



DATADOT TECHNOLOGY LTD

CHAIRMAN'S ADDRESS TO THE AGM

OCTOBER 27, 2005

Chairman's AGM Address

Ladies and Gentlemen,

This is the first Annual General Meeting of DataDot Technology Limited as an ASX listed company. It seems an eternity since the listing in January. Our listing has proven to be one of the more successful of 2005. So much has happened in the past 9 months.

DataDot has emerged as a very promising company and if you have followed the level of trading on the stock exchange, it has attracted significant attention for a small listed company. There are several attributes which I believe have led to such interest:

- Our technologies are “leading” yet are relatively simple to appreciate and existing and potential customers can readily appreciate the benefits
- The “social good” from the increased level of asset identification and subsequent deterrent to thieves, generates interest within the community, particularly policing and security services
- DataDot has diversified from one primary technology (the spray or wipe on dots), to now include DataTraceDNA and an aerosol can application of “dots”. The company is demonstrating that it is maintaining its entrepreneurial heritage and is continuing to explore new opportunities
- We have an agreement with the CSIRO to work co-operatively within the area of asset identification. This provides an excellent pipeline of potential new applications and technologies for the future.
- The team is recognized as entrepreneurial with a “can do” attitude and has demonstrated success
- The company is moving into the global market early in its life and so has the opportunity to become a truly global leader in its field.

The Board has also been very conscious of the need to develop from the standards and practices of a small, tightly held private company to a listed company with global potential. A thorough review of the Corporate Governance regime has been undertaken. We have overhauled our internal management and financial reporting systems, an Audit Committee consisting of a majority of independent Directors, has been established. Recently a Remuneration Committee was formed. You will see on our website the range of policies which have been adopted in line with governance guidelines. All this work is laying the foundation for the growth of the company, particularly in improving the communication and transparency for all stakeholders. It is through these types of changes that we will gain the confidence of stakeholders to work with us to grow and develop the company.

I have already mentioned product development. During the year considerable work has been undertaken to develop a robotic application for DataDotDNA. This robotic arm is now ready for inclusion on vehicle manufacturing lines. I am sure you can appreciate the huge benefit from being integrated into the vehicle manufacture line – it is much cheaper to apply, all vehicles manufactured on the line will be “DataDotted” and quality standards will be subject



to significant scrutiny. Ian will further explain in his remarks the strategic significance of this robotic application in taking the company to the next stage of market penetration.

In conjunction with the CSIRO we have already announced the development of DataTraceDNA, a product which can be used to identify bulk materials such as concrete, explosives, plastics etc. This is a major new application with an exciting future. There is significant interest which Ian Allan will comment further upon.

Of course the major area for any emerging business is the market place. New contracts have been signed with Toyota Lexus in Australia and the US; Audi in Australia; and with Lotus in Australia and New Zealand. In the US after-market JM&A, one of the largest motor dealer aggregators, has begun to roll out DataDotDNA via its dealer network. It is quite clear that theft reduction is the major driver of our success with this product and that the demand must come from the public and policing authorities. Such an approach requires significant influencing and exposure and this takes time.

There is significant encouragement from interest by police services around Australia and discussions within political circles about adoption of improved vehicle and part marking. In New Zealand, the Government announced in January that it intends to make Whole-of-Vehicle-Marking compulsory. The potential market is 250,000 vehicles per year, but more importantly, if this programme is successful, many other countries will be tempted to adopt a similar approach. We believe that DataDotDNA is in a very strong position to meet this requirement. The New Zealand initiative is expected to commence in the second half of calendar year 2006.

Ian Allen will discuss our strategies, products and opportunities in more detail in a moment.

Turning to our financial results for the year, our revenue was below expectations. Lower revenue was the reason for not meeting the forecast. The take up of the DataDotDNA product has been slower than we anticipated. This is not related to the benefit to be derived by application of the product but to drivers within this market, which we are now in a much better position to influence in both the Whole-of-Vehicle-Marking and component parts marking segments of the vehicle market. There is still huge potential for this product.

In addition, you will be aware that we have opened up a significant market opportunity in Russia. Changes within the bureaucracy have delayed promised orders which had been factored into our forecasts. We remain confident that these orders will materialize in the current year, but the delay significantly impacted our results. This situation highlights one of our current exposures. As an emerging business we remain dependent upon a few major customers. Any delay or issue relating to one of these customers can have a material affect on our results. With diversification of product and application, we are seeking to broaden our revenue base and so reduce the dependence on a few customers.

The company raised \$10 million in the float of which approximately \$3.4 million went towards repaying shareholder loans and expenses of the float. Of the remaining \$6.6 million



we still had \$4 million at June 30 2005. Whilst there has been slower product sales and we have been investing in the new DataTraceDNA technology, the company remains in a strong financial position. Management is very conscious of the cash position and the need to grow revenue to become cash flow positive.

Ladies and Gentlemen. This company has a bright future. The growth of an emerging business requires a clear strategy and implementation plan, strong management to execute the plan and prudent financial control. 2004/05 was a year of consolidation and transition. The foundation work is largely complete and your Board and management is strongly focused on market penetration and revenue growth. In this context I would like to acknowledge the work of my fellow Board members and all the staff of the company. They are a fine team.

May I now ask Ian Allen, our CEO, to address you in more detail on our strategy and plan.