

## ASX ANNOUNCEMENT

27 November 2017

### CEO's Address to Shareholders

I'd like to welcome everyone today to our 2017 AGM.

This has been a year of change for Kollakorn. The most significant change was the acquisition of Isity Global. On June 30, we held an EGM where shareholders agreed to proceed with the acquisition of Isity Global. That acquisition was completed in early July and we commenced integrating the businesses. Let me start today with a review of progress since that time.

#### ***RFID Projects:***

Whilst significant focus by your Board and Management Team was on the acquisition and Integration of Isity Global, we have continued to drive our efforts in RFID in the ASEAN and Emerging Markets.

During the Financial Year 2017, we progressed the opportunities created in 2016, we commenced reviewing and refining the approach we were taking to our Break on Removal Technology (BOR) and how we were selling it, and we continued to explore opportunities to develop CertainID. We commenced new projects, consolidated existing ones, and gained some small additions to revenue.

#### **Malaysian Project:**

During the year and up until this very moment, we have done everything possible to satisfy, with our Partner in Malaysia, the requirements of the relevant authorities in Malaysia.

Richard Sealy has worked tirelessly with StarRFID to ensure we have answered every question regarding our product, provided samples which have met every test required, and ensured we met every single detail of the specification set by the Government.

Our Malaysian Integration Partner is committed to the use of our tag for this project, and they are proceeding on the basis that it will proceed early next year and have made significant commitments to infrastructure.

We have previously said that we consider Emerging Markets are our focus, especially in Asia for our RFID tag technology and that we were changing our approach to be a company selling a solution, not a simply a tag. In this respect, we have gained significant traction in these Emerging Markets.

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### **Myanmar Project:**

A very good opportunity is developing in Myanmar.

In May 2017, we confirmed we had signed a Teaming Agreement for an exclusive relationship between Solutions Hub and Kollakorn to develop projects in Myanmar, and in particular to address the Expression of Interest issued by the Ministry of Transport and Communications of the Myanmar Government for the implementation of a National AVI and EVR system.

We have worked closely with our Partner on developing a solution for the roll out of AVI and EVR. Richard Sealy and myself have visited Myanmar to meet with our Partner, and with the Minister for Transport and Communications and the Director General of the Department.

Richard has been back on multiple occasions developing our solution, and was only a few weeks ago a guest of our Partner at the e-Government Conference & ICT Exhibition 2017 where our Partner had a booth that showcased our AVI/EVR solution. The Government of Myanmar is serious about a national roll out of this application, as evidenced by their recent calls for Expressions of Interest, and our Integration Partners in Myanmar and Richard Sealy are liaising with the Government at the highest levels about the best way to achieve the implementation of this project in Myanmar.

### **Argentina Project:**

In July, the Directors announced that Kollakorn had signed an exclusive teaming agreement with XNATIVA Technology of Argentina.

The Argentina Teaming Agreement is for an exclusive relationship between XNET and Kollakorn to participate in the implementation of an EVR/AVI system, initially in the Province of Mendoza, and then in parallel, nationally. The first implementation, in the Province of Mendoza, will be a speed monitoring application on one of the roads on which inter-country trucking occurs. The specifications for the trial are being confirmed with the Government, and our partner confident the trial should be implemented at the commencement of the first quarter of CY 2018.

### **West Africa Project:**

In September, we announced that Kollakorn had signed an exclusive teaming agreement with Golden Coast International Services Limited (“GCIS”) for an exclusive relationship between GCIS and Kollakorn to participate in the implementation of a series of products in several Western African Countries.

These products will include Electronic Vehicle Registration (“EVR”), Automated Vehicle Identification (“AVI”) and Integrated Immigration Systems (“IIS”) for providing identification and security over travellers beginning from their country of origin, border control, customs and within the country.

As you will be aware from a previous announcement, Somapa Information Technology PCL (“Somapa”) has granted Kollakorn the right to market their Immigration Systems, and if successful, to share in the 10 to 15-year annuity that results. I will speak more on that later.

## **Thailand Projects:**

The year of mourning for the King, and the coronation of the new King which will occur in 2018, have been a serious obstacle to any progress by the Government in Thailand which has focused on business as usual, but no new projects.

We are however aware that with the imminent implementation by our Malaysian Integration Partners of the Border Control system on the 8 border crossings between Malaysian and Thailand, that the Thailand government are now actively reviewing that system with a view to its implementation on the Thailand side of the Border.

As Myanmar may implement EVR and AVI at its Borders, significant pressure may then be applied to Thailand to again seriously consider Kollakorn's proposal for a nationwide EVR and AVI system.

## **Further Expansion of RFID**

The Directors attribute this most recent spate of Teaming Agreements with Kollakorn as a sign that throughout the world, Governments and private organisations have increasing concerns about traffic congestion in cities, pollution and the potential for breaches in security. They are resorting to proven methods such as RFID as a way of controlling these significant impacts on society.

## **Tags and Royalties:**

We continue to make sales of tags to specific projects and buyers, specifically in Israel and the US.

Our IP is critical to our company, and we continue to vigorously protect our patents in the marketplace. This is an expensive but critical exercise for us, and we need to be focussed and pragmatic about how we protect them. We have been greatly served by our Patent Attorneys in protecting our core asset.

There is no doubt that the point of difference between our RFID tags and other RFID tags is the patented BOR technology and the client demand for an RFID tag that cannot be tampered with. However, there are many competing technologies and companies claiming tamper proof designs which in most cases infringe our patent, particularly from China. We are however protected by the method of production of the silvered ink antennae pioneered by Kollakorn with, initially, 3M, and then Star RFID, which to this day others seem unable to replicate. The tags that originate from China have aluminium foil aerials that do not last and are prone to failure, therefore making them a second choice to our tags.

Our established relationship with StarRFID continues and they have worked closely with us to provide the best possible solutions for our customers.

## **Expanding our Technology Footprint**

At last year's AGM, we outlined a strategy to increase our stable of Intellectual Property. It was a key objective of Management in 2017 to expand our technology and present it to a broader business base by the development of strategic partnerships. Our new Teaming Agreements are testimony to our execution of this strategy.

Fundamental to this strategy was the strengthening of ties with Somapa Information Technology PCL ("**Somapa**") to gain access to new products and to specific technical services.

Somapa has therefore agreed that they will exclusively provider to Kollakorn the software and implementation services required for Electronic Vehicle Registration ("**EVR**") and Automated Vehicle Identification ("**AVI**"). Somapa originally designed and developed the EVR and AVI software to be specifically used with Kollakorn's Break on Removal RFID tags.

In the past, Kollakorn and Somapa partnered in providing a complete EVR/AVI solution to customers; now, Somapa will exclusively provide these services as a contractor to Kollakorn so that Kollakorn can provide customers a complete "one-stop-shop" solution. This will allow Kollakorn to better integrate the EVR and AVI product offerings and to maximise the financial returns on these products by selling a whole solution rather than just a tag.

To add breadth to our overall offering in the EVI/AVI space we entered into a Teaming Agreement with **Driver Design Studio Limited** ("**DRVR**"). DRVR provides a software platform that uses data, centred on transport and operational patterns, to help businesses improve the cost and efficiency of their transport fleets, deliver better customer service and gather critical data to help them grow. DRVR uses technology that offers a different, but very complementary product to Kollakorn's, and broadens our ability to provide more holistic solutions.

### **New Product Offering for Kollakorn**

As mentioned above when discussing our activities in West Africa, we have added a further technology solution to our product offering by Somapa agreeing to allow Kollakorn to market Somapa's suite of Integrated Border Security Systems ("**IBS**"). This will mean that when marketing our EVR and AVI products to Governments of emerging countries we will also be able to market the IBS products, and if successful, receive a direct interest in these projects, rather than an indirect interest through Kollakorn Thailand.

### ***CertainID:***

Throughout the year, we continued our development of the CertainID product. CertainID is our patented technology that effectively eliminates the possibility of a person's biometric data being hacked, by not releasing the biometric data to the internet.

We continue to engage with the CSIRO (through Data61) to support the productising and commercialisation of the patent. We are currently finalising the expert resources from Data61 who will provide the technical inputs to the project, and then to commence development.

An additional exciting development that has resulted from our Isity connections is that we are currently in discussions with a Singapore based Australian Company to develop a product that

wraps our biometric authentication technology with a brand new patented biometric depth of field Iris/face scanning technology that provides a 1 in 10 million false acceptance rate (Apple X is 1 in 1 million). When the two products are combined, this will create a significantly more secure method of accessing and transmitting biometric information over the internet.

The directors continue to be focused on bringing CertainID to the market.

As you aware, we purchased Isity Global in July, and I'd like to hand over to Charles Hunting to review progress to date.

***Isity Integration:***

In all transactions such as this, a significant degree of post contract review occurs after the parties have formalised the contracts, and adjustments are made to the business accordingly. Kollakorn has been no different.

Over the last 5 months since the acquisition, we have gained a greater understanding of the business and the opportunities and challenges that it faces. Over the last few months, Richard Sealy and I have undertaken several reviews with the Isity Team focused on the following areas:

- The pipeline of projects and revenue;
- The cash requirements - currently and going forward; and
- The expense base - currently and going forward.

Management has determined that the timeline for Isity Global's pipeline of projects requires further time to mature into a sustainable, profitable business, and hence we undertook a complete review of the business model.

The management of Isity Global agree with Kollakorn's Management that the current Isity Global business model and strategy, at this point in time, is not providing the expected foundations to create a sustainable business that would be sufficient to cover the ongoing cost base and make the profit levels that we expected. The Board remains confident that there are growth opportunities in both Sustainable Building Infrastructure and Waste to Energy, and that in the main our Strategy is correct. What we require is an adjustment to our execution to ensure the actions that we take deliver the outcomes we want - profitable revenue growth with minimal risk.

The Directors of Kollakorn have therefore determined that we must realign all our business operations to Performance Based outcomes to minimise any cash burden on Kollakorn. We will immediately realign executive compensation.

To ensure management is aligned to our strategy, we will be implementing appropriate milestones.

To support this approach, we will implement the following actions:

- The compensation of all executives and team members will be on a pay for performance basis until we improve the cash flow of the business;

- The warrantors will put at risk the shares that have been presented. These will be put in escrow until July 2019 and the achievement of a minimum profit of \$500k in FY 2019;
- We will ensure a stronger focus by the Board and Management on strategic energy opportunities that we have clearly identified will provide the greatest return to shareholders.

The Warranty period is in place for 24 month from acquisition. We are establishing a process to review warranties to ensure

1. We deliver results, and;
2. We have a right of recourse should we chose to take that path. That right of recourse may be a reduction/cancelation of the shares of the warrantors, or a fair cash payment for failure of warranty, or a buy back for a nominal value.

The Directors will be committed to ensuring we realign our strategic objective to ensure that we minimise risk, strive for the large opportunities, grow the brand, and manage costs.

#### **Concluding Remarks:**

Throughout this year, we have taken great strides in increasing the value of our IP and expanding our IP product offering to bring our technology to a broader base of business opportunities and partnerships.

This has been an extremely eventful year for Kollakorn. To grow still requires us to be bold, to invest in our strengths, to search for new opportunities, and the Directors and the Management Team are committed to doing that.

I continue to be very excited to be part of the Kollakorn journey, and I expect that the many years of hard work by many people will start to deliver results.