

Quarterly Activities Report - 31 December 2017

Genetic Signatures Limited (ASX: GSS, “**Genetic Signatures**” or the “**Company**”) is pleased to report on its activities for the quarter ended 31 December 2017 (“2Q FY18”).

Highlights

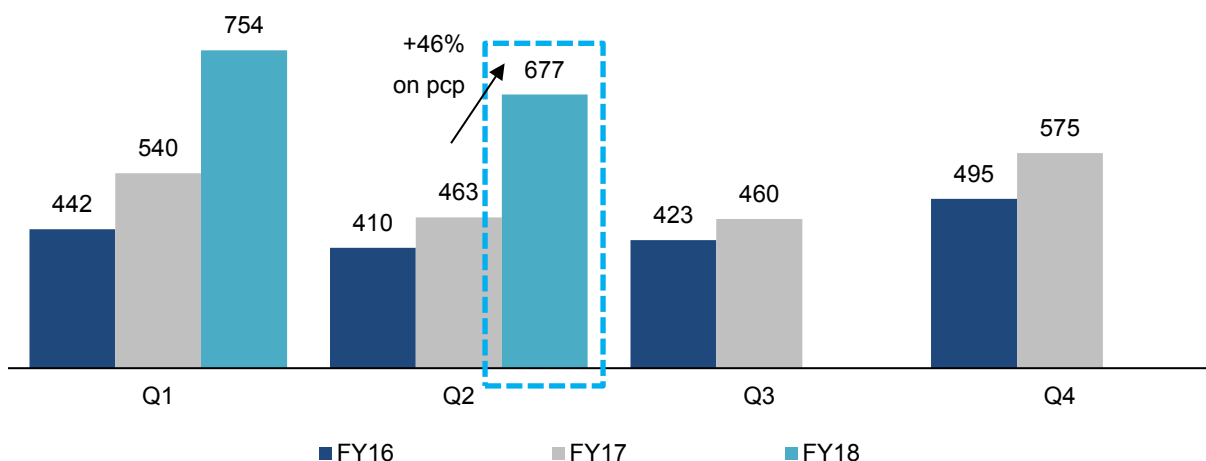
- **Strong quarterly revenue of A\$677k in 2Q FY18, representing a +46% increase on previous corresponding quarter (A\$463k in 2Q FY17)**
- **Substantial increase in cash receipts to A\$2.9m in 2Q FY17 which included the A\$1.6m Australian R&D tax concession for FY17**
- **Maiden sales achieved for new product trial targeting antibiotic resistance and hospital superbugs**
- **Successful relocation to larger facilities in Sydney to accelerate the next phase of operational growth**
- **International expansion progressing with multiple trials underway**
- **Strong balance sheet with cash of A\$11.7m at 31 December 2017 (up from A\$11.3m at 30 September 2017)**

Genetic Signatures CEO, Dr. John Melki commented:

“Our consistent strong revenue growth is the direct result of our focus on strong product development and the commencement of our sales expansion strategy. Our US and EU teams continued to make headway into these major markets, with several new trials underway including the first paid trial for a pre-release stage product that has not yet completed commercial trials. We remain focused on expanding into these geographies which represent over 80% of the global Molecular Diagnostics (MDx) marketplace.”

Sales update

Figure 1: Genetic Signature’s quarterly revenue (A\$000)



Genetic Signatures achieved another consecutive quarter of strong revenue growth, with 2Q FY18 revenue of A\$677k, up +46% on 2Q FY17. Revenue growth was driven by an increase in both product sales to existing customers and the successful release of two new products across the previous 12 months. Previous financial years have indicated that higher sales are generally anticipated during flu seasons (June and September quarters).

During the December quarter, Genetic Signatures continued to progress its international sales strategy with several achievements including:

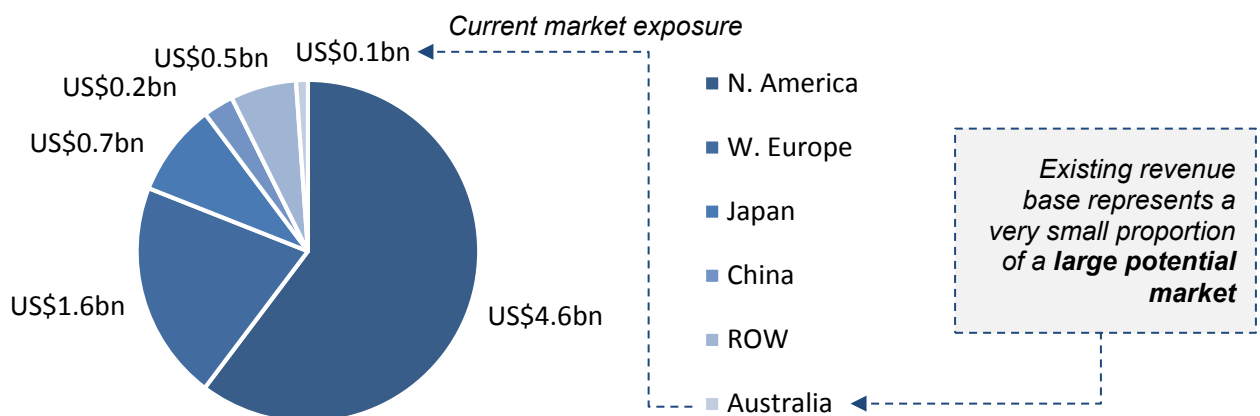
- Maiden revenue for new product trials from a large European healthcare entity
- Establishment of the European VAT deferment program
- Continued progress towards submission for European regulatory approvals with collection of positive results received from two trials during the quarter
- Appointment of a field scientist based in Europe to assist customer trials that are currently underway

As the product pipeline continues to grow, Genetic Signatures is also focused on expanding its global presence by expediting regulatory approvals and sales for existing and future products in new markets.

A successful expansion into the key US and European markets represents a significant opportunity for Genetic Signatures and is a key strategic focus for 2018.

The total global addressable MDx market is estimated to be US\$8bn, with North America (50-60%) and Western Europe (20%) the two largest geographies.

Figure 2: Estimate of global MDx market size by region (2017)



Source: World Market for Molecular Diagnostics, 5th. Edition (Infectious Disease, Oncology, Blood Screening, Pre-Natal and Other Areas) Kalorama Information, Published: 1/9/2013, page 94

Genetic Signatures currently generates approximately 90% of its revenue from Australia, which represents 1-2% of the global MDx market.

Sydney facility relocation

During the December quarter, Genetic Signatures successfully completed the transition of its headquarters and R&D facilities to larger Sydney premises. The transition was conducted to support the ongoing focus on R&D and to accelerate the next phase of operational growth.

Product trials update

Genetic Signatures received its first paid trial for its antibiotic resistance panel “Extended Spectrum Beta-Lactamase and Carbapenemase Producing Organisms (ESBL/CPO)” product from a large European healthcare entity during the quarter. This is an important step in the EU-regulatory process, with trial data expected to support the application and regulatory approval process. It was also a significant maiden revenue milestone given that the product is in its pre-release stage.

Trials are continuing and commencing across other key products, including Genetic Signatures’ Flavivirus and Alphavirus Detection Kits, Sexually Transmitted Infection Detection Kits, Respiratory Pathogen Detection Kits and our Enteric range of products.

Corporate update

Genetic Signatures received its Australian R&D tax concession for FY17 of A\$1.6m during the December quarter.

Receipts from customers in the December quarter, as disclosed in the attached Appendix 4C report, was higher than revenue for the same period due to the delayed receipt of customer payments from the September quarter.

At 31 December 2017, the Company held A\$11.7m in cash and cash equivalents, up from A\$11.3m at 30 September 2017.

Upcoming Activities

- Primary focus remains on sales growth in both domestic and international markets
- Commencement of new product trials with customers in the US and EU
- Potential receipt of regulatory registration for STI and Respiratory products in Australia and Europe
- FDA approvals progress with scientific validation and further clinical trials

- END -

For further information, see our website (www.geneticsignatures.com) or contact us as below:

Dr John Melki
Chief Executive Officer
john@geneticsignatures.com
T: +61 (0)2 9870 7580

About Genetic Signatures Limited: Genetic Signatures is a specialist molecular diagnostics (MDx) company focused on the development and commercialisation of its proprietary platform technology, **3base™**. Genetic Signatures designs and manufactures a suite of real-time Polymerase Chain Reaction (PCR) based products for the routine detection of infectious diseases under the *EasyScreen™* brand. Genetic Signatures' proprietary MDx **3base™** platform technology provides high-volume hospital and pathology laboratories the ability to screen for a wide array of infectious pathogens, with a high degree of specificity, in a rapid throughput (time-to-result) environment. Genetic Signatures' current target markets are major hospital and pathology laboratories undertaking infectious disease screening

Appendix 4C

Quarterly report for entities subject to Listing Rule 4.7B

Introduced 31/03/00 Amended 30/09/01, 24/10/05, 17/12/10, 01/09/16

Name of entity

GENETIC SIGNATURES LIMITED

ABN

30 095 913 205

Quarter ended ("current quarter")

31 December 2017

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
1.	Cash flows from operating activities		
1.1	Receipts from customers	1,250	1,492
1.2	Payments for		
	(a) research and development	(613)	(1,127)
	(b) product manufacturing and operating costs	(171)	(461)
	(c) advertising and marketing	(132)	(184)
	(d) leased assets	(101)	(152)
	(e) staff costs	(934)	(1,716)
	(f) administration and corporate costs	(431)	(673)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	64	146
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Government grants and tax incentives	1,598	1,598
1.8	Other (provide details if material)	-	-
1.9	Net cash from / (used in) operating activities	530	(1,077)
2.	Cash flows from investing activities		
2.1	Payments to acquire:		
	(a) property, plant and equipment	(63)	(327)
	(b) businesses (see item 10)	-	-
	(c) investments	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
	(d) intellectual property	-	-
	(e) other non-current assets	-	-
2.2	Proceeds from disposal of:		
	(a) property, plant and equipment	-	-
	(b) businesses (see item 10)	-	-
	(c) investments	-	-
	(d) intellectual property	-	-
	(e) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (Security Deposit)	(55)	(55)
2.6	Net cash from / (used in) investing activities	(118)	(382)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of shares	-	-
3.2	Proceeds from issue of convertible notes	-	-
3.3	Proceeds from exercise of share options	-	-
3.4	Transaction costs related to issues of shares, convertible notes or options	-	-
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	Net cash from / (used in) financing activities	-	-

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of quarter/year to date	11,306	13,193
4.2	Net cash from / (used in) operating activities (item 1.9 above)	530	(1,077)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(118)	(382)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	4	(12)
4.6	Cash and cash equivalents at end of quarter	11,722	11,722

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	679	2,221
5.2	Call deposits	11,043	9,085
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	11,722	11,306

6. Payments to directors of the entity and their associates

- 6.1 Aggregate amount of payments to these parties included in item 1.2
- 6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

Current quarter \$A'000
124
-

--

7. Payments to related entities of the entity and their associates

- 7.1 Aggregate amount of payments to these parties included in item 1.2
- 7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2

Current quarter \$A'000
-
-

--

8. Financing facilities available

Add notes as necessary for an understanding of the position

Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
-	-
-	-
-	-

8.1 Loan facilities

8.2 Credit standby arrangements

8.3 Other (please specify)

8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.

--

9. Estimated cash outflows for next quarter**\$A'000**

9.1 Research and development

(563)

9.2 Product manufacturing and operating costs

(279)

9.3 Advertising and marketing

(168)

9.4 Leased assets

(90)

9.5 Staff costs

(1,167)

9.6 Administration and corporate costs

(336)

9.7 Other (provide details if material)

-

9.8 Total estimated cash outflows**(2,603)****10. Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)****Acquisitions****Disposals**

10.1 Name of entity

Not applicable

Not applicable

10.2 Place of incorporation or registration

10.3 Consideration for acquisition or disposal

10.4 Total net assets

10.5 Nature of business

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Sign here: 
Company secretary

Date: 25 January 2018

Print name: Anna Sandham

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.