(1.15)
Weighted-average shares outstanding	1,715,214,158	1,072,803,358	574,557,747	472,084,970	460,402,869

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GENETIC TECHNOLOGIES LIMITED

CONSOLIDATED BALANCE SHEET DATA
FOR 2016, 2015, 2014, 2013 AND 2012

	As of June 30, 2016 AUD	As of June 30, 2015 AUD	As of June 30, 2014 AUD	As of June 30, 2013 AUD	As of June 30, 2012 AUD
Assets					
Current assets	12,131,070	19,566,096	4,360,509	2,657,416	9,949,795
Non-current assets	1,158,616	1,153,636	2,368,690	5,662,111	6,491,956
Total assets	13,289,686	20,719,732	6,729,199	8,319,527	16,441,751
Liabilities					
Current liabilities	(1,332,189)	(1,735,163)	(2,318,016)	(2,465,016)	(1,930,568)
Non-current liabilities	(74,308)	(25,321)	(2,583,664)	(96,224)	(108,541)
Total liabilities	(1,406,497)	(1,760,484)	(4,901,680)	(2,561,240)	(2,039,109)
Net assets	11,883,189	18,959,248	1,827,519	5,758,287	14,402,642
Equity					
Contributed equity	115,272,576	115,247,128	90,080,492	83,735,845	83,280,142
Reserves	6,054,861	4,697,403	3,922,140	3,951,771	3,719,419
Accumulated losses	(109,444,248)	(100,985,283)	(92,175,113)	(82,049,916)	(72,751,549)
Non-controlling interests				120,587	154,630
Total equity	11,883,189	18,959,248	1,827,519	5,758,287	14,402,642

Exchange rates

The following table sets forth, for the periods and dates indicated, certain information concerning the noon buying rate in New York City for Australian dollars expressed in U.S. dollars per $1.00 as certified for customs purposes by the Federal Reserve Bank of New York.

Period ended	At period end USD	Average rate USD	High USD	Low USD
Yearly data				
June 2012	1.0236	1.0323	1.1026	0.9453
June 2013	0.9165	1.0272	1.0591	0.9165
June 2014	0.9427	0.9186	0.9705	0.8715
June 2015	0.7704	0.8365	0.9488	0.7566
June 2016	0.7432	0.7289	0.7817	0.6855
Monthly data				
May 2016	0.7242	0.7318	0.7641	0.7184
June 2016	0.7432	0.7401	0.7598	0.7225
July 2016	0.7599	0.7529	0.7632	0.7453
August 2016	0.7519	0.7629	0.7717	0.7516
September 2016	0.7667	0.7591	0.7676	0.7470
October 14 2016	0.7610	0.7592	0.7664	0.7545

Item 3.B **Capitalization and Indebtedness**

Not applicable.

Item 3.C **Reasons for the Offer and Use of Proceeds**

Not applicable.

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Item 3.D **Risk Factors**

Before you purchase our ADSs, you should be aware that there are risks, including those described below. You should consider carefully these risk factors together with all of the other information contained elsewhere in this Annual Report before you decide to purchase our ADSs.

Risks Related to our Business and Business Strategy

Our stock price is volatile and can fluctuate significantly based on events not in our control and general industry conditions. As a result, the value of your investment may decline significantly.

The biotechnology sector can be particularly vulnerable to abrupt changes in investor sentiment. Stock prices of companies in the biotechnology industry, including ours, can swing dramatically, with little relationship to operating performance. Our stock price may be affected by a number of factors including, but not limited to:

- product development events;
- the outcome of litigation;
- decisions relating to intellectual property rights;
- the entrance of competitive products or technologies into our markets;
- new medical discoveries;
- the establishment of strategic partnerships and alliances;
- changes in reimbursement policies or other practices related to the pharmaceutical industry; or
- other industry and market changes or trends.

Since our listing on the Australian Securities Exchange in August 2000, the price of our Ordinary Shares has ranged from a low of $0.012 to a high of $0.97 per share. Further fluctuations are likely to occur due to events which are not within our control and general market conditions affecting the biotechnology sector or the stock market generally.

In addition, low trading volume may increase the volatility of the price of our ADSs. A thin trading market could cause the price of our ADSs to fluctuate significantly more than the stock market as a whole. For example, trades involving a relatively small number of our ADSs may have a

greater impact on the trading price for our ADSs than would be the case if the trading volume were higher.

The following chart illustrates the fluctuation in the price of our shares (in Australian dollars) over the last five years:

(Refer Item 9.A for more information on key data points on this chart)

(Source: Yahoo Finance: https//au.finance.yahoo.com/)

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The fact that we do not expect to pay cash dividends may lead to decreased prices for our stock.

We have never paid a cash dividend on our Ordinary Shares and we do not anticipate paying a cash dividend in the foreseeable future. We intend to retain future cash earnings, if any, for reinvestment in the development and expansion of our business. Whether we pay cash dividends in the future will be at the discretion of our Board of directors and may be dependent on our financial condition, results of operations, capital requirements and any other factors our Board of directors decides is relevant. As a result, an investor may only recognize an economic gain on an investment in our stock from an appreciation in the price of our stock.

You may have difficulty in effecting service of legal process and enforcing judgments against us and our Management.

We are a public company limited by shares, registered and operating under the Australian *Corporations Act 2001*. The majority of our directors and officers named in this Annual Report reside outside the U.S. Substantially all, or a substantial portion of, the assets of those persons are also located outside the U.S. As a result, it may not be possible to affect service on such persons in the U.S. or to enforce, in foreign courts, judgments against such persons obtained in U.S. courts and predicated on the civil liability provisions of the federal securities laws of the U.S. Furthermore, substantially all of our directly-owned assets are located outside the U.S., and, as such, any judgment obtained in the U.S. against us may not be collectible within the U.S. There is doubt as to the enforceability in the Commonwealth of Australia, in original actions or in actions for enforcement of judgments of U.S. courts, of civil liabilities predicated solely upon federal or state securities laws of the U.S., especially in the case of enforcement of judgments of U.S. courts where the defendant has not been properly served in Australia.

Because we are not necessarily required to provide you with the same information as an issuer of securities based in the United States, you may not be afforded the same protection or information you would have if you had invested in a public corporation based in the United States.

We are exempt from certain provisions of the Securities Exchange Act of 1934, as amended, commonly referred to as the Exchange Act, that are applicable to U.S. public companies, including (i) the rules under the Exchange Act requiring the filing with the SEC of quarterly reports on Form 10-Q or current reports on Form 8-K; (ii) the sections of the Exchange Act regulating the solicitation of proxies, consents or authorizations in respect of a security registered under the Exchange Act; and (iii) the sections of the Exchange Act requiring insiders to file public reports of their stock ownership and trading activities and liability for insiders who profit from trades made in a short period of time. The exempt provisions would be available to you if you had invested in a U.S. corporation.

However, in line with the Australian Securities Exchange regulations, we disclose our financial results on a semi-annual basis (which is performed under International Standard on Review Engagements) and to be fully audited annually (which is performed under International Standards on Auditing) which are required to have a limited review semi-annually and to be fully audited annually. The information, which may have an effect on our stock price on the Australian Securities Exchange, will be disclosed to the Australian Securities Exchange and also the Securities Exchange Commission. Other relevant information pertaining to our Company will also be disclosed in line with the Australian Securities Exchange regulations and information dissemination requirements for listed companies. We will provide our semi-annual results and other material information that we make public in Australia in the U.S. under the cover of an SEC Form 6-K. Nevertheless, you may not be afforded the same protection or information, which would be made available to you, were you investing in a United States public corporation because the requirements of a Form 10-Q and Form 8-K are not applicable to us.

If significant liquidity does not eventuate for our ADSs on NASDAQ, your ability to resell your ADSs could be negatively affected because there would be limited buyers for your interests.

Historically, there was virtually no trading in our ADSs through the pink sheets after the establishment of our Level I ADR Program. However, subsequent to the Level II listing of our ADSs on the NASDAQ Global Market on September 2, 2005, the trading volumes of our ADSs have increased. The Company subsequently transferred the listing of its ADSs to the NASDAQ Capital Market effective as from June 30, 2010. An active trading market for the ADSs, however, may not be maintained in the future. If an active trading market is not maintained, the liquidity and trading prices of the ADSs could be negatively affected.

In certain circumstances, holders of ADSs may have limited rights relative to holders of Ordinary Shares.

The rights of holders of ADSs with respect to the voting of Ordinary Shares and the right to receive certain distributions may be limited in certain respects by the deposit agreement entered into by us and The Bank of New York Mellon. For example, although ADS holders are entitled under the deposit agreement, subject to any applicable provisions of Australian law and of our Constitution, to instruct the depositary as to the exercise of the voting rights pertaining to the Ordinary Shares represented by the American Depositary Shares, and the depositary has agreed that it will try, as far as practical, to vote the Ordinary Shares so represented in accordance with such instructions, ADS holders may not receive notices sent by the depositary in time to ensure that the depositary will vote the Ordinary Shares. This means that, from a practical point of view, the holders of ADSs may not be able to exercise their right to vote. In addition, under the deposit agreement, the depositary has the right to restrict distributions to holders of the ADSs in the event that it is unlawful or

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impractical to make such distributions. We have no obligation to take any action to permit distributions to holders of our American Depositary Receipts, or ADSs. As a result, holders of ADSs may not receive distributions made by us.

Our Company has a history of incurring losses.

The business now called Genetic Technologies Limited was founded in 1989. With the exception of the year ended June 30, 2011, the Company has incurred operating losses in every year of its existence. As at June 30, 2016, the Company had accumulated losses of $109,444,248 and the extent of any future losses and whether or not the Company can generate profits in future years remains uncertain. The Company currently does not generate sufficient revenue to cover its operating expenses. We expect our capital outlays and operating expenditures to continue to increase for the foreseeable future as we seek to establish the BREVAGen*plus* test as a leading non-hereditary breast cancer risk assessment test. In order to fund the commercialization of BREVAGen*plus*, further expand our clinical laboratory operations, technologies and research & development activities, we may need to raise additional capital. There is no certainty that the Company will be able to raise additional funds by issuing further shares and/or the raising of debt and, if such funds are available, on what terms the Company would be able to secure them.

Going concern.

During the 2016 financial year, the Company incurred a total comprehensive loss after income tax of $7,151,746 (2015: $8,396,165) and net cash outflows from operations of $7,726,838 (2015: $9,691,528).

As of June 30, 2016, the Company held cash reserves of $11,179,687 and had net current assets of $10,798,881.

During the 2017 financial year, the Directors expect increased cash outflows from operations as the Company continues to invest resources in expanding the research & development and sales & marketing activities in support of BREVAGen*plus*® in the U.S. As a result of these expected cash outflows, the Directors intend to raise new equity funding within the next twelve months in order to ensure the Company continues to hold adequate levels of available cash resources to meet creditors and other commitments.

The continuing viability of the Company and its ability to continue as a going concern and meet its debts and commitments as they fall due is dependent on the satisfactory completion of the planned equity raising.

Due to the uncertainty surrounding the timing, quantum or the ability to raise additional funds via the issuance of new equity, there is a material uncertainty that may raise substantial doubt on the Company s ability to continue as a going concern and therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business. However, the Directors believe that the Company will be successful in the above matters and accordingly, have prepared the financial report on a going concern basis. As such no adjustments have been

made to the financial statements relating to the recoverability and classification of the asset carrying amounts or classification of liabilities that might be necessary should the Company not be able to continue as a going concern.

There is a substantial risk that we are, or will become, a passive foreign investment company, or PFIC, which will subject our U.S. investors to adverse tax rules.

Holders of our ADSs who are U.S. residents face income tax risks. There is a substantial risk that we are, or will become, a passive foreign investment company, commonly referred to as a PFIC. Our treatment as a PFIC could result in a reduction in the after-tax return to the holders of our ADSs and would likely cause a reduction in the value of such ADSs. For U.S. federal income tax purposes, we will be classified as a PFIC for any taxable year in which either (i) 75% or more of our gross income is passive income, or (ii) at least 50% of the average value of all of our assets for the taxable year produce or are held for the production of passive income. For this purpose, cash is considered to be an asset that produces passive income. We believe that there is a risk we will be classified as a PFIC for the taxable year ended June 30, 2016. If we are classified as a PFIC for U.S. federal income tax purposes, highly complex rules will apply to U.S. holders owning ADSs. Accordingly, you are urged to consult your tax advisors regarding the application of such rules. United States residents should carefully read Item 10.E. Additional Information Taxation, United States Federal Income Tax Consequences in this Annual Report on Form 20-F for the fiscal year ended June 30, 2016, for a more complete discussion of the U.S. federal income tax risks related to owning and disposing of our ADSs.

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Risks Related to our Industry

Our sales cycle is typically lengthy.

The sales cycle for our testing products is typically lengthy. As a result, we may expend substantial funds and management effort with no assurance of successfully selling our products or services. Our ability to obtain customers for our molecular risk assessment and predictive genetic testing services depends significantly on the perception that our services can help accelerate efforts in genomics. Our sales effort requires the effective demonstration of the benefits of our services to, and significant training of, many different departments within a potential customer. In addition, we sometimes are required to negotiate agreements containing terms unique to each customer. Our business could also be adversely affected if we expend money without any return.

If our competitors develop superior products, our operations and financial condition could be affected.

Though we currently have no direct competition in this space, we are currently subject to competition from biotechnology and diagnostic companies, academic and research institutions and government or other publicly-funded agencies that are pursuing products and services which are substantially similar to our molecular risk assessment testing services, or which otherwise address the needs of our customers and potential customers. Our competitors in the predictive genetic testing and assessment market include private and public sector enterprises located in Australia, the U.S. and elsewhere. Many of the organizations competing with us are much larger and have more ready access to needed resources. In particular, they would have greater experience in the areas of finance, research and development, manufacturing, marketing, sales, distribution, technical and regulatory matters than we do. In addition, many of the larger current and potential competitors have already established name / brand recognition and more extensive collaborative relationships.

Our competitive position in the molecular risk assessment and predictive testing area is based upon, amongst other things, our ability to:

- maintain first to market advantage;

- continue to strengthen and maintain scientific credibility through the process of obtaining scientific validation and undertaken further clinical trials supported by Peer-reviewed publication in medical journals;

- create and maintain scientifically-advanced technology and offer proprietary products and services;

- attract and retain qualified personnel;

- obtain patent or other protection for our products and services;

- obtain required government approvals and other accreditations on a timely basis; and

- successfully market our products and services.

If we are not successful in meeting these goals, our business could be adversely affected. Similarly, our competitors may succeed in developing technologies, products or services that are more effective than any that we are developing or that would render our technology and services obsolete, noncompetitive or uneconomical.

We rely heavily upon patents and proprietary technology that may fail to protect our business.

We rely upon our portfolio of patent rights, patent applications and exclusive licenses to patents and patent applications relating to genetic technologies. We expect to aggressively patent and protect our proprietary technologies. However, we cannot be certain that any additional patents will be issued to us as a result of our domestic or foreign patent applications or that any of our patents will withstand challenges by others. Patents issued to, or licensed by us may be infringed or third parties may independently develop the same or similar technologies. Similarly, our patents may not provide us with meaningful protection from competitors, including those who may pursue patents which may prevent, limit or interfere with our products or which may require licensing and the payment of significant fees or royalties by us to such third parties in order to enable us to conduct our business. We may sue or be sued by third parties regarding our patents and other intellectual property rights. These suits are often costly and would divert valuable funds, time and technical resources from our operations and cause a distraction to management.

We have important relationships with external parties over whom we have limited control.

We have relationships with academic consultants and other advisers who are not employed by us. Accordingly, we have limited control over their activities and can expect only limited amounts of their time to be dedicated to our activities. These persons may have consulting, employment or advisory arrangements with other entities that may conflict with or compete with their obligations to us. Our consultants typically sign agreements that provide for confidentiality of our proprietary information and results of studies. However, in connection with every relationship, we may not be able to maintain the confidentiality of our technology, the dissemination of which could

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hurt our competitive position and results from operations. To the extent that our scientific consultants develop inventions or processes independently that may be applicable to our proposed products, disputes may arise as to the ownership of the proprietary rights to such information, and we may not be successful with any dispute outcomes.

We may be subject to professional liability suits and our insurance may not be sufficient to cover damages. If this occurs, our business and financial condition may be adversely affected.

Our business exposes us to potential liability risks that are inherent in the testing, manufacturing, marketing and sale of molecular risk assessment and predictive tests. The use of our products and product candidates, whether for clinical trials or commercial sale, may expose us to professional liability claims and possible adverse publicity. We may be subject to claims resulting from incorrect results of analysis of genetic variations or other screening tests performed using our services. Litigation of such claims could be costly. We could expend significant funds during any litigation proceeding brought against us. Further, if a court were to require us to pay damages to a plaintiff, the amount of such damages could be significant and severely damage our financial condition. Although we have public and product liability insurance coverage under broadform liability and professional indemnity policies, for an aggregate amount of A$60,000,000, the level or breadth of our coverage may not be adequate to fully cover any potential liability claims. To date we have not been subject to any claims, or ultimately liability, in excess of the amount of our coverage. In addition, we may not be able to obtain additional professional liability coverage in the future at an acceptable cost. A successful claim or series of claims brought against us in excess of our insurance coverage and the effect of professional liability litigation upon the reputation and marketability of our technology and products, together with the diversion of the attention of key personnel, could negatively affect our business.

We use potentially hazardous materials, chemicals and patient samples in our business and any disputes relating to improper handling, storage or disposal of these materials could be time consuming and costly.

Our research and development, production and service activities involve the controlled use of hazardous laboratory materials and chemicals, including small quantities of acid and alcohol, and patient tissue samples. We do not knowingly deal with infectious samples. We, our collaborators and service providers are subject to stringent Australian federal, state and local laws and regulations governing occupational health and safety standards, including those governing the use, storage, handling and disposal of these materials and certain waste products. However, we could be liable for accidental contamination or discharge or any resultant injury from hazardous materials, and conveyance, processing, and storage of and data on patient samples. If we, our collaborators or service providers fail to comply with applicable laws or regulations, we could be required to pay penalties or be held liable for any damages that result and this liability could exceed our financial resources. Further, future changes to environmental health and safety laws could cause us to incur additional expense or restrict our operations. To date, we have not had a reportable event or serious injury.

In addition, our collaborators and service providers may be working with these same types of hazardous materials, including hazardous chemicals, in connection with our collaborations. In the event of a lawsuit or investigation, we could be held responsible for any injury caused to persons or property by exposure to, or release of, these hazardous materials or patient samples that may contain infectious materials. The cost of this liability could exceed our resources. While we maintain broadform liability insurance coverage for these risks, in the amount of up to A$40,000,000, the level or breadth of our coverage may not be adequate to fully cover potential liability claims. To date, we have not been subject to claims, or ultimately liability, in excess of the amount of our coverage. Our broadform insurance coverage also covers us against losses arising from an interruption of our business activities as a result of the mishandling of such materials. We also maintain workers compensation insurance, which is mandatory in Australia, covering all of our workers in the event of injury.

We depend on the collaborative efforts of our academic and corporate partners for research, development and commercialization of some of our products. A breach by our partners of their obligations, or the termination of the relationship, could deprive us of valuable resources and require additional investment of time and money.

Our strategy for research, development and commercialization of some of our products has historically involved entering into various arrangements with academic, corporate partners and others. As a result, the success of our strategy depends, in part, upon the strength of those relationships and these outside parties undertaking their responsibilities and performing their tasks to the best of their ability and responding in a timely manner. Our collaborators may also be our competitors. We cannot necessarily control the amount and timing of resources that our collaborators devote to performing their contractual obligations and we have no certainty that these parties will perform their obligations as expected or that any revenue will be derived from these arrangements.

If our collaborators breach or terminate their agreement with us or otherwise fail to conduct their collaborative activities in a timely manner, the development or commercialization of the product candidate or research program under such collaborative arrangement may be delayed. If that is the case, we may be required to undertake unforeseen additional responsibilities or to devote unforeseen additional funds or other resources to such development or commercialization, or such development or commercialization could be terminated. The termination or cancellation of collaborative arrangements could adversely affect our financial condition, intellectual property position and general operations. In addition, disagreements between collaborators and us could lead to delays in the collaborative research, development, or commercialization of certain products or could require or result in formal legal process or arbitration for resolution. These consequences could be time-consuming and expensive and could have material adverse effects on the Company.

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Other than our contractual rights under our license agreements, we may be limited in our ability to convince our licensees to fulfill their obligations. If our licensees fail to act promptly and effectively, or if a dispute arises, it could have a material adverse effect on our results of operations and the price of our ordinary shares and ADSs.

We rely upon scientific, technical and clinical data supplied by academic and corporate collaborators, licensors, licensees, independent contractors and others in the evaluation and development of potential therapeutic methods. There may be errors or omissions in this data that would materially adversely affect the development of these methods.

We may seek additional collaborative arrangements to develop and commercialize our products in the future. We may not be able to negotiate acceptable arrangements in the future and, if negotiated, we have no certainty that they will be on favorable terms or if they will be successful. In addition, our partners may pursue alternative technologies independently or in collaboration with others as a means of developing treatments for the diseases targeted by their collaborative programs with us. If any of these events occur, the progress of the Company could be adversely affected and our results of operations and financial condition could suffer.

Currently our financial results depend largely on the sales of our breast cancer risk assessment test, BREVAGen*plus*.

For the near future, we expect to continue to derive a substantial majority of our revenues from sales of one product, our breast cancer risk test BREVAGen*plus*. We do not expect to recognize significant revenues from BREVAGen*plus*, a second generation BREVAGen product, until increased levels of adoption and reimbursement for this test have been established. If we are unable to increase sales of BREVAGen*plus* or successfully develop and commercialize other tests or enhancements, our ability to achieve sustained revenues and profitability would be impacted.

If our sole laboratory facility becomes inoperable, we will be unable to perform our tests and our business will be harmed.

We do not have redundant clinical reference laboratory facilities outside of Melbourne, Australia. Our current lease of laboratory premises expires August 31, 2018. The facility and the equipment we use to perform our tests would be costly to replace and could require substantial lead time to repair or replace. The facility may be harmed or rendered inoperable by natural or man-made disasters, including flooding and power outages, which may render it difficult or impossible for us to perform our tests for some period of time. The inability to perform our tests or the backlog of tests that could develop if our facility is inoperable for even a short period of time may result in the loss of customers or harm our reputation, and we may be unable to regain those customers in the future.

If we no longer had our own facility and needed to rely on a third party to perform our tests, we could only use another facility with established state licensure and Clinical Laboratory Improvements Amendments (CLIA) accreditation under the scope of which BREVAgen*plus* tests could be performed following validation and other required procedures. We cannot assure you that we would be able to find another CLIA-certified facility willing to comply with the required procedures, that this laboratory would be willing to perform the tests on commercially reasonable terms, or that it would be able to meet our quality standards. In order to establish a redundant clinical reference laboratory facility, we would have to spend considerable time and money securing adequate space, constructing the facility, recruiting and training employees, and

establishing the additional operational and administrative infrastructure necessary to support a second facility. We may not be able, or it may take considerable time, to replicate our testing processes or results in a new facility. Additionally, any new clinical reference laboratory facility would be subject to certification under CLIA and licensing by several states, including California and New York, which could take a significant amount of time and result in delays in our ability to begin operations.

The loss of key members of our senior management team or our inability to attract and retain highly skilled scientists, clinicians and salespeople could adversely affect our business.

Our success depends largely on the skills, experience and performance of key members of our executive management team and others in key management positions. The efforts of each of these persons together will be critical as we continue to develop our technologies and testing processes, continue our international expansion and transition to a company with multiple commercialized products on offer. If we were to lose one or more of these key employees, we may experience difficulties in competing effectively, developing our technologies and implementing our business strategies.

Our research and development programs and commercial laboratory operations depend on our ability to attract and retain highly skilled scientists and technicians, including licensed laboratory technicians, chemists, biostatisticians and engineers. We may not be able to attract or retain qualified scientists and technicians in the future due to the competition for qualified personnel among life science businesses. In addition, if there were to be a shortage of clinical laboratory scientists in coming years, this would make it more difficult to hire sufficient numbers of qualified personnel. We also face competition from universities and public and private research institutions in recruiting and retaining highly qualified scientific personnel. In addition, our success depends on our ability to attract and retain salespeople with extensive experience in oncology and close relationships with medical oncologists, pathologists and other hospital personnel. We may have difficulties sourcing, recruiting or retaining qualified salespeople, which could cause delays or a decline in the rate of adoption of our tests. If we are not able to attract and retain the necessary personnel to accomplish our business objectives, we may experience constraints

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that could adversely affect our ability to support our research and development and sales programs. All of our U.S employees are at-will, which means that either we or the employee may terminate their employment at any time.

FDA regulation of LDTs may result in significant changes, and our business could be adversely impacted if we fail to adapt.

Clinical laboratory tests like ours are regulated under the CLIA, as well as by applicable state laws. Diagnostic kits that are sold and distributed through interstate commerce are regulated as medical devices by the federal Food and Drug Administration (FDA). The FDA has exercised its discretion and has not subjected most Laboratory Developed Tests, or LDTs to FDA regulation, although reagents or software provided by third parties and used to perform LDTs may be subject to regulation.

The FDA claims to have regulatory authority over LDTs under the Medical Device Amendments of 1976 and has stated in the past that it would issue guidance to the industry regarding its regulatory approach. In such discussions, the FDA has indicated that it would use a risk-based approach to regulation and would direct more resources to tests with wider distribution and with the highest risk of injury, but that it will be sensitive to the need to not adversely impact patient care or innovation. In October 2014, the FDA announced its framework and timetable for implementing this guidance. We cannot predict the ultimate timing or form of any such guidance or regulation and the potential impact on our existing tests. If adopted, such a regulatory approach by the FDA may lead to an increased regulatory burden, including additional costs and delays in introducing new tests or even continuing with our current tests. While the ultimate impact of the FDA s approach is unknown, it may be extensive and may result in significant changes. Our failure to adapt to these changes could have a material adverse effect on our business.

If the FDA decides to regulate our tests, it may require additional pre-market clinical testing prior to submitting a regulatory notification or application for commercial sales. If we are required to conduct pre-market clinical trials, whether using prospectively acquired samples or archival samples, delays in the commencement or completion of clinical testing could significantly increase our test development costs and delay commercialization of any future tests, and interrupt sales of our current tests. Many of the factors that may cause or lead to a delay in the commencement or completion of clinical trials may also ultimately lead to delay or denial of regulatory clearance or approval. The commencement of clinical trials may be delayed due to insufficient patient enrollment, which is a function of many factors, including the size of the patient population, the nature of the protocol, the proximity of patients to clinical sites and the eligibility criteria for the clinical trial.

We may find it necessary to engage contract research organizations to perform data collection and analysis and other aspects of our clinical trials, which might increase the cost and complexity of our trials. We may also depend on clinical investigators, medical institutions and contract research organizations to perform the trials. If these parties do not successfully carry out their contractual duties or obligations or meet expected deadlines, or if the quality, completeness or accuracy of the clinical data they obtain is compromised due to the failure to adhere to our clinical protocols or for other reasons, our clinical trials may have to be extended, delayed or terminated. Many of these factors would be beyond our control. We may not be able to enter into replacement arrangements without undue delays or considerable expenditures. If there are delays in testing or approvals as a result of the failure to perform by third parties, our research and development costs would increase, and we may not be able to obtain regulatory clearance or approval for our tests. In addition, we may not be able to establish or maintain relationships with these parties on favorable terms, if at all. Each of these outcomes would harm our ability to market our tests, or to achieve sustained profitability.

Even if the clinical trials are timely completed, there is no assurance that the results of those trials will be sufficient to support regulatory clearance or approval for the intended indications. Failure of the clinical data to support an intended use of given LDT would likely have an adverse impact on the Company.

Our business could be harmed from the loss or suspension of a license or imposition of a fine or penalties under, or future changes in, or changing interpretations of, CLIA or state laboratory licensing laws to which we are subject.

The clinical laboratory testing industry is subject to extensive federal and state regulation, and many of these statutes and regulations have not been interpreted by the courts. The regulations implementing CLIA set out federal regulatory standards that apply to virtually all clinical laboratories (regardless of the location, size or type of laboratory), including those operated by physicians in their offices, by requiring that they be certified by the federal government or by a federally approved accreditation agency. CLIA does not preempt state law, which in some cases may be more stringent than federal law and require additional personnel qualifications, quality control, record maintenance and proficiency testing. The sanction for failure to comply with CLIA and state requirements may be suspension, revocation or limitation of a laboratory s CLIA certificate, which is necessary to conduct business, as well as significant fines and/or criminal penalties. Several states have similar laws and we may be subject to similar penalties. If the certification of one laboratory owned by the Company is suspended or revoked that may preclude the Company from owning or operating any other laboratory in the Country for two years.

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We cannot assure you that applicable statutes and regulations and more specifically, the Food, Drug, and Cosmetic Act, will not be interpreted or applied by a prosecutorial, regulatory or judicial authority in a manner that would adversely affect our business. Potential sanctions for violation of these statutes and regulations include significant fines and the suspension or loss of various licenses, certificates and authorizations, which could have a material adverse effect on our business. In addition, compliance with future legislation could impose additional requirements on us, which may be costly.

Failure to establish, and perform to, appropriate quality standards to assure that the highest level of quality is observed in the performance of our testing services and in the design, manufacture and marketing of our products could adversely affect the results of our operations and adversely impact our reputation.

The provision of clinical testing services, and the design, manufacture and marketing of diagnostic products involve certain inherent risks. The services that we provide and the products that we design, manufacture and market are intended to provide information for healthcare providers in providing patient care. Therefore, users of our services and products may have a greater sensitivity to errors than the users of services or products that are intended for other purposes.

Similarly, negligence in performing our services can lead to injury or other adverse events. We may be sued under common law, physician liability or other liability law for acts or omissions by our laboratory personnel. We are subject to the attendant risk of substantial damages awards and risk to our reputation.

Failure to timely or accurately bill for our services could have a material adverse effect on our business.

Billing for clinical testing services is extremely complicated and is subject to extensive and non-uniform rules and administrative requirements. Depending on the billing arrangement and applicable law, we bill various payers, such as patients, insurance companies, Medicare, Medicaid, physicians and hospitals. Changes in laws regulations and contract terms could increase the complexity and cost of our billing process. Additionally, auditing for compliance with applicable laws and regulations as well as internal compliance policies and procedures add further cost and complexity to the billing process.

Missing or incorrect information on requisitions adds complexity to and slows the billing process, creates backlogs of unbilled requisitions, and generally increases the aging of accounts receivable and bad debt expense. Failure to timely or correctly bill may lead to us not being reimbursed for our services or an increase in the aging of our accounts receivable, which could adversely affect our results of operations and cash flows. Failure to comply with applicable laws relating to billing government healthcare programs or private healthcare programs that operate under government contract could lead to various penalties, including: (1) exclusion or suspension from participation in federal health care programs ; (2) asset forfeitures; (3) civil and criminal fines and penalties; (3) possible liability under the federal False Claims Act and state analogs, and (4) the loss of various licenses, certificates and authorizations necessary to operate our business, any of which could have a material adverse effect on our results of operations or cash flows.

Failure to comply with complex federal and state laws and regulations related to submission of claims for clinical laboratory services could result in significant monetary damages and penalties and exclusion from the Medicare and Medicaid programs.

We are subject to extensive federal and state laws and regulations relating to the submission of claims for payment for clinical laboratory services, including those that relate to coverage of our services under Medicare, Medicaid and other governmental health care programs, the amounts that may be billed for our services and to whom claims for services may be submitted. In addition, we are subject to various laws regulating our interactions with other healthcare providers and with patients, such as the Anti-Kickback Statute, the Anti-Inducement Statute, and the Ethics in Patient Referrals Act of 1989, commonly referred to as the Stark law. These laws are complicated.

Our failure to comply with applicable laws and regulations could result in our inability to receive payment for our services or result in attempts by third-party payers, such as Medicare and Medicaid, to recover payments from us that have already been made. Submission of claims in violation of certain statutory or regulatory requirements can result in penalties, including substantial civil penalties for each item or service billed to Medicare in violation of the legal requirement, and exclusion from participation in Medicare, Medicaid and other federal health care programs. Government authorities or whistleblowers may also assert that violations of laws and regulations related to submission or causing the submission of claims violate the federal False Claims Act, or FCA, or other laws related to fraud and abuse, including submission of claims for services that were not medically necessary. Violations of the FCA could result in significant economic liability. The FCA provides that all damages are trebled, and each false claim submitted is subject to a penalty of up

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to $21,563 for violations occurring after November 2, 2015 and $11,000 for violations occurring before November 2, 2015. For example, we could be subject to FCA liability if it were determined that the services we provided were not medically necessary and not reimbursable or if it were determined that we improperly paid physicians who referred patients to our laboratory. It is also possible that the government could attempt to hold us liable under fraud and abuse laws for improper claims submitted by an entity for services that we performed if we were found to have knowingly participated in the arrangement that resulted in submission of the improper claims.

Failure to comply with HIPAA, including regarding the use of new standard transactions, may negatively impact our profitability and cash flows.

Pursuant to the Health Insurance Portability and Accountability Act of 1996, as amended, or HIPAA, we must comply with comprehensive privacy and security standards with respect to the use and disclosure of protected health information, as well as standards for electronic transactions, including specified transaction and code set rules. Under the 2009 HITECH amendments to HIPAA, the law was expanded, including requirements to provide notification of certain identified data breaches, direct patient access to laboratory records, the extension of certain HIPAA privacy and security standards directly to business associates, and heightened penalties for noncompliance, and enforcement efforts.

In addition, HIPAA not only seeks to ensure patient privacy, but also requires providers that bill electronically to do so using standard code sets. These HIPAA transaction standards are complex, and subject to differences in interpretation by payers. For instance, some payers may interpret the standards to require us to provide certain types of information, including demographic information not usually provided to us by physicians. As a result of inconsistent application of transaction standards by payers or our inability to obtain certain billing information not usually provided to us by physicians, we could face increased costs and complexity, a temporary disruption in receipts and ongoing reductions in the timeliness of reimbursement. In addition, new requirements for additional standard transactions, such as claims attachments, Version 5010 of the HIPAA Transaction Standards and the ICD-10-CM Code Set, could prove technically difficult, time-consuming or expensive to implement.

Complying with numerous regulations pertaining to our business is an expensive and time-consuming process, and any failure to comply could result in substantial penalties.

The clinical laboratory testing industry is highly regulated and there can be no assurance that the regulatory environment in which we operate will not change significantly and adversely in the future. Areas of the regulatory environment that may affect our ability to conduct business include, without limitation:

- federal and state laws applicable to billing and claims payment;
- federal and state laboratory anti-mark-up laws;

- federal and state anti-kickback laws;
- federal and state false claims laws;
- federal self-referral and financial inducement prohibition laws, commonly known as the Stark Law, and the state equivalents;
- federal and state laws governing laboratory licensing and testing, including CLIA;
- federal and state laws governing the LDTs;
- HIPAA, along with the revisions to HIPPA as a result of the HITECH Act, and analogous state laws;
- federal, state and foreign regulation of privacy, security, electronic transactions and identity theft;
- federal, state and local laws governing the handling, transportation and disposal of medical and hazardous waste;
- Occupational Safety and Health Administration rules and regulations;
- changes to laws, regulations and rules as a result of the Health Care Reform Law; and
- changes to other federal, state and local laws, regulations and rules, including tax laws.

We have adopted policies and procedures designed to comply with these laws. In the ordinary course of business, there is an ongoing awareness of the importance of compliance with these laws. The growth of our business and sales organization may increase the potential for violating these laws or our internal policies and procedures, despite our ongoing vigilance in maintaining and updating our compliance procedures. The risk of being found in violation of these or other laws and regulations is further increased by the fact that many of them are extremely complex and in many instances, there are no significant regulatory or judicial interpretations of these laws and regulations. Any action brought against us for violation of these or other laws or regulations, even if we successfully defend against it, could cause us to incur significant legal expenses and divert management s attention. Any determination that we have violated these laws or regulations, or a public announcement that we are being investigated for possible violations of these laws or regulations, could harm our reputation, operating results and financial condition. If our operations are found to be in violation of any of these laws and regulations, we

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may be subject to any applicable penalty associated with the violation, including civil and criminal penalties, damages and fines, we could be required to refund payments received by us, and we could be required to curtail or cease our operations. In addition, a significant change in any of these laws or regulations may require us to change our business model in order to maintain compliance with these laws or regulations, which could harm our operating results and financial condition.

A failure to comply with any of federal or state laws applicable to our business, particularly laws related to the elimination of healthcare fraud, may adversely impact our business.

Federal officials responsible for administering and enforcing the healthcare laws and regulations have made a priority of eliminating healthcare fraud. For example, the Patient Protection and Affordable Care Act, as amended by the Health Care Education and Reconciliation Act of 2010, jointly the Affordable Care Act, includes significant new fraud and abuse measures, including required disclosures of financial arrangements between drug and device manufacturers, on the one hand, and physicians and teaching hospitals, on the other hand. Federal funding available for combating health care fraud and abuse generally has increased. While we seek to conduct our business in compliance with all applicable laws and regulations, many of the laws and regulations applicable to our business, particularly those relating to billing and reimbursement of tests and those relating to relationships with physicians, hospitals and patients, contain language that has not been interpreted by courts. We must rely on our interpretation of these laws and regulations based on the advice of our counsel and regulatory or law enforcement authorities may not agree with our interpretation of these laws and regulations and may seek to enforce legal remedies or penalties against us for violations. From time to time we may need to change our operations, particularly pricing or billing practices, in response to changing interpretations of these laws and regulations or regulatory or judicial determinations with respect to these laws and regulations. These occurrences, regardless of their outcome, could damage our reputation and harm important business relationships that we have with healthcare providers, payers and others. Furthermore, if a regulatory or judicial authority finds that we have not complied with applicable laws and regulations, we could be required to refund amounts that were billed and collected in violation of such laws and regulations. In addition, we may voluntarily refund amounts that were alleged to have been billed and collected in violation of applicable laws and regulations. In either case, we could suffer civil and criminal damages, fines and penalties, exclusion from participation in governmental healthcare programs and the loss of licenses, certificates and authorizations necessary to operate our business, as well as incur liabilities from third-party claims, all of which could harm our operating results and financial condition. Moreover, regardless of the outcome, if we or physicians or other third parties with whom we do business are investigated by a regulatory or law enforcement authority we could incur substantial costs, including legal fees, and our management may be required to divert a substantial amount of time to an investigation.

To enhance compliance with applicable health care laws, and mitigate potential liability in the event of noncompliance, regulatory authorities, such as the United States Department of Health and Human Services Office of Inspector General, or OIG, have recommended the adoption and implementation of a comprehensive health care compliance program that generally contains the elements of an effective compliance and ethics program described in Section 8B2.1 of the United States Sentencing Commission Guidelines Manual, and for many years the OIG has made available a model compliance program targeted to the clinical laboratory industry. In addition, certain states, such as New York, require that health care providers, such as clinical laboratories, that engage in substantial business under the state Medicaid program have a compliance program that generally adheres to the standards set forth in the Model Compliance Program. Also, under the Affordable Care Act, the U.S. Department of Health and Human Services, or HHS, will require suppliers, such as the Company, to adopt, as a condition of Medicare participation, compliance programs that meet a core set of requirements.

Failure to maintain the security of patient-related information or compliance with security requirements could damage our reputation with customers, cause us to incur substantial additional costs and become subject to litigation.

Pursuant to HIPAA, and certain similar state laws, we must comply with comprehensive privacy and security standards with respect to the use and disclosure of protected health information. Under the HITECH amendments to HIPAA, HIPAA was expanded to require certain data breach notification, to extend certain HIPAA privacy and security standards directly to business associates, to heighten penalties for noncompliance, and enhance enforcement efforts.

We receive certain personal and financial information about our clients and their patients. In addition, we depend upon the secure transmission of confidential information over public networks. A compromise in our security systems that results in client or patient personal information being obtained by unauthorized persons or our failure to comply with security requirements for financial transactions could adversely affect our reputation with our clients and result in litigation against us or the imposition of penalties, all of which may adversely affect our operations, financial condition and liquidity.

Changes in regulation and policies, including increasing downward pressure on health care reimbursement, may adversely affect reimbursement for diagnostic services and could have a material adverse impact on our business.

Reimbursement levels for health care services are subject to continuous and often unexpected changes, and we face a variety of efforts by government payers to reduce utilization and reimbursement for diagnostic testing services. Changes in governmental reimbursement

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may result from statutory and regulatory changes, retroactive rate adjustments, administrative rulings, competitive bidding initiatives, or other policy changes.

The U.S. Congress has considered, at least yearly in conjunction with budgetary legislation, changes to one or both of the Medicare fee schedules under which we receive reimbursement, which include the clinical laboratory fee schedule for our clinical laboratory services. For example, Congress has periodically considered imposing a 20 percent coinsurance on laboratory services. If enacted, this would require us to attempt to collect this amount from patients, although in many cases the costs of collection would exceed the amount actually received.

The CMS pays laboratories on the basis of a of a fee schedule that is reviewed and re-calculated on an annual basis. CMS may change the fee schedule upward or downward on billing codes that we submit for reimbursement on a regular basis. Our revenue and business may be adversely affected if the reimbursement rates associated with such codes are reduced. Even when reimbursement rates are not reduced, policy changes add to our costs by increasing the complexity and volume of administrative requirements. Medicaid reimbursement, which varies by state, is also subject to administrative and billing requirements and budget pressures. Recently, state budget pressures have caused states to consider several policy changes that may impact our financial condition and results of operations, such as delaying payments, reducing reimbursement, restricting coverage eligibility and service coverage, and imposing taxes on our services.

Healthcare policy changes, including recently enacted legislation reforming the U.S. healthcare system, may have a material adverse effect on our financial condition and results of operations.

Fees for most laboratory services reimbursed by Medicare are established in the Clinical Laboratory Fee Schedule (CLFS), and fees for other testing reimbursed by Medicare, primarily related to pathology, are covered by the Physician Fee Schedule (PFS). Over the past several years, the Company has experienced governmental pay reductions as a direct result of the Affordable Care Act (ACA), the Medicare Access and CHIP Reauthorization Act of 2015 (MACRA) and the Achieving a Better Life Experience Act of 2014 (ABLE Act). In addition, the Protecting Access to Medicare Act (PAMA), which became law on April 1, 2014, is expected to result in a future net reduction in reimbursement revenue under the CLFS. These laws include provisions designed to control healthcare expenses reimbursed by government programs through a combination of reductions to fee schedules, incentives to providers to participate in alternative payment models such as risk-sharing and new methods to establish and adjust fees.

The Affordable Care Act makes changes that are expected to significantly affect clinical laboratories, among others. Beginning in 2013, each medical device manufacturer must pay a sales tax in an amount equal to 2.3% of the price for which such manufacturer sells its medical devices that are listed with the FDA. The Consolidated Appropriations Act, 2016 (Dec. 18, 2015) imposed a two-year moratorium on this medical device tax so it would not apply to the sale of a taxable medical device by the manufacturer, producer, or importer of the device during the period beginning on Jan. 1, 2016, and ending on Dec. 31, 2017.

Although the FDA has contended that LDTs are medical devices, none of our products is currently listed with the FDA. We cannot assure you that the tax, once the moratorium sunsets, will not be extended to services such as ours in the future. The Affordable Care Act also mandates a reduction in payments for clinical laboratory services paid under the Medicare Clinical Laboratory Fee Schedule, or CLFS, of 1.75% through 2015 and a productivity adjustment to the CLFS. Moreover, under Protecting Access to Medicare Act, CMS will be required to set and make adjustments to the CLFS using market-based information that reflects the scope of prices paid across the laboratory industry. On October 1, 2015, CMS issued a proposed rule to implement PAMA that would require applicable laboratories, including the Company, to begin reporting

their test-specific private payer payment amounts to CMS during the first quarter of 2016. CMS intends to use that private market data to calculate weighted median prices for each test (based on applicable CPT codes) that would represent the new CLFS rates beginning in 2017, subject to certain phase-in limits. For 2017-2019, a test price cannot be reduced by more than 10.0% per year; for 2020-2022, a test price cannot be reduced by more than 15.0% per year. Reporting and pricing will occur every three years, or annually with respect to certain types of tests, to update the CLFS thereafter.

Other significant measures contained in the Affordable Care Act includes, for example, coordination and promotion of research on comparative clinical effectiveness of different technologies and procedures, initiatives to revise Medicare payment methodologies, such as bundling of payments across the continuum of care by providers and physicians, and initiatives to promote quality indicators in payment methodologies. The Affordable Care Act also includes significant new fraud and abuse measures, including required disclosures by drug and device manufacturers and distributors of financial arrangements with physicians and teaching hospitals. In addition, the Health Care Reform Law establishes an Independent Payment Advisory Board, or IPAB, to reduce the per capita rate of growth in Medicare spending. The IPAB has broad discretion to propose policies to reduce expenditures, which may have a negative impact on payment rates for services. The IPAB proposals may impact payments for clinical laboratory services beginning in 2016. We are monitoring the impact of the Health Care Reform Law in order to enable us to determine the trends and changes that may be necessitated by the legislation that may potentially impact on our business over time.

In addition to the Affordable Care Act, various healthcare reform proposals have also emerged from federal and state governments. For example, in February 2012, Congress passed the Middle Class Tax Relief and Job Creation Act of 2012 which in part reduced the potential future cost-based increases to the Medicare Clinical Laboratory Fee Schedule by 2%. Overall the expected total fee cut to the CLFS for 2013 was 2.95% not including a further reduction of 2% from implementation of the automatic expense

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reductions (sequester) under the Budget Control Act of 2011 which went into effect for dates of service on or after April 1, 2013. Reductions made by the Congressional sequester are applied to total claims payments made. While these reductions did not result in a rebasing of the negotiated or established Medicare or Medicaid reimbursement rates, rebasing could occur as a result of future legislation. In 2015, the total fee cut to the CLFS was 0.25%.

On June 23, 2016, the CMS published a final rule implementing PAMA, which required establishment of a new Medicare reimbursement system for clinical lab tests paid under the CLFS, based on private payer rates, as reported to CMS. Although the new payment system was supposed to go into effect for tests furnished after January 1, 2017, the CMS rulemaking process was delayed, and the new rates will not be effective until January 1, 2018 pursuant to the final rule. Under the new system the Company must collect data on private payer rates and report the data to CMS every three years for most types of tests. The Company does not expect that the new reporting requirements will have a material impact on its business or results of operations. CMS will use the data reported by all applicable labs to calculate a weighted median of private payer rates for each test performed, and that weighted median will be the new Medicare rate. Rate reductions for existing tests under the new system will be phased in over six years. The Company is still assessing the full impact of the final rule, but has been preparing for it for some time.

We cannot be certain that these or future changes will not affect payment rates in the future. We also cannot predict whether future healthcare initiatives will be implemented at the federal or state level, or the effect any future legislation or regulation will have on us. The taxes imposed by the new federal legislation, cost reduction measures and the expansion in government s role in the U.S. healthcare industry may result in decreased profits to us, lower reimbursements by payers for our products or reduced medical procedure volumes, all of which may adversely affect our business, financial condition and results of operations.

Healthcare plans have taken steps to control the utilization and reimbursement of healthcare services, including clinical test services.

We also face efforts by non-governmental third-party payers, including healthcare plans, to reduce utilization and reimbursement for clinical testing services.

The healthcare industry has experienced a trend of consolidation among healthcare insurance plans, resulting in fewer but larger insurance plans with significant bargaining power to negotiate fee arrangements with healthcare providers, including clinical testing providers. These healthcare plans, and independent physician associations, may demand that clinical testing providers accept discounted fee structures or assume all or a portion of the financial risk associated with providing testing services to their members through capped payment arrangements. In addition, some healthcare plans have been willing to limit the PPO or POS laboratory network to only a single national laboratory to obtain improved fee-for-service pricing. There are also an increasing number of patients enrolling in consumer driven products and high deductible plans that involve greater patient cost-sharing.

The increased consolidation among healthcare plans also has increased the potential adverse impact of ceasing to be a contracted provider with any such insurer.

We expect continuing efforts to reduce reimbursements, to impose more stringent cost controls and to reduce utilization of clinical test services. These efforts, including future changes in third-party payer rules, practices and policies, or ceasing to be a contracted provider to a healthcare plan, may have a material adverse effect on our business.

Government regulation of genetic research or testing may adversely affect the demand for our services and impair our business and operations.

In addition to the regulatory framework governing healthcare, genetic research and testing has been the focus of public attention and regulatory scrutiny. From time to time, federal, state and/or local governments adopt regulations relating to the conduct of genetic research and genetic testing. In the future, these regulations could limit or restrict genetic research activities as well as genetic testing for research or clinical purposes. In addition, if such regulations are adopted, these regulations may be inconsistent with, or in conflict with, regulations adopted by other government bodies. Regulations relating to genetic research activities could adversely affect our ability to conduct our research and development activities. Regulations restricting genetic testing could adversely affect our ability to market and sell our products and services. Accordingly, any regulations of this nature could increase the costs of our operations or restrict our ability to conduct our testing business and might adversely affect our operations and financial condition.

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Our operations may be adversely affected by the effects of extreme weather conditions or other interruptions in the timely transportation of specimens.

We transport specimens from our North Carolina offices in the U.S. to our laboratory located in Melbourne, Australia. Our operations may be adversely impacted by extreme weather conditions or other interruptions in the timely transportation of such specimens or otherwise to provide our services, from time to time. The occurrence of any such event and/or a disruption to our operations as a result may harm our reputation and adversely impact our results of operations.

Failure in our information technology systems could significantly increase testing turn-around times or impact on the billing processes or otherwise disrupt our operations.

Our laboratory operations depend, in part, on the continued performance of our information technology systems. Our information technology systems are potentially vulnerable to physical or electronic break-ins, computer viruses and similar disruptions. Sustained system failures or interruption of our systems in our laboratory operations could disrupt our ability to process laboratory requisitions, perform testing, and provide test results in a timely manner and/or billing process. Breaches with respect to protected health information could result in violations of HIPAA and analogous state laws, and risk the imposition of significant fines and penalties. Failure of our information technology systems could adversely affect our reputation, business, profitability and financial condition.

Failure to demonstrate the clinical utility of our products could have a material adverse effect on our financial condition and results of operations.

In order to assure adequate insurance coverage and favorable insurance reimbursement of our products, we are required to demonstrate the clinical utility of our tests. Clinical utility which is the usefulness of a test for clinical practice (as contrasted with diagnostic accuracy, which is how well the test can determine the presence, absence, or risk of a specific disease) may well be the most significant limitation for the widespread acceptance of molecular diagnostic tools such as BREVAGen*plus*. We are currently undertaking studies intended to demonstrate the clinical utility of our tests in order to assure continued acceptance of the value of our products. These studies will require us to invest considerable financial and management resources without any assurance of favorable results. Successful studies are difficult to plan, execute and validate, because of the time involved and variables that are difficult to control and which can impact outcomes. If we are unable to demonstrate clinical utility, or if our data is deemed insufficient to validate utility, which are required for Medicare coverage, then we may face negative coverage decisions for our products. The resulting negative coverage decisions could have a material adverse effect on our financial conditions and results of operations.

Ethical and other concerns surrounding the use of genetic information may reduce the demand for our services.

Public opinion regarding ethical issues related to the confidentiality and appropriate use of genetic testing may influence government authorities to call for limits on, or regulation of the use of, genetic testing. In addition, such authorities could prohibit testing for genetic predisposition to certain conditions, particularly for those that have no known cure. Furthermore, adverse publicity or public opinion relating to genetic research and testing, even in the absence of any governmental regulation, could reduce the potential markets for our services, which could materially and adversely affect our financial position.

We do not however undertake any activities in the contentious areas of cloning, stem cell research or other gene-altering areas. As such, many of the ethical issues that may be relevant to other participants in the genetics industry are not necessarily applicable to us.

Risks associated with Out-licensing of our intellectual property

The patenting of genes and issues surrounding access to genetic knowledge are the subjects of extensive and ongoing public debate in many countries. By way of example, the Australian Law Reform Commission has previously conducted two inquiries into the social uses of genetic information. The patents we hold over uses of non-coding DNA have broad scope and have also been the subject of debate and some criticism in the media. Individuals or organizations, in any one of the countries in which these patents have issued, could take legal action to seek their amendment, revocation or invalidation, something which has happened previously, on several occasions in various jurisdictions, though we have prevailed in all such cases.

Furthermore, any time that we initiate legal action against parties that infringe our patents we face a risk that the infringer will defend itself through a counter-claim of patent invalidity or other such claims. Subsequent legal action could potentially overturn, invalidate or limit the scope of our patents.

Under the relevant Patent Acts in most of the countries in which our non-coding patents have issued, the relevant judicial system has rights to impose compulsory licensing. The relevant governments typically hold march-in rights by which they may unilaterally choose to exploit the technology. To the extent that the Company s non-coding technology is used in the conduct of research, we also face risks, uncertainty and controversy over the licensing of our technology to those conducting the research. Whether or not researchers should be exempted from obligations to take licenses to relevant patents was the subject of another government inquiry conducted by the Australian Council for Intellectual Property who recommended the creation of a research exemption.

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Item 4. Information on the Company

Item 4.A History and Development of the Company

Originally incorporated under the laws of Western Australia on January 5, 1987 as Concord Mining N.L. the Company operated as a mining company. On August 13, 1991, we changed our name to Consolidated Victorian Gold Mines N.L. On December 2, 1991, we changed our name to Consolidated Victorian Mines N.L. On March 15, 1995, we changed our name to Duketon Goldfields N.L.

On October 15, 1999, the Company s corporate status was changed from a No Liability Company to a company limited by shares. On August 29, 2000, following the acquisition of Swiss company GeneType AG, we changed our name to Genetic Technologies Limited, which is our current name. At that time, the mining activities were phased out to focus on becoming a biotechnology company, following which our stock exchange listing was duly transferred from the mining board of the ASX to the industrial board and our shares were thereafter classified under the industry group Health and Biotechnology , completing our transformation from a mining company into a biotechnology company. Our current activities in biotechnology primarily concentrate on one clearly defined area of activity which is covered under Item 4.B Business Overview .

In October 2009, a new strategic direction was established to focus efforts in creating a portfolio of tests that would be aimed at assisting medical clinicians with cancer management. This would comprise tests that were created by the Company and in-licensed from third parties which would then be marketed by Genetic Technologies in the Asia-Pacific region.

On April 14, 2010, we announced that we had acquired certain assets from Perlegen Sciences, Inc. in California, with the main asset being the BREVAGen breast cancer risk assessment test (BREVAGen). In addition to the BREVAGen test, we also acquired a suite of patents valid to 2022 which augment and extend our current non-coding patent portfolio. On June 28, 2010, we incorporated a wholly-owned subsidiary named Phenogen Sciences Inc. in the State of Delaware which commenced selling the BREVAGen test in the U.S. marketplace in June 2011. In October 2014, the Company released its next generation breast cancer risk assessment test BREVAGen*plus*® .

During 2014, the Directors considered an offer by Specialist Diagnostic Services Ltd (SDS), the wholly owned pathology subsidiary of Primary Health Care Ltd., to purchase the assets of the Australian Genetic testing business, which included Paternity, Forensics, Animal and Medical testing for the ANZ region. In September 2014, the Company signed a binding Sale and Purchase Agreement with SDS.

On November 19, 2014, the Company completed the sale of its Heritage Australian Genetics business to SDS.

As part of the Company s strategy to focus on the expansion of its cancer diagnostic franchise, we continue to evaluate opportunities to sell, out-license or co-develop other assets and technologies in which we have an interest, including our legacy non-coding assertion and licensing program.

Corporate Information

Our registered office, headquarters and laboratory is located at 60-66 Hanover Street, Fitzroy, Victoria, 3065, Australia and our telephone number is +-61 3 8412 7000. The offices of our U.S. subsidiary, Phenogen Sciences Inc., are located at 9115 Harris Corners Parkway, Suite 320, Charlotte, North Carolina, 28269 U.S.A. The telephone number for the Phenogen Sciences office is (877) 992 7382. Our website address is www.gtglabs.com. The information in our website is not incorporated by reference into this Annual Report and should not be considered as part of this Annual Report.

Our Australian Company Number (ACN) is 009 212 328. Our Australian Business Number (ABN) is 17 009 212 328. We operate pursuant to our constitution, the Australian *Corporations Act 2001*, the Listing Rules of the Australian Securities Exchange, the Marketplace Rules of NASDAQ and, where applicable, local, state and federal legislation in the countries in which we operate.

Item 4.B Business Overview

Description of our Business

Founded in 1989, Genetic Technologies Listed on the ASX (GTG) in 2000 and NASDAQ (GENE) in 2005, Genetic Technologies is today a molecular diagnostics company that offers predictive testing and assessment tools to help physicians proactively

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manage women s health. The Company s lead product, BREVAGen*plus*, is a clinically validated risk assessment test for non-hereditary breast cancer and is first in its class. BREVAGen*plus* improves upon the predictive power of the first generation BREVAGen test and is designed to facilitate better informed decisions about breast cancer screening and preventive treatment plans. BREVAGen*plus* expands the application of BREVAGen from Caucasian women to include African-Americans and Hispanics, and is directed towards women aged 35 years or above, who have not had breast cancer and have one or more risk factors for developing breast cancer.

The Company has successfully launched the first generation BREVAGen test across the U.S. via its U.S. subsidiary Phenogen Sciences Inc. and the addition of BREVAGen*plus*, launched in October 2014, significantly expands the applicable market. The Company markets BREVAGen*plus* to healthcare professionals in comprehensive breast health care and imaging centres, as well as to obstetricians/gynecologists (OBGYNs) and breast cancer risk assessment specialists (such as breast surgeons). For more information, visit www.brevagenplus.com and www.phenogensciences.com.

The Genetic Testing Business

Following the acquisition of Genetype AG in 1999 and the subsequent renaming to Genetic Technologies Limited, the Company focused on establishing a genetic testing business, which over the following decade saw it become the largest provider of paternity and related testing services in Australia. The Company s service testing laboratory in Melbourne became the leading non-Government genetic testing service provider in Australia. The genetic testing services of the Company expanded to include at certain times:

- *Medical testing*
- *Animal Testing*
- *Forensic Testing*
- *Plant Testing*

The acquisition of GeneType AG also provided the Company with ownership rights to a potentially significant portfolio of issued patents. During the intervening years, this portfolio has since been expanded by both organic growth and the acquisition of intellectual property assets from third parties. The patent portfolio is constantly reviewed to ensure that we maintain potentially important patents but at the same time keep costs to a minimum by no longer pursuing less commercially attractive and relevant intellectual property.

A strategic alliance with Myriad Genetics Inc. delivered to the Company exclusive rights in Australia and New Zealand to perform DNA testing for susceptibility to a range of cancers. In April 2003, we established our cancer susceptibility testing facility within our Australian laboratory. In June 2003, this facility was granted provisional accreditation by the National Association of Testing Authorities, Australia (NATA).

In November 2003, the Company joined the world-wide genetic testing network GENDIA as the sole reference laboratory for the network in Australia and New Zealand. GENDIA consists of more than 50 laboratories from around the world, each contributing expertise in their

respective disciplines to create a network capable of providing more than 2,000 different genetic tests. This provided the Company with the ability to offer comprehensive testing services to its customer base in the Asia-Pacific region as well as increasing its exposure to other markets.

In December 2009, Genetic Technologies negotiated an exclusive option to investigate the purchase of various assets from Perlegen Sciences, Inc. of Mountain View, California which included a breast cancer non-familial risk assessment test, BREVAGen . Those assets were subsequently purchased by the Company in April 2010. Work then began on validating the test in the Company s Australian laboratory as well as initiating the process for obtaining CLIA certification which would enable the Company to undertake the testing of samples received from the U.S. market. By July 2010, a new U.S. subsidiary named Phenogen Sciences Inc. had been incorporated by the Company in Delaware to market and distribute the BREVAGen test across mainland U.S.A.

On September 15, 2014 we announced plans to restructure and realign our group activities, in order to focus our strategy on the U.S. molecular diagnostics market and the commercialisation of our lead breast cancer risk test BREVAGen through our U.S. subsidiary Phenogen Sciences, Inc. In October 2014, we announced the U.S. release of BREVAGen*plus*, an easy-to-use predictive risk test for the millions of women at risk of developing sporadic, or non-hereditary, breast cancer, representing a marked enhancement in accuracy and broader patient applicability, over our first generation BREVAGen product. We also made a pivotal change of sales and marketing emphasis toward large comprehensive breast treatment and imaging centers, which are more complex entities with a longer sales cycle, but higher potential.

As part of this realignment, on November 19, 2014 we completed the sale of our Heritage Australian genetics business to Specialist Diagnostic Services Ltd. As part of the Company s strategy to focus on the expansion of its cancer diagnostic franchise, we

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continue to evaluate opportunities to sell, out-license or co-develop other assets and technologies in which we have an interest, including our legacy non-coding assertion and licensing program.

BREVAGen*plus* *is a State-of-the-Art* Breast Cancer Risk Assessment Test designed to enable a more personalized breast cancer risk assessment in a greater number of women

The identification, in 2007, of a number of single nucleotide polymorphisms (SNPs), each with an associated small relative risk of breast cancer, led to the development of the first commercially available genetic risk test for sporadic breast cancer, BREVAGenTM. The Company launched the product, in the U.S. in June 2011. In October 2014, Genetic Technologies released its next generation breast cancer risk assessment test, BREVAGen*plus*. This new version of the test incorporates a 10-fold expanded panel of genetic markers (SNPs), known to be associated with the development of sporadic breast cancer, providing an increase in predictive power relative to its first-generation predecessor test. In addition, the new test is clinically validated in a broader population of women including, African American and Hispanic women. This increases the applicable market beyond the Caucasian only indication of the first generation test, and simplifies the marketing process in medical clinics and breast health centres in the U.S.

The expanded panel of SNPs incorporated into BREVAGen*plus* were identified from multiple large-scale genome-wide association studies and subsequently tested in case-control studies utilising specific Caucasian, African American and Hispanic patient samples.

BREVAGen*plus* is a first-in-class, clinically validated, predictive risk test for sporadic breast cancer which examines a woman s clinical risk factors, combined with seventy seven scientifically validated genetic biomarkers (SNPs), to allow for more personalised breast cancer risk assessment and risk management.

Physicians worldwide look largely to family history of breast cancer as an indication of risk in patients for developing this disease. However, 85% of women who develop breast cancer have little or no family history of developing the disease and BREVAGen*plus* is designed to help elucidate risk in this group of women.

Targeted towards women over the age of 35 who have little or no family history of breast cancer but harbor one or more known clinical risk factors such as early menstruation, late childbirth, late menopause, a history of atypical or benign breast biopsies, BREVAGen*plus* provides a more accurate tool for assessing a woman s personal risk of developing breast cancer.

In addition, women designated as having dense breasts upon mammographic evaluation are recognized as being at elevated risk of developing breast cancer, which makes these patients potential candidates for the BREVAGen*plus* test. Several U.S. States have enacted legislation, which mandates that breast density be documented on mammogram reports, and encourages physicians to discuss risk profiles and risk reduction strategies with these patients. Recent scientific evidence indicates that BREVAGen*plus* may help to properly identify the high risk women in this category. It is expected that more U.S. jurisdictions will adopt similar legislation in the coming years, increasing awareness of the correlation between dense breast and breast cancer risk amongst healthcare providers, patients and health insurance payers.

In April 2011, the Company announced that it had gained certification of its Australian laboratory under the U.S. Clinical Laboratories Improvements Amendments, as regulated by the Centers for Medicare and Medicaid in Baltimore, Maryland. This certification, which enables the Company to accept and test samples from U.S. residents, was the culmination of preparations required for the U.S. launch of the Company s BREVAGen test which occurred in June 2011. Phenogen Sciences has since established an office in Charlotte, North Carolina.

In August 2012, the Company announced that it had received European CE Mark approval for BREVAGen , which will allow BREVAGen to be sold in the EU and other countries that recognize the CE Mark.

During the first half of the 2013 financial year, the Company announced that it had received licensure to sell BREVAGen into the states of California, Maryland, Pennsylvania, Rhode Island and Florida, bringing the total number of U.S. states in which the BREVAGen test can be sold to 49 of the 50 U.S. states. In July 2013, the Company was inspected by a representative of the New York State Department of Health, Clinical Laboratory Evaluation Program (CLEP). The Company s laboratory received an inspection result with no deficiencies reported and, on August 30, 2013, the Company announced that it had received its Clinical Laboratory Permit (CLEP) from the New York State Department of Health. This permit, which allows the Company to offer the BREVAGen test to residents of New York State, completed the final out-of-state licensure allowing the Company to provide testing services to all 50 U.S. states.

From its headquarters in Melbourne, Victoria, the Company s laboratory holds a number of accreditations including:

- The Clinical Laboratory Improvement Amendments (CLIA) license required for all laboratories offering testing the U.S.;

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- The Clinical Laboratory Evaluation Program (CLEP) license, an additional certification required to offer tests in New York State;
- A Medical Device Establishment License (MDEL) required for Canada;
- The BREVAGen*plus*® test is CE marked for sale in Europe;

Physicians who order clinical tests for their patients represent the primary sources of our testing volume. Fees invoiced to patients and third parties are based on our fee schedule, which may be subject to limitations imposed by third-party payers. The clinical laboratory industry is highly regulated and subject to significant and changing Federal and state laws and regulations. These laws and regulations affect key aspects of our business, including licensure and operations, billing and payment for laboratory services, sales and marketing interactions with ordering physicians, security and confidentiality of health information, and environmental and occupational safety. Oversight by government officials includes regular inspections and audits. We seek to and believe that we do conduct our business in compliance with all applicable laws and regulations.

The United States Clinical Laboratory Improvement Amendments of 1988, or CLIA, extends Federal licensing requirements to all clinical laboratories (regardless of the location, size or type of laboratory), including those operated by physicians in their offices, based on the complexity of the tests they perform. CLIA also establishes a stringent proficiency testing program for laboratories and includes substantial sanctions, such as suspension, revocation or limitation of a laboratory s CLIA certificate (which is necessary to conduct business), and significant fines and/or criminal penalties.

CLIA, and its implementing regulations, includes quality standards (establishing Federal quality standards for all clinical laboratories); application and user fee requirements; and enforcement procedures. The quality standard regulations establish varying levels of regulatory scrutiny depending upon the complexity of testing performed. The tests on samples provided through our products are processed at our laboratory in Melbourne, Australia. Our laboratory completed its first CLIA inspection under CLIA guidelines and received its certificate of compliance effective November 17, 2011. A re-certification from CMS i.e. paper survey, was performed in November 2013 and another on-site re-certification followed up in February 2016. Furthermore, our laboratory completed its first CLEP inspection under the NYS DOH CLEP guidelines and received its certificate of compliance effective August 30, 2013. Since the initial survey, the laboratory has been successful in submitting documents via the NYS eCLEP Health Commerce System for each subsequent year to date. The laboratory is expecting an on-site visit in the near future in late 2016 or early 2017.

We believe the Company is in compliance with all applicable federal and state laboratory requirements. Under CLIA, the company remains subject to state and local laboratory regulations. CLIA provides that a state may adopt laboratory regulations that are more stringent than those under federal law, and some states require additional personnel qualifications, quality control, record maintenance and other requirements.

BREVAGen and BREVAGen*plus* are laboratory developed tests, or LDTs. The federal Food and Drug Administration, or FDA, has regulatory responsibility over, among other areas, instruments, test kits, reagents and other medical devices used by clinical laboratories to perform diagnostic testing. CLIA-certified laboratories, such as ours, frequently develop internal testing procedures to provide diagnostic results to customers. These tests are referred to as laboratory developed tests, or LDTs. LDT s are subject to CMS oversight through its enforcement of CLIA. The FDA has also claimed regulatory authority over all LDTs, but indicates that it has exercised enforcement discretion with regard to most LDTs offered by high complexity CLIA-certified laboratories, and has not subjected these tests to the panoply of FDA rules and regulations governing medical devices. However, the FDA has stated that it has been considering changes in the way it believes that laboratories ought to be allowed to offer these LDTs, and during 2010 publicly announced that it would be exercising regulatory authority over LDTS, using

a risk-based approach that will direct more resources to tests with the highest risk of injury. In September 2014, the FDA announced its framework and timetable for implementing this guidance.

Test samples received since launch

Since launching its BREVAGen test in the U.S. market in July 2011, followed by the U.S. release of, in October 2014, the number of test samples received up to balance date June 30 2016, was 9,742 tests.

During the financial year ended June 30, 2012, the Company generated the first sales of its BREVAGen test. Whilst not material to the overall result, in accordance with revenue recognition principles, due to the relatively limited numbers of tests sold in that first year of launch, the income generated from these sales was recorded on a cash basis. Effective January 1, 2013, significant changes in the US reimbursement system have impacted (positively) on the amounts the Company has since received for the BREVAGen tests it performs. As of June 2014, the Company had enough historical data to use to enable it to determine a reliable estimate of the amount of revenue expected to be received. Accordingly the Group recognises the revenue on the BREVAGen test on an accruals basis.

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Further expansion of the Company s credentialing program

Credentialing with Preferred Provider Organization (PPOs) Networks allows for expedited claim adjudication as in-network . A PPO is a managed care organization of medical doctors, hospitals and other health care providers which has covenanted with insurers or third-party administrators to provide health care, at reduced rates, to the clients of the respective insurer or administrator. Credentialing is a process whereby provider organizations such as physicians, care facilities and ancillary providers (including testing service providers such as Phenogen Sciences) contract directly with the PPO. Contracts with PPOs are fundamental to having claims for the BREVAGen test adjudicated as in-network .

Credentialing contracts have been executed between the Company and InterWest Health, FedMed Inc., MultiPlan Network, Three Rivers Provider Network, Prime Health Services, National Preferred Provider Network / PlanCare America / Ohio Preferred Provider Network LLC (NPPN / OPPN), Galaxy Health Network and Fortified Provider Network.

The positive impact of this activity is reflected in the fact that the average reimbursement received in respect of claims that were adjudicated as in-network was significantly higher than the amounts received in respect of claims that were adjudicated as out-of-network , with the time taken to collect the funds also being materially shorter.

Once in-network, the Company receives improved cash flow via faster payment while still obtaining an acceptable level of reimbursement and reducing the costs incurred through appealing denials. Once BREVAGen*plus* sample volumes reach a significant level and Genetic Technologies has gathered the necessary additional clinical utility data, the Company intends to approach insurers directly to contract.

Reimbursement

Up until the end of the 2012 calendar year, insurance claims for BREVAGen were submitted using the so-called code stack of CPT methodology codes. Reimbursement under this regime was positive, with a low percentage of denials and appeals. However, effective January, 1 2013, the AMA removed the code stack claim process, requiring tests without a specific CPT code to be claimed via an Unlisted or Miscellaneous Code .

As a result of the above changes the Company now uses a miscellaneous code when submitting claims for reimbursement from insurers. As part of this transition, the list price for the BREVAGen test was increased to enable the Company to receive payment for aspects of the test that were not previously available under the code stack. Importantly, notwithstanding this, the Company did not seek to increase the maximum out-of-pocket amount that a given patient is required to pay for a BREVAGen*plus* test under its Patient Protection Program.

Though the Company s reimbursement per test (including write-offs and denials for non-coverage) has increased by more than 30%, the use of a miscellaneous code requires more administration and time by the Insurance Company to adjudicate and process the claim, thus increasing the time taken to receive reimbursement.

Clinical utility studies and peer-review publications to drive reimbursement outcome

The Company has launched an initiative to reinvigorate the pathway to Peer- Review Publication. Attaining such publications in medical journals will help to further strengthen the Company s commercial position and accelerate reimbursement discussions with private payers.

The Company had previously conducted multiple scientific studies to develop and validate the first generation BREVAGen test as well as created two health economic models to demonstrate potential cost savings and health benefits associated with the BREVAGen test. Importantly, due to the nature of the technology and the specific improvements incorporated in BREVAGen*plus*, the research undertaken and published based on the original version of the test remains applicable to the new and improved BREVAGen*plus* test.

Following is a list of peer-reviewed publications on the BREVAGen test, to date:

1) **Cost-effectiveness of a Genetic Test for Breast Cancer Risk** . *Cancer Prevention Research. 2013 Dec; 6(12):1328-36.*

2) **Economic Evaluation of Using a Genetic Test to Direct Breast Cancer Chemoprevention in White Women with a Previous Breast Biopsy** . *Applied Health Economics and Health Policy*. 2014 Apr; 12(2):203-17.

3) **Using SNP genotypes to improve the discrimination of a simple breast cancer risk prediction model** . Breast Cancer Res Treat. 2013 Jun; 139(3):887-96.

4) **Assessment of clinical validity of a breast cancer risk model combining genetic and clinical information** . J Natl Cancer Inst. 2010 Nov 3; 102(21):1618-27.

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And supporting presentations:

1) Jacoby E, DiCicco, Allman R. (2013). Impact of genomics on the assessment and management of breast cancer risk in a women s healthcare clinic. Proceedings of the National Consortium of Breast Centers March 2013.

2) Fohlse HJ, Dinh TA, Allman R. (2013). Genetic testing for breast cancer risk estimation A cost-effectiveness analysis. Presented at The California Pacific Medical Centre Breast Cancer Risk Assessment Workshop June 2013.

3) Fohlse HJ, Dinh TA, Allman R. (2013). Genetic testing for breast cancer risk estimation A cost-effectiveness analysis. Presented at the San Antonio Breast Cancer Symposium December 2013.

While these papers remain relevant to the BREVAGen*plus* test, they:

1) Underestimate its improved performance, due to its inclusion of a greatly expanded single-nucleotide polymorphism (SNP) panel; and

2) Do not capture the performance of BREVAGen*plus* in African American and Hispanic women, two groups for which the first iteration of the test was not validated.

A key accomplishment during the current year has been the publication of two new validation studies:

1) **SNP s and Breast cancer risk prediction for African-American and Hispanic women**. Breast Cancer Research & Treatment. 2015 Dec; 4(3): 583-89.

2) **Breast cancer risk prediction based on clinical models and 77 independent risk-associated SNPs in women aged under 50 years: Australian Breast Cancer Family Registry** Cancer, Epidemiology, Biomarkers and Prevention. 2016 Feb; 25(2): 359-65.

Even though the BREVAGenTM/ BREVAGen*plus*® concept has already demonstrated market acceptance, the Company recognises that in order to secure wider commercial payer coverage and to improve the level of commercial payer

payments currently received, it needs to provide additional evidence that demonstrate the impact of the test on treatment decision-making that is aligned with payer evidence requirements. As such, the Company has commenced a series of clinical utility studies that will provide further evidence to support the product s value proposition and clinical benefits.

The first two of three clinical trials planned commenced in Q4 FY16 with completion expected before the end of H1 FY17. A further longer-term retrospective in design clinical trial that will assess the impact of the test on MRI screening rates is expected to commence in H1 FY17. Combined, these three studies are designed to inform the medical community of the measureable improvement in health outcomes associated with BREVAGen*plus*® testing.

Research & Development Projects

During the year ended June 30, 2016, Genetic Technologies supported one major research program (BREVAGen*plus*), details of which have been provided below. In previous years, other projects, which have since been terminated or otherwise commercialized, have also been supported by the Company. The Company is constantly seeking new opportunities. Historically some projects have arisen from new inventions made by the Company while some have been made by others who have approached the Company seeking collaboration and support for their activities.

By its very nature, research is unpredictable and involves a considerable element of risk. Such risks may relate to scientific concepts, the implementation of the science, the protection of any inventions made and the success or otherwise in persuading others to respect the intellectual property acquired or created by the Company. Specifically, patents filed may not issue or may later be challenged by others. Even if patents issue, the methods described may, with time, be superseded by alternative methods which may prove to be commercially more attractive. Even if patents issue and the methods developed are successfully reduced to practice and can be shown to be commercially relevant, there is still no assurance that other parties will respect the patents or will take licenses to use the intellectual property. In such circumstances, it is possible that legal action will be necessary to enforce the Company s rights. Such action, in turn, raises a new series of risks including potentially significant legal costs and uncertain outcomes.

To the extent that delays are encountered in concluding the research projects, additional costs may be incurred. Further, the projected revenues from the projects may also be deferred, potentially impacting on the Company s liquidity. In such cases, the Company may seek to partner with outside parties, who will contribute to the costs of research in return for an interest in the project, or the Company may seek to raise additional working capital from the Market. In a worst case scenario, the projects may well be closed down with no valuable intellectual property having been created for the Company.

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BREVAGen*plus*® Project

In June 2011, the Company launched the first iteration of the breast cancer risk assessment test; BREVAGen . In October 2014, Genetic Technologies released its next-generation breast cancer risk assessment test, BREVAGen*plus*. This new version of the test incorporates a 10-fold expanded panel of genetic markers (SNPs), known to be associated with the development of sporadic breast cancer, providing an increase in predictive power relative to its first-generation predecessor test. In addition, the new test has been studied in a broader population of women including, African American and Hispanic women. This increases the applicable market beyond the Caucasian only application of the first generation test, and simplifies the marketing process in medical clinics and breast health centres in the U.S. The expanded panel of SNPs incorporated into BREVAGen*plus* were identified from multiple large-scale genome-wide association studies and subsequently tested in case-control studies utilising specific Caucasian, African American and Hispanic patient samples.

Historical Research Projects

Following a significant corporate restructure undertaken during the 2015 fiscal year, a strategic decision was made to focus the Company on the US diagnostics market and all historical research projects were ceased.

Competition

The medical diagnostics and biotechnology industries is subject to intense competition. As more information regarding cancer genomics and personalized medicine becomes available to the public, we anticipate that more products aimed at identifying cancer risk will be developed and that these products may compete with ours. However, the use of Single Nucleotide Polymorphisms (SNPs), for disease risk prediction is still a relatively new field of medicine.

Currently, there are no active direct competitors marketing an assay similar to that of BREVAGEN*plus* in the sporadic breast cancer risk assessment space. In recent years, a number of organizations, including deCODE (Iceland), 23andMe, Intergenetics, and Navigenics (subsequently acquired by Life Technologies now ThermoFisher) have attempted to commercialize SNP-based genetic tests, to both physicians and consumers, to assess sporadic breast cancer risk in relevant patient populations. But, either due to a lack of adequate and compelling scientific validation, and/or sufficient commercial impetus and capability, these efforts have led to lackluster market adoption, resulting in either the dissolution of these businesses or a marked change in their strategy and ultimate competitive posture to genuinely challenge the efforts of the Company to commercialize and grow its BREVAGEN*plus* franchise. New entrants that we are aware of that are in early stages of product development include Counsyl Inc. in the U.S.

Nonetheless, there are a number of academic centers and affiliated research and development bodies, in the U.S and in Europe, that are reportedly exploring the validity and clinical viability of SNP-based commercial tests in the clinical setting, but it is unclear to what extent these entities currently represent a direct or indirect potential competitive liability to the Company. A number of established, mature laboratory

services companies, such as Myriad Genetics, Ambry Genetics, and Laboratory Corporation of America, among others, have the demonstrable product development, marketing skill and resources to enter into this market for sporadic breast cancer risk assessment. Many of these larger potential competitors have already established name and brand recognition and more extensive collaborative relationships, but again, it is unclear to what extent these potential competitive threats could manifest in the near-to-long term.

The Company continues to invest in proprietary, differentiating features of its BREVAGEN*plus* test offering to diminish any prospective efforts of a potential competitor, be they an established commercial laboratory provider, a research/academic test development or laboratory services entity. Therefore, any imminent bona fide risk that any one of these entities represents to the continued success and growth of the Company s BREVAGEN*plus* commercialization efforts and market-leading position in this area is not clear.

The Company s competitive position in the genetic testing area is based upon, amongst other things, our ability to:

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- maintain first to market advantage;

- continue to strengthen and maintain scientific credibility through the process of obtaining scientific validation and undertaken further clinical trials supported by Peer-reviewed publication in medical journals;

- create and maintain scientifically-advanced technology and offer proprietary products and services

- continue to strengthen and improve the messaging and the importance and value of the breast cancer information that BREVAGen*plus* provides to Physicians

- attract and retain qualified personnel;

- obtain patent or other protection for our products and services;

- obtain required government approvals and other accreditations on a timely basis; and

- successfully market our products and services.

If we are not successful in meeting these goals, our business could be adversely affected. Similarly, our competitors may succeed in developing technologies, products or services that are more effective than any that we are developing or that would render our technology and services obsolete, noncompetitive or uneconomical.

Licensing

Non-Coding Assertion Program

Our out-licensing business principally covers two families of non-coding DNA patents. As we are the sole owners of these patents there is, by definition, no direct competition in this activity. However, to some degree, there are alternate technologies in the market place which can be used to perform genetic analysis and genomic mapping and so in this regard we do face indirect competition and a potential risk of technological obsolescence. A risk of patent invalidation always exists with the possibility of the discovery of previously unknown prior art, as well as the risk of patent re-examination. Apart from these risks, the aging and expiry of our non-coding family of patents remains, and thus our ability to generate future license revenues from these particular patents may be restricted. It is anticipated that, over time however, licensing of additional patents filed by the Company in other areas of genetics and our other research projects may replace revenues currently generated from the licensing of these non-coding patents.

During the year ended June 30, 2009, we successfully prevailed in legal proceedings with respect to a Nullity Action in the German Patent Court regarding the equivalent to U.S. Patent No. 5,612,179 (the 179 patent). We subsequently responded to questions raised by the U.S. Patents and Trademarks Office (USPTO) in relation to a Request for Re-examination of seven of the thirty six claims contained in 179 patent and, on May 10, 2010, we announced that we had received formal notification from the USPTO that it had upheld, without amendment, all of the claims which formed the basis of the re-examination action of the Company s core non-coding DNA patent.

On July 9, 2012, the Company announced that it had received formal notification from the USPTO that it had received and granted a request for a second *ex parte* re-examination of claims 1-18 and 26-32 of the 179 patent brought by Merial LLC of Duluth, Georgia (Merial). Requesting re-examination is a common strategy employed by defendants in patent infringement proceedings and, as such, it is not unexpected from Merial who is currently a defendant in the action originally brought by the Company in the U.S. District Court for the District of Colorado for infringement of the 179 patent. On March 15, 2013, the Company announced that the USPTO had issued an action reaffirming the validity of certain claims contained in the Company s 179 patent. In its formal notification to the Company, the USPTO stated that claims 1-18 and 26-32 of the 179 patent are confirmed and claims 19-25 and 33-36 are not reexamined .

On April 19, 2013, the Company advised that the USPTO had received a third request for an *ex parte* re-examination of the 179 patent, again from Merial, and that the request had been granted. As was the case in all previous challenges, GTG actively defended this matter and had the patent upheld. On September 30, 2013, the Company announced that it had received an *Ex-Parte Re-examination Certificate* once again confirming the patentability of claims 1-18 and 26-32 of the 179 patent. However, the Company also announced that Merial filed yet another (its third) request with the USPTO for re-examination of the 179 patent. This request for re-examination was once again, defended by the Company and again upheld with all claims intact as announced on February 12, 2014.

As a further result of our assertion program in the US, three independent but similar motions to dismiss have been brought by defendants in our assertion program. In each case, motions to dismiss were filed arguing the patents were invalid because they covered natural phenomenon or laws of nature and thus not entitled to patent protection. Again the Company actively defended these actions and prevailed in two cases that had been heard as announced by the Company on March 12, 2014 and August 26, 2014.

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On October 30, 2014, Judge Stark issued a Memorandum Opinion finding Claim 1 of the Company s foundation 179 patent ineligible and granted that Motion to Dismiss. Legal Counsel has now prepared an appeal to the decision in the Federal Circuit.

On December 7, 2015, Genetic Technologies argued before the Federal Circuit Court of Appeals in Washington DC that Claim 1 of the Company s foundation 179 patent is patent eligible under the standards set forth in the Mayo/Alice line of Supreme Court cases, and that Judge Stark s decision to grant motions to dismiss finding Claim 1 patent ineligible should be reversed.

On April 8, 2016, the Federal Circuit affirmed the District Court and found that Claim 1 of the Company s 179 patent is patent-ineligible under 35 U.S.C. § 101.

On October 3, 2016, the Company was advised by its U.S. based attorney, Sheridan Ross, that the Supreme Court has declined to hear the Company s appeal.

Environmental Regulations

The Company s operations are subject to environmental regulations under Australian State legislation. In particular, the Company is subject to the requirements of the *Environment Protection Act 1993*. A license has been obtained under this Act to produce listed waste.

Item 4.C Corporate Structure

The diagram below shows the corporate structure of the Genetic Technologies group as of the date of this Annual Report:

Genetic Technologies is the holding company of the Group and is listed on the Australian Securities Exchange, under the code GTG and, via its ADRs, on the NASDAQ Capital Market, under the ticker symbol GENE.

Item 4.D **Property, Plant and Equipment**

As at date of this Report, the Company has executed two leases in respect of premises occupied by the Group.

Fitzroy, Victoria

Genetic Technologies Limited rents the offices and laboratory premises which are located at 60-66 Hanover Street, Fitzroy, Victoria, Australia (an inner suburb of Melbourne) from Crude Pty. Ltd. The three year lease is due to expire on August 31, 2018. The anticipated total rental charge in respect of the year ending June 30, 2017 is approximately $205,340. Genetic Technologies Limited does not have an option to purchase the leased premises at the expiry of the lease period.

Charlotte, North Carolina

Phenogen Sciences Inc., a wholly-owned subsidiary of Genetic Technologies Limited, rents office premises which are located at 9115 Harris Corners Parkway, Suite 320, Charlotte, North Carolina, USA from New Boston Harris Corners LLC. This lease will expire on October 31, 2016. Subsequent to June 30, 2016, the lease has been renegotiated for a further 12 months to October 31, 2017. The anticipated total rental charge in respect of the year ending June 30, 2017 is approximately USD 34,615. Phenogen Sciences Inc. does not have an option to purchase the leased premises at the expiry of the lease period.

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Item 5. Operating and Financial Review and Prospects

You should read the following discussion and analysis in conjunction with Item 3.A Selected Financial Data and our financial statements, the notes to the financial statements and other financial information appearing elsewhere in this Annual Report. In addition to historical information, the following discussion and other parts of this Annual Report contain forward-looking statements that reflect our plans, estimates, intentions, expectations and beliefs. Our actual results could differ materially from those discussed in the forward-looking statements. See the Risk Factors section of Item 3 and other forward-looking statements in this Annual Report for a discussion of some, but not all, factors that could cause or contribute to such differences.

Item 5.A Operating Results

Overview

Founded in 1989, Genetic Technologies is an established Australian-based molecular diagnostics company that offers predictive genetic testing and risk assessment tools, with a current focus on women s health. During the year ended June 30, 2015 the Company divested its interest in other genetic testing services, which up until then together with licensing of non-coding technology had provided the main source of income to fund operations, to concentrate on the principal activity of the provision of molecular risk assessment for cancer.

The operating result for the year ended June 30, 2016 is directly reflective of the Company s concentrated focus on the expansion of its genetic testing business, with emphasis on the sale and distribution of the BREVAGen*plus*® breast cancer risk test in the U.S. through its wholly-owned U.S. subsidiary, Phenogen Sciences Inc. following the sale of the Australian Heritage business during the previous financial year.

Since inception up to June 30, 2016, we have incurred $109,444,248 in accumulated losses. Our losses have resulted principally from costs incurred in research and development, general and administrative and sales and marketing costs associated with our operations. Refer to the Consolidated Statements of Operations in Item 18.

During the 2016 financial year, Genetic Technologies Limited and its subsidiaries generated consolidated gross revenues from continuing operations, excluding other revenue, of approximately $0.8 million, a decrease from $2.0 million in 2015 and $ 4.6 million in 2014. The comparisons reflect the impact of the substantial restructuring changes that took place during 2015.

Fiscal year

As an Australian company, our fiscal, or financial, year ends on June 30 each year. We produce audited consolidated accounts at the end of June each year and provide reviewed half-yearly accounts for the periods ending on December 31 each year, both of which are prepared in

accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

Recent Accounting Pronouncements

In respect of the year ended June 30, 2016, the Group has assessed all new accounting standards mandatory for adoption during the current year, noting no new standards which would have a material effect on the disclosure in these financial statements. There has been no effect on the profit and loss or the financial position of the Group. Certain new accounting standards and interpretations have been published that are not mandatory for June 30, 2016 reporting periods. The Group s and the parent entity s assessment of the impact of these new standards and interpretations is set out in Note 2(b) of the attached financial statements.

Critical Accounting Policies

The accounting policies which are applicable to the Group and the parent entity are set out in Notes 2(c) to 2(aa) of the attached financial statements.

Comparison of the year ended June 30, 2016 to the year ended June 30, 2015

Revenues from operations

The operating result for the year is directly reflective of the repositioning of the business involving the divestment of the Australian Heritage business that took place in the previous financial year. The Groups primary focus during 2016 has been geared

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toward establishing the BREVAGen*plus*® test as a leading non-hereditary breast cancer risk assessment test that is affordable to all women who qualify for the test. Attaining Peer-reviewed publication in medical journals, strengthening of the management team in the U.S., an intensified and targeted marketing campaign with national reach, a refreshed BREVAGen*plus*® website and a reinvigorated social media presence have been key elements in the drive to achieve this goal.

During the 2016 financial year, Genetic Technologies Limited and its subsidiaries generated consolidated gross revenues from continuing operations, excluding other revenue, of $824,586 compared to $2,011,918 in the preceding year. $756,354 of this differential is directly attributable to the divested Heritage business with the balance of $430,978 due to a decrease in the overall combined sales of the BREVAGenTM and BREVAGen*plus*® tests. Samples received for BREVAGenTM and BREVAGen*plus*® tests during 2016 were 1,184 compared to 2,659 in the previous financial year. Following changes to the U.S. leadership team as disclosed in 2015, in order to steady the decline in samples received and improve the revenue generated, a new Vice President sales and marketing was employed in November 2015, as well as a Director of Marketing and Senior Medical Director in January and June 2016 respectively.

Savings achieved from the ongoing restructuring activities during the current financial year which are reflective of the divestment of the Heritage business in the prior financial year resulted in a decrease in overheads by $2,945,988 compared with 2015. The combined areas of selling/ marketing, administration, licensing and operations totaled $9,333,076 for the year compared with $12,279,064 for 2015. The decreased licensing activities accounted for $331,837 of the decrease with the remaining $2,614,151 million the result of the divestment of the Heritage business in November 2014, benefits derived from restructure activities and better management with overhead spending.

There were no significant items reported during the year compared to a $1,396,798 pre-tax profit on the sale of the Heritage business and a write-down of $795,533 against the opening asset value for the Immunaid option disclosed in 2015.

Cost of sales

Our cost of sales from continuing operations decreased by 17% from $891,243 to $743,060. There was a decrease in BREVAGenTM and BREVAGen*plus*® direct materials utilized of $156,927 in line with the reduced tests sold and a $295,355 decrease in direct materials and labour costs directly attributable to the genetic testing services disposed of in November 2014. This overall decrease was partially offset by an increase in inventories written off of $299,669 in 2016, the majority of which (67%) included BREVAGen*plus*® materials that had expired during the year of $ 218,178.

Other revenue

Other revenue which includes the total revenues generated from our licensing activities decreased by $726,603 (71%) in 2016 to $300,548. This decrease was primarily as a result of a decrease in licensing income from Applera Corporation from $781,108 in 2015 to $149,837 in 2016 due to the expiry of the agreement in December 2015. Reflective of the Company s restructuring activities initiated in 2015, there was also a decrease in royalties and annuities received of $40,839 as well as a decrease in other licensing income of $54,493.

Although there was an overall change in focus during 2015 to grow sales revenues of BREVAGenplus® in the U.S, the Company will continue to use Sheridan Ross to assist with its licensing and intellectual property activities.

Selling and marketing expenses

Selling and marketing expenses decreased by $1,317,802 (29%) to $3,186,497 during the 2016 financial year. Personnel related costs decreased by $806,837 (31%) as a direct result of restructuring activities initiated in 2015. A new sales and marketing team in the U.S. has been assembled to increase revenue and drive market development through direct sales to Breast Centers and individual Obstetricians and Gynaecologists. Fees paid for billing services decreased by $106,378 in line with the decrease in test samples in 2016.

There were also decreases in peer to peer/ key opinion leader reimbursement costs of $164,506 (54%) and travel related costs of $97,758 (36%).

General and administrative expenses

General and administrative expenses decreased by $793,631 (19%) to $3,429,357 during the financial year. Included in the general and administrative expenses is a net foreign currency loss of $427,574 (2015; $200,243) which is primarily driven by the translation of US dollar cash reserves to Australian dollars at June 30, 2016.

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Share based payment expenses decreased by $ 289,965 (88%) to $40,093. Included in this cost for the year ended June 30, 2015 was an amount of $330,059 associated with the Kentgrove Standby facility which was not recurring in 2016 (refer Item 10A. below for futher details on the Kentgrove Standby Facility). Occupancy related costs associated with the make good of lease fitouts of the Company s Fitzroy premises that initially commenced in the 2015 year decreased by $336,744.

There was also a decrease in personnel related costs of $287,578 to $1,437,731 as the finance and administration team in Australia underwent several changes in order to best support the Company subsequent to the restructuring activities. These changes include a reduction in two full time and one part time finance and administration positions.

Licensing, patent and legal costs

Licensing, patent and legal costs decreased significantly by $331,837 (76%) to $103,581 during the 2016 financial year as further actions as per the Company restructuring announcement of November 2014 to reduce reliance on the previous licensing assertion programme were implemented. Employment related costs decreased by $183,246 as the last of the personnel associated with the Licensing assertion programme left the Company in July 2015. Consulting fees paid in relation to the programme had ceased in November 2014 resulting in a reduction of $75,800 to Nil for 2016.

Laboratory, research and development costs

Laboratory, research and development costs decreased by $266,913 (9%) to $2,584,752 during the 2016 financial year. Similar to 2015 changes, there was a substantial decrease (21%) in employee costs of $237,552 as a result of the suspension of the RareCellect research project and the sale of the Australian Heritage business. These changes implemented in 2015 also lead to a reduction in the laboratory supplies and consumables purchased of $142,045 to $34,842. Patent & legal costs increased by $76,494 as the Company improved its overall global protection of the BREVAGenTM breast cancer risk assessment IP.

Finance costs

Finance costs decreased by $235,805 (89%) to $ 28,889 during the 2016 year. Finance costs incurred in 2015 were primarily associated with the issue of convertible notes of $ 150,500, and secured debt notes of $75,721.

Non Operating income and expenses

Other income and expenses included the following movements:

- Research and development tax credit of $359,803 in the current financial year increased by $248,615. The research tax credit is recognized on an accrual basis when realizable. During the year ended June 30, 2016 costs associated with research activities undertaken in the United States were eligible for inclusion for the first time following a successful application to the relevant statutory body in Australia. Eligibility is available for a further 4 years and resulted in an additional credit of $39,191 in the current year.

- Rental income of $ 58,002 was received from SDS when the Australian Heritage business was sold at the end of November 2014 this arrangement continued until August 2015 when SDS vacated the premises in Fitzroy.

Comparison of the year ended June 30, 2015 to the year ended June 30, 2014

Revenues from operations

The operating result for the year was directly reflective of the repositioning of the business. Non-core business were sold, operations appropriately scaled back and equity was raised to set the Company up for future success. Critical to this was the release of the much improved 2nd generation BREVAGenplus® test in October 2014. The Company has purposefully moved focus away from reliance on its past licensing assertion programme as there is now a clear focus on concentrating effort on the Company s lead product BREVAGenplus® in the U.S.

During the 2015 financial year, Genetic Technologies Limited and its subsidiaries generated consolidated gross revenues from continuing operations, excluding other revenue, of $2,011,918 compared to $4,564,280 in the preceding year. $2,061,878 of this differential is directly attributable to the divested Heritage business with the balance of $490,483 due to a decrease in the overall combined sales of the BREVAGenTM and BREVAGen*plus*® tests.

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Overheads decreased by approximately $2,267,165 compared with 2014. The combined areas of selling/ marketing, administration, licensing and operations totaled $12,279,064 for the year compared with $14,546,229 for 2014. The decreased licensing activities accounted for approximately $643,781 of the decrease with the remaining $1,623,384 the result of the divestment of the Heritage business in November 2014, benefits derived from restructure activities and better management with overhead spending.

With reference to significant one-off items, the loss for the year of $8,810,170 included a $1,396,798 pre-tax profit on the sale of the Heritage business and a write-down of $795,533against the opening asset value for the Immunaid option.

Gain on sale of Business

On November 19, 2014, the Company announced the sale of its Heritage Australian Genetics business, which had previously provided diagnostic and sequencing services encompassing Australia only medical, forensic, paternity and animal genomic testing to Specialist Diagnostics Services Limited (SDS) for $2,100,895 in cash. The divestment of the Australian Genetics business followed the Company s announced plans to sell non-core assets and focus business activities on the commercialization of the BREVANGen*plus*® breast cancer risk test. The company recognized a one-off profit on disposal of $ 1,396,798 as a result of this disposal.

Cost of sales

Our cost of sales from continuing operations (which include direct costs incurred in performing our genetic testing services prior to disposal in November 2014) decreased by $946,486 (51.5%), from the 2014 financial year. The decrease is directly attributable to the divested Heritage business in November 2014.

Other revenue

Other revenue which includes the total revenues generated from our licensing activities increased by $ 163,319 (19%) in 2015 to $1,027,151 primarily as a result of licensing income from Applera Corporation of $781,108 (2014: $291,628 -this agreement ended in December 2015). This is offset by a decrease in royalties and annuities received of $ 146,655 as well as a decrease in other licensing income of $ 179,506. Although the overall focus changed during 2015 to grow sales revenues of BREVAGenplus® in the U.S, the Company will continue to use Sheridan Ross to assist with its licensing and intellectual property activities.

Selling and marketing expenses

Selling and marketing expenses decreased by $1,747,296 (28%) to $4,504,299 during the 2015 financial year. Personnel related costs decreased by $1,010,012 as a direct result of restructuring activities in Australia as well as the USA. There were also significant decreases in peer to peer/

consulting fees paid of $ 391,594 and travel related costs of $ 229,741.

General and administrative expenses

General and administrative expenses increased by $1,049,879 (33%) to $4,222,988 during the financial year. There was an increase of $ 183,992 in share based payment expense primarily as a result of the Kentgrove Standby facility negotiated in 2015. At year end, an accrual of $200,000 for costs associated with a lease fitouts of the Company s Fitzroy premises was recognized as part of the restructuring activities. The remaining increase in general & administrative expenses is contributed by an increase in professional service fees of $ 215,330 and travel expenses of $ 53,588. The increase is also contributed by the reversal of a provision for doubtful debts of $ 278,242 recognised in 2014.

Licensing, patent and legal costs

Licensing, patent and legal costs decreased significantly by $643,781 (60%) to $435,418 during the 2015 financial year. The change in focus away from reliance on the previous licensing assertion saw a decrease in legal fees of $ 232,957. Employee related costs decreased by $ 145,450 in line with the change and restructuring initiatives. There was also a decrease in commissions paid on new licenses of $126,950.

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Laboratory, research and development costs

Laboratory, research and development costs decreased by $446,462 (14%) to $2,851,665 during the 2015 financial year. Patent and legal costs decreased by $192,696 (31%) mostly due to the suspension of the RareCellect research project. There was also a substantial decrease in employee costs of $278,449 as a result of this suspension and the sale of the Australian Heritage business. Contract research expenses increased by $ 185,146 as the Company intensified its clinical trial activities associated with the BREVAGenTM breast cancer risk assessment test.

Finance costs

Finance costs decreased by $479,505 (64%) to $ 264,694 during the 2015 year. The costs for 2014 included $691,649 incurred with the establishment of the Iron Ridge convertible note facility. Finance costs associated with the issue of convertible notes in 2015 were $ 150,500.

Non Operating income and expenses

Other income and expenses included the following movements:

- Research and development tax credit of $111,188 in the current financial year decreased by $247,207. As per 2014, the research tax credit is recognized on an accrual basis when realizable.

- A net Foreign exchange loss of $ 200,243 was recognized during the financial year compared to a gain of $167,584 in 2014.

- Rental recoveries of $ 215,575 were received from SDS when the Australian Heritage business was sold at the end of November 2015 this arrangement continued until August 2015 when SDS vacated the premises in Fitzroy.

Fair value loss on ImmunAid option fee

- the loss of $ 795,533 in 2015 resulted from the write down of the options granted by ImmunAid to Nil.

Item 5.B **Liquidity and Capital Resources**

Summary

Since inception, our operations have been financed primarily from capital contributions by our stockholders, proceeds from our licensing activities and revenues from operations, grants, and interest earned on the Company s cash and cash equivalents. Currently our overall cash position depends on completion of our research & development activities, overall market acceptance of and revenue generated by our BREVAGenplus® test, grants and interest earned on the Company s cash & cash equivalents. The Company s cash and cash equivalents were $11,179,687 as of June 30, 2016.

During the year ended June 30, 2016, we incurred comprehensive losses of $7,151,746. During the year ended June 30, 2015, we incurred comprehensive losses of $8,396,165. During the year ended June 30, 2014, we incurred comprehensive losses of $10,283,545.

During the year ended June 30, 2016, the Company s net cash flows used in continuing operations were $7,726,838. During the year ended June 30, 2015, the Company s net cash flows used in continuing operations were $9,691,528. During the year ended June 30, 2014, the Company s net cash flows used in continuing operations were $10,987,088.

The Directors expect increased cash outflows from operations during the 2017 financial year as the Company continues to invest resources in expanding the research & development and sales & marketing activities in support of BREVAGen*plus* in the U.S. As a result of these expected cash outflows, the Directors intend to raise new equity funding within the next twelve months in order to ensure the Company continues to hold adequate levels of available cash resources to meet creditors and other commitments.

Going Concern. The continuing viability of the Company and its ability to continue as a going concern and meet its debts and commitments as they fall due is dependent on the satisfactory completion of an equity raising.

Due to the uncertainty surrounding the timing, quantum or the ability to raise additional funds via the issuance of new equity, there is a material uncertainty that may cast significant doubt on the Company s ability to continue as a going concern and therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business. However, the Directors believe that the Company will be successful in the above matters and accordingly, have prepared the attached financial report on a going concern basis.

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Operating Activities. Our net cash from / (used in) operating activities was $(7,726,838), $(9,691,528) and $(10,987,088) for the years ended June 30, 2016, 2015 and 2014, respectively. Cash from / (used in) operating activities for each period consisted primarily of losses incurred in operations reduced by depreciation and amortization expenses, share based payments expenses, foreign exchange movements and unrealized profits and losses relating to investments. In approximate order of magnitude, cash outflows typically consist of staff-related costs , marketing expenses, service testing expenses, general and administrative expenses, legal/patent fees and research and development costs.

Investing Activities. Our net cash from / (used in) investing activities was $(296,331), $1,965,422 and $232,375 for the years ended June 30, 2016, 2015 and 2014, respectively. During the year ended June 30, 2016, $249,025 was used on leasehold improvements at the Company s Fitzroy premises in Melbourne as the laboratory and offices were consolidated subsequent to the divestment of the Heritage business, which in the prior financial year had accounted for $2,100,895 of the cash generated from investing activities. Apart from the purchase of plant and equipment of $303,462 in 2016, $192,592 in 2015, and $47,917 in 2014, we had no other significant capital expenditures for the years ended June 30, 2016, 2015 and 2014.

Financing Activities. Our net cash from / (used in) financing activities was $(1,654), $22,867,263 and $11,922,964 for the years ended June 30, 2016, 2015 and 2014, respectively. During the year ended June 30, 2016 no new financing activities were undertaken. In respect of the year ended June 30, 2015, the Company generated gross cash flows of $23,289,927 from the issue of 744,540,728 ordinary shares, $2,150,000 from the issue of convertible notes less costs associated with these transactions of $(2,572,664). In respect of the year ended June 30, 2014, the Company generated net cash flows of $7,000,000 from the issue of 97,222,302 ordinary shares and $5,581,462 net from the issue of convertible notes.

Future cash requirements

The Directors have undertaken an assessment of the Company s ability to pay its debts as and when they fall due. As part of this assessment, the Directors have had regard to the Company s cash flow forecasts for the twelve month period from the date of the attached Financial Report and the cash balance on hand as of that date. The Directors recognize that there is uncertainty in the consolidated entity s cash flow forecasts, and that the continuing viability of the Company and its ability to continue as a going concern and meet its debts and commitments as they fall due is dependent on the satisfactory completion of an equity raising within the next twelve months.

We do not have any lines of credit with National Australia Bank Limited (NAB) and nominal credit card facilities with NAB and Bank of America, N.A. which, as of June 30, 2016, had total available credit of $279,218.

Operating leases

We are obligated under two operating leases that were in place at June 30, 2016. These leases relate to the premises occupied by the Company in Fitzroy, Victoria, Australia and by its U.S. subsidiary, Phenogen Sciences Inc., in Charlotte, North Carolina, U.S.A. The lease for the premises in Charlotte, has subsequent to June 30, 2016 been renewed to October 31, 2017 details of which are located in Item 4.D.

The future minimum lease payments in respect of the two operating leases that were in place and had remaining non-cancellable lease terms as of June 30, 2016 were $468,967.

Item 5.C **Research and Development, Patents and Licenses, etc.**

Our principal business is biotechnology, with a historical emphasis on genomics and genetics, the licensing of our non-coding patents, reduction to practice of our fetal cell patents and expansion of the related service testing business. Research and development expenditure as below is reflective of the changes implemented during 2015 following the sale of the Australian Heritage business in November 2014, and a focus the BREVAGen*plus*® breast cancer risk test

The following table details historic R&D expenditure by project.

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	2016 $	2015 $	2014 $
RareCellect (1)	59,453	170,107	352,478
BREVAGen*plus*	282,460	346,792	13,910
Nematode project			1,053
Research at C.Y. O Connor (2)			9,101
Other general R&D	53,625	211,693	235357
Total R&D expense	395,538	728,592	611,899
Other expenditure	9,680,597	12,441,715	16,783,115
Total expenditure	10,076,136	13,170,307	17,395,014
R&D as a % of total expenditure	4%	6%	3%

(1) The RareCellect project ceased during 2014. The costs incurred since then relate to legal fees associated with the patent portfolio.

(2) Research by the C.Y. O Connor ERADE Village Foundation ceased during the 2009 financial year. The costs incurred since that time relate to impairment charges and legal fees associated with the patent portfolio that was acquired as part of that project.

Item 5.D **Trend Information**

The direction of genetic research and breast cancer

During the 1990s, the two major susceptibility genes for breast cancer, *BRCA1* and *BRCA2*, were identified. Mutations in these genes account for approximately 30% of the familial risk for breast cancer. Following these discoveries, a large number of candidate gene studies were conducted over the following decade, aimed at identifying moderate and low-penetrance alleles believed to be responsible for the remaining familial risk.

In 2007, one of the very first large scale genome-wide association studies (GWAS) reported five significant loci associated with breast cancer risk. It was these loci which formed the basis of the Company s first generation BREVAGen breast cancer risk assessment test. Further GWAS continue to provide additional loci associated with breast cancer risk and these are incorporated into the Company s second generation BREVAGen*plus* test. The Company continues to monitor developments in the field.

Following the success of the initial GWAS for breast cancer and improvements in the technology required to conduct the studies, many international research groups are now investigating genetic associations with different types of cancer and other multifactorial diseases. These studies are likely to lead to new genetic tests for disease susceptibility, both in cancer and other diseases.

Our ability to produce such tests will depend on our ability to secure licensing agreements to the underlying technology or to take part in the basic research studies.

We believe that the demand for genetic risk assessment testing is in its infancy and will continue to grow in the coming years.

Item 5E. Off-balance sheet arrangements

We are not a party to any material off-balance sheet arrangements. In addition, we have no unconsolidated special purpose financing or partnership entities that are likely to create any material contingent obligations.

Item 5F. Information about contractual obligations

The table below shows the contractual obligations and commercial commitments as of June 30, 2016:

	0-1 year	>1-<3 years	>3-<5 years	>5 years
Operating lease commitments	$ 220,486	$ 248,481	$	$

The above financial obligations are in respect of leases over office and laboratory premises.

Item 6. Directors, Senior Management and Employees

Item 6.A Directors and Senior Management

The Directors of the Company as of the date of this Annual Report are:

Dr. Malcolm R. Brandon, BScAgr, PhD *(Non-Executive)*

Dr. Brandon was appointed to the Board on October 5, 2009 and as its Chairman on November 28, 2012. He has over 39 years experience in commercially focused research and development and in building successful companies which have commercialized a wide range of Australian and international technologies. Dr. Brandon is currently Managing Director of genetics and artificial animal breeding company Clone International which uses cloning technologies to preserve the genetics of elite animals.

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Eutillio Buccilli, *(Executive Director and Chief Executive Officer)*

Mr. Buccilli was appointed to the Board in June 2015. He joined the Company in June 2014 as Chief Financial Officer. In November 2014, he was appointed to the position of Chief Operating Officer and Chief Financial Officer and was subsequently appointed Chief Executive Officer in February 2015.

Mr. Buccilli has more than 35 years of senior management experience in the financial services, contracting and recruitment, property and retail industries in Australia and the U.S. He has held senior management positions with blue chip corporations such as General Electric (GE), Computer Science Corporation, Coles Myer and Challenger Limited. Whilst at GE, Mr. Buccilli was seconded to the U.S., where he worked at the GE Capital Headquarters located in Stamford Connecticut. He brings to the Board extensive financial, corporate governance, commercial and fund raising experience.

Dr Paul A. Kasian, AM**,** PhD, MBA, GAICD *(Non-Executive)*

Dr. Kasian was appointed to the Board on December 12, 2013. He brings to the Board a combination of expertise in strategic business leadership and biotech investment giving him a deep understanding on key value drivers for companies in generating shareholder value. He is an experienced executive director with demonstrated domestic and international success in funds management, encompassing senior leadership, investment and risk roles.

Dr. Kasian has held senior leadership positions in a number of investment groups, and has significant funds management experience in Australia leading investment in the healthcare and life sciences sector. He holds a PhD in Microbiology and a Master of Business Administration, both from the University of Melbourne, and is a Graduate Member of the Australian Institute of Company Directors. Dr. Kasian is also a non-executive director of IODM Limited (ASX: IOD) and Blockchain Global Limited.

Mr Grahame Leonard AM, BA (Hons), LLB, CA, CPA, FAICD (Dip), AFAIM *(Non-Executive)*

Mr. Leonard was appointed to the Board on November 29, 2013 and also serves as Chairman of the Company s Audit Committee. He is a qualified Lawyer and Chartered Accountant. He brings over 35 years experience in the corporate world including Lysaght (BHP), BTR Nylex and The Thompson Corporation. His numerous community positions include Commissioner, Victorian Multicultural Commission, Chair, Victorian Government Multifaith Advisory Group and former Director of Transparency International Australia, (the Australian arm of the international anti-corruption watchdog).

Dr. Lindsay Wakefield, M.B.B.S

Dr. Wakefield was appointed to the Board on September 24, 2014. Dr. Wakefield started Safetech in 1985. In 1993 he left medicine to become the fulltime CEO of the Company. Over the next 25 years, Safetech became a force in the Australian material handling and lifting equipment market, designing and manufacturing a wide range of industrial products. In 2006, Safetech was awarded the Telstra Australian National Business of the Year.

In 2013, Safetech merged to become STS (Safetech Tieman Solutions) which is Australia s largest manufacturer and supplier of dock equipment, freight hoists and custom lifting solutions. Dr. Wakefield continues as Managing Director of STS and has been a keen Biotech investor for past 20 years, often at a mezzanine level.

Prof. Ian McKenzie and Dr. Mervyn Cass served as Directors of the Company from the beginning of the financial year until they resigned on November 25, 2014.

Senior Management

We have a professional team of qualified and experienced personnel, including a number of research and development scientists and technicians. The Group currently has 25 full-time-equivalent employees in addition to the four Non-executive Directors listed above. Of the total number of personnel, two have Doctorate qualifications. In addition to the Chief Executive Office, Mr. Buccilli whose details are noted above, the members of the Company s Senior Leadership Team as of the date of this Report, and a brief summary of their relevant experience, are as follows:

Kevin Fischer, CPA, AGIA, ACIS, B. Com. *(Chief Financial Officer)*

Mr. Fischer was appointed Company Secretary on January 13, 2016 following his appointment as Chief Financial Officer on November 2, 2015. He has over ten years experience in senior finance roles with successful diagnostic companies, such as QIAGEN and Cellestis. Mr. Fischer is a CPA and Chartered Secretary who has significant experience in the financial management and reporting for international operations.

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Dr. Richard Allman, PhD *(Scientific Director)*

Dr. Allman joined the Company in 2004 and was appointed as Scientific Director in December 2012. He has over 20 years of scientific and research experience in both the academic arena in the UK and the commercial sector in Australia. He has wide experience in research leadership, innovation management, and intellectual property strategy, covering oncology, diagnostics, and product development. Prior to entering the biotech sector, Dr. Allman s academic career encompassed oncology research, drug development, and assay design.

Diana Newport, *(Quality and Business Operations Director)*

Ms. Newport was appointed as Quality and Business Operations Director in September 2013. She comes to the Company with extensive international Quality Systems and operational experience in the highly regulated industries of food and pharmaceutical. The Company will benefit from her recent senior roles within the CSL quality control laboratories.

Chris Saunders, MBA, B.S. *(Vice President Sales & Marketing Phenogen Sciences Inc.)*

Mr. Saunders brings more than 15 years of experience in senior sales, operations and marketing roles for start-up, publicly held and multi-national companies in the pharmaceutical and biotech sectors. He served as National Sales Director at Cbr Systems, a cord blood stem cell bank that serves customers in the United States and internationally. Most recently, he served as an early sales management leader at Natera, a genetic testing company that develops and commercializes non-invasive methods for analyzing DNA. During his tenure, he successfully launched new products and product expansions through multiple channels including private practice, hospital, health system and distribution partnerships. Areas of expertise include business development, sales operations, training and management strategies focused on sales growth and market expansion.

Susan J Gross, MD, FRCSC, FACOG, FACMG (S*enior Medical Director Phenogen Sciences Inc.)*

Dr Gross was appointed to the role of Senior Medical Director in June 2016.Dr. Gross received her medical degree from the University of Toronto, Ontario, Canada, where she completed her residency in Obstetrics and Gynaecology, as well as a fellowship in Maternal Fetal Medicine and a second residency/fellowship in Medical Genetics at the University of Tennessee (Memphis). She is board certified in both Obstetrics and Gynaecology and Medical Genetics and is a Professor of Clinical Obstetrics & Gynaecology, Women s Health, Paediatrics and Genetics at the Albert Einstein College of Medicine. She served as past division director for the division of Reproductive Genetics at Montefiore Medical Center as well as Chairperson of the Department of Obstetrics and Gynaecology and founder of the Human Genetics Laboratory at Jacobi Medical Center. Dr. Gross has spent decades not only in research and medical education, but also direct patient care, overseeing both large and small practice systems. She has worked on national and international guideline committees and lectured and published extensively on screening and genetic testing with a focus on new technologies and public health policy. She was previously the Chief Medical Officer of Natera Inc., a public genomic diagnostics company and is now President of SJG Advisors LLC, a company that provides comprehensive medical affairs and digital media expertise to the diagnostics industry.

Item 6.B **Compensation**

Details of the nature and amount of each major element of the compensation of each director of the Company and each of the named officers of the Company and its subsidiaries, for services in all capacities during the financial year ended June 30, 2016 and 2015 are listed below. All figures are stated in Australian dollars (AUD).

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Name and title of Non-Executive Directors	Year	Short-term Salary/fees $	Other $	Post-employment Superannuation* $	Other long-term benefits $	Share-based Options $	Totals $
Dr Malcolm R. Brandon	2016	89,303		8,484			97,787
Non-Executive Chairman	2015	87,125		8,277			95,402
Grahame Leonard AM	2016	54,967		5,222			60,189
	2015	53,626		5,094			58,720
Dr Paul Kasian	2016	54,967		5,222			60,189
	2015	53,626		5,094			58,720
Dr Lindsay Wakefield (1)	2016	54,967		5,222			60,189
	2015	41,251		3,919			45,170
David Carter (2)	2016						
	2015	18,907		1,796			20,703
Dr Mervyn Cass (3)	2016						
	2015	22,344		2,123			24,467
Prof Ian McKenzie (3)	2016						
	2015	21,554		2,048			23,602
Totals	2016	254,204		24,150			278,354
	2015	298,433		28,351			326,784

Notes pertaining to changes during the year:

(1) Appointed to the Board in September 2014.

(2) Appointed to the Board in September 2014 subsequently ceased to be a Director in January 2015.

(3) Resigned from the Board effective November 2014

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Executives

Name and title of Executives	Year	Short-term Salary/fees $	Short-term Other $	Post-employment Superannuation* $	Other long-term benefits** $	Share-based Options ***	Termination benefits $	Totals $
Eutillio Buccilli (4) Executive Director & Chief Executive Officer	2016	307,500	83,800	32,062	15,519	26,623		465,504
	2015	238,090	80,000	27,369	8,085			353,544
Luisa Ashdown (5) Director, Licensing & IP	2016	6,856		2,964	(16,980)		53,795	46,635
	2015	163,947		15,575	(20,672)	2,927		161,777
Diana Newport Quality & Ops. Director	2016	103,343		11,242	(298)	1,373		115,660
	2015	154,350	20,000	16,088	2,793			193,231
Dr Richard Allman (6) Scientific Director	2016	158,875	11,900	16,518	8,317	2,747		198,357
	2015	145,965	15,812	15,084	19,908			196,769
Brian Manuel (7) Chief Financial Officer	2016	66,667		6,333	4,263			77,263
	2015	8,333		792	737			9,862
Alison J. Mew (8) Ex-Chief Executive Officer	2016							
	2015	137,164	25,000	15,401	(20,757)			156,808
Mark J. Ostrowski (9) Ex-US Senior VP Sales and Marketing	2016							
	2015	170,631			1,052	(28,886)		142,797
Kevin Fischer (10) Chief Financial Officer	2016	113,808	16,700	10,812	5,454	9,351		156,125
	2015							
Chris Saunders (11) US-VP Sales & Marketing	2016	183,760	37,629		12,277	9,351		243,017
	2015							
Susan Gross (12) US-Senior Medical Director	2016	5,944						5,944
	2015							
Sub-totals for Executives	2016	946,753	150,029	79,931	28,552	49,445	53,795	1,308,505
	2015	1,018,480	140,812	90,309	(8,854)	(25,959)		1,214,788
Total remuneration of Key Management Personnel	2016	1,200,957	150,029	104,081	28,552	49,445	53,795	1,586,859
	2015	1,316,913	140,812	118,660	(8,854)	(25,959)		1,541,572

Notes pertaining to changes during the year:

(4) Mr. Buccilli was appointed to the Chief Executive Officer role in February 2015 prior to which he was the Chief Financial Officer. Other includes a bonus paid or payable in the amount of $83,800 at the discretion of the Board.

(5) Ms Ashdown ceased to be an executive with effect from July 2015.

(6) Other includes a bonus paid or payable to Dr Allman in the amount of $11,900 at the discretion of the Board.

(7) Mr. Manuel held the role of Chief Financial Officer until his resignation in October 2015.

(8) Ms Mew held the role of Chief Executive Officer until her resignation in December 2014.

(9) Mr. Ostrowski held the role of US Senior Vice President Sales and Marketing until his resignation in January 2015.

(10) Mr. Fischer was appointed to role of Chief Financial Officer in November 2015. Other includes a bonus payable in the amount of $ 16,700 at the discretion of the board.

(11) Mr. Saunders was appointed to the role of Vice President Sales & Marketing in November 2015. Other includes a bonus payable in the amount of $ 37,629 at the discretion of the board.

(12) Dr Gross was engaged under a consulting agreement to perform the role of Senior Medical Director for Phenogen Sciences Inc (USA) in June 2016. Remuneration is by way of a fixed monthly consultancy fee for service provided on a part time basis.

Referencing the previous two tables:

* Post-employment benefits as per Corporations Regulation 2M.3.03 (1) Item 7

** Other long-term benefits as per Corporations Regulation 2M.3.03 (1) Item 8

*** Equity settled share-based payments as per Corporations Regulation 2M.3.03 (1) Item 11

The details of those Executives nominated as Key Management Personnel under section 300A of the *Corporations Act 2001* have been disclosed in this Report. No other employees of the Company meet the definition of Key Management Personnel as defined in *IAS 24 / (AASB 124) Related Party Disclosures*, or senior manager as defined in the *Corporations Act*

Executive officers are those officers who were involved during the year in the strategic direction, general management or control of the business at a company or operating division level. The remuneration paid to Executives is set with reference to prevailing market levels and comprises a fixed salary, various short term incentives (which are linked to agreed key performance indicators), and an option component. Options are granted to Executives in line with their respective levels of experience and responsibility.

Options exercised, granted and forfeited as part of remuneration during the year ended June 30, 2016

Details of the options held by the Executives nominated as Key Management Personnel during the year ended June 30, 2016 are set out below. As of June 30, 2016, there were 5 executives and 5 employees who held options that had been granted under the Company s respective option plans.

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Options Exercised

No options granted as equity compensation benefits to Executives were exercised during the year.

Options Granted

During the 2016 financial year 31,736,111 options were granted as equity compensation benefits to Executives.

Name of Executive	Options Granted	Exercise price	Fair value per option	Final vesting date
Eutillio Buccilli (1)	8,328,125	$ 0.02	$ 0.0161	Nov 24, 2020
	3,131,944	$ 0.02	$ 0.0139	Nov 24, 2020
	2,776,042	$ 0.02	$ 0.0100	Nov 24, 2020
Dr. Richard Allman (2)	2,925,000	$ 0.02	$ 0.0112	Mar 31, 2021
	1,100,000	$ 0.02	$ 0.0094	Mar 31, 2021
	975,000	$ 0.02	$ 0.0065	Mar 31, 2021
Diana Newport (3)	1,462,500	$ 0.02	$ 0.0112	Mar 31, 2021
	550,000	$ 0.02	$ 0.0094	Mar 31, 2021
	487,500	$ 0.02	$ 0.0065	Mar 31, 2021
Kevin Fischer (4)	2,925,000	$ 0.02	$ 0.0161	Nov 24, 2020
	1,100,000	$ 0.02	$ 0.0139	Nov 24, 2020
	975,000	$ 0.02	$ 0.0100	Nov 24, 2020
Chris Saunders (5)	2,925,000	$ 0.02	$ 0.0161	Nov 24, 2020
	1,100,000	$ 0.02	$ 0.0139	Nov 24, 2020
	975,000	$ 0.02	$ 0.0100	Nov 24, 2020
Totals	31,736,111			

(1) Total of 14,236,111 options granted in November 2015 vesting in 3 tranches

(2) Total of 5,000,000 options Granted in March 2016 vesting in 3 tranches

(3) Total of 2,500,000 options Granted in March 2016 vesting in 3 tranches

(4) Total of 5,000,000 options Granted in November 2015 vesting in 3 tranches

(5) Total of 5,000,000 options Granted in November 2015 vesting in 3 tranches

The options granted to Executives during 2016 are exercisable at any time after the date on which the Option meets its vesting conditions, namely the 3 month volume weighted average price (VWAP) of shares as traded on the ASX as follows (subject to any adjustments in the vesting conditions as contained in the option terms):

Tranche Number	Vesting Condition	VWAP Price
1	$	0.05
2	$	0.10
3	$	0.20

Fair values at grant date have been determined independently using a Monte Carlo Simulation method that takes into account the exercise price, the VWAP hurdle (preceding 3 month price), the term of the option, the share price at grant date and expected price volatility of the underlying share, the expected divided yield and the risk-free interest rate for the term of the option.

Options Forfeited

During the 2016 financial year 1,500,000 options previously granted as equity compensation benefits to Executives were forfeited. These options were forfeited due to resignation.

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Name of Executive	Number forfeited		Fair value per option	Final vesting date
Luisa Ashdown (6)	(500,000)	$	0.1010	March 31, 2016
	(1,000,000)	$	0.1053	July 31, 2016
Totals	(1,500,000)			

(6) Granted in April & September 2011 respectively

The options that were forfeited during the year were issued under the Employee Share plan and vested in three equal tranches after 12 months, 24 months and 36 months from the date of grant, respectively. Fair values of these options at grant date were independently determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the share price at grant date and expected price volatility of the underlying share, the expected divided yield and the risk-free interest rate for the term of the option.

Options exercised, granted and forfeited as part of remuneration during the year ended June 30, 2015

During the 2015 financial year 2,500,000 options were granted as equity compensation benefits to Executives, all of which were subsequently forfeited due to resignation.

Option holdings of Key Management Personnel

June 30, 2016

Name of option holder	Opening balance	Granted	Number of options Exercised	Lapsed	Closing balance	Vesting as of year end Exercisable	Not exercisable	Financial year in which options vest	Fair Value yet to vest $
Executive									
Eutillio Buccilli		14,236,111			14,236,111		14,236,111	*	205,377
Luisa Ashdown	1,000,000			(1,000,000)					
Luisa Ashdown	500,000			(500,000)					
Diana Newport		2,500,000			2,500,000		2,500,000	*	24,719
Richard Allman		5,000,000			5,000,000		5,000,000	*	49,438
Kevin Fischer		5,000,000			5,000,000		5,000,000	*	72,133
Chris Saunders		5,000,000			5,000,000		5,000,000	*	72,133
Totals	1,500,000	31,736,111		(1,500,000)	31,736,111		31,736,111		423,800

* Options vest and are exercisable at any time after the date on which they meet the vesting conditions as described above

Option holdings of Key Management Personnel June 30, 2015

Name of option holder	Opening balance	Granted	Number of options Exercised	Lapsed	Closing balance	Vesting as of year end Exercisable	Not exercisable	Financial year in which options vest	Fair Value yet to vest $
Executive									
Mark J. Ostrowski **	2,400,000			(2,400,000)					
Mark J. Ostrowski		2,500,000		(2,500,000)					
Luisa Ashdown	1,000,000				1,000,000	1,000,000		2015	
Luisa Ashdown	500,000				500,000	500,000		2014	
Totals	3,900,000	2,500,000		(4,900,000)	1,500,000	1,500,000			

** Mr. Ostrowski held the role of KMP until his resignation in January 15

Options

We introduced a Staff Share Plan on November 30, 2001. On November 19, 2008, the shareholders of the Company approved the introduction of a new Employee Option Plan. Collectively, these Plans establish the eligibility of our employees and those of any subsidiaries, and of consultants and independent contractors to a participating company who are declared by the Board to be eligible, to participate. Broadly speaking, the respective Plans permits us, at the discretion of the Board, to issue traditional options (with an exercise price). The Plans conform to the IFSA Executive Share and Option Scheme Guidelines and, where participation is to be made

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available to staff who reside outside Australia, there may have to be modifications to the terms of grant to meet or better comply with local laws or practice.

As of June 30, 2016, there were 5 executives and 5 employees who held options that had been granted under the Company s respective option plans. Options issued under the Plan carry no rights to dividends and no voting rights.

Options issued under the Plans during the following financial years are as follows:

Year ended June 30, 2014:

During the year ended June 30, 2014, a total of 1,250,000 options over the Company s ordinary shares were issued to certain employees of the Group. Each option, which was issued at no charge, entitles the holder to acquire one ordinary share in the Company at exercise of $0.11 cents each up to, and including, July 11, 2018, unless exercised before that date. The options vest in three equal tranches after 12 months, 24 months and 36 months from the date of grant, respectively.

During the 2014 financial year, there were no shares issued as a result of the exercise of options. During the 2014 financial year, a total of 3,000,000 options that had been issued to employees were forfeited. Option holders do not have any right, by virtue of their options, to participate in any share issue of the Company or any related body corporate

Year ended June 30, 2015:

During the year ended June 30, 2015, a total of 6,875,000 options over the Company s ordinary shares were issued to certain employees of the Group. Each option, which was issued at no charge, entitles the holder to acquire one ordinary share in the Company at exercise price of $0.04 each up to, and including, May 31, 2019, unless exercised before that date. The options vest in three equal tranches after 12 months, 24 months and 36 months from the date of grant, respectively.

Also during the 2015 financial year, no options were exercised and 10,775,000 options that had previously been issued to employees were forfeited. Option holders do not have any right, by virtue of their options, to participate in any share issue of the Company or any related body corporate.

Year ended June 30, 2016:

During the year ended June 30, 2016, a total of 33,736,111 options over the Company s ordinary shares were issued to certain employees of the Group as follows;

Key Management Personnel (KMP)- see above for more details; During the year there were two issues of options to KMP the first being 24,236,111 options that were issued at no charge, and entitle the holder to acquire one ordinary share in the Company at an exercise price of $0.02 each up to, and including, November 24, 2020. The second issue was of 7,500,000 options that were issued at no charge, and entitle the holder to acquire one ordinary share in the Company at an exercise price of $0.02 each up to, and including, March 31, 2021. All options granted to KMP during 2016 are exercisable at any time after the date on which the Option meets its vesting conditions, namely the 3 month volume weighted average price (VWAP) of shares as traded on the ASX as follows (subject to any adjustments in the vesting conditions as contained in the option terms) - further details as described in the preceding section.

Other employees of Phenogen Sciences Inc.: During the year there were two issues of options to other employees of the Group the first being 1,500,000 options that were issued at no charge, and entitle the holder to acquire one ordinary share in the Company at an exercise price of $0.058 each up to, and including, September 14, 2020. The second issue was of 500,000 options that were issued at no charge, and entitle the holder to acquire one ordinary share in the Company at an exercise price of $0.039 each up to, and including, January 31, 2021. All options granted to these employees during 2016 are exercisable in three equal tranches after 12 months, 24 months and 36 months from the date of grant, respectively.

During the 2016 financial year, no options were exercised and 4,125,000 options that had previously been issued to employees were forfeited. Option holders do not have any right, by virtue of their options, to participate in any share issue of the Company or any related body corporate.

As of the date of this Annual Report, there was a total of 33,486,111 unlisted employee options outstanding.

Options granted under the Employee Option Plan carry no rights to dividends and no voting rights and generally have an expiry date of nearly five years from the date of grant.

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During the years ended June 30, 2016, 2015 and 2014, the Company recorded a share-based payments expense in respect of the options granted of $ 50,239, $(26,536) and $119,531.

This share based payment expense is included within selling and marketing costs, general and administrative costs, licensing, patent and legal costs, and laboratory research and development costs in the statement of comprehensive income/ (loss).

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The following is additional information relating to the options granted under the respective Plans as of June 30, 2016:

Range of exercise prices	Options outstanding Number of options	Weighted average exercise price	Remaining weighted average contractual life (years)	Options exercisable Number of options	Weighted average exercise price
$0.01 - $0.10	33,486,111	$ 0.022	4.47	83,333	$ 0.040
$0.11 - $0.20		$			$
	33,486,111	$ 0.022	4.47	83,333	$ 0.040

The following is additional information relating to the options granted under the respective Plans as of June 30, 2015:

Range of exercise prices	Options outstanding Number of options	Weighted average exercise price	Remaining weighted average contractual life (years)	Options exercisable Number of options	Weighted average exercise price
$0.01 - $0.10	1,125,000	$ 0.040	3.92		$
$0.11 - $0.20	2,750,000	$ 0.182	1.21	2,666,667	$ 0.183
	3,875,000	$ 0.140	2.00	2,666,667	$ 0.183

The following is additional information relating to the options granted under the respective Plans as of June 30, 2014:

Range of exercise prices	Options outstanding Number of options	Weighted average exercise price	Remaining weighted average contractual life (years)	Options exercisable Number of options	Weighted average exercise price
$0.01 - $0.10	750,000	$ 0.100	3.52	250,000	$ 0.100
$0.11 - $0.20	7,025,000	$ 0.156	2.67	3,925,000	$ 0.172
	7,775,000	$ 0.151	2.75	4,175,000	$ 0.167

The fair value for the options issued to employees was estimated at the date of grant using either of the following valuation models;

Key Management Personnel (KMP) ***Monte Carlo simulation analysis*** with the following range of assumptions for June 30:

	2016	2015	2014
Risk Free Interest Rate	1.93% to 2.22%		
Expected Dividend Yield			
Historic and Expected Volatility	80%		
Option Exercise Prices	$0.020		
Weighted Average Exercise Price	$0.020		
Expected Lives	4.50 years		

Other employees of Phenogen Sciences Inc.: Black-Scholes option-pricing model with the following range of assumptions for June 30:

	2016	2015	2014
Risk Free Interest Rate	1.93% to 2.22%	2.81%	3.13%
Expected Dividend Yield			
Historic and Expected Volatility	80%	80%	80%
Option Exercise Prices	$0.039 to $0.058	$0.040	$0.105
Weighted Average Exercise Price	$0.053	$0.040	$0.105
Expected Lives	4.40 years	3.83 years	3.82 years

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Indemnification and Insurance with respect to Directors

We are obligated pursuant to an indemnity agreement, to indemnify the current Directors and executive officers and former Directors against all liabilities to third parties that may arise from their position as Directors or officers of the Company and our controlled entities, except where to do so would be prohibited by law. In addition, we currently carry insurance in respect of Directors and officers liabilities for current and former Directors, Company Secretary and executive officers or employees.

Item 6.C Board Practices

The Board of Directors

Under our Constitution, our Board of Directors is required to comprise at least three Directors. As of the date of this Annual Report, our Board comprised five Directors.

The role of the Board includes:

(a) Reviewing and making recommendations in remuneration packages and policies applicable to directors, senior executives and consultants.

(b) Nomination of external auditors and reviewing the adequacy of external audit arrangements.

(c) Establishing the overall internal control framework over financial reporting, quality and integrity of personnel and investment appraisal. In establishing an appropriate framework, the board recognized that no cost effective internal control systems will preclude all errors and irregularities.

(d) Establishing and maintaining appropriate ethical standards in dealings with business associates, suppliers, advisers and regulators, competitors, the community and other employees.

(e) Identifying areas of significant business risk and implementing corrective action as soon as practicable after a risk is identified.

(f) Nominating of audit and remuneration committee members.

The Board meets to discuss business regularly throughout the year, with additional meetings being held when circumstances warrant. Included in the table below are details of the meetings of the Board and the sub-committees of the Board that were held during the 2016 financial year.

	Directors meetings		Audit Committee meetings		Remuneration Committee meetings	
	Attended	**Eligible**	**Attended**	**Eligible**	**Attended**	**Eligible**
Dr Malcolm Brandon	12	13				
Mr. Eutillio Buccilli	12	13			2	2
Mr. Grahame Leonard A.M.	12	13	4	4		
Dr Paul Kasian	13	13	4	4	2	2
Dr Lindsay Wakefield	12	13	4	4	2	2

Committees of the Board

The Board has established an Audit Committee which operates under a specific Charter approved by the Board. It is the Board s responsibility to ensure that an effective internal control framework exists within the entity. This includes internal controls to deal with both the effectiveness and efficiency of significant business processes, the safeguarding of assets, the maintenance of proper accounting records, and the reliability of financial information as well as non-financial considerations such as the benchmarking of operational key performance indicators.

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The Board has delegated the responsibility for the establishment and maintenance of a framework of internal control and ethical standards for the management of the Group to the Audit Committee. The Audit Committee also provides the Board with assurance regarding the reliability of financial information for inclusion in the financial reports. All members of the Audit Committee are independent Non-Executive Directors.

The Remuneration Committee is, amongst other things, responsible for determining and reviewing remuneration arrangements for the Directors, the Chief Executive Officer and the Senior Leadership Team. The majority of the Committee is comprised of independent directors.

The Remuneration Committee assesses the appropriateness of the nature and amount of remuneration paid to Directors and Executives on a periodic basis by reference to relevant employment market conditions, with the overall objective of ensuring maximum shareholder benefit from the retention of a high quality Board and Senior Leadership Team.

Committee membership

As at the date of this Report, the composition of these two Sub-Committees are:

Audit Committee:	Mr. Grahame Leonard AM	Chairman of the Committee
	Dr Paul Kasian	
	Dr Lindsay Wakefield	
Remuneration Committee:	Dr Lindsay Wakefield	Chairman of the Committee
	Dr Paul Kasian	
	Mr. Eutillio Buccilli	

As an executive, Mr. Buccilli does not take part in deliberations pertaining to his own remuneration.

Compliance with NASDAQ Rules

NASDAQ listing rules require that we disclose the home country practices that we will follow in lieu of compliance with NASDAQ corporate governance rules. The following describes the home country practices and the related NASDAQ rule:

Majority of Independent Directors: We follow home country practice rather than NASDAQ s requirement in Marketplace Rule 4350(c) (1) that the majority of the Board of each issuer be comprised of independent directors as defined in Marketplace Rule 4200. As of the date of this Annual Report, our Board of Directors comprises of a majority of independent directors.

Compensation of Officers: We follow home country practice rather than NASDAQ s requirement in Marketplace Rule 4350(c)(3) that chief executive compensation be determined or recommended to the Board by the majority of independent directors or a compensation committee of independent directors. Similarly, compensation of other officers is not determined or recommended to the Board by a majority of the independent directors or a compensation committee comprised solely of independent directors. These decisions are made by our remuneration committee which is comprised of a majority of independent directors.

Nomination: We follow home country practice rather than NASDAQ s requirement in Marketplace Rule 4350(c)(4) that director nominees be selected or recommended by a majority of the independent directors or by a nominations committee comprised of independent directors. These decisions are made by our full Board which is comprised of a majority of independent directors. The ASX does not have a requirement that each listed issuer have a nominations committee or otherwise follow the procedures embodied in NASDAQ s Marketplace Rule. Furthermore, no law, rule or regulation of the ASIC has such a requirement nor does the applicable corporate law legislation. Accordingly, selections or recommendations of director nominees by a committee that is not comprised of a majority of directors that are not independent is not prohibited by the laws of Australia.

Quorum: We follow home country practice rather than NASDAQ s requirement in Marketplace Rule 4350(f) that each issuer provide for a quorum of at least 33 1/3 percent of the outstanding shares of the issuer s ordinary stock (voting stock). Pursuant to our Constitution we are currently required to have a quorum for a general meeting of three persons. The practice followed by us is not prohibited by Australian law.

Shareholder Approval for Capital Issuance: We have elected to follow certain home country practices in lieu of NASDAQ Marketplace Rule 5635. For example, the Company is entitled to an annual 15% of capital placement capacity under ASX Listing Rule 7.1 without shareholder approval. If this amount of annual entitlement is aggregated with an additional placement of ordinary shares, including through the grant of options over ordinary shares, that exceeds 20% of the outstanding share capital, only the excess over the 15% annual allowance requires shareholder approval under Australian law. Such home country practice is not prohibited by the laws of Australia.

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Item 6.D Employees

As of the date of this Annual Report, the Group comprising the Company and its subsidiaries, employed 22 full-time equivalent employees. The number of full-time equivalent employees as of the end of each respective financial year ended June 30 are as follows:

2016	25
2015	23
2014	64

Item 6.E Share Ownership

The relevant interest of the directors in the share capital of the Company as notified by them to the Australian Securities Exchange in accordance with section 205G(1) of the *Corporations Act 2001* as of the date of this Annual Report is as follows:

Director	Ordinary shares	Percentage of Capital held
Dr. Malcolm R. Brandon		N/A
Eutillio Buccilli		N/A
Dr. Paul Kasian	256,410	0.015%
Grahame Leonard A.M.	6,000,000	0.350%
Dr. Lindsay Wakefield	15,325,263	0.894%

Notes: As of the date of this Annual Report, no options over Ordinary Shares are held by the Directors.

Item 7. Major Shareholders and Related Party Transactions

Item 7.A Major Shareholders

As at the date of this Annual Report, there were no shareholders who is the beneficial owner of 5% or more of our voting securities.

The number of Ordinary Shares on issue in Genetic Technologies as of the date of this Annual Report was 1,715,282,724. The number of holders of Ordinary Shares in Genetic Technologies as of the date of this Annual Report was approximately 3,013.

The Company is not aware of any direct or indirect ownership or control of it by another corporation(s), by any foreign government or by any other natural or legal person(s) severally or jointly. Principal shareholders do not enjoy any special or different voting rights from those to which other holders of Ordinary Shares are entitled. The Company does not know of any arrangements, the operation of which may at a subsequent date result in a change in control of the Company.

Item 7.B **Related Party Transactions**

During the year ended June 30, 2016, the only transactions between entities within the Group and other related parties occurred, are as listed below. Except where noted, all amounts were charged on similar to market terms and at commercial rates.

Phenogen Sciences Inc.

During the year ended June 30, 2016, Phenogen Sciences Inc, a subsidiary, purchased testing services from Genetic Technologies Corporation Pty. Ltd., another subsidiary at a cost of $91,676 (2015: $153,581). This transaction is eliminated on consolidation of the Company s accounts

Debt convertible notes

As described in Note 20 of the Financial Report, during the previous year the Company finalised the raising of $2,150,000 via the issue of unlisted secured (debt) notes to existing and new Australian institutional and wholesale investors. The debt notes carried a 10.0% coupon rate, and as approved at the Annual General Meeting, held on November 25, 2014, became convertible notes which could convert into ordinary shares (at a 10.0% discount to the 5 day VWAP). These convertible notes also carry free attached options to purchase further shares in the Company.

$125,000 of these convertible notes were issued to a holder associated with Dr Lindsay Wakefield, a Company director at the time of issue, on the same terms and conditions as other note holders. All of these convertible notes were converted during the year. The 8,333,333 share options attached to these convertible notes remain unexercised at the end of the year.

There were no transactions with parties related to Key Management Personnel during the year other than that disclosed above.

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Item 7.C Interests of Experts and Counsel

Not applicable.

Item 8. Financial Information

Item 8.A Consolidated Statements and Other Financial Information

The information included in Item 18 of this Annual Report is referred to and referenced into this Item 8.A.

Litigation and other legal proceedings

Australian Federal Court Patent Proceeding

In June 2010, a group of Australian plaintiffs initiated litigation in the Australian Federal Court challenging the validity of certain claims of an Australian patent owned by Myriad Genetics Inc. (Australian patent 686004 - 004). Genetic Technologies was named as a respondent to this matter by virtue of the fact that Genetic Technologies was the exclusive licensee of the BRCA patents in Australia (which includes the 004 patent).

This matter bears a striking resemblance to the US litigation filed by the American Civil Liberties Union against Myriad s US patent equivalent in which a US Federal District Court ruled that isolated DNA sequences are not eligible for patent protection because of the fact that they are products of nature . On July 29, 2011, Myriad successfully appealed this decision with the Federal Circuit Court of Appeals reversing the decision of the United States District Court for the Southern District of New York. On March 26, 2012 the U.S. Supreme Court remanded the case back to the US Court of Appeals for the Federal Circuit for reconsideration. On August 16, 2012, the U.S. Court of Appeals for the Federal Circuit ruled on the Myriad in the U.S., upholding the patentability of gene patents. On June 13, 2013, the U.S. Supreme Court allowed an appeal, and found that claims for isolated genomic DNA were invalid.

On September 30, 2011, Genetic Technologies filed documents with the Australian Federal Court to the effect that the Company submits to the orders of the Court and takes no further part in the proceedings. On February 15, 2013, the Australian Federal Court ruled in favour of Myriad Genetics in this matter.

Myriad Genetics argued that by virtue of the process of extracting the gene from the body, it had satisfied the requirements of an invention according to section 18(1) (a) of the Patents Act which states that an invention must be a manner of manufacture . Based on previous case law, the Court held that a manner of manufacture requires an artificial state of affairs of some discernible effect that is of economic significance.

That decision was subsequently appealed by one of the plaintiffs on March 4, 2013. The Full Federal Court again ruled in favour of Myriad Genetics on September 5, 2014. The decision by the court leaves intact its earlier ruling that isolated gene sequences, even if they contain the same information as DNA sequences in the body, become a manufactured object as a result of the isolation process, conferring on them an artificial state , and making them patentable.

On September 16, 2014, the plaintiff sought special leave to appeal from the Full Federal Court s decision to the High Court of Australia, which was granted on February 13, 2015. The plaintiff filed a formal appeal to the High Court shortly thereafter, on February 27, 2015. Genetic Technologies did not contest the special leave application or the appeal to the High Court.

On October 7, 2015 the High Court found claims 1 to 3 (directed to isolated gene sequences) of the 004 patent invalid. The High Court held that whether or not an invention is an artificial state of affairs is not the only factor relevant to whether a patent defines a manner of manufacture. The High Court took into account a number of other policy considerations, including:

a. whether patentability of the invention is consistent with the overarching purposes of the Patents Act (i.e., stimulating, rather than chilling, innovation);

b. whether patentability of the invention would enhance or detract from the coherence of the law relating to inherent patentability;

c. whether patentability of the invention is consistent with Australia s international obligations and the patent laws of other countries; and

d. whether patentability of the class of invention as claimed would involve law-making of a kind that should be done by the legislature;

before concluding that claims 1 to 3 of the 004 patent did not define a manner of manufacture.

The challenge by the plaintiffs did not affect the validity of the remaining claims (4-30) of the 004 Patent. While the 004 patent reached the end of its 20 year term and therefore expired on August 11, 2015, similar claims in other, subsisting patents (including those directed to probes and methods for diagnostic testing relating to specific genes) remain enforceable, affording a monopoly over many uses of gene sequences.

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Although there are no more avenues for appeal available in the *D Arcy v Myriad* case, it is likely that further administrative hearings will be required before the proceedings can be disposed of. The next steps are largely in the hands of the Applicant, and the Company is seeking clarification from the Applicant s lawyers on how they intend to proceed with this case.

Dividends

Until our businesses are profitable beyond our expected research and development needs, our Directors are unlikely to be able to recommend that any dividend be paid to our shareholders. Our Directors will not resolve a formal dividend policy until we generate profits. Our current intention is to reinvest our income in the continued development and expansion of our businesses.

Item 8.B Significant Changes to Financial Information

Our consolidated financial statements are set out on pages F1 to F41 of this Annual Report (refer to Item 18).

Significant other changes

Executive Moves and Appointments

Mr. Kevin Fischer was appointed Chief Financial Officer and joint Company Secretary, effective November 2, 2015. Mr. Fischer has subsequently been appointed as sole Company Secretary effective January 13, 2016.

Mr. Chris Saunders was appointed Senior VP Sales and Marketing, Phenogen Sciences Inc. on November 2, 2015, replacing Mr. Mark Ostrowski.

On June 22, 2016, Dr Susan Gross was appointed Senior Medical Director, Phenogen Sciences Inc.

Options

On November 25, 2015, the Company granted the following options over ordinary shares in the Company;

- As approved by shareholders at the Company s Annual General Meeting held on November 25, 2015, 14,236,111 options to the CEO, Mr. Eutillio Buccilli. The options, which were granted at nil consideration, entitle Mr. Buccilli to acquire one ordinary share, at a strike price of $0.02 at any time up to, and including November 24, 2020, subject to certain vesting conditions.

- 10,000,000 options to Key Management Personnel. The options, which were granted at nil consideration, entitle the holders to acquire one ordinary share, at a strike price of $0.02 at any time up to, and including November 24, 2020, subject to certain vesting conditions.

- 1,500,000 options to US based employees. The options, which were granted at nil consideration, entitle the holders to acquire one ordinary share, at a strike price of $0.058 at any time up to, and including September 24, 2020, subject to certain vesting conditions.

On March 31, 2016, the Company granted the following options over ordinary shares of the Company;

- 7,500,000 options to Key Management Personnel. The options, which were granted at nil consideration, entitle the holders to acquire one ordinary share, at a strike price of $0.02 at any time up to, and including March 31, 2021, subject to certain vesting conditions.

- 500,000 options to a US based employee. The options, which were granted at nil consideration, entitle the holder to acquire one ordinary share, at a strike price of $0.039 at any time up to, and including January 31, 2021, subject to certain vesting conditions.

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Changes to the Board of Directors

There were no changes to the Board of Directors during the year ended June 30, 2016.

Significant events after balance date

There have been no significant events which have occurred after balance date.

Item 9. The Offer and Listing

Item 9.A Offer and Listing Details

The Company s Ordinary Shares were listed on the Australian Securities Exchange (the ASX) in July 1987. Set out below is the highest and lowest market quotations for the Ordinary Shares reported on the Daily Official List of the ASX since July 1, 2011.

Financial Year	Period Covered	High (in $0.00)	Low
Yearly data 2012	Year ended June 30, 2012	0.350	0.080
2013	Year ended June 30, 2013	0.150	0.060
2014	Year ended June 30, 2014	0.105	0.035
2015	Year ended June 30, 2015	0.087	0.012
2016	Year ended June 30, 2016	0.039	0.016
Quarterly data 2015	Quarter ended September 30, 2014	0.044	0.022
	Quarter ended December 31, 2014	0.026	0.013
	Quarter ended March 31, 2015	0.087	0.012
	Quarter ended June 30, 2015	0.045	0.028
2016	Quarter ended September 30, 2015	0.035	0.019
	Quarter ended December 31, 2015	0.039	0.016
	Quarter ended March 31, 2016	0.027	0.018
	Quarter ended June 30, 2016	0.024	0.017
Monthly data 2016	Month ended May 31, 2016	0.022	0.019
	Month ended June 30, 2016	0.021	0.017
	Month ended July 31, 2016	0.020	0.017
	Month ended August 31, 2016	0.019	0.014
	Month ended September 30, 2016	0.017	0.015

Period ended October 20, 2016	0.016	0.013

As of the date of this Annual Report, we had 1,715,282,724 Ordinary Shares on issue, without par value. See Item 10B Our Constitution for a detailed description of the rights attaching to our shares and Item 12D American Depositary Receipts for a description of the rights attaching to the American Depositary Shares.

The Company s securities are also listed on NASDAQ Capital Market (under the ticker GENE) in the form of American Depositary Shares. During January 2015, the Company undertook a reverse stock split (consolidation) which had the effect of resetting the ratio of 1 ADS representing 30 Ordinary shares to 1 ADS representing 150 Ordinary shares. Since listing on the NASDAQ Global Market on September 2, 2005, the ADSs have traded in a range from a low of USD 0.31 to a high of USD 13.85. The most recent sale of the Company s ADSs, as recorded on October 20, 2016, occurred at a price of USD 1.53.

Following the listing of the Company s ADRs in September 2005, our Ordinary Shares are registered under Section 12 of the Securities Exchange Act of 1934 and we file an Annual Report with the Securities and Exchange Commission on Form 20-F. As a foreign private issuer, we are not be subject to the proxy rules under Section 14 of the Securities Exchange Act of 1934, and our officers, Directors and principal stockholders are not subject to the insider short-swing profit disclosure and recovery provisions of Section 16 of that Act.

Starting in January 14, 2002, the ADSs traded in the USA over-the-counter market under the symbol GNTLY and dealers prices for the ADSs were been quoted in the pink sheets published by the National Quotations Bureau, Inc. Commencing on

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September 2, 2005, our ADSs were listed on the NASDAQ Global Market and, subsequently, the NASDAQ Capital Market, under the ticker GENE .

The Company has registered one class of American Depositary Shares (ADSs) on Form F-6 pursuant to the U.S. Securities Act of 1933, as amended. One ADS represents 150 Ordinary Shares without par value. As of June 30, 2016 there was a total of 8,584,180 ADSs outstanding, representing approximately 75.27% of the Company s total issued capital as of that date.

The table below sets forth the high and low sales prices in United States dollars for the ADSs during the periods indicated:

Financial Year	Period Covered	High (in USD)	Low
Yearly data 2012	Year ended June 30, 2012	11.06	2.29
2013	Year ended June 30, 2013	4.79	2.00
2014	Year ended June 30, 2014	1.24	1.00
2015	Year ended June 30, 2015	11.00	0.31
2016	Year ended June 30, 2016	4.27	1.62
Quarterly data 2015	Quarter ended September 30, 2014	1.31	0.50
	Quarter ended December 31, 2014	0.61	0.31
	Quarter ended March 31, 2015	11.00	0.35
	Quarter ended June 30, 2015	6.00	3.00
2016	Quarter ended September 30, 2015	3.77	1.72
	Quarter ended December 31, 2015	4.27	1.76
	Quarter ended March 31, 2016	2.62	1.62
	Quarter ended June 30, 2016	2.76	1.99
Monthly data 2016	Month ended May 31, 2016	2.49	2.09
	Month ended June 30, 2016	2.45	1.99
	Month ended July 31, 2016	2.27	2.06
	Month ended August 31, 2016	2.14	1.89
	Month ended September 30, 2016	1.99	1.70
	Period ended October 20, 2016	1.78	1.49

Item 9.B Plan of Distribution

Not applicable.

Item 9.C Markets

Effective September 2, 2005, our ADSs were listed on the NASDAQ Global Market under the ticker GENE . Effective July 1, 2010, the ADSs were transferred to the NASDAQ Capital Market. The ticker remained unchanged. Our Ordinary Shares are listed and trade on the Australian Securities Exchange under the code GTG .

Item 9.D **Selling Shareholders**

Not applicable.

Item 9.E **Dilution**

Not applicable.

Item 9.F **Expenses of the Issue**

Not applicable.

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Item 10. Additional Information

Item 10.A Share Capital

As of June 30, 2016, we had a total of 1,715,282,724 Ordinary Shares on issue. None of these shares were subject to any form of escrow as of that date and, as such, all of the shares were listed on the Australian Securities Exchange and were freely tradable.

Based on our review of shareholder records (based solely on the addresses), as of June 30, 2016 there were 35 U.S. resident shareholders of our Ordinary Shares holding 11,688,595 shares representing 1.14% of the total issued and outstanding Ordinary Shares. Our Ordinary Shares do not have a par value. These figures do not include any Ordinary Shares which may be held by U.S. residents in the form of American Depositary Receipts (ADRs).

During the last five years, the number of Ordinary Shares on issue has increased as follows:

Date	Nature of issue	Number of Ordinary Shares issued / outstanding	Movement in share capital / balance $
As of June 30, 2011		**404,605,152**	**72,378,105**
July 27, 2011	Placement of Ordinary Shares as part of capital raising	60,000,000	10,894,537
January 25, 2012	Exercise of 166,667 options @ $0.045 each	166,667	7,500
As of June 30, 2012		**464,771,819**	**83,280,142**
October 19, 2012	Exercise of 10,200,000 options @ $0.045 each	10,200,000	459,000
January 24, 2013	Exercise of 500,000 options @ $0.045 each	500,000	22,500
April 10, 2013	Other transaction costs		(25,797)
As of June 30, 2013		**475,471,819**	**83,735,845**
August 9, 2013	Issue of shares as part of private placements @ $0.072	14,555,576	1,048,001
August 14, 2013	Issue of shares as part of private placements @ $0.072	15,999,980	1,151,999
August 30, 2013	Issue of shares as part of private placements @ $0.072	11,111,111	800,000
October 8, 2013	Issue of shares as part of private placements @ $0.072	19,277,837	1,388,000
October 9, 2013	Issue of shares as part of private placements @ $0.072	24,333,333	1,752,000
October 14, 2013	Issue of shares as part of private placements @ $0.072	5,000,000	360,000
November 18, 2013	Issue of shares as part of private placements @ $0.072	6,944,445	500,000
December 31, 2013	Issue of shares as part of the conversion of convertible notes	8,714,541	281,722
January 20, 2014	Issue of shares as part of the conversion of convertible notes	16,517,440	569,022
February 12, 2014	Issue of shares as part of the conversion of convertible notes	17,645,870	554,939
February 19, 2014	Issue of shares as part of the conversion of convertible notes	16,379,660	552,975
March 3, 2014	Issue of shares as part of the conversion of convertible notes	15,388,290	548,968
April 10, 2014	Issue of shares as part of the conversion of convertible notes	17,429,100	533,732
May 16, 2014	Shares cancelled as part of the swap deal	(75,937,500)	(3,569,702)
June 3, 2014	Issue of shares in respect of interest rate true up adjustment relating to March and April, under convertible notes	2,117,250	
June 27, 2014	Issue of shares as part of the conversion of convertible notes	22,969,740	531,519
To November, 2013	Other transaction costs arising on share issue		(658,528)
As of June 30, 2014		**613,918,492**	**90,080,492**

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July 9, 2014	Issue of shares as part of the conversion of convertible notes plus capitalised interest	23,227,950	721,403
August 12, 2014	Issue of shares for capitalised interest on convertible notes	5,142,450	
August 20, 2014	Issue of shares as part of the conversion of convertible notes plus capitalised interest	25,817,550	580,783
October 2, 2014	Issue of shares as part of the conversion of convertible notes plus capitalised interest	31,637,640	621,139
October 20, 2014	Issue of shares for capitalised interest on convertible notes	4,787,190	
October 31, 2014	Issue of shares as part of the conversion of convertible notes plus capitalised interest	46,503,360	306,619
November 28, 2014	Issue of shares as part of the conversion of convertible notes plus capitalised interest	27,655,230	234,192
December 5, 2014	Issue of shares as part of the conversion of convertible notes plus capitalised interest	34,100,456	78,546
December 19, 2014	Issue of shares as part of the conversion of convertible notes plus capitalised interest	8,059,599	102,685
December 29, 2014	Issue of shares as part of the conversion of convertible notes plus capitalised interest	8,677,729	102,849
December 30, 2014	Issue of shares as part of private placements @ $0.0135	19,074,112	257,500
January 9, 2015	Issue of shares as part of the conversion of convertible notes plus capitalised interest	8,258,496	113,474
January 22, 2015	Facility fee pursuant to a standby equity placement facility	35,876,392	
January 30, 2015	Issue of shares as part of private placements @ $0.01407	41,933,191	621,450
January 30, 2015	Exercise of 26,666,667 options @ $0.015 each	26,666,667	400,000
February 2, 2015	Issue of shares as part of private placements @ $0.02447	34,066,809	877,561
February 2, 2015	Issue of shares as part of the conversion of convertible notes	78,181,336	889,000
February 2, 2015	Issue of shares for capitalised interest on convertible notes	2,939,998	33,431
February 9, 2015	Issue of shares as part of private placements @ $0.020	16,000,000	337,600
February 9, 2015	Exercise of 27,499,999 options @ $0.015 each	27,499,999	412,500
February 13, 2015	Issue of shares as part of the conversion of convertible notes	1,712,663	51,000
February 13, 2015	Issue of shares for capitalised interest on convertible notes	72,260	2,152
February 13, 2015	Exercise of 37,666,666 options @ $0.015 each	37,666,666	565,000
February 18, 2015	Issue of shares as part of private placements @ $0.0695	10,500,000	729,750
February 18, 2015	Exercise of 8,666,667 options @ $0.015 each	8,666,667	130,000
February 19, 2015	Issue of shares as part of the conversion of convertible notes	5,868,122	275,000
February 19, 2015	Issue of shares for capitalised interest on convertible notes	257,233	12,054
February 19, 2015	Exercise of 13,133,333 options @ $0.015 each	13,133,333	197,000
February 20, 2015	Issue of shares as part of the conversion of convertible notes	2,713,459	150,000
February 20, 2015	Issue of shares for capitalised interest on convertible notes	119,690	6,616
February 20, 2015	Exercise of 2,000,000 options @ $0.015 each	2,000,000	30,000
February 20, 2015	Exercise of 7,333,334 options @ $0.015 each	7,333,334	110,000
March 11,2015	Issue of shares as part of private placements @ $0.0382	392,670,150	15,000,000
March 11, 2015	Issue of shares as part of private placements @ $0.0334	107,329,800	3,584,815
To March 2015	Other transaction costs arising on share issue		(2,572,664)
To March 2015	Other transaction costs on placement of shares	4,123,608	(57,736)
As of June 30, 2015		**1,714,191,631**	**115,247,128**
July 23, 2015	Issue of shares as part of the conversion of convertible notes	1,006,441	25,000
July 23, 2015	Issue of shares for capitalised interest on convertible notes	84,652	2,102
July 27, 2015	Other transaction costs arising on share issue		(1,654)
As of June 30, 2016		**1,715,282,724**	**115,272,576**

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During August 2013, the Company completed the placement of 41,666,667 ordinary shares at an issue price of $0.072 per share, raising a total of $3,000,000, prior to the payment of one-off transaction costs. A further $4,000,000 was received by the Company under its Share Purchase Plan (SPP), during October and November 2013, before the payment of associated costs. At the same issue price of $0.072 per share (and after allowing for rounding), this resulted in the issue of a further 55,555,635 ordinary shares in the Company.

On September 10, 2013, the Company announced that it had executed documents with Ironridge BioPharma Co., a division of institutional investor Ironridge Global IV, Ltd. (Ironridge), in respect of redeemable convertible notes to raise USD 5,000,000 (the Notes). The details of the Notes were provided to all shareholders in a Notice of Extraordinary General Meeting at which approval for the issue of the Notes was sought from shareholders. This approval was subsequently received on November 29, 2013.

On December 23, 2013, the Notes were drawn down and the Company received $5,627,462 (being the Australian dollar equivalent of USD 5,000,000) from Ironridge, before the payment of associated costs.

As at June 30, 2014, Notes with a face value of USD 3,250,000 had been converted by Ironridge in return for which Ironridge received 117,161,871 ordinary shares (including ordinary shares issued in lieu of interest payment and an interest true-up adjustment). The balance of the notes were fully converted during 2015 in return for which Ironridge received 164,771,370 ordinary shares (including ordinary shares issued in lieu of interest payment).

During September 2014 the Company finalized the raising of $2,150,000 via the issue of unlisted secured (debt) notes to existing and new Australian institutional and wholesale investors. The debt notes carried a 10.0% coupon rate, and as approved at the Annual General Meeting, held on November 25, 2014, became convertible notes which could convert into ordinary shares (at a 10.0% discount to the 5 day VWAP). These convertible notes also carry free attached options to purchase further shares in the Company.

$2,125,000 of the convertible notes, together with the capitalized interest, had been converted into 150,961,041 ordinary shares in the Company at June 30, 2015.

On July 23, 2015 the balance of $25,000 convertible notes plus capitalized interest was converted into 1,091,093 ordinary shares in the Company.

On December 2, 2014, the Company granted a total of 143,333,333 fully vested options over ordinary shares in the Company to the holders of convertible notes. The options, which were granted at no cost, entitle the holders to acquire one ordinary share at a price of $0.015 at any time up to, and including December 2, 2018. At June 30, 2015, 122,966,666 options had been exercised for an increase in capital of $ 1,844,500. As at the date of this report, 20,366,667 of these options remain unexercised.

During December 2014, the Company raised $ 257,500 from existing shareholders through the issue of 19,074,112 new shares as part of a Share Purchase Plan.

In March 2015 an additional $ 18,354,815 capital was raised at a weighted average issue price of $ 0.0372 per share from professional and sophisticated investors in the United States through an offer of 499,999,950 fully paid ordinary shares, represented by 3,333,333 ADS s (with each ADS representing 150 ordinary shares).

During January 2015 year the Company entered into a standby equity placement facility with Kentgrove, an investment fund managed by Kentgrove Capital Pty Ltd.

Key terms of the Standby Equity Placement Facility:

- Standby equity placement facility of up to A$24,000,000 with a maturity date January 21, 2017.

- Multiple placements permitted.

- For each placement, shares are issued at a 5% discount to a volume weighted average price (VWAP) over the period of the placement.

- A facility fee of 2.33% of the facility amount is payable, to be satisfied by the issue of shares. The facility fee, less 20%, will be rebated at termination or at maturity, pro rata for any amount of the facility that is unutilized.

- The commencement fee rebate may be paid by cash or shares.

As at June 30, 2016, the Company has issued 142,500,000 shares to Kentgrove under the standby facility for $ 2,566,361.

As of June 30, 2016 and 2015, the following outstanding unlisted options, together with their respective ASX codes and expiry dates, were convertible into Ordinary Shares. The exercise prices are quoted in Australian dollars.

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Option description	2016	Weighted ave. exercise price	2015	Weighted ave. exercise price
Unlisted employee options				
GTGAM (expiring July 31, 2016)			1,000,000	$ 0.200
GTGAO (expiring August 29, 2017)			250,000	$ 0.140
GTGAW (expiring March 31, 2016)			1,250,000	$ 0.190
GTGAY (expiring July 11, 2018)			250,000	$ 0.110
GTGAA (expiring May 31, 2019)	250,000	$ 0.040	1,125,000	