

OZEQUITIES NEWSLETTER

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FEATURE

Week's Special

DDT: WORLD LEADER WITH PATENTED IDENTIFICATION AND AUTHENTICATION PRODUCTS FOR VARIOUS APPLICATIONS - WITH GLOBAL SALES TO CUSTOMERS WHO ARE HOUSEHOLD NAMES - SALES GROWTH EXPECTED TO RESUME AFTER JAPANESE NATURAL DISASTERS AND SLOW SALES IN EUROPE AFFECTED 2011, EXPECTS RETURN TO PROFITABILITY IN 2ND HALF

By Jenny Prabhu and Gerald Stanley

DataDot Technology Ltd, founded in 1996 and listed in 2005 after inventing the process that industrialised the manufacture of microdots, today owns technologies for ineradicable identification and authentication products with applications in a vast number of sectors.

Its products are being used widely to protect several of the great global brands- from automobiles to Coats threads to agricultural seeds - for manufacturers that are household names, with an expanding clientele that now includes a copper cable manufacturer in the UK and a leading pharma. It has clients in the US, UK, Europe, Latin America, Japan, China South Africa and India - and most recently, Aussie Customs, for weapon identification.

While the founders had expected their technology would take around a year to commercialise, in fact it took much longer and was much more costly.

Today, with many unique products, an established and growing clientele among the world's great brands and a continuing focus on R&D, revenue over time is expected to grow at 10/30% per annum.

DataDot was profitable in 2010 but made a loss this year after Japanese natural disasters hit automobile manufacture worldwide - one of DDT's major markets.

DataDot automotive clients in various countries include distributors for Nissan, BMW, Subaru, Ford, Audi, Porsche, Tata, Holden Special Vehicles, Ford Performance Vehicles, Mercedes, Lexus, Isuzu, Avis and many others.

The group's customers are based in Australia, the UK, Europe, USA, Canada, South Africa, China, New Zealand, Taiwan, Brazil, Argentina, Chile, Thailand and India.

The DataDot technology - from Wikipedia

The technology - a microdot containing text reduced in size onto a 1mm disc to prevent detection and made from various materials, has been around for many years.

A microdot technique was used for steganographic purposes in Germany between World War I and World War II. It was also later used by many countries to pass messages through insecure postal channels. Later microdot techniques used film with aniline dye, rather than silver halide layers, as this was even harder for counter-espionage agents to find.

Microdot identification is a process where tiny identification tags are etched or coded with a given vehicle identification number (VIN), asset identification number or a unique serial number. Unique personal

identification numbers (PIN), asset identification number or customized customer data entries are also available. The microdots are brushed or sprayed onto the key parts of an asset to provide complete parts marking.

* * *

DataDot today has patent protection for many of its unique products, including DataTraceDNA, developed in a 50/50 JV with CSIRO. It is led by market savvy management with a continued focus on R&D.

In a world with ever increasing globalisation of products that carries with it an ever growing danger of counterfeit as well as of inter-border theft and "re-birthing", from vehicles to armaments as well as cosmetics and medicines, DataDot expects its technology to become increasingly sought after. It has patents pending and granted patents for its core technologies extending another 10/15 years.

DataDot's identification products are not seen by customers as a cost, but rather as an opportunity to increase sales that are currently lost to counterfeiting and a significant saving of time and money in brand protection and in law enforcement - *there has never been a conviction, based on its identification products, that has been overturned.*

Incredibly, this excellent Aussie company is trading at 3.1c - around the lowest price in its history.

DATADOT TECHNOLOGY LTD - A SNAPSHOT

DataDot Technology Ltd listed on January 12 2005, the shares closing at 34c following a float price of 25c.

Founded in 1996, the company was launched in 2001 when commercial production had commenced.

DataDot products today

DataDot - the traditional asset identification product, in which there is competition (a number of competitors came out of the security products market), but where DDT dominates - is basically a very small label with a number of innovations that keeps DDT ahead of the competition. DDT has patents pending for its spray application system, which has several layers of anti-counterfeit and identification protection that sets it apart from competitors. This product, with thousands of the datadots sprayed on to all vehicle parts is utilised by automobile distributors and manufacturers in many countries.

Recent initiatives outside the automotive sector include:

*Club Marine Insurance and DDT are expanding their insurance program to New Zealand in the 2nd quarter 2012.

*DataDot has partnered with Assa-Abloy and Crime Stoppers Australia to overtly and covertly mark certain items prone to shoplifting in a pilot program at a major hardware partner.

*DDT has launched a new program combining DataDotDNA bicycle theft prevention kits with a new Assa-Abloy Lockwood branded bicycle lock.

*Project Thor DataDots - stainless steel DataDots have been shipped to a US electricity utility, its first customer, for protection of standing electrical infrastructure.

DataTrace is a forensic sub 10 micro particle for brand and IP protection developed in a 50/50 venture with CSIRO. The product can be used to protect currency such as polymer and paper banknotes, security printing and government documents like passports.

DataTraceDNA is a 3micron ceramic particle that is invisible to the human eye.

The DataTrace Authenticator is an electronic hand-held reader that creates a signal from the particles. Differentiating codes are used for its various customers.

DataDot has now acquired all of CSIRO's stake, with the technology now 100% owned.

Customers include casino chip manufacturers, security printer, a global Top 3 pharma, Elders and VerifiTT for their new brand carpet wool and Coates PLC for security threads.

In June 2011, VTTM Holdings LP the provider of VerifiTT and Coats plc, the world's leading industrial threads and consumer crafts business formed a j/v company Coats VTT Ltd which was granted global rights in the textile industry to use VerifiTT technology incorporating DataTraceDNA as protection against counterfeiting and fraudulent use of global fashion brands in garments and the like. VerifiTT will be blended into the raw material used to create sewing thread in a way that can only be detected using a proprietary reader.

DDT is also looking at entry into the industrial coating markets.

In January 2011 a deal with Surface Technologies, based in New Jersey, US enabled them to electro-less nickel plate the DataTraceDNA onto metal, glass and high temperature plastic parts. This enhancement is equally useful for aeronautical, autoparts, watches, jewellery, fashion wear etc.

A pilot program with Assa-Abloy and Crime Stoppers Australia to overtly and covertly mark certain items prone to shoplifting is under way with a major hardware partner.

AssetDNA - Most recently, on December 1 DDT announced the Australian Customs and Border Protection Service adopted *assetDNA* to provide real time tracking of its extensive armoury, comprising approximately 6,000 weapons and personal defence equipment geographically dispersed among 37 land based and 11 vessel armouries

(*assetDNA* is a jointly promoted brand with Relegen Pty Ltd, an Australian company, that combines DDT products and intellectual property and HID RFID's with Relegen's *asset DNA* asset intelligence software to identify, track and manage assets over their life cycles).

The *Intelliseed product* jointly owned by DDT and Ipeco Pty Ltd in AgTechnix Pty Ltd, entered into a commercial arrangement with GlaxoSmithKline on its poppyseed farms in Tasmania that supplies approximately 25% of the global poppy market with opiate derived products.

AgTechnix has commitments for sales in India with orders commencing in the 2nd quarter and 3rd quarter 2011/12 and is working on projects in several South East Asian countries and in Europe. A patent is pending on this technology.

AuthentiCable - DataTraceDNA has jointly developed with South African company Holomatrix (Pty) Ltd a method of authenticating and identifying large scale electrical conductors used by utilities. A patent application for the new product, called *AuthentiCable* has been lodged.

AuthentiCable enables electrical conductor manufacturers and owners of electric utilities to incorporate a unique monofilament into electrical cables containing both serialised microscopic identifiers as well as DataTraceDNA which together provide the means of authenticating the cable, the batch number and the customer to whom it was supplied by cross referencing an international data base.

In a separate venture with UK's Eland Cables, *DataDot* products will be applied to electrical cables and cable accessories to protect them from theft.

TraceCoat, a metal, glass and plastic coating product is still under evaluation for proof of concept.

Patent and patent pending portfolio

DataDot has eight families of pending and granted patents in various strategic countries.

DataDot also has a number of Trade-marks in most of the countries in which it distributes.

R&D Spend

DataDot is close to doing a deal with one of Australia's major Unis in a cooperative research agreement similar to that which had been entered into with the CSIRO, to enable DDT to continue to invent new materials and new products.

Manufacturing

DataDot has ISO 9001:2008 certified manufacturing facilities Australia, and under license in South Africa. DataDot also has smaller manufacturing facilities in Taiwan, UK and the USA.

DataDot, being a security company does not outsource the manufacture of its DataDotDNA or DataTraceDNA technologies.

Distributors and dealerships

DataDot has established an office in Shanghai, China and plans to establish an office in India during the year.

It has 22 distributors in North and South America, Asia-Pacific, Europe and Africa.

The company also has a new team of six business development managers, who along with its distribution network in several countries, are working to enlarge market knowledge of its identification and authentication solutions.

DATADOT TECHNOLOGY LTD FINANCIALS

Last Traded price	3.1cents
Shares Issued	474.6m
Market Cap	\$14.7m

Year ended June 30, Values in \$000's

INCOME	2011	2010
Op Revenue	7487	10011
Op Profit (loss)	(461)	949
Net profit (loss)	(583)	931
EPS (Cents)	(0.12)	0.27
PERatio (times)	-	11.9

BALANCE SHEET	2011	2010
Current Assets	6285	3924
Non Current Assets..	3673	1216
Current Liabilities	1595	1501
Non Current Liabilities	523	468
Net Assets & Shareholders' Funds	7840	3171
Intangibles	2806	395
Net Tangible Assets	5035	2776
Gearing (Net of Cash) %	Nil	Nil
NTA per share (cents)	1.06	0.81
Shares Issued (m's)	474.6	344.0

Cash Flows:	2011	2010
Cash on hand (at open)	1796	761
Operating Activities	(995)	1875
Investing	(893)	(602)
Financing Activities	3631	(221)
Exchange Impact	(11)	(17)
Cash on hand at Year end	3528	1796

Directors

Bruce Rathie, B.Com, LLB, MBA, Grad Dip CSP, SA Fin, FAICD, FAIM , independent non-exec chairman, appointed October 2009

Mr Rathie was formerly managing director of Jardine Fleming Australia Capital Ltd, a director of corporate finance, Ord Minnett Inc and a director, Investment Banking, Salomon Brothers/Salomon Smith Barney Australia. He is also a director of Calzada Ltd and Mungana Goldmines Ltd.

Benjamin Bootle, B.Agr Ec, M. Agr.Ec, Nuffield Schollar, GAICD, CEO, MD, appointed April 2009.

Mr Bootle was previously CEO of the Perich Group of Companies whose business interests cover agriculture, mining, manufacturing, medical research, motor racing circuit operations and property development. He was previously Research Economist with the Department of Agriculture and was an alternate director of Freedom Nutritional Products Ltd.

Gary Flowers, LLB, FAICD, non exec director, appointed November 2007.

Mr Flowers was MD and CEO of Australian Rugby Union until 2007. He was previously managing partner of Sparke Helmore Lawyers and is currently chairman of Mirvac Hotels Pty Ltd and COO for the Mirvac Group.

Ms Alison Coutts, BE (Chem), MBA, Grad Dip Biotech, independent non exec director, appointed July 2010.

Ms Coutts was formerly in international engineering project management with Bechtel Corporation in the UK, USA and NZ, in strategy consulting with Boston Consulting Group and with executive search company Egon Zehnder. She is CEO and MD of Clean Global Energy Ltd.

Management

Ross Hawkey, Chief Financial Officer

Graham Loughlin, Company Secretary

Ritchie Bloomfield, Global Sales Director,

Gunther Schmidt, Business Unit Manager, DataTrace DNA Pty Ltd

Neil Mulcahy, Chief Executive Officer, AgTechnix Pty Ltd

Andrew Winfield, European Sales Director

Greg Gothard, GM Business Development

Geoffrey George, R&D Development Manager

Substantial Shareholders:

TM Consulting Pty Ltd 5.48%

Bannaby Investments Pty Ltd 6.11%

(Our first Week's Special on DDT was on January 14 2005. DDT was trading at 38c)