

MELBOURNE

✉ Level 1/11 Queens Road
Melbourne VIC 3004
Australia
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SYDNEY

✉ Suite 5, Level 13
327 Pitt Street
Sydney NSW 2000
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☎ Phone: +61 2 9283 2333
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✉ corporate@senetas.com
www.senetas.com

14th October 2011

Company Announcements Office
ASX
Level 6
20 Bridge Street
SYDNEY NSW 2000

Dear Sirs,

Chairman's Letter, Notice of AGM, Proxy Form, Lost Holders Letter

Please find attached statement by Directors.

Yours faithfully



Andrew R Wilson

Company Secretary

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14 October 2011

Dear Shareholder,

On behalf of your Board of Directors, I am pleased to invite you to attend Senetas' Annual General Meeting to be held at The Royce Hotel, 379 St Kilda Road, Melbourne on Thursday, 17 November, 2011 at 10:30am.

If you are unable to attend the meeting, but wish to vote your shares, a proxy form is enclosed for your use. If you do attend the meeting in person, please bring your proxy form, as it will assist in a speedy registration.

In common with other businesses, Senetas remains under the continuing influence of uncertainties in the global markets in which we operate.

The direct result of this period of economic volatility, particularly in Europe and USA, was seen in the Senetas Security division where information security projects were either postponed or curtailed. While the company shipped more encryption units this past financial year than in any previous year, the unit value was lower, revenue was down 20% and the resulting margin lower than would have been achieved on newer, higher speed products where our cost of goods has been optimised.

The Consulting Division felt the full year's impact of the loss of long-term revenue from a contract that Telstra decided to outsource to an offshore organisation and revenue was down 36%. With some other revenue lines affected by customers' decisions to delay consulting projects, the Consulting Division took action to trim costs. However it did also win some new business and returned a modest contribution on lower revenues.

The year's results were also adversely affected by the strong Australian dollar, with currency losses of \$289,000.

For the full year the company recorded a net loss before tax of \$5.3 million, which included a \$2 million write off of intangibles, mainly goodwill from the 2001 purchase of a consulting practice.

Senetas continued its investment in research and development (R&D) and sales resources to maintain its product advantage in both its network encryption technology and application solutions platforms. The company recently released its new CN6 series encryption platform, which is the result of two year's engineering effort and \$2 million. Operating costs also reflect \$1million dollars of other investments: domestic sales staff (\$250k), acquisition of 100% of Senetas Europe (\$600k) and R&D on the company's secure application platform - MonitorStream (\$250k).

We continue our investment commitment in the R & D necessary to maintain our market leadership and in a collaboration that will ultimately lead to Senetas developing a high-assurance encryptor product for government communications needs. There is evidence from our direct market engagement and from our partner channels that demand for information security is growing across

global markets by regulation and by increased awareness that government departments and enterprises must demonstrate their commitment to data security if they wish to be part of global government-to-government communications channels.

For the first time, Senetas' international sales represent the majority (55%) of opportunities represented in the company's sales pipelines. Strategic expansion of the Senetas reseller network including the acquisition of its UK subsidiary, Senetas Europe, and appointment of two new resellers in the USA, reflects the importance of these very large and sophisticated markets.

Proof of Concept trials of various Senetas encryption products currently underway have the potential to significantly grow revenue streams in international markets. Your Directors are particularly confident of growth in revenues from the recently-announced partnership with SELEX Eltag UK, part of the multi-billion Euro Finmeccanica group, together with successful entry of the Senetas CN1000 encryptor to the 'in evaluation' phase of the UK Government's CESG CAPS approval. Achieving CAPS certification will allow UK Government and Public Sector departments to use Senetas Encryptors to meet their Baseline (IL3) security and compliance needs.

We took a strategic decision to realign the sales strategy in Australia and New Zealand away from direct sales to sell only through channel partners, who include some of the world's largest IT resellers, effectively providing extra "feet on the street". This is in line with our global sales approach and the company is confident that this strategic sales focus will generate improved revenues once global market confidence returns.

Consulting, having won both new business and repeat engagements, was recently appointed for three years to Victorian Government's eServices panel, which will increase the division's revenues during 2012.

MonitorStream, the joint development between the Security and Consulting divisions is a unique platform - basically an application-in-an-encryptor - that continues to generate interest in Australia and offshore. This secure network and systems performance monitoring solution will be launched in Europe and South East Asia this year. Meanwhile the company is investigating other applications suitable for embedding in the platform to deliver other revenue lines based on secure cloud-based services.

In summary, 2011 was a difficult year for Senetas, as it was for many organisations, but your Directors remain confident in the fundamental strength of the product line, the skills of the engineering and consulting teams and the ability of the sales strategy to increase our market reach in what is demonstrably an expanding data security market, particularly in United States, UK and Europe, where regulations are driving encryption demand, particularly in government.

These factors, when taken into consideration alongside increasing global awareness of securing government and corporate data, while protecting personally identifiable information, gives Directors confidence that the company can lift revenues and profits in line with improved global economic stability.

Please review our notice of meeting attached to this letter. The full Annual Report can be viewed on the company's web site at <http://www.senetas.com/>.

Yours Sincerely,



Chris Brown
Chairman
Senetas Corporation Limited

Lodge your vote:



Online:

www.investorvote.com.au



By Mail:

Computershare Investor Services Pty Limited
GPO Box 242 Melbourne
Victoria 3001 Australia

Alternatively you can fax your form to
(within Australia) 1800 783 447
(outside Australia) +61 3 9473 2555

For Intermediary Online subscribers only
(custodians) www.intermediaryonline.com

For all enquiries call:

(within Australia) 1300 850 505
(outside Australia) +61 3 9415 4000

000001 000 SEN
MR SAM SAMPLE
FLAT 123
123 SAMPLE STREET
THE SAMPLE HILL
SAMPLE ESTATE
SAMPLEVILLE VIC 3030

Proxy Form



Vote online or view the annual report, 24 hours a day, 7 days a week:

www.investorvote.com.au



Cast your proxy vote



Access the annual report



Review and update your securityholding

Your secure access information is:

Control Number: 999999

SRN/HIN: 1999999999

PIN: 99999



PLEASE NOTE: For security reasons it is important that you keep your SRN/HIN confidential.

For your vote to be effective it must be received by 10:30am Tuesday, 15 November 2011

How to Vote on Items of Business

All your securities will be voted in accordance with your directions.

Appointment of Proxy

Voting 100% of your holding: Direct your proxy how to vote by marking one of the boxes opposite each item of business. If you do not mark a box your proxy may vote as they choose. If you mark more than one box on an item your vote will be invalid on that item.

Voting a portion of your holding: Indicate a portion of your voting rights by inserting the percentage or number of securities you wish to vote in the For, Against or Abstain box or boxes. The sum of the votes cast must not exceed your voting entitlement or 100%.

Appointing a second proxy: You are entitled to appoint up to two proxies to attend the meeting and vote on a poll. If you appoint two proxies you must specify the percentage of votes or number of securities for each proxy, otherwise each proxy may exercise half of the votes. When appointing a second proxy write both names and the percentage of votes or number of securities for each in Step 1 overleaf.

A proxy need not be a securityholder of the Company.

Signing Instructions for Postal Forms

Individual: Where the holding is in one name, the securityholder must sign.

Joint Holding: Where the holding is in more than one name, all of the securityholders should sign.

Power of Attorney: If you have not already lodged the Power of Attorney with the registry, please attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: Where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please sign in the appropriate place to indicate the office held. Delete titles as applicable.

Attending the Meeting

Bring this form to assist registration. If a representative of a corporate securityholder or proxy is to attend the meeting you will need to provide the appropriate "Certificate of Appointment of Corporate Representative" prior to admission. A form of the certificate may be obtained from Computershare or online at www.investorcentre.com under the information tab, "Downloadable Forms".

Comments & Questions: If you have any comments or questions for the company, please write them on a separate sheet of paper and return with this form.

**GO ONLINE TO VOTE,
or turn over to complete the form** →

MR SAM SAMPLE
 FLAT 123
 123 SAMPLE STREET
 THE SAMPLE HILL
 SAMPLE ESTATE
 SAMPLEVILLE VIC 3030

Change of address. If incorrect, mark this box and make the correction in the space to the left. Securityholders sponsored by a broker (reference number commences with 'X') should advise your broker of any changes.



I 9999999999

IND

Proxy Form

Please mark to indicate your directions

STEP 1 Appoint a Proxy to Vote on Your Behalf XX

I/We being a member/s of Senetas Corporation Limited hereby appoint

the Chairman of the Meeting **OR**

PLEASE NOTE: Leave this box blank if you have selected the Chairman of the Meeting. Do not insert your own name(s).

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chairman of the Meeting, as my/our proxy to act generally at the meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, as the proxy sees fit) at the Annual General Meeting of Senetas Corporation Limited to be held at The Royce Hotel, 379 St Kilda Road, Melbourne on Thursday, 17 November 2011 at 10:30am and at any adjournment of that meeting.

Important for Items 3, 4, 5, 6 and 7 - If the Chairman of the Meeting is your proxy or is appointed as your proxy by default

By marking this box, you are directing the Chairman of the Meeting to vote in accordance with the Chairman's voting intentions on Items 3, 4, 5, 6 and 7 as set out below and in the Notice of Meeting. If you do not mark this box, and you have not directed your proxy how to vote on Items 3, 4, 5, 6 and 7, the Chairman of the Meeting will not cast your votes on Items 3, 4, 5, 6 and 7 and your votes will not be counted in computing the required majority if a poll is called on these items. If you appoint the Chairman of the Meeting as your proxy you can direct the Chairman how to vote by either marking the boxes in Step 2 below (for example if you wish to vote against or abstain from voting) or by marking this box (in which case the Chairman of the Meeting will vote in favour of Items 3, 4, 5, 6 and 7).

The Chairman of the Meeting intends to vote all available proxies in favour of Items 3, 4, 5, 6 and 7 of business.

I/We direct the Chairman of the Meeting to vote in accordance with the Chairman's voting intentions on Items 3, 4, 5, 6 and 7 (except where I/we have indicated a different voting intention below) and acknowledge that the Chairman of the Meeting may exercise my proxy even though Items 3, 4, 5, 6 and 7 are connected directly or indirectly with the remuneration of a member of key management personnel and/or even if the Chairman of the Meeting has an interest in the outcome of these items and that votes cast by the Chairman, other than as proxy holder, would be disregarded because of that interest.

STEP 2 Items of Business **PLEASE NOTE:** If you mark the **Abstain** box for an item, you are directing your proxy not to vote on your behalf on a show of hands or a poll and your votes will not be counted in computing the required majority.

	For	Against	Abstain
Item 2a Election of Mr Chris Brown	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Item 2b Re-election of Major-General James Connolly	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Item 3 Ratification of Prior Issue of Securities	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Item 4 Approval of the Issue of Options to Non-executive Directors	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Item 5 Approval of Proposed Issue of Options to the Chief Executive Officer (CEO) Mr John DuBois	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Item 6 Approval of Issues under the Senetas Employee Share Option Plan	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Item 7 Remuneration Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

The Chairman of the Meeting intends to vote all available proxies in favour of each item of business.

SIGN Signature of Securityholder(s) *This section must be completed.*

<p>Individual or Securityholder 1</p> <input style="width: 90%; height: 20px;" type="text"/> Sole Director and Sole Company Secretary	<p>Securityholder 2</p> <input style="width: 90%; height: 20px;" type="text"/> Director	<p>Securityholder 3</p> <input style="width: 90%; height: 20px;" type="text"/> Director/Company Secretary
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Contact Name _____ Contact Daytime Telephone _____ Date ____/____/____



Senetas Corporation Limited

ABN 33 006 067 607



000001 000 SEN
MR SAM SAMPLE
FLAT 123
123 SAMPLE STREET
THE SAMPLE HILL
SAMPLE ESTATE
SAMPLEVILLE VIC 3030

Dear Securityholder,

We have been trying to contact you in connection with your securityholding in Senetas Corporation Limited. Unfortunately, our correspondence has been returned to us marked "Unknown at the current address". For security reasons we have flagged this against your securityholding which will exclude you from future mailings, other than notices of meeting.

Please note if you have previously elected to receive a hard copy Annual Report (including the financial report, directors' report and auditor's report) the dispatch of that report to you has been suspended but will be resumed on receipt of instructions from you to do so.

We value you as a securityholder and request that you supply your current address so that we can keep you informed about our Company. Where the correspondence has been returned to us in error we request that you advise us of this so that we may correct our records.

You are requested to include the following;

- > Securityholder Reference Number (SRN);
- > ASX trading code;
- > Name of company in which security is held;
- > Old address; and
- > New address.

Please ensure that the notification is signed by all holders and forwarded to our Share Registry at:

Computershare Investor Services Pty Limited
GPO Box 2975
Melbourne Victoria 3001
Australia

Note: If your holding is sponsored within the CHESS environment you need to advise your sponsoring participant (in most cases this would be your broker) of your change of address so that your records with CHESS are also updated.

Yours sincerely

Andrew R Wilson
Company Secretary

SENETAS CORPORATION LIMITED

ACN 006 067 607

Registered Office:

Level 1, 11 Queens Road, Melbourne, Victoria, 3004

NOTICE OF ANNUAL GENERAL MEETING OF SHAREHOLDERS

NOTICE IS HEREBY GIVEN that the Annual General Meeting of shareholders of Senetas Corporation Limited (Company) will be held at The Royce Hotel, 379 St Kilda Road, Melbourne 3004, on Thursday, 17th November 2011 at 10:30 am.

Business

1 Financial Reports and Statements

To receive and consider the Financial Report of the Company and the Consolidated Financial Statements of the Company and the Company's controlled entities and Reports of the Directors and of the Auditor for the year ended 30 June 2011.

2 Election of Directors

To consider and, if thought fit to pass, the following resolutions as ordinary resolutions:

- (a) "That Mr Chris Brown, who retires in accordance with Rule 35(b) of the Company's Constitution and, being eligible, offers himself for election, be elected as a director of the Company."
- (b) "That Major-General James Connolly who retires in accordance with Rule 35(c) of the Company's Constitution and ASX Listing Rule 14.4 and, being eligible, offers himself for re-election, be re-elected as a director of the Company."

3 Ratification of Prior Issues of Securities

To consider and if thought fit, to pass the following resolution as an ordinary resolution:

"That approval is given for all purposes, including ASX Listing Rule 7.4, for the issue during the previous 12 months of 21,282,932 securities of the Company on the terms, and to the allottees, set out in the accompanying Explanatory Memorandum."

4 Approval of Issue of Options to Non-executive Directors

To consider and if thought fit, to pass the following resolution as an ordinary resolution:

"That approval is given for all purposes, including ASX Listing Rule 10.14, for the grant of not more than 7.5 million options to the Company's Non-executive Directors (Mr Chris Brown, Mr Ronald Warner and Major-General James Connolly) in respect of the 2011/2012 financial year, in accordance with the Company's Employee Share and Option Plan and on the terms set out in the Explanatory Notes attached to the Notice of Meeting."

5 Approval of Proposed Issue of Options to the Chief Executive Officer (CEO) Mr John DuBois – 2011/2012 long term incentive:

To consider and, if thought fit, to pass the following resolution –

"That approval is given for all purposes, including ASX Listing Rule 10.14, for the grant of not more than 3.5 million options to the Company's CEO Mr John DuBois, being the long term incentive component of his remuneration package for the 2011/2012 financial year, on the terms set out in the Explanatory Memorandum accompanying this Notice of Meeting."

6 Approval of Issues under the Senetas Employee Share Option Plan

To consider and if thought fit, pass the following resolution as an ordinary resolution:

"That approval is given for all purposes, including ASX Listing Rule 7.2, Exception 9, for the Senetas Employee Share Option Plan, the terms of which are set out in the Explanatory Memorandum accompanying this Notice of Meeting, and the issue of equity securities under the Senetas Employee Share Option Plan."

7 Remuneration Report

To consider and, if thought fit to pass, the following resolution as an ordinary resolution:

"That the Remuneration Report of the Company for the year ended 30 June 2011 be adopted."

Note: the vote on this resolution is advisory only and does not bind the directors or the Company.

Dated this 14 October 2011

By Order of the Board



Andrew R Wilson
Company Secretary

Voting Exclusions

For all resolutions that are directly or indirectly related to the remuneration of a member of the Key Management Personnel (**KMP**) of the Company being items 3, 4, 5, 6 and 7, the Corporations Act 2001 (Cth) (**Corporations Act**) restricts KMP and their closely related parties from voting in their own right and as proxies in certain circumstances.

Closely related party is defined in the Corporations Act and includes a spouse, dependant and certain other close family members, as well as any companies controlled by the KMP.

In addition, voting restrictions apply in respect of items 3, 4, 5 and 6 under the ASX Listing Rules.

Item 3 – Ratification of Prior Issues of Securities

The Company will disregard any votes cast on Item 3 by a person who participated in the issues for which approval is now sought, or any of their associates, as well as any votes cast as a proxy on Item 3 by a member of KMP or a KMP's closely related party, unless the vote is cast:

- *as a proxy for a person entitled to vote in accordance with a direction on the proxy form; or*
- *by a person chairing the meeting as proxy for a person who is entitled to vote in accordance with a direction on the proxy form to vote as the proxy decides.*

Items 4, 5 and 6 – Employee Share Option Plan

The Company will disregard any votes cast on Items 4, 5 and 6 by a director of the Company (except one who is ineligible to participate in any employee incentive scheme operated by the Company) or any of their associates, as well as any votes cast as a proxy on Items 4, 5 and 6 by a member of KMP or a KMP's closely related party, unless the vote is cast:

- *as a proxy for a person entitled to vote in accordance with a direction on the proxy form; or*
- *by a person chairing the meeting as proxy for a person who is entitled to vote in accordance with a direction on the proxy form to vote as the proxy decides.*

Item 7 – Remuneration Report

The Company will disregard any votes cast on Item 7 by or on behalf of a member of KMP named in the Company's Remuneration Report or that KMP's closely related party, as well as any votes cast as a proxy on Item 7 by a member of KMP (not named in the Remuneration Report) or a closely related party of that KMP unless the vote is cast by a person as proxy for a person entitled to vote in accordance with a direction on the proxy form.

Notes

- (1) Pursuant to Regulation 7.11.37 of the Corporations Regulations 2001 (Cth), the Company has determined that, for the purposes of this meeting, all ordinary shares in the Company shall be taken to be held by the persons who hold ordinary shares as registered shareholders at 7.00 pm on Tuesday, 15 November 2011 ('Effective Time').
- (2) All holders of ordinary shares in the Company as at the Effective Time are entitled to attend and vote at this meeting and may appoint an individual or a body corporate as proxy to attend this meeting and vote instead of the shareholder. Shareholders who are unable to attend the meeting are encouraged to appoint a proxy to attend and vote on their behalf.
- (3) A proxy need not be a shareholder of the Company.

- (4) The proxy form personalised to you and sent with this Notice should be used for this meeting. Shareholders can direct their proxy how to vote by following the instructions on the proxy form. Shareholders are encouraged to direct their proxy how to vote on each item of business. The Company's KMP (which includes each of the directors) and their closely related parties will not be able to vote your proxy on Items 3, 4, 5, 6 and 7 unless you specify how the proxy is to vote. If you intend to appoint a member of the KMP as your proxy, you must ensure the proxy is directed how to vote on Items 3, 4, 5, 6 and 7. If you intend to appoint the Chairman of the Meeting as your proxy, you can direct him by either marking the appropriate boxes next to Items 3, 4, 5, 6 and 7 on the proxy form, or by marking the "Chairman's box" on the proxy form (in which case the Chairman of the meeting will vote in favour of each of Items 3, 4, 5, 6 and 7).
- (5) Each shareholder who is entitled to cast 2 or more votes at this meeting may appoint 2 proxies and may specify the proportion or number of votes that each proxy is entitled to exercise. If a shareholder does not specify the proportion or number of that shareholder's votes each proxy may exercise, each proxy will be entitled to exercise half the votes. An additional proxy form will be supplied by the Company on request.
- (6) In the case of an individual, a proxy must be under the hand of the individual or his or her attorney duly authorised in writing and, in the case of a corporation, a proxy must be executed by the corporation in accordance with section 127 of the Corporations Act 2001, or signed by a duly authorised officer/s or attorney.
- (7) Any shareholder may, by power of attorney, appoint an attorney to act on his or her behalf and such power of attorney or a certified copy thereof must be received by the Company as specified in paragraph (10).
- (8) Any corporation which is a shareholder of the Company may appoint a representative to attend and vote for that corporation at this meeting. Appointments of representatives by corporations must be signed in accordance with section 127 of the Corporations Act 2001, or signed by a duly authorised officer or attorney and received by the Company as specified in paragraph (10) at any time before the time for holding this meeting, or adjourned meeting, or handed in at the meeting.
- (9) If a shareholder appoints a body corporate as a proxy, that body corporate will need to ensure that it:
 - a. appoints an individual as its corporate representative to exercise its powers at the meeting, in accordance with section 250D of the *Corporations Act 2001* (Cth); and
 - b. provides satisfactory evidence of the appointment of its corporate representative.If such evidence is not received, then the body corporate (through its representative) will not be permitted to act as a proxy.
- (10) Proxies and powers of attorneys granted by shareholders must be received by the Company by 10:30am on Tuesday 15 November 2011 at:-
 - a. the Company's share registry – Computershare Investor Services Pty Limited;
 - i. by hand – 452 Johnston Street, Abbotsford, Victoria, 3067;
 - ii. by post – GPO BOX 242, Melbourne, Victoria, 3001;
 - iii. by fax – fax number +61 3 9473 2555, within Australia 1800 783 447;
 - iv. online – www.investorvote.com.au; or
 - v. for Intermediary Online subscribers only (custodians) – www.intermediaryonline.com
 - b. the registered office of the Company – Level 1, 11 Queens Road, Melbourne, Victoria, 3004; or
 - c. by fax at the registered office of the Company – fax number +61 3 9821 4899.
- (11) Any directed proxies that are not voted on a poll at the meeting by a shareholder's appointed proxy will automatically default to the Chairman of the Meeting, who is required to vote proxies as directed on a poll.

EXPLANATORY MEMORANDUM

Business

ITEM 1 - FINANCIAL REPORT

The *Corporations Act 2001* (Cth) (Corporations Act) requires:

- the reports of the directors and auditors; and
- the annual financial report, including the financial statement of the company for the year ended 30 June 2011.

to be laid before the annual general meeting. The Corporations Act does not require a vote of shareholders on the reports or statements. However, the shareholders will be given ample opportunity to raise questions or comments on the management of the Company.

The financial report for consideration at the meeting will be the full financial report. Copies of the full financial report can be accessed on the company's website:

http://www.senetas.com/_literature_92329/Annual_Report_for_the_year_ended_30_June_2011

If a hard copy is preferred by the shareholder please contact the company's share registry.

A reasonable opportunity will also be given to members as a whole at the meeting to ask the Company's auditor questions relevant to the conduct of the audit, the preparation and content of the auditor's report, the accounting policies adopted by the Company in relation to the preparation of the financial statements and the independence of the auditor in relation to the conduct of the audit.

ITEM 2 - ELECTION OF DIRECTORS

(a) Election of Mr Chris Brown to the Board

Mr Chris Brown (LLB (Adelaide), FAIM) was appointed as a director of Senetas on 30 May 2011 and as Chairman of the Board on 30 June 2011. In accordance with Rule 35(b) of the Company's Constitution and Australian Stock Exchange ('ASX') Listing Rule 14.4, Mr Brown holds office only until this meeting and therefore offers himself for election.

Mr Brown is a Melbourne-based corporate advisor, with extensive experience in corporate finance over more than 25 years in Australia and internationally, principally in mergers and acquisitions and equity capital raisings, including many major privatization transactions. Formerly a Director of major investment banks Merrill Lynch, Rothschild and Investec, he also held senior roles with Chronworth, Melbourne and Baring Brothers Burrows, Sydney.

Working within a broad range of industry sectors, including telecommunications, he has advised the Australian Federal Government (both Labor and Liberal), as well as various State governments and the United Kingdom, New Zealand and Fiji Governments and other stakeholders in respect of major transactions and strategic assignments involving Government Owned Enterprises. These include the Commonwealth Bank, Qantas, Australian Airlines, Telstra, OTC, Air New Zealand and State Insurance (NZ).

He is also the Chairman of The Conversation Media Group and of Preshafood Limited, and is the Principal of Gibbs Hill, a personal corporate advisory practice. Mr Brown recently stepped down as Chairman of the Australian Institute of Management Victoria and Tasmania, but remains a Director.

The Board (other than Mr Chris Brown) unanimously recommends that shareholders vote in favour of this item of business.

The Chairman of the Meeting intends to vote all available proxies **in favour** of this item of business.

(b) Re-election of Major General James Connolly

Major-General James Connolly AO CSC (Retired) retires in accordance with Rule 35(c) of the Company's Constitution and ASX Listing Rule 14.4 and, being eligible, offers himself for re-election.

Major-General Connolly graduated from Royal Military College Duntroon in 1965. He is a graduate of Command and Staff College Camberley (psc -1976); Joint Service Staff College Canberra (1986); the Royal College of Defence Studies London (1991); and University of New England (Corporate Director's Graduate Diploma Course - 1999). He served as an Infantry officer in the Australian Army until retiring in 1999. His appointments as a general officer were as Chief of Personnel of the Army; Chief of Operations of the Australian Defence Force; Director Defence Intelligence Organisation; and Commander Australian Theatre.

He is now a beef producer in northern NSW. He is currently a director on the boards of Aerospace Australia Limited and Far North Coast Legacy.

The Board (other than Major-General James Connolly) unanimously recommends that shareholders vote in favour of this item of business.

The Chairman of the Meeting intends to vote all available proxies **in favour** of this item of business.

ITEM 3 – RATIFICATION OF PRIOR ISSUES OF SECURITIES

ASX Listing Rule 7.1 restricts listed entities in relation to the number of equity securities that they can issue or agree to issue without shareholder approval. Generally, a listed entity cannot, in any 12 month period, issue a number of equity securities which is more than 15% of their fully paid ordinary shares on issue without shareholder approval (**15% limit**). The Company has not exceeded this 15% limit.

ASX Listing Rule 7.4 allows the Company to seek retrospective approval for a prior issue of shares provided that the issue did not itself contravene the 15% limit. This effectively “refreshes” the Company’s capacity to issue further capital over the next 12 months. The Company did not exceed the 15% limit in issuing the securities the subject of approval under this item of business.

During the past year, the Company issued 21,282,932 securities, comprising:

- 19,700,000 options, each to acquire one fully paid ordinary share in the Company and each at an exercise price of 8 cents. 16,066,000 of these options were issued as fully vested options, 2,099,330 of these options will vest on 31 July 2012 and 1,534,670 of these options will vest on 31 July 2013. Each of these options will expire on 31 August 2014. The options were granted under the Company’s Employee Share Option Plan and were issued for nil consideration to employees as a long term incentive component of their remuneration;
- 1,582,932 fully paid ordinary shares issued to employees under the Company’s Employee Share Option Plan as a long term component of their remuneration. These shares were issued for nil consideration and rank equally with the Company’s fully paid ordinary shares.

All securities for which approval is now sought were issued:

- under the Company’s Employee Share Option Plan (which provides that the Board may determine to grant of securities to directors and employees of the Company and its subsidiaries) – further details in relation to the Employee Share Option Plan are set out below in relation to Item 6; and
- to employees of the Company as part of the long term component of their remuneration and to incentivise those employees.

If this Item 3 is passed, the securities that were issued over the past year will not be counted in calculating the 15% limit (on the basis that shareholders will have approved the issues).

It is the Company’s policy to put this resolution to shareholders as an exercise of prudent management to maximise funding flexibility.

Board Recommendation and Chairman’s voting intention for Item 3:

The Directors, unanimously recommend shareholders vote in favour of this ordinary resolution.

The Chairman of the Meeting intends to vote all available proxies **in favour** of this item of business.

Voting Exclusion for Item 3

The Company will disregard any votes cast on Item 3 by a person who participated in the issues for which approval is now sought or any of their associates, as well as any votes cast as a proxy on Item 3 by a member of KMP or a KMP’s closely related party unless the vote is cast:

- *as a proxy for a person entitled to vote in accordance with a direction on the proxy form; or*
- *by a person chairing the meeting as proxy for a person who is entitled to vote in accordance with a direction on the proxy form to vote as the proxy decides.*

ITEM 4 – ISSUE OF OPTIONS TO NON-EXECUTIVE DIRECTORS**Background**

Subject to shareholder approval, the Board has agreed to grant share options to the following non-executive directors:

- Mr Chris Nigel Brown, Chairman and non-executive director;
- Mr Ronald Warner, non-executive director; and
- Major-General James Connolly, non-executive director (together, the **Non-executive Directors**)

in respect of their roles as Non-executive Directors of the Company, under the Company's Employee Share Option Plan and on the terms set out below.

Shareholder approval is sought for all purposes, including pursuant to ASX Listing Rule 10.14, which requires the Company to obtain shareholder approval before issuing securities to directors under any employee incentive scheme.

It is proposed to grant share options to the Non-executive Directors shortly after the Annual General Meeting (ie upon approval of this resolution by shareholders) and no later than 31 December 2011.

Overview

It is proposed to grant options to the Non-executive Directors as an alternative to cash fees. The company Chairman and other non-executive Directors have agreed to a reduction in their annual cash remuneration, on the basis that the reduction will be partially offset by a grant of options in FY2012. This change to Director remuneration will help the company to conserve its limited cash reserves, while maintaining overall Director remuneration at a sufficient level to attract and retain high quality non-executive Directors with the expertise needed at board level. Granting options in lieu of cash fees will increase the alignment between the remuneration of Directors and shareholder value, as the options will only provide any reward for Directors if the company share price increases significantly from its current levels over the 3 year life of the options.

If shareholders see fit to approve the proposed options grant, Directors' cash fees will be reduced by a total of \$105,000 offset by options grants in FY2012 with a total value of \$45,000 as shown in the following table:

Name	Current			Proposed			
	Base Fee	Fee for Committee	Total	Base Fee	Fee for Committee	Total Cash fees	Share Based Payment Value
	\$	\$	\$	\$	\$	\$	\$
Directors							
Chris Brown	65,000	85,000	150,000	50,000	40,000	90,000	15,000
Ron Warner	65,000	20,000	85,000	50,000	10,000	60,000	15,000
James Connolly	65,000	15,000	80,000	50,000	10,000	60,000	15,000
	195,000	120,000	315,000	150,000	60,000	210,000	45,000

Approval may be sought at subsequent AGM's for further equity grants to directors, to recognise their on-going reduction in their cash remuneration.

Terms of Options

The grant of options to Non-executive Directors will be governed by the rules of the Company's Employee Share Option Plan. The rules and operation of the Employee Share Option Plan are summarised below in respect of Item 6. Since the last approval, no Directors or their associates have received a grant of securities under the Company's Employee Share Option Plan. Each of the Company's directors is entitled to participate in the Company's Employee Share Option Plan. Following the Company's 2009 and 2010 annual general meeting, the Company's Chief Executive Officer, Mr John DuBois was granted 598,052 and 600,000 performance rights respectively, for NIL consideration, on the terms contained in the 2009 and 2010 notice of annual general meeting. The performance rights were not granted under the Company's Employee Share Option Plan.

Options granted to the Non-executive Directors will be provided on the basis of a nil issue price. The options will be granted as vested options and will be immediately exercisable. Upon payment of the exercise price, each option is exercisable into one fully paid ordinary share ranking equally with Company's other ordinary shares.

The maximum number, exercise price and expiry date of options to be issued to each of the Non-executive Directors will be as follows:

<i>Director</i>	<i>Role</i>	<i>Grant Number</i>	<i>Exercise Price</i>	<i>Vesting Date</i>	<i>Expiry Date</i>
Chris Brown	Chairman	2,500,000	\$.08	Upon grant	3 years after grant date
Ron Warner	Non-Executive Director	2,500,000	\$.08	Upon grant	3 years after grant date
James Connolly	Non-Executive Director	2,500,000	\$.08	Upon grant	3 years after grant date

The actual number of options to be granted to each of the Non-executive Directors will be determined on the date of grant by applying the following formula:

$$X = \frac{\$15,000}{P}$$

Where:

X = total number of options to be granted (which cannot exceed 2,500,000) to each Non-executive Director

P = the value of each option to be granted as at the date of grant

That is, each Non-executive Director will be granted not more than 2,500,000 options, or such lesser number of options equivalent to the value of \$15,000.

Options will be exercisable by the relevant Non-executive Director at any time following the grant date and prior to the options' expiry date or earlier lapse. The options will lapse in the following circumstances:

- on cessation of engagement in circumstances where the non-executive director is dismissed without notice with due legal cause; or
- at the end of the prescribed period (set out below) after cessation of engagement for any other reason; or
- at the relevant expiry date.

In the event of a rights issue, subdivision of capital or consolidation of capital the exercise price and / or number of options will be adjusted in accordance with the ASX Listing Rules.

No loan is proposed to be made to the Non-executive Directors in order to acquire shares upon the exercise of any options.

The applicable prescribed period following a Non-executive Director's cessation of engagement can be ascertained from the following table.

Period of Engagement	Reason for Cessation of Engagement		
	Retirement, death or total and permanent disablement	Redundancy or retrenchment	Any other reason
Up to 6 months	3 months	12 months	30 days
7 – 12 months	3 months	12 months	30 days
13 – 24 months	3 months	12 months	30 days
25 – 36 months	3 months	12 months	6 months
37 – 60 months	3 months	12 months	6 months
More than 60 months	3 months	24 months	6 months

Chairman’s voting intention for Item 4:

The Chairman of the Meeting intends to vote all available proxies **in favour** of this item of business.

Voting Exclusion for Item 4

The Company will disregard any votes cast on Item 4 by a director of the Company (except one who is ineligible to participate in any employee incentive scheme operated by the Company) or any of their associates, as well as any votes cast as a proxy on Item 4 by a member of KMP or a KMP’s closely related party, unless the vote is cast:

- *as a proxy for a person entitled to vote in accordance with a direction on the proxy form; or*
- *by a person chairing the meeting as proxy for a person who is entitled to vote in accordance with a direction on the proxy form to vote as the proxy decides.*

ITEM 5 – APPROVAL OF PROPOSED ISSUE OF OPTIONS TO THE CHIEF EXECUTIVE OFFICER (CEO) MR JOHN DUBOIS - 2011/2012 LONG TERM INCENTIVE.

The Company’s Remuneration Report is set out on pages 6 to 9 of the Company’s 2011 Annual Report. The remuneration report explains the Company’s policy and processes for determining the remuneration of the CEO. As explained in the Remuneration Report the CEO Mr Du Bois receives performance linked remuneration in the form of short and long term incentive components. The Board (excluding Mr Du Bois) has considered the overall remuneration of the Company’s CEO, including short and long-term incentives.

In respect of the 2012 financial year it is proposed that share options be granted to Mr Du Bois under the Company’s Employee Share Option Plan and on the terms set out below. This year’s long term incentive grant is a continuation of a program of granting securities as the long term incentive component of the CEO’s remuneration. It is proposed to grant the share options to the Mr Du Bois shortly after the Annual General Meeting (ie upon approval of this resolution by shareholders) and no later than 31 December 2011.

Shareholder approval is being sought under ASX Listing Rule 10.14 which requires the Company to obtain shareholder approval before issuing securities to directors under any employee incentive scheme.

Terms of Options

As noted above, the grant of options to Mr Du Bois will be governed by the rules of the Company’s Employee Share Option Plan. The rules and operation of the Employee Share Option Plan are summarised below in respect of Item 6.

Mr Du Bois currently holds the following equity in the Company:

- 1,198,052 performance rights, granted in accordance with shareholder approval at the 2009 and 2010 annual general meetings (for nil consideration and subject to performance conditions);
- 13,000,000 options, granted under the Company’s Employee Share Option Plan details the grants are set out in the following table:
- Since the last approval Mr Du Bois was granted the following options under the plan:

Grant Date	Grant Number	Exercise Price	Expiry Date	Status
1 May 2006	2,000,000	.80	30/04/2011	Expired
	1,000,000	1.00	30/04/2011	Expired
	1,000,000	1.20	30/04/2011	Expired
	1,000,000	1.50	30/04/2011	Expired
25 October 2007	3,000,000	.17	16/10/2012	Un-exercised
	1,000,000	.19	16/10/2012	Un-exercised
	1,000,000	.20	16/10/2012	Un-exercised
	3,000,000	.21	16/10/2012	Un-exercised

Options granted to Mr Du Bois will be provided on the basis of a nil issue price. The options will be granted as vested options and will be immediately exercisable. Upon payment of the exercise price, each option is exercisable into one fully paid ordinary share ranking equally with Company's other ordinary shares.

The maximum number, exercise price and expiry date of options to be issued Mr Du Bois will be as follows:

<i>Director</i>	<i>Role</i>	<i>Grant Number</i>	<i>Exercise Price</i>	<i>Vesting Date</i>	<i>Expiry Date</i>
J.H.Du Bois	CEO & Director	3,500,000	\$.08	Upon grant	3 years after grant date

In accordance with the Company's remuneration policy, Mr Du Bois will be granted options with a total value of \$20,000 being 2.5% of his total remuneration.

The actual number of options to be granted to Mr Du Bois will be determined on the date of grant by applying the following formula:

$$X = \frac{\$20,000}{P}$$

Where:

X = total number of options to be granted (which cannot exceed 3,500,000)

P = the value of each option to be granted as at the grant date.

That is, Mr Du Bois will be granted not more than 3,500,000 options, or such lesser number of options equivalent to the value of \$20,000

Options will be exercisable by Mr. Du Bois at any time following the grant date and prior to the options' expiry date or earlier lapse (see below). The options will lapse in the following circumstances:

- on cessation of employment in circumstances where Mr Du Bois is dismissed without notice with due legal cause; or
- at the end of the prescribed period (set out below) after cessation of employment for any other reason; or
- at the relevant expiry date.

In the event of a rights issue, subdivision of capital or consolidation of capital the exercise price and / or number of options will be adjusted in accordance with the ASX Listing Rules.

No loan is proposed to be made to Mr. Du Bois in order to acquire shares upon the exercise of any options.

The applicable prescribed period following Mr Du Bois' cessation of employment can be ascertained from the following table.

Period of Employment	Reason for Cessation of Employment		
	Retirement, death or total and permanent disablement	Redundancy or retrenchment	Any other reason
Up to 6 months	3 months	12 months	30 days
7 – 12 months	3 months	12 months	30 days
13 – 24 months	3 months	12 months	30 days
25 – 36 months	3 months	12 months	6 months
37 – 60 months	3 months	12 months	6 months
More than 60 months	3 months	24 months	6 months

Board Recommendation and Chairman's voting intention for Item 5:

The Directors (excluding Mr John DuBois) unanimously recommend shareholders vote in favour of this ordinary resolution.

The Chairman of the Meeting intends to vote all available proxies **in favour** of this item of business.

Voting Exclusion for Item 5

The Company will disregard any votes cast on Item 5 by a director of the Company (except one who is ineligible to participate in any employee incentive scheme operated by the Company) or any of their associates, as well as any votes cast as a proxy on Item 5 by a member of KMP or a KMP's closely related party, unless the vote is cast:

- *as a proxy for a person entitled to vote in accordance with a direction on the proxy form; or*
- *by a person chairing the meeting as proxy for a person who is entitled to vote in accordance with a direction on the proxy form to vote as the proxy decides.*

ITEM 6 – ISSUES UNDER EMPLOYEE SHARE OPTION PLAN

Background

The Company has operated the Senetas Employee Share Option Plan for many years. The Plan was last approved by shareholders at an Annual General Meeting held on 20 November 2002. The purpose of the Plan is to provide an equity-based incentive for key executive directors and employees to generate improvements in shareholder value, and to allow non-executive directors to acquire equity in the Company. Since the Plan was last approved by shareholders, 2 securities vested and unexercised options remain on issue under the Plan. Since the Plan was last approved by shareholders, 2,388,627 ordinary shares and 39,250,000 options have been issued to employees of the Company. Of the options issued, 6,050,000 have been exercised and 5,500,000 have lapsed.

Current Proposal

As stated above in relation to Item 3, ASX Listing Rule 7.1 prohibits an entity from issuing more than 15% of its securities in any 12 month period, without obtaining security holder approval (unless an exception applies). Listing Rule 7.2, Exception 9, provides that security holder approval is not required for an issue under an employee incentive scheme if, within 3 years before the date of the issue, holders of ordinary securities have approved the issue of securities under the scheme as an exception to Listing Rule 7.1.

Shareholder approval is sought for issues under the Plan pursuant to Rule 7.2 (*Exception 9(b)*) as an exception to Listing Rule 7.1, and thereby to exempt issues of options, and the underlying ordinary shares on the exercise of those options, under the Plan from Listing Rule 7.1 for 3 years from the date of the current meeting. For the avoidance of doubt this approval will extend to options granted pursuant to Items 4 and 5 if shareholder approval is given for those items.

If the Plan were not approved every 3 years, then shareholder approval would be required if, during the 3-year period, a proposed issue of securities under the Plan would otherwise, but for that approval, have the effect of pushing total issues during a 12-month period in excess of 15% of the Company's issued capital.

Summary of Plan Terms

The following is a summary of the terms of the Plan. A copy of the Plan Rules can be inspected at the registered office of the Company during normal business hours prior to the Annual General Meeting, and a copy will also be available for inspection at the Annual General Meeting.

Eligibility & Upper Limit

- Directors may issue securities under the Plan to directors and employees of the Company, and any subsidiaries or other entities nominated by the Company's Board of Directors.
- The maximum number of securities that can be issued and remain outstanding under the Plans is 20% of the Company's issued capital on a fully-diluted basis.

Shares

- Under the Plan, Directors may issue shares with an issue price of an amount that must be greater than or equal to 80% of the market value of the Company's shares at the date of offer, unless otherwise determined by the Board.
- Shares shall attract voting and dividend rights, and the right to participate in further issues pro rata to all ordinary shareholders.

Options

- The Board shall determine the terms of issue for any options, including their expiry date (i.e. the date on which any unexercised options lapse) subject to a maximum option period of 10 years.
- Under the Plan, Directors may issue options with an exercise price of an amount that must be greater than or equal to 80% of the market value of the Company's shares at the date of offer, unless otherwise determined by the Board.

- Options shall not be quoted on the ASX, and options not yet exercised shall not attract the right to participate in further issues (ie bonus or rights issues) to shareholders.
- Directors may issue options with a vesting restriction having the effect that the options can only be exercised after a specified date and only if and for so long as the participant remains employed/engaged after that date.
- In the event of a takeover or placement resulting in a person or entity controlling more than 50% of the issued capital of the Company, the participant would be released from any restriction on exercising options (such as a vesting restriction mentioned above).
- Any unexercised options shall lapse immediately on cessation of employment/engagement in circumstances where the participant is dismissed without notice with due cause at law or, otherwise, by the end of the period prescribed by the Board within constraints set out in the Rules.
- If there is a reorganisation of the Company's capital, the options' terms (including the exercise price or the number of shares that can be acquired on the exercise of each option) may be adjusted to reflect the effects of the reorganisation, pursuant to the relevant ASX Listing Rules and as appropriate to the kind of reorganisation being undertaken.
- Subject to any such reorganisation, upon the exercise of options, one fully-paid ordinary share is to be issued for each option exercised.
- Unless otherwise permitted by the terms of offer or by the Board of Directors, options issued under the Plan will always be non-transferable and exercisable only by the Directors (or their legal representatives in the event of their death).

Loans

- The Company may offer loans to eligible employees under the Plan either interest-free or on an interest-bearing basis, and either to fund the acquisition of shares outright, or the acquisition of shares on the exercise of options issued under the Plan.
- Unless otherwise determined by the Board, loans must not be for an amount exceeding 80% of the issue price of shares (in effect, 80% of the exercise price of options) nor for a term of more than 5 years.
- Loans may be repaid from dividends or by some other method determined by the Board, and loans must be repaid immediately on cessation of employment/engagement in circumstances where the participant is dismissed without notice with due cause at law or, otherwise, by the end of the period prescribed by the Board within constraints set out in the Rules.
- Directors may determine the precise method by which any outstanding loan and interest are to be secured.

General

- Directors may include in the terms of offer of shares or options under the Plan a restriction having the effect of preventing the participant from disposing of shares acquired under the Plan (whether acquired outright or on the exercise of options issued under the Plan) and/or a condition that could result in the participant forfeiting ownership of such shares in defined circumstances.
- Directors have flexibility over some minor aspects of the Plan, including administration of the Plan.
- The Rules are subject to the overriding requirements of the Corporations Act and the ASX Listing Rules.

Board recommendation and Chairman's voting intention for Item 6

The Board unanimously recommends that shareholders vote in favour of this item of business.

The Chairman of the Meeting intends to vote all available proxies **in favour** of this item of business.

Voting Exclusion for Item 6

The Company will disregard any votes cast on Item 6 by a director of the Company (except one who is ineligible to participate in any employee incentive scheme operated by the Company) or any of their associates, as well as any votes cast as a proxy on Item 6 by a member of KMP or a KMP's closely related party, unless the vote is cast:

- *as a proxy for a person entitled to vote in accordance with a direction on the proxy form; or*
- *by a person chairing the meeting as proxy for a person who is entitled to vote in accordance with a direction on the proxy form to vote as the proxy decides.*

ITEM 7 – REMUNERATION REPORT

The directors submit the Company's Remuneration Report to shareholders for consideration and adoption by way of non-binding resolution. Details of the Company's Remuneration Report are contained in the Reports of the Directors for the year ended 30 June 2011 included in the Company's Annual Report.

The performance of the Company depends upon the quality of its directors and executives. To prosper, the Company must attract, motivate and retain highly skilled directors and executives.

To this end, the Company embodies the following principles in its remuneration framework:

- Provide competitive rewards to attract high calibre executives
- Link executive rewards to shareholder value
- Significant portion of executive remuneration 'at risk', dependent upon meeting pre-determined performance benchmarks
- Establish appropriate, demanding performance hurdles in relation to variable executive remuneration

For the Year ended 30 June 2011, due to the Company not meeting performance targets set by the Board, no short term incentives (bonuses) were paid to executives of the company.

A reasonable opportunity will be provided for shareholders to ask questions about and make comments on the Remuneration Report at the meeting.

The vote on Resolution 7 is advisory only and does not bind the Directors or the Company. Nevertheless the outcome of the vote and discussion at the meeting will be taken into consideration by the Directors when considering the remuneration arrangements of the Company.

Board recommendation and Chairman's voting intention for Item 7

The Board unanimously recommends that shareholders vote in favour of this item of business.

The Chairman of the Meeting intends to vote all available proxies **in favour** of this item of business.

Voting exclusion for Item 7

The Company will disregard any votes cast on Item 7 by or on behalf of a member of KMP named in the Company's Remuneration Report or that KMP's closely related party, as well as any votes cast as a proxy on Item 7 by a member of KMP (not named in the Remuneration Report) or a closely related party of that KMP unless the vote is cast by a person as proxy for a person entitled to vote in accordance with a direction on the proxy form.