

2 May 2017

Mr John Johansson  
Adviser Listings Compliance (Melbourne)  
ASX Limited  
By email: john.johansson@asx.com.au

Dear Mr Johansson

**Senetas Corporation Limited (SEN): Response to ASX Aware query**

We refer to your letter dated 28 April 2017 (copy attached).

SEN's response to your questions is set out below. Capitalised terms in this response have the meaning given in your letter.

**1. Does SEN consider the information to be information that a reasonable person would expect to have a material effect on the price or value of its securities?**

No, the receipt of FIPS certification for SEN's new 100Gbps encryptor is not information that a reasonable person would expect to have a material effect on the price or value of SEN's securities.

**2. If the answer to question 1 is "no", please advise the basis for that view.**

Throughout the year, SEN seeks and obtains certification for a broad range of its products, including FIPS certification which is required for sales to certain US Government markets.

Obtaining certification is one of a number of important steps in the process of monetising the product, but it does not automatically result in sales. Different certifications are obtained for SEN's products depending on the market segments in which they are to be sold. For example, Senetas makes sales in many markets inside and outside the US without the requirement for FIPS certification. Certification is only one of many differentiating factors for SEN's products.

SEN does not notify the market every time it applies for certification of new products or software releases. However the development of the 100Gbps encryptor is one of SEN's more significant R&D efforts. Therefore, SEN has previously kept the market informed about the progress of the development of the 100Gbps encryptor. References to its progress have been included in documents forming part of SEN's FY16 and HY17 results, and in the Chairman and CEO's address at SEN's 2016 AGM. Those disclosures indicated that certification had been applied for, was on track, but had



NATO Classification  
Restricted - Green

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not yet been received. Consistent with that approach, when SEN obtained FIPS certification for the 100Gbps encryptor, SEN notified the market by making the Announcement of 27 April 2017.

However, SEN does not consider that the receipt of FIPS certification for the 100Gbps encryptor is, in and of itself, information that a reasonable person would expect to have a material effect on the price or value of SEN's securities, for the following reasons.

- **Certifications are applied for and received routinely:** SEN applies for certification of its products in the ordinary course of business, and receives product certification on a regular basis.
  - **Previous applications all successful:** To date, all of SEN's applications for product certification have been successful. Therefore, it is likely that the market expected certification for the 100Gbps encryptor to be received in due course.
  - **Past certification announcements not price sensitive:** In the past, when SEN has considered a new product to be more significant, and elected to notify the market of its certification, SEN's share price has not increased in response. In the previous five years, there were two occasions:
    - on 7 November 2012, where SEN's share price remained unchanged; and
    - on 20 October 2014, where SEN's share price fell by 1.8%.
  - **Certification does not guarantee financial returns:** Although the 100Gbps encryptor is a significant new product, SEN has not attributed, and is not yet able to attribute, value to the 100Gbps encryptor. Obtaining FIPS certification is an important step in the process of monetising the product, but it will not automatically result in sales.
  - **Previous ASX disclosures still accurate:** As at the date of this letter, SEN has not entered into any contracts for the sale of the 100Gbps encryptor product. SEN's previous disclosures that the product is currently being tested by customers and is expected to drive significant sales in future periods continue to be accurate.
3. If the answer to question 1 is "yes", when did SEN first become aware of the information? When answering this question, please give specific reference to both date and time.

Not applicable.

4. If the answer to question 1 is "yes" and SEN first became aware of the information before the relevant date, did SEN make any announcement prior to the relevant date which disclosed the information? If so, please provide details. If not, please explain why this information was not released to the market at an earlier time, commenting specifically on when you believe SEN was obliged to release the information under Listing Rules 3.1 and 3.1A and what steps SEN took to ensure that the information was released promptly and without delay.

Not applicable.



**5. Please confirm that SEN is in compliance with the Listing Rules and, in particular, Listing Rule 3.1.**

The Company confirms it is in compliance with the Listing Rules and, in particular, Listing Rule 3.1.

SEN is not aware of any reason why there was an increase in the volume of trading in its shares on 26 April and 27 April 2017. SEN did not receive notification of the 100Gbps encryptor certification until the early hours of 27 April 2017.

**6. Please confirm that SEN's responses to the questions above have been authorised and approved in accordance with its published continuous disclosure policy or otherwise by its board or an officer of SEN with delegated authority from the board to respond to ASX on disclosure matters.**

The responses to your questions above have been approved by the Board.

Yours sincerely

**Brendan Case**  
**Company Secretary**



28 April 2017

Brendan Case  
Company Secretary  
Senetas Corporation Limited  
312 Kings Way  
South Melbourne VIC 3205

By email: [brendan@casegovernance.com.au](mailto:brendan@casegovernance.com.au)

Dear Mr Case

**Senetas Corporation Limited ("SEN"): aware query**

ASX Limited ("ASX") refers to the following:

- A. SEN's announcement entitled "Senetas 100Gbps encryptor receives FIPS certification" lodged on the ASX Market Announcements Platform and released at 12:33pm on Thursday, 27 April 2017, disclosing the approval of its 100Gbps encryptor by the Federal Information Processing Standard (FIPS) (the "Announcement").
- B. The following trading activity in SEN's securities:
  - a) On 26 April 2017, SEN's securities opened at 9.1 cents, traded intra-day high at 9.8 cents and closed at 9.6 cents. There was also an increase in trading volume of SEN's securities, with 4,773,101 securities traded.
  - b) On 27 April 2017, SEN's securities opened at 9.8 cents, traded between 9.7 cents to 9.8 cents prior to the release of the Announcement at 12:33pm and closed at 10.5 cents, with 7,836,649 securities traded during the day (1,718,098 securities traded prior to the release of the Announcement).

The increase in volume traded as indicated above compares with the lowest daily volume of 70,872 on 13 April 2017 and the highest daily volume of 1,334,880 on 10 April 2017 in the prior 4 weeks.

- C. Listing Rule 3.1, which requires a listed entity to give ASX immediately any information concerning it that a reasonable person would expect to have a material effect on the price or value of the entity's securities.
- D. The definition of "aware" in Chapter 19 of the Listing Rules, which states that:

*"an entity becomes aware of information if, and as soon as, an officer of the entity (or, in the case of a trust, an officer of the responsible entity) has, or ought reasonably to have, come into possession of the information in the course of the performance of their duties as an officer of that entity"*

and section 4.4 in Guidance Note 8 *Continuous Disclosure: Listing Rules 3.1 – 3.1B* “When does an entity become aware of information”.

- E. Listing Rule 3.1A, which sets out exceptions from the requirement to make immediate disclosure, provided that each of the following are satisfied.

*“3.1A Listing rule 3.1 does not apply to particular information while each of the following is satisfied in relation to the information:*

*3.1A.1 One or more of the following applies:*

- It would be a breach of a law to disclose the information;*
- The information concerns an incomplete proposal or negotiation;*
- The information comprises matters of supposition or is insufficiently definite to warrant disclosure;*
- The information is generated for the internal management purposes of the entity; or*
- The information is a trade secret; and*

*3.1A.2 The information is confidential and ASX has not formed the view that the information has ceased to be confidential; and*

*3.1A.3 A reasonable person would not expect the information to be disclosed.”*

- F. ASX’s policy position on the concept of “confidentiality”, which is detailed in section 5.8 of Guidance Note 8 *Continuous Disclosure: Listing Rules 3.1 – 3.1B*. In particular, the Guidance Note states that:

*“Whether information has the quality of being confidential is a question of fact, not one of the intention or desire of the listed entity. Accordingly, even though an entity may consider information to be confidential and its disclosure to be a breach of confidence, if it is in fact disclosed by those who know it, then it ceases to be confidential information for the purposes of this rule.”*

Having regard to the above, ASX asks SEN to respond separately to each of the following questions and requests for information:

1. Does SEN consider the information to be information that a reasonable person would expect to have a material effect on the price or value of its securities?
2. If the answer to question 1 is “no”, please advise the basis for that view.
3. If the answer to question 1 is “yes”, when did SEN first become aware of the information? When answering this question, please give specific reference to both date and time.
4. If the answer to question 1 is “yes” and SEN first became aware of the information before the relevant date, did SEN make any announcement prior to the relevant date which disclosed the information? If so, please provide details. If not, please explain why this information was not released to the market at an earlier time, commenting specifically on when you believe SEN was obliged to release the information under Listing Rules 3.1 and 3.1A and what steps SEN took to ensure that the information was released promptly and without delay.

5. Please confirm that SEN is in compliance with the Listing Rules and, in particular, Listing Rule 3.1.
6. Please confirm that SEN's responses to the questions above have been authorised and approved in accordance with its published continuous disclosure policy or otherwise by its board or an officer of SEN with delegated authority from the board to respond to ASX on disclosure matters.

### **When and where to send your response**

This request is made under, and in accordance with, Listing Rule 18.7. Your response is required as soon as reasonably possible and, in any event, by not later than half an hour before the start of trading (i.e. before 9.30 a.m. AEST on Wednesday, 3 May 2017. If we do not have your response by then, ASX will have no choice but to consider suspending trading in SEN's securities under Listing Rule 17.3.

You should note that if the information requested by this letter is information required to be given to ASX under Listing Rule 3.1 and it does not fall within the exceptions mentioned in Listing Rule 3.1A, SEN's obligation is to disclose the information "immediately". This may require the information to be disclosed before the deadline set out in the previous paragraph.

ASX reserves the right to release a copy of this letter and your response on the ASX Market Announcements Platform under Listing Rule 18.7A. Accordingly, your response should be in a form suitable for release to the market.

Your response should be sent to me by e-mail at [john.johansson@asx.com.au](mailto:john.johansson@asx.com.au). It should not be sent directly to the ASX Market Announcements Office. This is to allow me to review your response to confirm that it is in a form appropriate for release to the market, before it is published on the ASX Market Announcements Platform.

### **Listing Rules 3.1 and 3.1A**

In responding to this letter, you should have regard to SEN's obligations under Listing Rules 3.1 and 3.1A and also to Guidance Note 8 *Continuous Disclosure: Listing Rules 3.1 – 3.1B*.

It should be noted that SEN's obligation to disclose information under Listing Rule 3.1 is not confined to, nor is it necessarily satisfied by, answering the questions set out in this letter.

### **Trading halt**

If you are unable to respond to this letter by the time specified above, you should discuss with us whether it is appropriate to request a trading halt in SEN's securities under Listing Rule 17.1.

If you wish a trading halt, you must tell us:

- the reasons for the trading halt;
- how long you want the trading halt to last;
- the event you expect to happen that will end the trading halt;
- that you are not aware of any reason why the trading halt should not be granted; and
- any other information necessary to inform the market about the trading halt, or that we ask for.

We may require the request for a trading halt to be in writing. The trading halt cannot extend past the commencement of normal trading on the second day after the day on which it is granted.

You can find further information about trading halts in Guidance Note 16 *Trading Halts & Voluntary Suspensions*.

If you have any queries or concerns about any of the above, please contact me immediately.

Yours sincerely

*[Sent electronically without signature]*

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