

ASX Announcement

28 November 2019

CEO's Address to Shareholders

I want to welcome everyone today to our 2019 AGM.

During 2019 we have continued to pursue our stated strategy to move our business away from a solely Break on Removal RFID Tag business, to a smart cities business focusing on our CertainID technology and waste conversion. I am happy to report that we are making progress on these programs and in particular our focus on waste conversion.

This year we launched Kollakorn Environmental Services as the entity for our Waste Conversion opportunities, and we continued to progress the development of CertainID, and to pursue value opportunities for our Tamper Evident, Break on Removal RFID Tag business.

A hectic year.

It is essential at this meeting to discuss the current suspension. On 2 September the Company lodged its Preliminary Financial Report and was immediately informed by ASX that the securities of Kollakorn Corporation Limited would be suspended from quotation under Listing Rule 17.3, pending enquiries by ASX into the expected modified opinion from the auditor of KKL's accounts.

The Board arranged a meeting with ASX as soon as possible. We explained the reasons for the modified opinion. The market was notified that the Company's Preliminary Financial Report was based on the group's 2019 annual financial report, the accounts of which were in the process of being audited. We explained that it would be likely that the independent audit report would contain a qualification in respect of the assessment for impairment of goodwill and financial assets carried at fair value due.

The Company has complied with all necessary information requested so as to have the suspension lifted. The company responded to requests for information, and the final audited Annual Report to Shareholders was released by RSM on 23 October and submitted to ASX. We asked ASX at that time to indicate when the suspension would be lifted. ASX responded that they would review our accounts and that could take up to 10 business days. On 12 November, the Company received an ASX query letter with questions requiring detailed responses by 2 December. We submitted our response yesterday, Wednesday 27 November, and we have requested a meeting with ASX to explain our responses and expedite the process of having the suspension lifted. We are awaiting confirmation from ASX of a suitable meeting time.

The ASX query asked many very detailed questions that we have responded to. I believe sharing relevant responses with shareholders is important as they reflect questions asked to the Chairman and myself during the year in respect to the valuation of Isity leading to our acquisition of that company in 2017 and to the value of Kollakorn Co. Ltd (Kollakorn Thailand) of which we hold an investment interest.

The acquisition of Isity Global was supported by an Independent Experts Report (“IER”) undertaken in Australia by RSM Corporate Australia Pty Ltd (“RSM”) and in Singapore by RSM’s affiliate in that country. That IER was completed in May 2017, before the completion of the acquisition, and presented to shareholders as part of the Extraordinary General Meeting that was held on 30 June 2017.

As required by the ASX Listing Rule 10.10.2 the Directors sought advice from RSM to assess whether the proposed transaction to acquire Isity was fair and reasonable to the non-associated shareholders of Kollakorn. RSM, the Independent Expert, stated in the IER that in their view:

“As the fair value of a Kollakorn share immediately after the proposed transaction is greater than the fair value prior to the proposed transaction, and in the absence of any other relevant information, in our opinion, the proposed transaction is fair to the non-associated shareholders of Kollakorn.”

“In our opinion, the position of the non-associated shareholders if the proposed transaction is approved is more advantageous than the position if it is not approved. Therefore, in the absence of any other relevant information and/or a superior offer, we consider that the proposed transaction is reasonable for the non-associated shareholders of Kollakorn.”

Therefore, the view of the IER was that the proposed transaction was fair and reasonable to the non- associated shareholders of Kollakorn.

The valuation that the IER reviewed was undertaken by Kollakorn in Q4 FY2016 and Q1 of FY2017 and was based on Isity's Sales Pipeline, and CY 2016 Profit and Loss projections. The revenue stream, particularly from waste conversion, was expected to grow significantly year on year based on the success of the Changchun project in China.

Isity was then valued based on this revenue projection. The Board agreed to offer an initial \$2.5m in shares, and an additional \$7.5m based on achieving stretch performance targets. The \$2.5m also required an additional \$1.5m of capital to be raised to progress the opportunity in Changchun.

Only \$0.5m of capital was raised. This was directly apportioned to Isity operating expense throughout 2017 and 2018. As shareholders are aware, the Changchun project was postponed, and other sales identified by Isity in their pipeline did not proceed. As a result, the performance targets, due in June 2020, will not be achieved, and no performance shares will be issued.

The value that Kollakorn and Isity agreed to was negotiated by the parties throughout June to September 2016. A claim has been made that capital raising by Isity in late 2016 and early 2017, before the acquisition, had the effect of manipulating the share price for Isity and raising the value of the company, and hence what Kollakorn paid. This is not true. Those transactions occurred after the purchase price had been negotiated and agreed by the parties. A term sheet confirming the sale price was completed by the parties in November 2016. The share transactions referred to occurred after the parties agreed on the sale price and the sale conditions. The Isity share transaction at SGD 3.00 occurred five months after the parties signed the Term sheet regarding the acquisition. The purchase price did not change between that document and the final Purchase Agreement.

Regarding our Kollakorn Co. Ltd (Kollakorn Thailand) investment, shareholders will have seen in the Annual Report a significant reduction in our ownership of the company. The calculation of the number of shares and the value was explained in correspondence to the Auditors, and I will explain it further today.

In or around July 2018, Kollakorn Thailand undertook a rights issue in Thailand. Kollakorn Corporation Limited did not participate in this rights issue. There would be no value to shareholders in the Company participating, and the Board remains of the opinion that this was the correct decision for shareholders. Our net investment value has remained unchanged; the only difference is a dilution of ownership.

Of the number of shares available for Kollakorn Corporation Limited, 100% of our entitlement was taken up by another Thailand based company. The percentage of Kollakorn Thailand held by Kollakorn Corporation Limited before the rights issue was 26.67%. With the rights issue, Issued Capital in Kollakorn Thailand increased from 93m to 150m Bhat. Kollakorn Corporation Limited's ownership was calculated based on taking the new investors percentage of our ownership in prior years to calculate the new investors' entitlement. This new investor took 100% of Kollakorn Corporation Limited's entitlement fully paid, which reduced Kollakorn Corporation Limited's percentage to 16.75%.

The fair value that the Company placed on our investment was \$1,500,000. This was based on the amount of issued capital and the market value of Kollakorn's investment.

The Directors satisfied themselves that \$1,500,000 was the fair value based on our expectations of sales in the Tags business, using the Company's discounted cash flow, which is based on Kollakorn's historical Weighted Average Cost of Capital. The Directors remain of the view that the valuation of \$1,500,000 was conservative based on the potential upsides provided by the Tag opportunities in Malaysia and Myanmar. The fair value that has been provided takes into account the equity position, the projected tag sales to Malaysia, the opportunity presented in Myanmar, and the flow-on effect these two opportunities will have in Thailand. Our expectation is that Thailand will be compelled to progress with their delayed Border Crossing Project due to the rollout in Malaysia and Myanmar.

The Company estimates that the value of Kollakorn Thailand should recognise the very sizeable Malaysian opportunity and the flow on to Myanmar and Thailand. Therefore, to provide adequate room for adjustment, the Directors were of the view that a value of \$1.5m is justifiable.

Kollakorn's shareholding was diluted by cash, not by the value of the shareholding, which maintained the same value. The value of our investment in Kollakorn remains unchanged; only our shareholding was diluted.

The Directors and Management of the Company are focused on delivering a profitable business to shareholders. Three years ago, the Company refined its strategy to pursue opportunities in the Smart Cities marketplace, particularly in waste to energy conversion. The Directors held the view that this would enable the Company to continue developing the CertainID technology, and also to provide a stronger long term revenue stream to that experienced in our RFID tag business, which is highly dependent on third party decisions.

Waste Conversion:

I'd like to now focus on the positive progress the Directors and Management have made this year to bring our strategy to life, particularly in the last few months.

Kollakorn's strategy regarding Smart Cities, and in particular Waste Conversion, has not changed since the Isity acquisition. The acquisition of Isity included a substantial pipeline of opportunities across smart cities and waste conversion. The significant revenue numbers in their pipeline were in waste conversion. In the first instance, the majority of those opportunities were in China, and in particular, Isity was well developed in discussions with potential technologies for the first large scale project in Changchun. Also, in the pipeline were a significant number of Australian projects, to such a degree that Isity had employed a sales lead in Australia prior to the acquisition. One of these opportunities was a precursor to a Waste Conversion in a Box strategy that has developed into our overall Waste Conversion and Hydrogen Strategy. A core component of 2019's R&D funding was around the development of this opportunity.

On acquisition, Kollakorn registered the business names of Isity Australia, Isity Global, and Isity Global Australia. It was and remains our intention to use Isity in Australia. Australia was always in the Isity frame. When the Board needed to make the hard decisions to laser focus our attention, we chose Australia as we had greater capability and capacity here, and we were leveraging the initial work undertaken by Isity prior to acquisition. The decision to focus on Australia was also due to Changchun delaying their project due to the inability to access appropriate

feedstocks. This then had a domino effect on other potential opportunities in China. It remains our intention to use Isity in China. We have maintained the Company presence over the last two years, and on success in Australia, we intend to replicate our success via the Isity entity back into Changchun and other Chinese cities, using our licensed patented Bio Carbon Fuels technology.

In the middle of this year, we changed the name of Kollakorn Technology Pty Ltd to Kollakorn Environmental Services Pty Limited. The initial waste conversion technology access discussions undertaken by Isity were continued by Kollakorn enabling us to gain the Australia and APAC first right of refusal license agreements with Bio Carbon Fuels in November 2018. We are pursuing opportunities with that technology under the banner of Kollakorn Environmental Services. It remains our main objective to use what we develop via R&D work we are undertaking in Australia, based on what we acquired through Isity, to reengage in Changchun, and other APAC cities.

In the last 16 months, Kollakorn has aggressively pursued our Waste Conversion strategy. We have presented to, or provided tender responses, to many Councils, particularly in Queensland. We have responded to Expressions of Interest (Eoi) to the Rockhampton Regional Council, Logan City Council, and Sunshine Coast Regional Council.

We have also provided submissions on Waste Conversion to Infrastructure Australia, and the Victorian Government Inquiry into Recycling and Waste Management.

The most exciting developments have occurred recently, and today I am pleased to confirm that Kollakorn will be announcing that with our technology partner Bio Carbon Fuels Pty Ltd (BCF), we have engaged Advisian, a division of Worley Limited (ASX: WOR), (previously Worley Parsons), a global, Australian based, world-leading Engineering, Procurement and Construction Company (EPC) to undertake a Pre-FEED Feasibility Study, and then prepare a detailed FEED Proposal for a Commercial, Demonstration, and Research and Development Facility for managing Municipal Solid Waste (MSW). I will explain those terms shortly. Successful completion of the Study and Proposal will lead to the construction of an up to 200,000 Tonne Per Annum Waste Conversion Facility.

After intense pre-development work over the last 12 months, we are accelerating our strategy and our mission to achieve zero waste and a landfill-free future.

Stemming from our Isity Global acquisition, Kollakorn Environmental Services objective is to maximise resource recovery through the reuse and recycling of waste materials and to create clean, renewable energy and fuels.

Advisian will assist us in developing and designing the project, verifying and pricing out the proposed process, and completing the technology selection, and through additional agreements with Worley affiliates, potentially construct and operate the project.

Kollakorn is developing the project based on proprietary technology from our technology partner BCF, to produce a solid renewable fuel product (in a granulated form) which will be converted to syngas using further proprietary pyrolysis technology. This renewable syngas is intended to be used to demonstrate the ability to produce commercial quantities of diesel, bio-jet fuel, electricity and hydrogen from a mix of municipal solid waste, non-recyclable plastics, and biomass.

Pre- FEED is a Preliminary FEED (Front End Engineering and Design) phase that is a predefined design package to prove the feasibility of a project in technical and economic terms. It is used as the basis for the FEED Proposal, which is subsequently the more detailed engineering and cost analysis, and supports the final investment decision. We anticipate that both these processes may take approximately 10 to 12 months to complete.

Pre-FEED is the first critical step in developing what we refer to as a Total Recovery Facility (TRF). The TRF will be able to process all forms of MSW. After removal of valuable recyclables, the MSW will be converted into a re-engineered fuel feedstock that provides clean, renewable energy to our chosen pyrolysis processes. Our patented technology heats, shreds, mixes and compresses the waste into high energy engineered fuel. The fuel comes out of the machine with 5-7% moisture, a very high calorific content, completely sterile, with no dust or odour, and easily converted into renewable diesel, electricity, and potentially hydrogen. For this first Total Recovery Facility, we expect to be producing renewable diesel, and also using the facility to perform R&D activities based on developing the most efficient MSW feedstock mix, MSW feedstock yields, and the production of hydrogen.

Our technology does not rely on incineration or other polluting technologies to create renewable energy. All waste streams are converted to clean renewable energy and contain no dioxins, no furans, no polluted water, no residuals and no ground pollution. There is next to no need for any dumping of waste into landfill, and all this is done with next to zero emissions.

Over the last two years, the Board has pursued a smart cities strategy as the entry point to waste conversion. The Company has consistently referred to waste conversion as an enormous opportunity for us. With this initial application of the BCF technology in Australia, fully supported by a world-leading engineering and construction company in Worley Limited, we have demonstrated the enormous value this strategy will have for our shareholders. This facility alone will generate revenue of approximately \$20,000,000 per year after operations commence, which we expect in mid to late 2021. This will be significantly greater than the current carrying value of Isity or the potential revenues from our Tag business. This will also provide our technological springboard back into China, and in particular the opportunity in Changchun.

Shareholders do have to recognise that the engineering and the investments to make this technology economically feasible are large, complex and extremely time-consuming. Just getting to where we are today has taken many months of discussions with engineering experts, technology vendors, financial advisers, government agencies at all levels, landowners, and other stakeholders. Projects of this intensity take time and effort to develop. The investments are enormous and can't be entered into without rigorous technical and financial scrutiny. Hence, with our technology partners and advisers, we took the time to ensure we would be able to create the best solution globally for waste conversion.

In addition to commencing the Pre FEED study, the Directors are pleased to announce that the Company has secured the option for a long-term lease, with extension provisions, on a site in Victoria, for the construction of our Commercial, Demonstration, and Research and Development Facility for the conversion of waste. The lease option allows Kollakorn Environmental Services (KES) to construct a Waste Conversion Facility on the land once we successfully complete our engineering Pre-

FEED Study, obtain a Planning Permit and EPA Works Approval, and complete a FEED Proposal, all of which will be commencing next week with our Technology partner Bio Carbon Fuels Pty Ltd (BCF) and Advisian.

Due to the commercial confidentiality involved in finalising the lease, the Company is unable to announce at this stage the location of the Kollakorn facility. An announcement will be made on the actual location shortly.

The Company would also like to announce that KES has entered into a collaborative arrangement with AgBioEn Pty Ltd (AgBioEn) to support Kollakorn as we develop our Kollakorn waste conversion facility. AgBioEn operates as a fully integrated renewable energy and fuels business, utilising world-class technology to deliver clean, low emission renewable energy and liquid fuels from biomass (organic agricultural waste material). AgbioEn is currently developing Australia's first large scale, fully integrated "renewable energy from biomass" in a separate location in Katunga, Victoria. The multi-million dollar facility will utilise world-class technology to deliver clean, low emission renewable energy and liquid fuels from biomass such as cereal straw.

The purpose of KES' collaboration with AgbioEn is to leverage the considerable experience and learnings they have gained from their project at Katunga, particularly in respect to the very stringent planning and permitting approval processes and to access, via a Feedstock Agreement, agricultural biomass to be mixed with our Municipal Solid Waste (MSW). The mixing of biomass with MSW is a core R&D activity to determine the highest energy content feedstock mix (MSW and other) and to maximise performance and yields from our energy conversion pyrolysis technology. In addition, KES can gain synergies provided by shared infrastructure (roads, storage, facilities, etc.), shared planning costs (licenses and permits), and product offtake agreements (where applicable).

Collaborating with AgbioEn at Kollakorn's new facility location provides enormous benefit to Kollakorn. This is a significant differentiator for the Company. Firstly, we share in the development costs of the infrastructure required to get the facility operational, including the significant effort and cost required to achieve the necessary permits and licenses to operate. This will provide KES with a significant

saving. Secondly, we will have direct access to a guaranteed supply of biomass that we intend to add to MSW as part of our R&D to maximise the performance and yield of our waste conversion technology. Thirdly we will have access to potential offtake agreements currently being developed by AgbioEn. Fourthly, and most importantly, we have access to the wealth of experience AgbioEn have gained as they develop their Katunga site. Developing Waste Conversion facilities is extremely complex. Leveraging the experience of others will be of enormous value to KES as we focus on MSW conversion.

I would like to update shareholders on an item reported last year. In November 2018 I reported that Kollakorn was, with BCF, entering into a Heads of Terms for securing the Australian and first right of refusal APAC rights to an 'at source' on-site waste conversion technology that stops the production of Municipal Solid Waste where it is created - in the home and office. This remains an interesting opportunity for Kollakorn, and we intend to further develop our relationship in 2020.

I do want to reiterate that the license we have with BCF, and the technology team we are bringing together, is for the processing of Municipal Solid Waste. While we will experiment with adding agricultural waste into our process to maximise energy yields, we are operating in the MSW industry, not the agricultural waste and bi-product industry.

Our objective is to maximise yields from MSW and associated waste streams to develop economically feasible renewable fuels, particularly the production of hydrogen. The Board believes there are significant opportunities in the emerging hydrogen production industry, and we will be undertaking significant R&D activity in this space. This will lead to our "in a box" solution where we intend to provide small waste conversion to energy units to small communities, campuses and clusters of buildings. With our R&D program advisers Ernst and Young, who have also supported our CertainID R&D activities, we will continue to manage our R&D activities throughout the planning, development, construction and operation of our new Total Recovery Facility.

CertainID:

This has also been a year for significant progress in our development of CertainID™.

CertainID is technology patented by Kollakorn Corporation Ltd that enables biometric authentication for individuals sending information over the internet, and other potential digital and peer to peer platforms while ensuring the security and privacy of the user's biometric signature.

As shareholders are aware, the Company engaged CSIRO's Data61, the digital and data science arm of Australia's national science agency to assist Kollakorn in developing a proof of concept and demonstration unit for CertainID™. The work undertaken by Data61 was co-funded through the CSIRO Kick-Start Program, which helps Australian start-ups and SMEs (small and medium-sized enterprises) access facilitation and dollar-matched funding to conduct research and development activities with CSIRO. I'd like to take this opportunity to describe in more detail what has been achieved over the last 12 months.

Internet security is based on passwords and multi-factor authentication (MFA - tokens, second device authentication, etc.). But how does the transaction know the password and the MFA verifying the transaction are you? How safe are your multiple passwords? How do you take ownership of your ID? The answer is to replace passwords and MFA with biometrics.

Conventional network-based biometric systems store the biometric templates online in databases to verify a user's identity. Existing network biometric solutions store and communicate biometric templates, a digital representation of unique biological features such as fingerprints, palm, palm veins, hand geometry, face, iris, retina, DNA and odour, and behavioural characteristics such as typing, gaits and voice. In Local biometric solutions, the biometric templates and data are stored on your device. The fundamental problem with these biometric templates is that their compromise causes permanent harm. This presents major privacy and security risks from hacking since biometric signatures (e.g. fingerprints, retina scans) are permanent and cannot be changed. The stolen biometric template can be used to claim the identity of the victim continually. These challenges make biometrics-based security solutions (e.g., authentication, confidentiality and digital signature)

risky for both users from whom these features are extracted and organisations which extract use. Once stolen or compromised, they can never be recovered.

From a usability point of view, remembering passwords and managing MFA is inconvenient and time consuming for individuals, and extremely expensive for organisations to manage.

CertainID is both a technology and a process flow that enables private data never to be sent over the public network, protecting sensitive individual information. It verifies you without storing your data on a device or network. There is no complex encryption. Your biometric cannot be stolen, hacked or fraudulently used. The individual is the password and the MFA - no need for passwords, dongles, or other identifiers - the biometric data is never stored.

Our work with CSIRO/Data61 confirmed that CertainID fills a significant gap by providing a safe method for biometrics-based security solutions. Kollakorn and Data61 have developed the CertainID demonstrator using a low-cost camera capable of reading iris from a comfortable distance (e.g., 40 cm). CertainID changes the way biometric features are used. Rather than directly storing and using biometric information in security applications, biometric information can be used to lock (e.g., encrypt) and unlock (e.g., decrypt) revokable security keys. CertainID uses biometric sensors which accept a seed value to generate a seeded biometric code. This seeded biometric code is used to lock a set of security keys which are used in security solutions, such as access control. If the device storing CertainID data is lost or compromised, no sensitive information associated with individuals can be hacked off the device, the user can revoke the security keys and change the seed to produce a different seeded biometric code from the same biometric features.

The development of CertainID continues between CSIRO's Data61 and Kollakorn. Our aim is to make it safer for users to supply their biometric information and for organisations to build user-friendly solutions composed of strong biometrics-based security. We added additional value to our solution by formally entering into a Collaboration Agreement with Infinity Optics Pte Ltd, a Singapore based wholly-owned subsidiary of an Australian Company, Global Bionic Optics Ltd, who develops advanced Biometric Cryptography and Biometric Solutions. Initially, Kollakorn engaged with Infinity Optics to leverage their Iris Scanning technology as the input technology for CertainID™. Using this technology, Data61 was able to develop a

robust product that wraps our biometric authentication technology with a brand new patented biometric depth of field Iris/face-scanning technology. We have progressed that relationship to a formal Collaboration Agreement to develop the capability of CertainID further and to bring the product to the market.

CertainID requires a biometric input - retina, facial, finger scan etc. The underpinning biometric input algorithm solution is Infinity's Quantum Crypt (TM) technology which provides a unique biometric key management system that identifies the person without storing any biometric information. The technology platform enables most physiological biometric inputs (e.g. fingerprint scanner) to generate a unique code dynamically when scanning your biometrics. The matching code generated and stored is revocable at any time. Traditionally, all this was not possible. This technology can be used with iris scanning, fingerprint scanning, facial scanning and any other form of biometric input, and with CertainID provides an end-to-end solution resolving many pain points related to Privacy Protection and Cloud-Based Digital ID solutions and provides a secure enclave on how personal data is managed and stored.

CertainID is applicable to any internet activity that requires secure, reliable identification of a person, rather than just a device. Examples of applications include:

- Biometric authentication of the sender and recipient of sensitive or classified information;
- Biometric authorisation of any financial transactions, either web-based or in-store;
- Ensuring the privacy and security of online personal records such as student records, medical records, and government records;
- Ensuring the privacy and security of contractual documents;
- Securely identifying participants on social networking sites;
- Protection against identity theft;
- Thwarting internet predators
- Secure facility access management.

The next stage in our development is to bring CertainID to a higher Technology Readiness Level (TRL) to allow commercialisation in financial transactions, records

management, building access control, facilities management, and other device and network-based transactions. TRL is a global standard that estimates a technologies maturity (on a scale of 1 to 9). Our first project with CSIRO/Data61 took the product to TLR 4. For our next stage of development, we will again team with Data61, and Infinity Optics take the product to TLR 8, which is a product completed and qualified through verification, testing and demonstration. This will allow commercialisation in financial transactions, records management, building access control, facilities management, and other device and network-based transactions. We have applied to be part of a project being undertaken by AustCyber, the Australian Cyber Security Growth Network, part of the Federal Governments cybersecurity strategy. Irrespective of if we are successfully accepted into the AustCyber project, we expect to continue our development and be completed by Q1 of 2021, with commercialisation occurring immediately afterwards.

The benefits of CertainID are many:

- Biometric information is secured, cannot be hacked, compromised or fraudulently used;
- Fully Scalable solution;
- The solution ensures technical simplicity;
- Reliability;
- Ensures Privacy is maintained;
- Significant reduction in network support costs;
- Measurable increase in user experience satisfaction.

It is important to remember that, as with Waste Conversion, the development of Certain ID is not simple. It is a complex technical solution requiring the expertise of scientists and technologists to develop. We are extremely privileged to be working with such talent from Data61 and infinity Optics.

Please note the Company will be releasing the CertainID Project Report, developed by Data61, on our website in the next few days. To quote Data61:

“CertainID ensures that individuals’ mass biometric data is not lost/compromised, and no sensitive information associated with individuals can be hacked off the

device if the device storing CertainID data is lost or compromised. CertainID fills a significant gap by providing a safe method for biometric-based security solutions.”

Break on Removal Tags:

For most of 2019 there has been little movement in the performance of our Tamper Evident, Break on Removal Tag RFID business. We continue to make small sales of tags to specific projects and buyers, specifically in the USA.

As shareholders are aware, the Company has consistently battled with breaches and suspected breaches of our patents. Our IP is critical to our company, and we continue to protect our patents in the marketplace vigorously. 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, whilst also deleting our ownership of patents that are no longer relevant or viable in order to minimise costs.

The single biggest issue impacting the protection of our IP is the prohibitive costs of legal action, particularly in the USA. Kollakorn is simply unable to finance any significant legal action. We have had a constant diminution of our tag royalties over the last number of years. However, this year we have larger sales in the USA. On 30 June 2017, 3M Company transferred their license of Kollakorn's' Break on Removal Tag Neology, Inc, as part of the acquisition of 3M's tolling and licence plate recognition business. As of that date, no further royalties have been received by Kollakorn, despite our belief that sales have continued in the USA. After more than 12 months of attempts to contact Neology, early this year we formally notified them that we considered that they were fundamentally in breach of the Licence. We received no reply, and as a result, we have free and unrestricted right to manage the Patent Rights in any way that we consider appropriate.

With regards to ongoing tag opportunities, we have commented previously that we do not foresee Argentina and West Africa moving forward in the foreseeable future.

In Malaysia, progress over the year has been slow but is moving forward. Meetings between our partner and the Government of Malaysia have continued. Our partner is confident that a pilot project should commence in early 2020 and that a full rollout should occur from mid-2020. The Directors are very aware that shareholders have

heard this many times before. In the last month, I travelled to Malaysia to meet with our partner, where we agreed in principle, the terms of any sale of tags once our partner has received confirmation from the Malaysian Government.

At the same time that Malaysia again gained traction, we were informed that the Government of Myanmar had chosen their technical consultant for the development of a tender process for the rollout of a tagging solution for the country. This has been a delay of more than 12 months. We have reengaged with our Myanmar partner and with Kollakorn Co.Ltd (Kollakorn Thailand) and will be continuing to support the development of our solution to the Government throughout 2020. We don't expect any significant developments until the second half of 2020.

We do expect that there should be a resurgence of interest in Thailand once the Border and general Registration Projects in Malaysia and Myanmar are announced. Again, we are unable to put a timeframe on this.

The Board would like to emphasise that our main focus is on Waste Conversion and the Development of CertainID, as we believe revenues from these combined activities will deliver the most value to shareholders.

Be that as it may, the Board will always ensure the best interests of Shareholders are maintained, which includes extracting the largest possible financial benefit from our tag patents. To this end, the Board thanks Richard Sealy for his continued support for the projects in Malaysia and Myanmar.

General Comments

We continue to operate under difficult trading circumstances whilst we progress our strategy. We did raise a small amount of working capital during the last few months to support our efforts. We were also successful in receiving R&D grants as part of the work we have undertaken to develop CertainID and the capability of our BCF technology to manage Australian waste streams and also produce hydrogen. We are again preparing for another round of R&D funding to finalise our work on CertainID and to make our Waste Conversion strategy market-ready.

The Company has also received feedback, and I thank those shareholders who do positively provide feedback in the best interests of the company, that the company has not been proactive in providing market updates. The Board discusses what

information can be provided to the market on a regular basis. We provide announcements to the market that are deemed material and we continue to work with the ASX and follow their advice and direction.

Concluding Remarks:

2019 has been the year where we made significant progress on Waste Conversion and CertainID. We continued to develop relationships and gain access to new technologies, technical capability, and partnerships that will increase the value of our Company by establishing a broader base of business opportunities. Our projects require focus, dedication, and particularly the relationships that we have developed through the efforts of the Directors and the Management Team.

The key events of the year have been:

- Completion of the CertainID project with CSIRO/Data61;
- Expanded relationships with Infinity Optics and CSIRO/Data61, including further development of CertainID;
- Commencement of our first Waste Conversion project with the support of BCF and Advisian;
- Signing of a Heads of Agreement for the lease of land for our first Waste Conversion facility;
- Encouraging developments in both Malaysia and Myanmar for our tags.

Last year I finished my report by saying 2019 will be the hardest year of effort undertaken by the Company with the greatest opportunity for real, tangible results. One day short of the anniversary of that statement, I can say that it was true and that I continue to be very excited about what we will now achieve in 2020.