



DataDot Technology Limited

ABN 54 901 908 726

Stock Exchange Announcement

30 August, 2007

Directors' Announcement - Preliminary Final Report

The Directors of DataDot Technology Ltd (DDT) today issued the company's Preliminary Final Report based on the unaudited accounts for the year ended 30 June 2007.

Mr Ian Allen, CEO of DDT, said that although the Group incurred a net loss for the period of \$2.023 million, behind that bottom line result lay positive developments in sales growth, revenue growth and efficiency improvement in DDT, and in substantial product development in the joint venture company owned by DDT and CSIRO (DataTraceDNA Pty Ltd), all of which point to a strong platform for profitability in 2008.

Highlights of the Group's consolidated performance and position include:

- Total revenue increased 28%;
- Sales of goods increased 34%;
- South African sales revenue increased 135%;
- Australasian sales revenue increased 30%;
- Net assets increased 281%

Mr Allen said, "In two of our four market regions, Australasia and South Africa, sales growth in our core business was impressive. In the US our operations have been re-structured, and in the UK/Europe we have shaved overheads, so reducing the cost bases significantly in both these markets for 2008. These two subsidiaries are well positioned to contribute to Group profit next year."

He said that a major factor in the result was the effect of non-recurring costs, including business re-structure and termination costs, and contributions to DataTraceDNA Pty Ltd.

"Excluding the effect of these costs and share-based payments, the underlying trend was very positive. Core EBITDA was \$597,168 compared with (\$862,104) in 2006, a positive turn-around of \$1.459 million."

Mr Allen said that directors were confident of a much improved result in 2008, including profit contributions in the core microdot business and revenue generation from DataTraceDNA.



“In DataDot we are preparing for mandatory WOVM both in Taiwan, which commences on October 1, 2007, and New Zealand, where the Government has indicated commencement in either May or June 2008. In Australia and Europe considerable progress has been made in improving penetration of the vehicle aftermarket in the coming year.

“In addition to these opportunities the DataDot Automated Application Cell – the DataDot Robot – is now operational and will greatly enhance the Group’s entry into OE vehicle fitment in all markets.

“In DataTraceDNA we chose to refine the initial business plan in 2006 because the original aim of offering solutions to bulk materials industries to manage and identify their materials in both wet and dry states could not be realized in a timeframe that met customers’ expectations.

“The company re-assessed market opportunities, the state of our technology and available resources in a revised plan that identified an additional two market segments likely to deliver revenue sooner than the bulk industries segment.

“The three market segments now in focus are:

1. High Security Solutions - defined as companies needing or offering a high degree of covert security for items such as confidential documents, tax stamps etc.
2. Industry Solutions - especially in industries exhibiting a high degree of vertical integration across product development and distribution.
3. Bulk Material Solutions - the traditional bulk industries of concrete, polymers, paints and explosives.

“The principal activities undertaken in developing these market segments during the year were to engage and train sales personnel in Europe and the USA and to refine our technology and systems to ensure the delivery of solutions at economically attractive rates that are profitable for DataTraceDNA.

“From the product development side of the business emerged new and highly strategic solutions that will meet the emerging needs of distribution and retail industries. We anticipate that during 2008 we will be in a position to offer turnkey, cost-effective solutions in major world markets where counterfeiting has reached supermarket shelves.

“The results to date of this revised strategy include in each of the three markets a solid pipeline of opportunities ranging from relatively modest projects with security printers to potential deals with the largest players in some of the biggest global industries.

“As most companies we are engaged with demand a high degree of confidentiality there is a limit to the detail that can be disclosed. We can however discuss some projects in moderate detail and describe others in more general terms.

“In the High Security Solutions segment, DataTraceDNA is presently in discussion with 11 companies – 3 in Europe, 5 in Australia, 2 in the USA and 1 in China – developing customised



solutions to provide covert security to highly valuable items used in personal identification, tax collection and commerce. One announced project in this segment is our contract with Vending Data for use of DataTraceDNA in all their polymer gaming chips.

“In the Industry Solutions segment, DataTraceDNA is presently in discussion with 23 companies – 4 in Europe, 11 in Australia and 8 in the USA – developing industry-specific solutions across a range of products that includes optical media, film and textiles. One announced project in this segment is our agreement with Microsoft and ISAN to authenticate the new Microsoft High Capacity Colour Barcode which will be progressively used on DVDs and CDs from late 2007.

“In the Bulk Materials segment, DataTraceDNA is presently in discussion with 7 companies – 1 in Europe, 2 in Australia and 4 in the USA, developing materials-specific solutions across a range of materials that includes concrete, polymers, pigments and explosives. In this segment DataTraceDNA and Orica Mining Services, the world leader in the explosives industry, have agreed to a joint development to more fully evaluate the applicability of DataTraceDNA to the mining and explosives industry globally. This work will be undertaken and funded by Orica over the next 18 months in both the US and Australia.

In China DataTraceDNA Pty Ltd has a distribution agreement with DataDot Technology (Hong Kong and China) Limited, which is not a related party, under which DataTraceDNA Pty Ltd has been paid licence fees of \$1 million and a further payment of \$9 million is due by September 30, 2007. The Directors of DDT are not confident this further payment of \$9 million will be made. DDT Directors are monitoring the position closely to protect both DataDot Technology’s position and the valuable distribution rights for this territory.

“Further details of the company’s forward strategy will be included in the Directors’ Report to be announced in 2 weeks.”

About DataDot Technology Limited (DDT)

DDT is a leading asset identification company, with expanding global operations. DDT has invented, patented and commercialised an asset identification technology that provides greater asset security, proves authenticity of product, assists in proving ownership, and acts as a deterrent to thieves.

The DataDotDNA technology has gained acceptance around the world and is currently sold in Australia, UK/Europe, USA, Canada, South Africa, Indonesia, Taiwan, Thailand, Hong Kong, China, New Zealand, Russia, Romania and Poland. DataDotDNA customers include a number of major vehicle suppliers in various regions including Audi, Nissan, BMW, Subaru, Ford Performance Vehicles, Porsche, Holden Special Vehicles, Mitsubishi, Nissan, Toyota, VW and Yamaha.



About DataTraceDNA Pty Ltd

DataTraceDNA is a joint venture of the CSIRO and DataDot Technology. The Company offers a groundbreaking approach to counterfeit security protection through nanotechnology that is invisibly embedded within the molecular structure of a manufactured product. DataDot Technology Ltd is listed on the Australian Stock Exchange under the code 'DDT'. The Commonwealth Scientific and Industrial Research Organisation (CSIRO) is backed by the Australian government, is one of the top ranked research institutions in the world and is a leader in the rapidly growing field of nanotechnology. The technologies are supported by our worldwide verification database.

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