

# **GTECH INTERNATIONAL RESOURCES LIMITED**

INTERIM FINANCIAL STATEMENTS

FOR THE THREE-MONTH PERIOD ENDED

JULY 31, 2005

THESE UNAUDITED INTERIM FINANCIAL STATEMENTS  
HAVE NOT BEEN REVIEWED BY THE COMPANY'S AUDITORS

# GTECH INTERNATIONAL RESOURCES LIMITED

## BALANCE SHEET AS AT JULY 31, 2005

(UNAUDITED)

|   | July 31, 2005 | April 30, 2005 |
|---|---------------|----------------|
|   | \$            | \$             |
| <b>Assets</b>   |               |                |
| Current Assets  |               |                |
| Cash  | 520,885       | 518,486        |
| Sundry debtors  | -             | -              |
| Total Current Assets  | 520,885       | 518,486        |
| Total Assets  | 520,885       | 518,486        |
| <b>Liabilities and Shareholders' Equity</b>                                 |               |                |
| <b>Liabilities</b>  |               |                |
| Current Liabilities   |               |                |
| Accounts payable and accrued liabilities                                    | 7,024         | 4,456          |
| Total Liabilities   | 7,024         | 4,456          |
| <b>Shareholders' Equity</b>   |               |                |
| Authorised capital – unlimited number of<br>common shares without par value |               |                |
| Issued capital – 5,168,167 shares   | 4,852,410     | 4,852,410      |
| Deficit   | (4,338,549)   | (4,338,380)    |
| Total Shareholders' Equity  | 513,861       | 514,030        |
| Total Liabilities and Shareholders' Equity                                  | 520,885       | 518,486        |

Original approved by the Directors

*"Mervyn Jacobson"*

DR. MERVYN JACOBSON  
Chairman, Director and CEO

*"Thomas G. Howitt"*

MR. THOMAS G. HOWITT  
President, Director, Secretary and CFO

# GTECH INTERNATIONAL RESOURCES LIMITED

## STATEMENT OF OPERATIONS AND DEFICIT FOR THE THREE-MONTH PERIOD ENDED JULY 31, 2005 (UNAUDITED)

|   | Three-month period ended  |                           |
|---|---------------------------|---------------------------|
|   | July 31, 2005             | July 31, 2004             |
|   | \$                        | \$                        |
| Revenue   |                           |                           |
| Interest received   | 2,521                     | 2,271                     |
| Total revenue   | <u>2,521</u>              | <u>2,271</u>              |
| Expenses  |                           |                           |
| Audit and legal fees  | -                         | 2,995                     |
| Office, stock exchange fees and<br>shareholder communications | 2,690                     | 5,098                     |
| Project generation  | -                         | -                         |
| Total expenses  | <u>2,690</u>              | <u>8,093</u>              |
| Net profit/(loss) for the period                              | (169)                     | (5,822)                   |
| Deficit at the beginning of the period                        | <u>(4,338,380)</u>        | <u>(4,315,209)</u>        |
| Deficit at the end of the period                              | <u><u>(4,338,549)</u></u> | <u><u>(4,321,031)</u></u> |
| <br>  |                           |                           |
| Earnings/(loss) per share (cents per share)                   | (0.003)                   | (0.116)                   |

# GTECH INTERNATIONAL RESOURCES LIMITED

## STATEMENT OF CASH FLOWS FOR THE THREE-MONTH PERIOD ENDED JULY 31, 2005 (UNAUDITED)

|  | Three-month period ended |               |
|--|--------------------------|---------------|
|  | July 31, 2005            | July 31, 2004 |
|  | \$                       | \$            |
| <b>Cash provided by/(used in) operating activities</b> |                          |               |
| Net profit/(loss)                                      | (169)                    | (5,822)       |
| Items not affecting cash                               |                          |               |
| None   | -                        | -             |
| Changes in non-cash working capital                    |                          |               |
| Sundry debtors   | -                        | (21)          |
| Accounts payable and accrued liabilities               | 2,568                    | 1,303         |
| <b>Investing activities</b>                            |                          |               |
| None   | -                        | -             |
| <b>Financing activities</b>                            |                          |               |
| None   | -                        | -             |
| <b>Net increase/(decrease) in cash held</b>            | 2,399                    | (4,540)       |
| <b>Cash at the beginning of period</b>                 | 518,486                  | 508,469       |
| <b>Cash at the end of period</b>                       | 520,885                  | 503,929       |

# **GTECH INTERNATIONAL RESOURCES LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE THREE-MONTH PERIOD ENDED JULY 31, 2005 (UNAUDITED)**

### **1. Nature and continuance of operations**

The Company was incorporated under the laws of the Yukon Territory and is registered extra-provincially in the Province of British Columbia, Canada.

The Company was in the process of exploring its mineral properties and had not determined whether these properties contained ore reserves that were economically recoverable. The Company has written-off all amounts shown for mineral properties and their related deferred costs. The Company is currently investigating opportunities in the biotechnology field.

### **2. Significant accounting policies**

#### **(a) Mineral properties and deferred costs**

The Company has written-off all of its mineral property interests and retains a residual royalty entitlement in respect of its Aurex exploration property.

#### **(b) Fair value of financial instruments**

The carrying amount of cash and cash equivalents, accounts receivable and accounts payable and accrued liabilities approximate their fair value due to their short-term nature.

#### **(c) Stock option plan**

Options are granted periodically by the Directors under the Company's stock option plan. The Company has elected to apply the fair value method of accounting for stock options on a prospective basis and, accordingly, the fair value of stock options granted is calculated using a Black-Scholes option-pricing model and included as an administrative expense.

#### **(d) Income taxes**

Effective from January 1, 2000, the Company adopted the new recommendations of the Canadian Institute of Chartered Accountants with respect to accounting for income taxes, whereby income taxes are calculated using the liability method of accounting. Temporary differences arising from the difference between the tax basis of an asset or liability and its carrying amount on the balance sheet are used to calculate future income tax liabilities or assets. These standards also require that the future income tax liabilities or assets are measured using tax rates and laws expected to apply in the periods that the temporary differences are expected to reverse. The Company has currently provided for a full valuation allowance against any potential tax assets.

The implementation of the new recommendation, which was applied retroactively, has had no effect on these consolidated financial statements.

# GTECH INTERNATIONAL RESOURCES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (cont.) FOR THE THREE-MONTH PERIOD ENDED JULY 31, 2005 (UNAUDITED)

### 2. Significant accounting policies (cont.)

#### (e) Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the period. Actual results may differ from these estimates.

#### (f) Investment

The Company's investments are carried at cost and are considered non-current assets as the Company intends to hold them for a period of greater than one year. If there is an aggregate loss in value that is other than temporary, defined as existing over two consecutive year ends, the component loss investments are written-down to their estimated market values.

### 3. Exploration agreements

#### CANADA; YUKON TERRITORY

##### *Aurex Property - Mayo Mining District*

The Company had a 100% interest in this property, consisting of 155 mineral claims. On August 16, 2001, the Company agreed with Expatriate Resources Limited (Expatriate) to accept \$84,000, to be paid by the issue of 600,000 common shares in Expatriate, as final settlement for the sale of the property. Gtech International Resources Limited retains a 1.5% royalty on the project which Expatriate may purchase from the Company for \$1,000,000.

##### *Revenue Creek Area - Whitehorse Mining District*

The Company owned 69 mineral claims, which it sold to ATAC Resources Limited (ATAC), a Canadian public company, on January 16, 2002. The Company agreed to accept 200,000 common shares in ATAC and a cash payment of \$5,000 in final settlement for the transfer of the project. Gtech International Resources Limited retains a 2% net smelter royalty which ATAC may purchase from the Company for \$600,000.

### 4. Related party transactions

The Company is a subsidiary of Genetic Technologies Limited, an Australian public company listed on the Australian Stock Exchange (code: GTG) and NASDAQ National Market (ticker: GENE). GTG owns 3,918,499 shares of the Company representing 75.82% of the Company's issued shares. There were no related party transactions during the period under review.

# GTECH INTERNATIONAL RESOURCES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (cont.) FOR THE THREE-MONTH PERIOD ENDED JULY 31, 2005 (UNAUDITED)

### 5. Share capital

#### Authorized

Unlimited number of common shares without nominal or par value.

#### Summary of shares issued and outstanding

|                              | Number of shares | Amount      |
|------------------------------|------------------|-------------|
| Balance as at July 31, 2005  | 5,168,167        | \$4,852,410 |
| Balance as at April 30, 2005 | 5,168,167        | \$4,852,410 |

#### Summary of options outstanding

| Number outstanding | Exercise price | Expiry date  |
|--------------------|----------------|--------------|
| 130,000            | \$0.38         | May 22, 2006 |

Subsequent to balance date, a total of 200,000 options were issued to two Directors of the Company. Each option entitles the holder to acquire one common share in the Company at a price of \$0.45 at any time up to, and including, August 26, 2010, subject to certain vesting conditions.

#### Summary of warrants outstanding

As at July 31, 2005, there were no warrants outstanding.

### 6. Earnings/(loss) per share

Earnings/(loss) per share is calculated using the weighted-average number of common shares outstanding during the year. Fully-diluted loss per share is not disclosed as it is anti-dilutive.

### 7. Subsequent events

On August 26, 2005, a total of 200,000 options were issued to two Directors of the Company. Each option entitles the holder to acquire one common share in the Company at a price of \$0.45 at any time up to, and including, August 26, 2010, subject to certain vesting conditions. Apart from this matter, there have been no significant events since the end of the period under review.

### 8. Segmented information

As at July 31, 2005, all of the Company's assets, amounting to \$520,885 (2004: \$503,929), were located in Canada. The revenue earned by the Company during the three-month period ended July 31, 2005 was interest received of \$2,521 (2004: \$2,271) and was earned in Canada.