DataDot
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ADDRESS

BY

MR IAN BROWN

CHAIRMAN

DATADOT TECHNOLOGY LTD

ANNUAL GENERAL MEETING

OCTOBER 26, 2006

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Ladies and Gentlemen,

I would like to review the major landmarks for the DataDot Technology Group during 2006 and make some comments on the current year.

I will then ask Ian Allen, our Managing Director and CEO, to comment in greater detail on the company's strategy and operations.

Revenue Growth

Undoubtedly, the headline performance of 2006 was the annual rise in our Group revenue of nearly 60%. It wasn't quite enough to generate our first annual profit but it represented a very solid strengthening of our sales base and a very solid foundation on which to build future profits.

Since announcing that annual result we have also announced that Yamaha Australia has contracted to fit DataDots to all their imported motorcycles, off-road vehicles, scooters and outboard motors, Nissan South Africa has contracted to fit DataDots to all vehicles sold in South Africa and four other African countries and the Polish National Rail Services has awarded a tender to apply DataDots to their rolling stock and fixed infrastructure.

On the back of these announcements I can say that the Board is confident that gross revenue will rise again in 2007. The level of profit will depend on several key factors, and in particular these three:

- First, the level of additional revenues that can be generated beyond those already announced;
- Second, how the operations of DataTrace DNA Pty Ltd will impact the Group result;
- And third, continuing tight control over our cost base.

With regard to the last of these I assure you that your Board has no intention of taking its eye off the level of costs, not at any time and especially not when the company is yet to generate a profit or pay a dividend.

In relation to additional revenue, we believe there may be several significant developments in the medium term, some details of which are already in the public domain, though whether they will all generate income this year is unlikely.

It is difficult to be precise in forecasting commencement dates when those dates are controlled by our customers or in some cases by third parties such as governments.

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But of the following opportunities we are confident that all offer additional revenue opportunities that will come on-stream either this or early next financial year.

New Zealand

The first of these is New Zealand, whose Government announced in 2005 a policy of mandatory Whole-of-Vehicle-Marking for the 250,000 passenger vehicles, new and second-hand, imported into that country each year.

Then, in February 2006 the New Zealand Government said that the operational details would be published in June and that mandatory marking would commence in January 2007.

On the strength of that undertaking your Board raised additional capital to develop a DataDot manufacturing plant in New Zealand by next January.

Unfortunately, however, the June date came and went without any further announcement from the Government on operational details and standards.

Naturally we have been in discussion with the New Zealand Government as to why this milestone was missed and why the time being taken for execution has been so protracted.

In response, the New Zealand Minister of Justice, the Honourable Mark Burton, has written to DataDot Technology to explain that *compulsory Whole-of-Vehicle-Marking requires significant work to minimize implementation difficulties.*

He applauded our decision to establish a New Zealand-based manufacturing facility, and most importantly he also said:

> *The Government remains committed to delivering this ambitious and muti-pronged approach to reducing vehicle crime in New Zealand.*

So your Board remains confident that while this policy has been a long time coming, the New Zealand Government's commitment to proceed has not wavered.

We remain confident that the New Zealand market will grow substantially when the Whole-of-Vehicle-Marking policy is implemented.

What we can't say with the same certainty is when that will be. Accordingly, we have not included additional revenue from this source in our present 2007 Budget, but having said that it remains possible that mandatory Whole-of-Vehicle-Marking will commence before year end.

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Taiwan

Your Board is confident that another significant market opportunity may also arise in Taiwan, where we have been working closely with the Police and Transport authorities for six months, and where Honda already marks all vehicles with DataDots.

In September the Taiwanese Government became the second nation, after New Zealand, to issue a regulation making Whole-of-Vehicle-Marking a mandatory pre-requisite to vehicle registration. This is a vehicle market of 500,000 units annually, twice the size of the New Zealand market.

We don't yet know when this regulation will come into effect, or what technical specifications will be prescribed, as these details will be contained in a Vehicle Marking Standard yet to be published by the Taiwanese Government. We understand that the publication date is imminent.

But whenever the new policy commences, may I assure you that, just like New Zealand, your Board is planning that we will be in the market, on the ground, ready to meet demand.

And as with New Zealand, we expect to generate significant additional revenue from Taiwan in the medium term. Although none has been included in our 2007 budget, the company is gearing up to commence manufacture in the new year.

Robot

May I turn now to the latest developments in deploying our robotic applicator, the DataDot Automated Application Cell.

As you are probably aware, for the last three years the company has been developing a robot to enable rapid application of DataDots to motor vehicles either on, or at the end of, production lines.

Earlier this year the company was awarded an AusIndustry Commercial Ready grant of $1.5 million, and an additional grant of $500,000 from the National Motor Vehicle Theft Reduction Council, to assist with testing the robot and related software in a live environment. With those pledges of support in place we recently commenced a search for a commercial partner who was prepared to work with us to install and fully prove-out the first version of the robot.

Your Board is pleased to announce that it has this week signed a contract with PrixCar Services Pty Ltd as our project partner. PrixCar is one of the largest processors of imported motor vehicles in Australia, being responsible for 10 different

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brands and approximately 200,000 vehicles annually, some of which are currently hand-sprayed with DataDots.

I can report that both AusIndustry and the National Motor Vehicle Theft Reduction Council have endorsed our strategy of proving the robot on imported vehicles before installing it on a vehicle assembly line. Also, that the Council has specifically ear-marked the first-half of its total grant to this prove-out phase at PrixCar and will apply the second half to installing the robot on an assembly line at a later date.

Your Board is confident that when PrixCar's testing of the robotic applicator is complete, our partnership with PrixCar will open the door to many other manufacturers because the greater efficiency of robotic application will significantly enhance the business case for extending DataDot application to other brands and models in the PrixCar stable.

I will leave it to Ian to go into greater detail in assessing these opportunities.

Europe and South America

I will also leave it to Ian to explain how we believe new opportunities for our flagship DataDot product will unfold in Brazil and Europe over the second half of this year.

Suffice it to say at present that in Brazil we are working very closely with our local distributor, one of the largest insurance companies in South America, on a market entry strategy that will tackle on a large scale the highest incidence of vehicle theft that we have encountered anywhere.

And in Europe, on a strategy for significant penetration of the vehicle after market and specialist parts market

DataTrace

It has been almost 12 months since our joint venture with the CSIRO, DataTraceDNA, was formally established.

Since then we have refined our business strategy to develop a DataTraceDNA solution, comprising taggants, implementation vectors and a digital reader, that is sufficiently mature to enable us to demonstrate, customize and deliver solutions that solve significant business problems.

Our work has enabled us to identify what we believe are the sweet spots for this technology. And while we have found that some industries will move more slowly than we anticipated, we have also confirmed that the opportunity is much larger than we had envisaged a year ago.

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Specifically, we have proven that we can engage with some of the most respected companies in the world and that our technology is of the highest standard. In industries such as inks, papers, polymers, fibres and paints brand theft and product counterfeiting truly is a large and growing problem. In fact the US Chamber of Commerce said in March that the global counterfeit trade will grow from USD500 billion to around USD2 trillion in the next 20 years.

Over this year we have contacted and met with over 200 companies in Australia, China, the USA and Europe. We have performed product testing with 27 companies and of these we are currently working towards commercial negotiations with 10. We are very hopeful at this time of concluding contracts with 3 by Christmas 2006.

On the basis of these forward estimates we are therefore expecting to be shipping product in the second half of this financial year.

And in relation to the bulk product homogeneity system, or mixing control properties of DataTrace, our value proposition is creating strong interest, particularly in the pre-mix concrete industry. When it is realized that concrete is one of largest industries worldwide, generating revenue of well over US$1 trillion, and that with DataTrace we are developing a unique industry-specific quality control system, then I am sure you will feel as excited as we do about the potential of this opportunity.

We are currently engaged with several government agencies and global concrete manufacturers to determine the optimal way to implement our solutions. This process is likely to take until around mid-2007.

During this year we have also conducted extensive and successful testing of our capability to authenticate explosives, both pre and post detonation. This work has been undertaken in close liaison with the federal government's Defence Science and Technology Organisation and is directly relevant to proposed legislation requiring mandatory tracking and authentication of explosive materials such as nitrates.

On the cost-side of the DataTrace business we have carefully grown our team to ensure that our R&D and testing capability can keep pace with our sales activities, and most of our sales function is performed by commission-only representatives under the management of our CEO and DataTrace Business Development Manager.

So, on balance, we are not expecting a significant net outflow from our mainstream DataDot business to support DataTrace in the current year. We expect new revenue streams to commence in the current year while maintaining a tight control on our costs.

Ian Allen will provide further detail of the DatatraceDNA business in his address.

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Ladies and Gentlemen, I trust that these few remarks have broadened your knowledge of what your company is doing, with what effect, and of the reasons why your Board is confident of the company's future.

I will now ask Ian Allen, our Managing Director and CEO, to address the AGM.

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