

21 November 2013

Company Announcements Office
Australian Securities Exchange Limited
Level 6
20 Bridge Street
Sydney NSW 2000

Dear Sir/Madam

SENETAS CORPORATION – 2013 ANNUAL GENERAL MEETING

We attach a copy of the Chairman's address and the CEO's address to be delivered to shareholders at the Senetas Corporation Limited Annual General Meeting to be held at The Royce Hotel, 379 St Kilda Road, Melbourne, 3000 on Thursday, 21 November 2013 at 10.30am.

Yours sincerely



Brendan Case
Company Secretary





**ADDRESS BY MR FRANCIS GALBALLY
CHAIRMAN
SENETAS CORPORATION LIMITED
ANNUAL GENERAL MEETING
21 NOVEMBER 2013**

Welcome to Senetas Corporation Limited's annual general meeting. My name is Francis Galbally and I have the privilege of being your company's Chairman.

It is now 10.30am, this is a properly constituted meeting and a quorum is present. I, therefore, declare this Annual General Meeting of Senetas Corporation Limited open.

Thank you for your interest and attendance today. First I will make some introductions and thank those responsible for your company's achievements. An enterprise's success is a reflection of the combination of good leadership and governance; the endeavours of our people who innovate, design and make our products; those who develop how and what we present to our markets; and ultimately those who make the sales and support all of these efforts.

Therefore, I would like to thank our CEO Andrew Wilson for his leadership and his team's efforts during the past 18 months. I also thank our brilliant engineers for their continued innovation and product development; our marketers for developing the plans and materials to best present our products and reach our target markets. And finally, our sales team and master distribution partner, SafeNet, and its global team, for their efforts.

We have a strong board, which has guided Senetas's business plan over the past 12 months and is now looking to the next 2 years.

On my near left is our CEO Mr Andrew Wilson, seated next to him is our Company Secretary, Mr Brendan Case, and beside Brendan is Lieutenant-General Ken Gillespie, recently retired head of Army. On the far left is Mr Lachie Given, a successful young businessman who is also managing director of our largest shareholder. I could not think of a board better suited to lead the company and assist in developing the strategy with our CEO.



Whilst head of Army, Ken oversaw one of the largest enterprises in the country - over 50,000 employees dealing with every occupation imaginable from soldiers, cleaners and cooks; to doctors, lawyers and engineers.

Amongst his many other roles, Ken addressed the mapping of the Army's strategic needs and its provisioning over the next decade.

Similarly, Lachie oversees investments in industries as diverse as media, finance, and manufacturing and information technology - based around the world and employing directly and indirectly many thousands of people.

Before I commence today's business I wish to make some remarks.

"One of the few certainties we can have is that the 21st century will be a century of disruption. Australia must be the economy that thrives on disruption. Primarily we will do this through the key drivers of prosperity: trade, technology, and free markets.

If we do these things, I promise you this: Australia will do more than prosper. Australia will lead."

These are not my words but those of perhaps the finest businessman this country has produced. Rupert Murdoch made this statement during his address to the Lowy Institute on October 31st this year.

Senetas is a leader in identifying and leveraging opportunities arising from disruptive technologies. Indeed, we are also a developer of disruptive technologies as is evident by the fact that our products prevent privacy breaches.

Mobile communications and the Internet are perhaps the most disruptive technologies mankind has witnessed. They have revolutionised our whole way of life. But these technologies bring with them exposure to great risks. These risks range from: theft of identity, personal records, financial information, money, intellectual property; to risks of personal harm including assault (sexual, physical and mental) and even death.

Little is truly safe in today's digital economy. Companies can suffer catastrophic loss of intellectual property to criminals on the other side of the world. Business and government secrets are at risk.



However, Senetas's brilliant high-speed technology is at the forefront of the cyber war now being waged around the world. It minimises these risks. Our no-compromise, high-speed encryption is the last line of defence. What is a proven truth today is that no matter what defenses are put in place, the cyber-criminals are one step ahead. But, when those defenses fail, Senetas high-speed encryptors protect the stolen data by rendering it useless in unauthorised hands. We provide that critical defence-grade last line of defence. The highly respected data security and research organisation, Trustwave, reported in its 2012 global data security report: "Of all the data theft 62.5% was stolen while in transit". This is a clear statement of how important our products are.

Two examples of unauthorised network breaches that highlight the potential for catastrophic loss come to mind – death and loss of commercial intellectual property.

1. In 1999, 12 Israeli special forces soldiers were killed by enemy forces within minutes of commencing a top secret operation. It was not until 9 or more years later that Israel identified how this catastrophe occurred. The answer was that just a few days before the operation, one soldier shared an unencrypted training video with another soldier. The enemy was spying on their data link and had perfect advanced warning of the operation.
2. In South Australia, respected manufacturer Codan Ltd.'s new CEO faced a problem of a continued severe and rapid decline in sales of its unique and highly regarded product. All was revealed when a European repair agent reported it had received a perfect clone product to repair. Upon investigating why the ultra-reliable Codan product was suffering an increasing rate of parts failures, the agent discovered cheap Chinese components used in its manufacture. It was an illegal copy of the Codan original. This explained the rapid and severe decline in sales.

An investigation later revealed that while travelling, an executive's computer picked up a spy-ware infection. Then when using an unencrypted network at his office, the company's top secret product plans were stolen.

There are thousands of such stories. Yet our community and businesses still underestimate these risks to data in motion.

A banker would never leave his bank vault open and unprotected overnight. Yet many banks leave their networks' data vulnerable to attack and theft.



We would not leave our cars unlocked. Yet we provide all sorts of information to organisations without understanding how it may be used and if our data is protected when transmitted.

The idea of encrypting information while it is being transmitted is not new. In ancient times, armies had scouts deliver coded messages. The only difference was that their networks were fast horses.

Today, executives would not dream of traveling with unencrypted sensitive information. No one would post unencrypted media. So, why would any organisation transmit unencrypted data on high-speed networks?

Mr Murdoch is right when he says that for Australia to thrive it needs to develop and foster leading disruptive technologies. Australia must also protect its citizens from the cyber war.

It must do so by:

1. Educating government, business and individuals about the risks associated with mobile communications and other information technologies. They must be taught how to mitigate these risks.
2. Create an effective and compelling legislative framework to protect its citizens' and business information. This must include the transmission of government and business information.
3. Champion innovative Australian businesses like Senetas, which continues, even as a small company, to produce the world's leading high speed encryptor's protecting data around the world and is used by governments and businesses in almost 30 countries.

This is a golden opportunity for Australia to lead the world and promote itself as the safe digital economy. It represents an excellent competitive advantage for Australia in the global economy. All it requires is leadership.

The risks of theft of information transmitted across data and voice networks cannot be overstated. Failure by Government to act and take a leadership role is a missed opportunity. Moreover, it leaves Australia vulnerable.

I would expect a number of you will have questions about the company and its performance. I will provide sufficient opportunity to raise any performance related questions you may have when we receive the Financial Statements and Reports and you may raise any general questions after we have concluded the formal part of the meeting.



Before I hand over to our CEO Andrew Wilson, I would like to pay tribute to three directors who are no longer on the board.

In January, it was with great sadness that we learned of Ron Warner's sudden death. Ron was appointed as a non-executive director of Senetas in 2000. He contributed commercial expertise, knowledge of the US market and strong background in the technology sector. He is sadly missed by us all.

In April, the chairman Mr Chris Brown resigned from the board. Chris led the board during a period in which the company significantly strengthened its balance sheet through its comprehensive re-capitalisation in 2012. He oversaw Andrew's appointment as the CEO; the winding down of the company's non-core business units; a new market focused direction and left the board in full support of its current business strategy.

Mr Jim Connolly also resigned from the board in April. Jim was appointed a director of the company in November 2005. He helped the company through periods of great change and challenging external factors.

We thank them for their service to the company.

I will now hand over to our CEO, Andrew Wilson, who will outline our business priorities and update you on how our business is progressing.



**ADDRESS BY MR ANDREW WILSON
CHIEF EXECUTIVE OFFICER
SENETAS CORPORATION LIMITED
ANNUAL GENERAL MEETING
21 NOVEMBER 2013**

Ladies and gentlemen,

Thank you for your attendance at the Senetas Annual General meeting.

2013 was a year in which we implemented our restructure plan to stream-line our activities to better focus on our core business, and to leverage our strengths. These actions achieved a substantial improvement in the company's trading performance and together with other initiatives will position the business for a return to profitability in 2014.

Financial results of the company:

On the 27th August the company announced its results. For the 2013 financial year, the company reported a net loss after tax of \$714,000. This loss included termination pay-outs of approximately \$660,000 and a profit from the sale of the consulting business of approximately \$162,000.

The business was solidly profitable in the second six months of the year, achieving profit after tax of \$717,000.

The company's opportunities to reduce costs resulted in cash outflows from operating activities reducing from \$1,792,000 for the 12 months to June 2012 to \$579,000 for 12 months to June 2013; a 68% improvement.

The company remains debt free and had \$4.1 million of cash on hand at the financial year-end.



Senetas' Key Strategic Priorities:

In 2012, the Board initiated a comprehensive review of the company's operations in order to improve the financial performance of the business and to put in place a sustainable strategy to achieve profitable growth.

The strategy included the following actions:

- winding down the non-profitable consulting business segments;
- identifying and implementing opportunities to reduce costs;
- refocusing the business on data encryption opportunities in key targeted geographies, and;
- renewing and re-invigorating our relationship with our key distributor.

The restructure has now been completed and we have:

- successfully wound down Senetas non-profitable business segments,
- successfully implemented the cost reductions,
- successfully negotiated a new distribution agreement with SafeNet Inc.

The focus therefore remains on continuing to drive revenue growth in key targeted geographies, to assist SafeNet in its sales and marketing activities and to develop new products and enhance existing products where we see market demand.

Although we have a way to go, we are making good progress.



Market Characteristics and Drivers

The globally interconnected digital information communications infrastructure known as “Cyberspace” underpins almost every facet of modern society.¹ Most of the population is connected, personally, professionally and nationally to the internet and all of our information is digitally stored and transmitted. With this great resource there is also great risk.

Today, more than ever before, we have seen an unprecedented level of cyber-attacks against the nation’s critical data as well as large amounts of data, both public and private, being stolen. These attacks undermine the nation’s confidence in the digital economy. In January 2013 the Australian government reported that an estimated 5.4million Australians were the victim of cybercrime in 2012 with an estimated cost of \$1.65 billion¹. The UK government first report into Cyber Crime in 2011, estimated the cost of cyber-crime to the UK economy to be £27b per year. More recently, revelations of wide spread government internet surveillance has further raised the awareness of the vulnerability of data transmissions to interception. In some cases fibre optic tapping methods were used to extract the data.

In response to the cost of these attacks government leaders around the world are taking action. Regulators are strengthening data privacy and telecommunications legislation, and developing effective cyber policies through the establishment of national cyber security operation response centres.

Traditional approaches to protecting data networks and the data transmitted on them as well as systems security are not sufficiently effective. Organisations and individuals are beginning to understand that breaches are typically inevitable.

¹ Department of Prime Minister and Cabinet



They are recognising the need to protect the data itself. The use of strong encryption technologies, such as the Senetas product, protects the data in the event of a breach. Put simply, encrypted data that is lost or stolen has no value because it is scrambled.

There are multiple forces driving the growth in the high-speed encryption market.

- Threats and attacks have risen dramatically during the last 2 to 3 years;
- Awareness of the risks to sensitive data has increased;
- Traditional perimeter based technologies are no longer sufficient guarantee data safety;
- Awareness of data “sniffing” and theft risks to data in transit has increased.
- The adoption of major business technologies such as Cloud Computing, where information is shared across multiple geographic jurisdictions.

To summarise, I believe that the awareness of and focus on data security is currently as high as it has ever been, and increasing, and Senetas' suite of world-class and globally uniquely certified encryption products are very well placed to benefit from the opportunities created by this environment.

The SafeNet Inc. relationship.

As I mentioned in my last AGM address, one of the company's key strategic goals was to enhance and leverage the relationship with our US partner SafeNet. In February 2013, we announced that we had reached a new agreement. The new agreement provides Senetas with SafeNet's global presence and commitment to the growing high-speed data network markets around the world. Working with SafeNet provides Senetas with excellent opportunities to access key markets and customers that Senetas would not be able to achieve on its own.

I can add the following key points as an update to engagement with SafeNet:



- SafeNet for the first time is promoting co-branded Senetas products through its substantial 200 plus strong sales force from approximately 20 locations in key geographies;
- We are progressing towards 100% product manufacturing by Senetas in Victoria – leading to increased economies of scale and manufacturing cost benefits;
- SafeNet has access to Senetas's product range and new generation encryptors. Current and future SafeNet customers will benefit significantly from Senetas's new generation encryptors;
- Senetas and SafeNet have commenced marketing collaboration. This includes sales training, marketing initiatives and new product development such as for the largest organisations' data protection needs.

In summary, our relationship with Safenet is the strongest it has ever been. We are seeing a range of new revenue opportunities generated from focused sales efforts, which identify new sales opportunities for our products. SafeNet's sales pipeline for high-speed encryption products over the next 12 months is strong and we expect this pipeline to grow as we move into 2014, which bodes well for Senetas' near-term outlook.

Research and Development

Data networks and IT security products are complex and technologies evolve quickly. To remain competitive, I believe that Senetas must maintain commitment to R&D activities. Our R&D and management team monitors these changes proactively by planning and working to expand our product portfolio where there are strong business case opportunities. One benefit of our revitalized relationship with SafeNet is closer market and technical collaboration which leads to the design and release new products. For example:

- Leveraging our recently released next generation high-speed encryption platform, we are investigating the potential development of an encryptor which can operate at speeds of



up to 100Gps. This development is underpinned by a future requirement for a large US customer and we expect a meaningful market for this product to evolve as the data requirements of Governments and corporations continue to rapidly grow;

- Releasing our latest low cost high performance encryptor. With the performance of our carrier-grade high end product range, this new product will be attractive for new and existing customers due to its efficient cost base and is expected to open up a range of new revenue opportunities.
- Maintaining our independent certifications which are essential to sell into our key target market segments. Our certifications continue to be a competitive barrier to entry. In addition to our existing FIPS, Common Criteria and CAPS certifications, we are currently in the process of investigating the NATO certifications which I believe will facilitate the opening of a new substantial market.
- Introducing specific feature enhancements to meet customers' needs.
- New bespoke projects for specific geographic markets where the market has been defined and we have been invited to develop products for that market.



Our business plan for 2014

Our areas of focus in 2014 are:

1. Building on the enhanced relationship with SafeNet and grow its pipeline to increase sales;
2. Releasing new products designed to access new market opportunities;
3. Continuing to raise our profile in the Australia, New Zealand and Asia through more effective marketing;
4. Assisting SafeNet to increase its revenue opportunities through, marketing training and sales collaboration;
5. Developing new opportunities in the Middle East and Europe; and
6. Commencing the development of new products and product enhancements for new and existing customers.

Senetas FY2014 Financial Outlook

Economic climates in the US and Europe remain of concern. Governments around the world are focused on debt reduction. These conditions have delayed infrastructure projects. Notwithstanding the current uncertainty there are some early signs of economic recovery in the global economy however it is difficult to provide any firm financial guidance for FY2014.

We do however expect a significant improvement in the financial results for the six months ended 31 December 2013 compared to the six months ended 31 December 2012 and the directors are able to affirm their previous guidance that the company will return to profitability in FY2014.



Growth Opportunities over next 3 years

The past 18 months has been one of consolidation and refocus. The next 3 years will be one of growth, albeit off a low base.

Cyber terrorism is pervasive and the need for comprehensive and effective security for data in motion is paramount. We are currently seeing the greatest expansion of demand for protecting data in motion in the company's history.

Our challenge is to turn that demand into revenue, and we are confident with the strategies we have put in place we will be successful in doing so.

Ladies and gentlemen that concludes my address. Thank you.

ⁱ US CyberSpace Policy Review May 2009