

GENESIS

Letter to Shareholders

This letter provides shareholders with an overview of the current status and future outlook for Genesis as discussed at the recent annual meeting of shareholders in Auckland. The presentation discussed at the annual meeting is available on the Genesis web site www.genesis.co.nz

Contents

Product Development Progress

- Novel gene silencing technology

Funding

- International investment in new subsidiary
- Share Purchase Plan

Other Assets

- Stake in Real Time Genomics, Inc.
- Pure Power Global
- Royalty rights

Novel Gene Silencing Technology

In 2004, Genesis made the strategic decision to significantly reduce the scale of its operations and to focus on development of therapeutics using RNA interference (**RNAi**) technology. Since then we have developed several potent siRNA molecules that effectively inhibit key genes for the treatment of various types of cancer.

RNAi has been the subject of significant investment by a number of large pharmaceutical and biotechnology companies. Techniques have been developed to administer siRNA to cells in a laboratory but there has been little success in delivering siRNA molecules in animals.

Genesis has tested some of its own delivery vehicles and a number of lipids, nanoparticles and polymers from external groups but none have achieved effective and consistent *in vivo* delivery.

Faced with this ongoing difficulty, our scientists conceived a new method of achieving RNAi mediated gene silencing. The Genesis technology proposes administering chemically modified single strands of RNA that enter the cells and then anneal inside the cell to form a siRNA duplex, rather than trying to deliver a relatively large siRNA double-stranded molecule in a complex delivery vehicle.

Three patent applications have been filed and a review of the Intellectual Property that was commissioned by Genesis concluded that the single stranded masking technology was patentable for its novelty and had freedom to operate without requiring licenses from other parties.

International Investment in New Subsidiary

A number of international groups that have reviewed the technology have confirmed its novelty and commercial potential. We have had expressions

of interest from several parties and have chosen to work with a group that is allied to a large international pharmaceutical company. They propose to invest in a new subsidiary of Genesis that we are establishing to focus on the development of this technology.

The terms for such investment have yet to be agreed and will be subject to satisfaction of various pre-conditions including the approval of shareholders. If consummated, this investment will provide vital funding support and will also provide access to international expertise.

Share Purchase Plan

The need to raise funds from shareholders has been mentioned previously, and is now urgent as Genesis currently only has cash reserves of \$300,000. On completion of the funding offer for the gene silencing project, we believe that shareholders can have the confidence that Genesis has commercial value and that it should be supported until some of the current assets can be realised.

The plan is a simple procedure authorised under NZ legislation and the rules of NZX and ASX. It will allow shareholders to subscribe in multiples of \$1,000 up to a maximum of \$5,000 for the purchase of shares at a discounted price with no brokerage or administration costs.

All directors have advised that they intend to participate in the plan. Full details will be provided in formal documentation which will be mailed as soon as we have approval from NZX. The plan is likely to be open for the last few weeks in July.

Real Time Genomics, Inc.

In 2003 Genesis commenced a project to develop bioinformatic software (initially known as Cartesian, and later as Slim Search), based on our experience and knowhow with our genomics projects. Genesis sold this technology in 2005 and retained rights to a substantial share of future revenue, which has now been converted into a stake of nearly 10% in Real Time Genomics, Inc. (RTG), a new venture capital funded entity based in California. This stake is held through a NZ company in association with the other NZ based investors.

RTG provides deep genomic analysis software for researchers who are using next generation DNA sequencing technologies. The company is building genomics applications based on its own fast, accurate and mismatch tolerant read mapping and alignment algorithm. As well as having significant potential for industrial use by biotechnology

researchers, the RTG software has potential to allow analysis of our own family genomes without requiring huge computing power. Currently this might be hard to imagine, but it is expected that the cost of having a personal genome mapped will be less than \$1000 within a few years and there is likely to be a huge increase in the demand for software that can cope with this explosion in data.

Microsoft has recognised the potential of this technology and is providing active support to RTG.

Pure Power Global

In previous communications we have detailed the failure by Pure Power Global (PPG) to meet its settlement obligations for the \$2 million owed to Genesis for the purchase of BioJoule. We understand that it may be difficult for PPG to raise investment funds in the current market conditions, but are extremely disappointed by the lack of payment from PPG.

PPG is now claiming that Genesis breached various obligations included in the Agreement for Sale and Purchase of BioJoule. We adamantly reject these claims and we have rejected an offer by PPG to settle all disputes between our companies by cancelling the debt owing to Genesis.

In addition Lignol, a Canadian company that is also involved in the production of ethanol from biomass, has initiated proceedings claiming that Genesis has breached obligations of confidentiality to Lignol relating to a visit to the Lignol premises in 2006. We have substantive records and evidence to refute the allegations against Genesis. We believe that the claims are without merit as the material that Lignol claims is confidential has been publicly disclosed by Lignol.

There is no quick way to resolve these matters but we will continue to pursue them with the intention of successfully obtaining payment of the debt due by PPG.

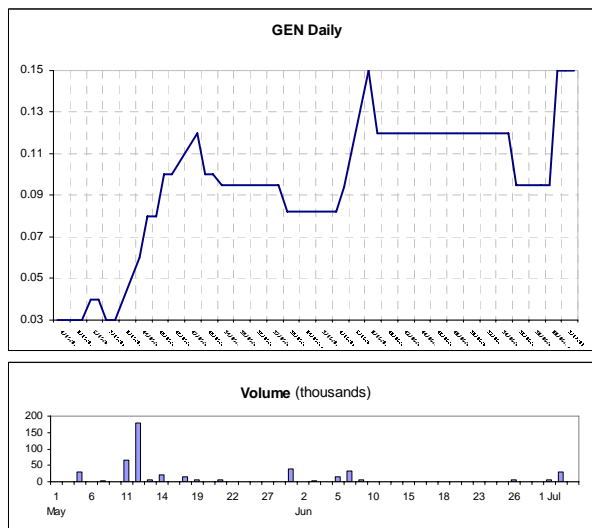
Royalty Rights

Genesis has royalty rights for various products that are being developed by other parties in the fields of agriculture, forage grass, forestry, etc. resulting

from previous collaborations. It is not possible to value or sell these rights, so it is important that we maintain the capability to monitor the collaborator's developments and ensure that any revenue due to Genesis is in future years received.

Share Market

Even with quite low traded volumes, the share price has shown a dramatic increase in recent weeks.



General

I hope that shareholders will support the share purchase plan so that they can share the future benefits from the position we have achieved.

Sincerely

Stephen Hall
Chief Executive
6 July 2009

Investor Enquiries & Change of Address Notification

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Sharemarket Ticker Symbols

New Zealand NZSX: GEN
Australia ASX: GEN