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26<sup>th</sup> April 2012

Company Announcements Office  
ASX  
Level 6  
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SYDNEY NSW 2000

Dear Sirs,

## **Senetas Announces Capital Raising**

Please find attached statement by Directors.

Yours faithfully



Andrew R Wilson  
Company Secretary

## **Senetas Announces Comprehensive Re-capitalisation**

- **Strengthens balance sheet and provides working capital**

**MELBOURNE, April 26, 2012 – The Directors of Senetas Corporation Limited (ASX:SEN) today announced a comprehensive re-capitalisation in order to strengthen its balance sheet and provide working capital to support organic growth.**

The Company has considered and assessed a number of alternative capital raising proposals before arriving at its decision to proceed with the comprehensive re-capitalisation.

The Company will today make a placement, equal to approximately 15% of the ordinary shares on issue, to Mr Francis Galbally at \$.005 per share in order to raise \$347,329. In addition, an entity associated with Mr Galbally, Southbank Capital Pty Ltd, has entered an agreement to lend Senetas \$652,671, which together with the placement, will raise a total of \$1m.

The Company will also undertake a fully underwritten rights issue to raise approximately \$2,662,855, through an underwriting agreement with Southbank Capital (“Underwriters”).

Mr Galbally said: “I left Senetas more than 5 years ago for personal reasons. I am now in a position to assist the Company to achieve its full potential. Having spent considerable time with Senetas, I am very familiar with its strategic and operating opportunities. I strongly believe in the commercial potential of significantly expanding its technology and applications platforms. I am confident that the company has a bright future. In spite of current difficult trading conditions and

volatile financial markets, I am pleased to be able to assist Senetas in raising essential new capital.”

Mr Galbally will join the Board following the Placement.

### **Capital Raising Details**

The capital raising comprises, among other things, the following:

- A placement to Mr Galbally to raise \$347,329 at an issue price of \$0.005 per new share (“Initial Placement”);
- A secured loan from Southbank Capital of \$652,671 with the following terms:
  - Interest rate 13%pa
  - Repayment upon the earlier of:
    - completion of the underwritten rights issue; or,
    - 6 months from the date of draw down.
- A 1 for 1 non-renounceable entitlement offer to existing Senetas shareholders (“Entitlement Offer”) to raise approximately \$2,662,855 at an issue price of \$.005 per share. The Entitlement Offer net proceeds will be used:
  - to repay the secured loan; and,
  - for general working capital purposes.
- Pursuant to the underwriting agreement, the Underwriter is required to appoint sub-underwriters. These appointments must be made such that each of the Underwriter and the sub-underwriters is restricted to a total post Entitlement Offer relevant interest in the Company of 19.9%. The Company may waive this requirement (see below for further details);
- Further details of the terms and conditions of the non-renounceable rights issue will be set out in the offer document which is expected to be released within approximately one month.

### **Restriction on post Entitlement Offer holdings**

The Directors have used their best endeavours to ensure that the rights issue will not result in an acquisition of shares by any person in contravention of the takeovers provisions of the Corporations Act or guidance provided by the Takeovers Panel. In particular, the underwriting agreement with Southbank Capital requires the Underwriter to appoint sub-underwriters so that, even if the shortfall is greater than 19.9% of the shares on issue following the Entitlement Offer, the Underwriter (together with its associates) will, following the Entitlement Offer, have voting power in no more than 19.9% of the shares in the Company. In addition, the Underwriter is required to ensure that, in appointing sub-underwriters, no sub-underwriter (and its associates) would, following the Entitlement Offer, have voting power in more than 19.9% of the shares in the Company.

If the Underwriter is unable to appoint sufficient sub-underwriters prior to the settlement date for the Entitlement Offer, the Company has the power, at its discretion, to:

- appoint additional underwriters;
- terminate the underwriting agreement; or
- waive the requirement.

In addition to the above requirements, the Company proposes that the Entitlement Offer will offer shareholders a right to subscribe for additional shares in excess of their entitlement, in order to seek to reduce the size of any shortfall to be subscribed for by the Underwriter (and sub-underwriters). The allocation of additional shares to eligible shareholders will be determined by the Underwriter in consultation with the Company, however the Company's consent is required if the allocation of additional shares would result in any person (including the Underwriter or a sub-underwriter) obtaining voting power in more than 19.9% of the post Entitlement Offer shares on issue. The Underwriter must also comply with any allocation policy set out in the offer document.

In determining what action to take in circumstances where the Underwriter is unable to appoint a sufficient number of sub-underwriters or the Underwriter wishes to apply the allocation policy in respect of additional shares in a manner that would result in a person obtaining voting power in more than 19.9% of the post Entitlement Offer shares, the Directors would have regard to a number of issues including the following:

- the size of the shortfall and/or extent of over-subscription applications;
- the extent to which any one or more persons would obtain voting power in 20% or more of the post Entitlement Offer shares on issue; and
- the Company's need for funds (and likelihood of obtaining them elsewhere in the timeframe required).

#### **Trading update and outlook**

As at 31st March 2012 the company held \$1.76m in cash and \$2.44m in receivables with short term liabilities and employee provisions of \$2.38m.

Directors said the following factors continue to hamper sales growth:

- Continued difficult trading conditions including budgetary freezes in the United States;
- Government delays with the CAPS evaluation in UK - certification expected in March is now delayed until at least the end of calendar year 2012;
- Project delays have also impacted forecast security product sales within Australia; and
- Difficult trading conditions continue for the Solutions (consulting) Division.

Taken together these factors resulted in lower than expected sales and an unaudited loss of \$1.49m for the 9 months ending 31 March 2012. Senetas implemented a cost reduction program which will save approximately \$1.3 million a year in fiscal 2013. In addition to these cost reduction measures, the Directors believe it is important to proceed with the comprehensive re-capitalisation, including the short term loan facility, in order to strengthen the company's financial condition and working capital reserves. This will help to protect the Company during these difficult trading

conditions, as well as ensure that the Company remains a going concern. The Company expects that its 30 June 2012 full year result before tax to be between a loss of \$2.5m and a profit of \$500k. This compares with a pre-tax loss of \$5.6m for the previous corresponding 12 month period.

Directors believe that the capital raised should be sufficient to permit the Company to benefit from the ultimate closure of new sales and the recognition of revenues delayed by the effects of continued soft global markets. Directors noted that Senetas has a robust medium term sales pipeline.

Beyond its home base in Australia, the largest market opportunities for Senetas exist in the United Kingdom and United States where some of the working capital will be used in order to allow the Company to pursue more vigorously larger sales opportunities in both the government and private sectors.

### **About Senetas Corporation**

Senetas Corporation Limited (ASX Code: SEN) is an Australian ASX-listed company and is the world's leading developer and supplier of high speed network encryption hardware. The Company's products are accredited to the highest international government security standards, including FIPS 140 2 Level 3 and Common Criteria EAL4+ and Senetas encryptors are currently in evaluation for certification to the UK CAPS standard.

Customers include Government departments, military, and law enforcement agencies in the USA, Australia, the Middle East, Asia, and Europe as well as some of the world's leading financial institutions. Senetas is currently represented in over 40 countries through its own network of resellers and fulfilment channel partners.

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