



DATADOT TECHNOLOGY LTD

CEO'S ADDRESS TO THE AGM

OCTOBER 27, 2005

Thank you Chairman,
Fellow Shareholders,

I know you have already been formally welcomed by Peter but I'd just like to add to his remarks. Thanks for taking the interest in being here today and more importantly, thanks for your continuing support as owners of and investors in DataDot. It goes without saying that we wouldn't be here at all if it was not for your financial support.

Our legal obligation today is to receive the reports of the last financial year. And while that review of the past is an essential part of accountability, I want to focus my remarks on the future. As the owners of the company I'm sure that's where your interest lies too. You are looking for assurance that your Board and management have a clear strategy on where the company is headed and how it will generate further growth and revenue.

In particular, I want to talk about

- The next stages in lifting market penetration of DataDotDNA

And

- Our diversification into a new product, DataTraceDNA.

DataDotDNA

As you know DataDotDNA is our flagship product, generating the bulk of our revenue, mostly from the vehicle market.



Australian Manufacturers

- ❖ BMW & Mini - All models
- ❖ HSV - All models
- ❖ Porsche - All models
- ❖ Ford Performance Vehicles-All models
- ❖ Ford - Mustang
- ❖ Ralliart – Lancer Evo 6, 8, 9
- ❖ Mitsubishi - MSV Magna
- ❖ Subaru – All Models
- ❖ Audi – All Models
- ❖ Lexus – All Models
- ❖ Lotus – All models

From the first sale of DataDotDNA to BMW Australia 4 years ago, our Australian client list has grown to this impressive stable of names.

And our major clients in other countries to this.

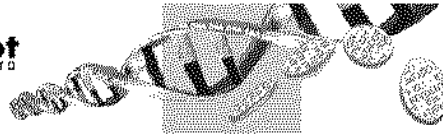


Key Non-Australian Manufacturers

- ❖ Mitsubishi NZ
- ❖ Subaru NZ
- ❖ Nissan USA
- ❖ Lexus USA
- ❖ Mitsubishi UK
- ❖ Vauxhall UK
- ❖ Toyota South Africa
- ❖ Honda Taiwan

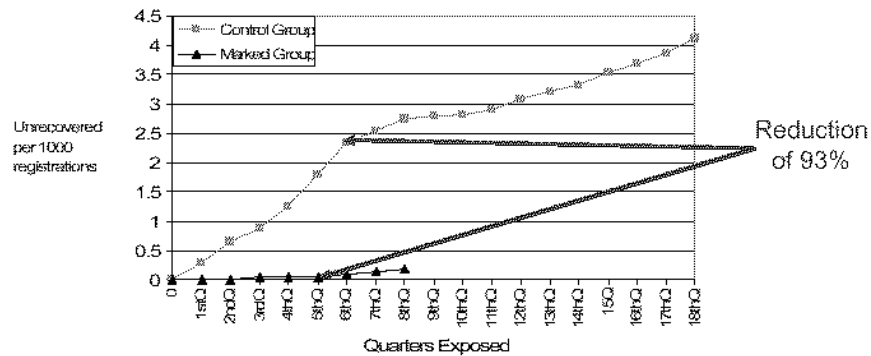
It is no exaggeration to say that in this time DataDotDNA has changed the vehicle security landscape in Australia and is beginning to make a similar impact overseas:

For a start the statistics on vehicle theft and recovery compiled independently by the National Vehicle Theft Reduction Council show remarkable results for brands fitted with DataDot.



Proven Results – Independent Verification Subaru Australia

Subaru Stolen Unrecovered per 1,000 registrations per number of quarters exposure from 1 July 2000 for control group and January 2003 for marked group to December 2004.



For Subaru, the stolen unrecovered rate has declined by 93%. For BMW the comparable decline has been 74% and for Holden Special Vehicles 65%. So there is no longer any debate whether DataDotDNA deters professional vehicle theft.

These numbers are in turn being reflected in lower claims losses by vehicle insurers, lower insurance premiums payable by vehicle owners, and strong support for DataDotDNA from law enforcement authorities.



Insurers- Premium Reductions

- ❖ IAG (NRMA, RACV, SGIC, SGIO etc) - Up to 15%
- ❖ QBE - Flat 10%
- ❖ Allianz - Flat 4%
- ❖ Ingosstrach (Russia) - up to 90% of Theft Component
- ❖ Thatcham (UK) – highest insurance rating

The IAG Insurance Group, comprising NRMA Insurance, SGIO, SGIC, CGU and Swann, has included a new vehicle identification category in its formulation of premiums, under which only vehicles fitted with DataDotDNA can earn premium reductions. And it is offering premium reductions of up to 15%.

QBE and Allianz are offering flat reductions of 10% and 4% respectively. Ingosstrakh, the largest Russian vehicle insurer, offers significantly lower premiums for vehicles fitted with DataDotDNA.

And in the UK, DataDotDNA has been tested by Thatcham, the insurance industry research body, and been accredited with the highest "Q class" security rating for insurance underwriting.



Police and Public Policy Support

- ❖ Working together in training and detection
- ❖ Australian Police support Whole-of-Vehicle-Marking (WOVM)
- ❖ New Zealand has already adopted WOVM as Government policy – to commence in 2006.

On the law enforcement side we continue to work closely with police in providing DataDotDNA training, providing assistance in evidence collection and providing detection tools. So successful has this collaboration been that Australian State Police Services have publicly asked the Australian Police Ministers' Council to do what the New Zealand Government has already done, which is to make it mandatory to adopt Whole-of-Vehicle-Marking, including marking by DataDotDNA. As Peter said, this major New Zealand policy commences next year.

As I say, these developments have already changed the vehicle security landscape. But when we consider the extent of our market penetration to date they are only the start of what is to come.

This is because our market penetration potential has been limited until now by the limits of our DataDotDNA application technology. Our target market has been restricted to post-production vehicle spraying at either the point of manufacture or point of importation because our only method of application has been the hand-held method using our patented spray nozzle. Now that's a great method, make no mistake. It's the technology that has brought the company this far and it remains the preferred method of application for post-production vehicles.

But the hand-held spray did not meet the logistical demands of vehicle manufacturing assembly lines. To gain entry to this market we need to be able to reduce the application time from 5 minutes to as low as 40 seconds, without comprising product quality.



DataDot Automated Application Cell

- ❖ Robotic application is strategically critical
- ❖ It is now ready for operational pilot stage
- ❖ Securing the first manufacturer is the next step
- ❖ Substantial market potential

Well in our next phase of development this limitation is about to be removed.

The key is a new robotic application of DataDotDNA, the DataDot Automated Application Cell, that we have developed in conjunction with Machinery Automation and Robotics, a leading Australian robotics application company. With this new development, which is already at the pilot installation stage, we will be able to meet the cycle time demands of any vehicle manufacturer.

So the next step in developing DataDotDNA – I would call it the strategic imperative for DataDotDNA – is to convert the enormous potential of the Automated Application Cell into commercial reality. That reality has the capacity to change both our business volumes and costs significantly, and that is where we are right now – developing the value proposition and business case that will convince the first vehicle manufacturer to fit DataDotDNA at the point of assembly.

We can be confident of three things: the first is that securing this next step won't be easy. It represents a significant challenge for your company's Board and management, one that won't be negotiated in 5 minutes or executed immediately because of the long lead times in vehicle and assembly line design.

Secondly, we think that the first manufacturer to sign up for assembly line application won't be the last. We think it's far more likely that the manufacturer who breaks the mould will be the trend setter, for as so often happens in the vehicle industry, what begins as a novel accessory today becomes a standard vehicle fitment tomorrow.

And the third is that the growth potential in the DataDotDNA market from this single development is enormous compared with our market penetration to this point. For this reason alone it ranks as the crucial next step in growing our core product.



Specific Component Parts-Marking

- ❖ Contracts with Nissan and Lexus in the USA
- ❖ Discrete market segment for high-value parts-marking
- ❖ Current discussions with two other US manufacturers

The other strategy we are now pursuing in growing our DataDotDNA business has more to do with market segmentation than technical innovation.

In the last 12 months we have secured two significant component parts contracts in the US market, the first with Nissan and the second, which has just commenced, with Lexus. In both cases we have joined forces with the manufacturer to use DataDotDNA to mark specific, high-cost vehicle parts that have been targeted by thieves. In the longer running of these two programs, where we now have statistics to measure effectiveness, the theft reduction objective has been so successful that the incidence of parts replacement of those parts sprayed with DataDotDNA has returned to pre-theft levels.

In strategic terms these contracts have shown us that in places like the USA where DataDotDNA is shut-out of the statutory, Whole-of-Vehicle market by restrictive government regulation, there is nevertheless a valuable market segment for discretionary parts marking. In other words, the vehicle market for DataDotDNA is not a single, monolithic market and Whole-of-Vehicle-Marking is not our necessarily our only, or our best, product offering in different segments of that market.

We think there is significant scope for further growth within this niche market segment for high-cost vehicle parts and components. In fact, on the back of the two successful programs with Nissan and Lexus we are now in discussions with two more US vehicle manufacturers, each looking to lift the level of theft protection for specific vehicle parts. So the second leg to our DataDotDNA growth strategy, sitting alongside our Automated Application Cell, is further entry into specialist parts marking.



DataTraceDNA

- ❖ Developed jointly by DataDot Technology and CSIRO
- ❖ A unique barcode applied to, or added into, products and materials
- ❖ Easy, non-chemical reading of barcode

The other very significant strategic development for the company has been the development of DataTraceDNA, which we will be rolling out to the market this year.

When we listed the company 10 months ago we said in our prospectus that the company had executed a Joint Research Agreement with the CSIRO for the development of new generation identifiers, though little did we know then just that the research would be so successful, so soon.

The result of that Joint Research Agreement, and now the subject of two patent applications, is the product we now call DataTraceDNA. It is a product identifier, but unlike DataDotDNA, which employs a laser-etching technology to identify polymer dots, that are affixed to assets, DataTraceDNA identifies materials by either applying to the surface or adding into the composition of the material what is, in effect, a unique barcode that can be read by a high speed scanner.

It allows the identity of materials, including bulk products, and even the identity of specific batches of the same product, to be easily verified at any point in the supply chain using a hand-held reader. The verification is instant and the test neither invades the material nor involves any chemical reaction with the material.



Potential Commercial Applications

- ❖ A wide range of applications, including
Plastics, Concrete, Adhesives,
Explosives, Paint, Timber and Cosmetics
- ❖ Product authentication
- ❖ Supply chain management
- ❖ Batch control
- ❖ Mixing technologies

Over many months now of laboratory testing of DataTraceDNA in products such as plastics, concrete, adhesives, explosives, paint, timber and cosmetics, we believe it has very significant commercial potential in areas such as product authentication, as a weapon against counterfeiting, in supply chain management, in batch control and in mixing technologies.



Joint Venture

DataDot Technology Ltd and the CSIRO
have formed a 50/50 joint venture company –
DataTraceDNA Pty Ltd

And while the scientists were busy testing DataTraceDNA in the lab, your Board and management were giving careful attention to the question of commercial roll-out. In particular we considered whether our shareholders' best interests would be served by marketing DataTraceDNA in our own right, in a narrow range of designated commercial applications for which we already held an exclusive licence under our existing Agreement with the CSIRO, or marketing DataTraceDNA via a 50/50 joint venture with the CSIRO across all possible applications – assuming, of course, that the CSIRO would be interested in forming a JV.



Value of the JV Strategy

- ❖ Prestige partner
- ❖ Future R&D
- ❖ Access to all non-restricted applications

That wasn't a difficult strategic decision for DataDot Technology. We concluded that our shareholders' interests will be much better served by a joint venture because:

- the prestige of CSIRO joint ownership will open doors world-wide in marketing the product;
- DataDot Technology will remain a joint partner in further product enhancement and R&D and therefore able to influence the direction of future product research; and
- A joint venture will have exclusive rights across all non-government applications, rather than DataDot Technology having exclusive rights to just a few. In effect this was the choice between 50% of a potentially very large business and 100% of a large business.

Obviously a JV was equally appealing to the CSIRO and while it is self-evident I am pleased to say that DataDot Technology met all the due diligence standards expected in a commercial partner by the CSIRO.

Under the resultant Agreement each party owns 50% of the issued capital of DataTraceDNA Pty Ltd, each has nominated 2 directors, management is provided by DataDot Technology Ltd under a management services agreement, CSIRO nominates the Chairman and I head the management team by virtue of my position as CEO of DataDot.

The documents completing this JV transaction have been agreed by both parties and we expect they will be signed in the next few days.



Appointment of China Distributor

- ❖ Exclusive Distribution Agreement
- ❖ 10 + 10 years
- ❖ No loss or transfer of IP
- ❖ \$10 million licence fee
- ❖ \$500,000 already received

I am delighted to be able to announce today that our joint venture company has already concluded a distribution agreement for DataTraceDNA in China.

Under the terms of the Agreement our JV company has granted the distributor an exclusive distribution licence to market DataTraceDNA in certain designated applications in China for a period of 10 years, with the right of renewal for a further 10 years. All rights to intellectual property will remain with the JV company and continuation of the contract over the term is subject to appropriate performance by the distributor.

The agreed licence fee is \$10 million, of which the first non-refundable payment of \$500,000 has already been received. Three remaining payments are scheduled for September 2006, and March and September 2007.

So you can see why we are very pleased with our progress with DataTraceDNA. We have a fantastic product, a world-renowned business partner, and even before we have signed our JV Agreements we have a \$10 million distribution agreement, of which the first \$500,000 is already in the bank!

Ladies and Gentlemen, may I finish on this note. I believe in this company. It has great products, great people and great prospects. It has a simple, unambiguous mission – to be the number one manufacturer and distributor, world-wide, of leading technologies that uniquely identify assets, materials and products. And it has a clear strategy for accomplishing that mission.

May I say to you, our shareholders and owners - stick with us and let's make that mission happen together!

