

## ASX Announcement

30 March 2015

### Non-Renounceable Rights Issue

The Directors' of Kollakorn Corporation Limited (ASX: **KKL**) advise that the Company will make a non-renounceable pro-rata offer of new shares to shareholders at an issue price of \$0.007 each, on the basis of 1 New Share for every 10 Shares held. If fully subscribed, this will raise \$620,453 before costs and expenses. There is also an opportunity for shareholders to apply for additional shares in excess of their entitlement under the Shortfall Offer.

The Offer Memorandum is **attached** to this announcement and gives a very full review and update of the activities of Kollakorn.

The Chairman, Riad Tayeh said in his letter to shareholders that the last time that the shareholders were asked as a whole to support Kollakorn financially, was the rights issue in July 2012, nearly 3 years ago and that up until now, the directors have solved the financial issues of Kollakorn by other means.

As a result, the directors have significantly improved the balance sheet and the business of Kollakorn without before now resorting to a rights issue, the most significant improvement being the recent settlement with La Jolla Cove Investments Inc. and the reduction of over \$700,000 in liabilities of the Company.

The funds raised from this Rights Issue will be used to provide a modest financial buffer in order to be able to meet operational expenses prior to the major projects, becoming revenue producing and the Company becoming financially self-sustaining.

The timetable for the issue is as follows:

EVENT	DATE
Announcement of Entitlement Offer and ASX Appendix 3B, section 708AA(2)(f) notice with ASX and Offer Document lodged with ASX	30 March 2015
Notice sent to Eligible Shareholders	31 March 2015
Shares quoted on an "ex-Entitlement" basis	1 April 2015
Record date for determining entitlements of Eligible Shareholders under the Entitlement Offer	7 April 2015
Entitlement Offer letter and Entitlement and Acceptance Forms dispatched to Shareholders	9 April 2015
Opening date	9 April 2015
Closing Date for acceptances under the Entitlement Offer	21 April 2015
Expected commencement of trading on a deferred settlement basis of New Shares on ASX	22 April 2015
ASX notified of under subscriptions	24 April 2015
New Shares are issued, Shareholder holding statements dispatched and deferred settlement trading ends	28 April 2015
Normal trading of New Shares commences	29 April 2015

Each of the Directors has advised that they will take up their personal entitlement in the Rights Offer and we look forward to your continued support of Kollakorn.

The Entitlement Issue is being made without a disclosure document in accordance with an exception granted in section 708AA of the Corporations Act 2001. Kollakorn will send the Entitlement Offer Document to Shareholders on 9 April as set out in the timetable.

### **Excluded Information**

Kollakorn advises that, as at the date of this notice there is no information:

- (a) That has been excluded from a continuous disclosure notice in accordance with ASX Listing Rules; and
- (b) That investors and their professional advisors would reasonably require for the purpose of making an informed assessment of:
  - i. The assets and liabilities, financial position and performance, profit and loss and prospects of the Company; or
  - ii. The rights and liabilities attaching to the shares.

### **Cleansing Notice**

In accordance with Clause 708AA (7) of the Corporations Act, Kollakorn provides notice of the following:

- 1. Kollakorn will Offer the New Shares for issue without disclosure to investors under Part 6D.2 of the Corporations Act;
- 2. Kollakorn is providing this Notice under section 708AA2(f) of the Corporations Act.
- 3. As at the date of this Notice, Kollakorn has complied with:
  - a. The provisions of Chapter 2M of the Corporations Act as they apply to Kollakorn; and
  - b. Section 674 of the Corporations Act.
- 4. As at the date of this Notice there is no information:
  - a. That has been excluded from a continuous disclosure notice in accordance with ASX Listing Rules; and
  - b. That investors and their professional advisors would reasonably require for the purpose of making an informed assessment of:
    - i. The assets and liabilities, financial position and performance, profit and loss and prospects of the Company; or

- ii. The rights and liabilities attaching to the shares.
- 5. If all Shareholders take up their Entitlements under the Entitlement Issue there will be no effect on the control of Kollakorn. However, the proportional shareholdings of shareholders who are not residents of Australia or New Zealand may be diluted as those Shareholders are not permitted to participate in the Entitlement Issue. Additionally, if eligible Shareholders do not take up their Entitlements in full, there may be a dilutionary effect on those Shareholders' proportionate shareholding.

**R M Sealy**  
**Managing Director**  
**Phone: +66 820 602 117**

# KOLLAKORN CORPORATION LIMITED

ACN 003 218 862



## OFFER MEMORANDUM

30 March 2015

For a non-renounceable pro-rata offer of New Shares at an issue price of \$0.007 each on the basis of 1 New Share for every 10 Shares held on the Record Date plus an invitation to apply for Additional Shares to raise approximately \$620,453 before costs and expenses.

This Offer closes at 5:00pm (AEST) on 21 April 2015. Valid acceptances must be received before that time.

### THIS IS AN IMPORTANT DOCUMENT

*If you do not understand this document, or are in doubt as to how to act, you should consult your financial or other professional adviser. An investment in Kollakorn Corporation Limited is speculative.*

## IMPORTANT INFORMATION

### Offer Memorandum

This Offer Memorandum is dated 30 March 2015. This Offer Memorandum was prepared and issued by Kollakorn Corporation Limited (“Kollakorn” or “Company”).

In the event that valid applications are not received for all New Shares under this Offer, Kollakorn and the Directors’ reserve the right to place the Shortfall in accordance with the Shortfall Offer and subsequently at the discretion of the Directors of Kollakorn.

### Not a Prospectus

This Offer Memorandum is not a prospectus and does not contain all the information that an investor would find in a prospectus or which may be required by an investor in order to make an informed investment decision regarding, or about the rights attaching to, New Shares. It has not, and will not be lodged with ASIC. ASIC and its officers take no responsibility for the content of this Offer Memorandum or the merits of the investment to which this Offer relates.

Nevertheless, this Offer Memorandum contains important information and requires your immediate attention. It should be read in its entirety. If you are in any doubt as to how to deal with this Offer Memorandum, you should consult your professional adviser as soon as possible. An investment in Kollakorn is speculative.

### Publicly Available Information

Information about Kollakorn is publicly available and can be obtained from ASIC and ASX (including ASX’s website [www.asx.com.au](http://www.asx.com.au) under the code “KKL”). The contents of any website or ASIC or ASX filing by Kollakorn are not incorporated into this Offer Memorandum and do not constitute part of the Offer. This Offer Memorandum is intended to be read in conjunction with the publicly available information in relation to Kollakorn which has been notified to ASX. Investors should therefore have regard to other publicly available information in relation to Kollakorn before making a decision whether or not to invest in New Shares or Kollakorn.

No person is authorised to give any information or make any representation in connection with the Offer which is not contained in this Offer Memorandum. Any such extraneous information or representation may not be relied upon.

### Professional advice

The information in this Offer Memorandum is not financial product advice and does not take into account your investment objectives, financial situation or particular needs. It is important that you read this Offer Document in its entirety before deciding whether to take up your Entitlement to New Shares. In particular, you should consider the risk factors that could affect the performance of Kollakorn, some of which are outlined in section 4.1. You should carefully consider these factors in light of your personal circumstances (including financial and taxation issues) and seek professional guidance before deciding whether to take up your Entitlement. If you have any questions you should seek professional advice from your legal, investment or other professional adviser.

### Forward-Looking Statements

This Offer Memorandum includes forward-looking statements that have been based on current expectations about future acts, events and circumstances. These forward-looking statements are, however, subject to risks, uncertainties and assumptions that could cause those acts, events and circumstances to differ materially from the expectations described in such forward-looking statements.

## Accepting the Offer

Applications for New Shares by Eligible Shareholders may only be made on an original Entitlement and Acceptance Form, accompanying this Offer Memorandum. The Entitlement and Acceptance Form sets out the Entitlement of an Eligible Shareholder to participate in the Offer. Please read the instructions in this Offer Memorandum and on the accompanying Entitlement and Acceptance Form regarding the acceptance of your Entitlement.

By returning an Entitlement and Acceptance Form or lodging an Entitlement and Acceptance Form with your share broker or otherwise arranging for payment for your New Shares in accordance with the instructions on the Entitlement and Acceptance Form, you acknowledge that you have received and read this Offer Memorandum, you have acted in accordance with the terms of the Offer detailed in this Offer Memorandum and you agree to all of the terms and conditions as detailed in this Offer Memorandum.

## International Offer Restrictions

The distribution of this Offer Memorandum in jurisdictions outside Australia or New Zealand may be restricted by law and persons who come into possession of this Offer Memorandum outside Australia or New Zealand should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws.

This Offer Memorandum does not constitute an offer or invitation in any place outside Australia or New Zealand where, or to any person to whom, it would be unlawful to make such an offer or invitation. No action has been taken to register or qualify the New Shares or to otherwise permit an offering of the New Shares outside Australia or New Zealand.

- **Malaysia**

This document may not be distributed or made available in Malaysia. No approval from the Securities Commission of Malaysia has been or will be obtained in relation to any offer of Rights or New Shares. The Rights and the New Shares may not be offered or made available for purchase in Malaysia except in an exemption from the prospectus and approval requirements of Securities Commission of Malaysia.

This document has been given to you on the basis that you are an existing holder of the Company's shares. In the event that you are not such a shareholder, please return this document immediately. You may not forward or circulate this document to any other person in Malaysia.

- **Singapore**

This document and any other materials relating to the Rights and the New Shares have not been, and will not be, lodged or registered as a prospectus in Singapore with the Monetary Authority of Singapore. Accordingly, this document and any other document or materials in connection with the offer or sale, or invitation for subscription or purchase, of Rights or New Shares may not be issued, circulated or distributed, nor may these securities be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore except pursuant to and in accordance with exemptions in Subdivision (4) Division 1, Part XIII of the Securities and Futures Act, Chapter 289 of Singapore (the "SFA"), or as otherwise pursuant to, and in accordance with the conditions of any other applicable provisions of the SFA.

This document has been given to you on the basis that you are an existing holder of the Company's shares. In the event that you are not such a shareholder, please return this document immediately. You may not forward or circulate this document to any other person in Singapore.

Any offer is not made to you with a view to the Rights or the New Shares being subsequently offered for sale to any other party. There are on-sale restrictions in Singapore that may be applicable to investors who acquire Rights or New Shares. As such, investors are advised to acquaint themselves with the SFA provisions relating to resale restrictions in Singapore and comply accordingly.

- **Thailand**

This document is not intended to be an offer, sale or invitation for subscription or purchase of securities in Thailand. This document has not been registered as a prospectus with the Office of the Securities and Exchange Commission of Thailand. Accordingly, this document and any other documents and material in connection with the offer, sale or invitation for subscription or purchase, of the shares may not be circulated or distributed, nor may the shares be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to the public or any members of the public in Thailand.

This document has been given to you on the basis that you are an existing holder of the Company's shares. In the event that you are not such a shareholder, please return this document immediately. You may not forward or circulate this document to any other person in Thailand.

- **United States**

This document may not be released or distributed in the United States. This document does not constitute an offer to sell, or a solicitation of an offer to buy, securities in the United States. Any securities described in this document have not been, and will not be, registered under the US Securities Act of 1933 and may not be offered or sold in the United States except in transactions exempt from, or not subject to, registration under the US Securities Act and applicable US state securities laws.

### **No Guarantee**

Neither Kollakorn or its Directors, nor any other party makes any representation or gives any guarantee or assurance:

- (a) As to the performance or success of Kollakorn;
- (b) The rate of income or capital growth from Kollakorn; or
- (c) That there will be no capital loss or particular taxation consequence of investing in Kollakorn.

An investment in Kollakorn does not represent a deposit or any other type of liability of the above parties. An investment in Kollakorn is subject to investment risk. These risks are discussed in section 4.1.

Investors should note that the past Share price performance of Kollakorn provides no guidance as to its future Share price performance.

### **No Representations Other than in this Offer Memorandum**

No person is authorised to give any information or make any representation in connection with the Offer which is not contained in this Offer Memorandum. Any information or representation not contained in this Offer Memorandum may not be relied on as having been authorised by Kollakorn.

### **Future Performance**

Except as required by law, and only to the extent so required, neither Kollakorn nor its Directors and officers warrant or guarantee the future performance of Kollakorn or any return on any investment made pursuant to this Retail Entitlement Offer.

**Defined Terms**

Capitalised terms and certain other terms used in this Offer Memorandum are defined in the Glossary of defined terms in Section 7.

**Currency**

All references in this Offer Memorandum to "\$" or "dollars" are references to Australian currency unless otherwise indicated.

**Reference to Time**

All references in this Offer Memorandum to time relate to the time in Sydney, New South Wales Australia.



## LETTER FROM THE CHAIRMAN

30 March 2015

Dear Shareholder

It has been a long time since the directors have made a rights issue to shareholders. In fact the last time that the shareholders were asked as a whole to support Kollakorn financially, was in July 2012, nearly 3 years ago.

Up until now, the directors have resolved the financial issues of Kollakorn by other means. This has been achieved by restructuring, cutting operational expenses to a bare minimum, using other financial instruments to finance the activities and remaining focused on our main activity - RFID. As a result, the directors have significantly improved the balance sheet and business of Kollakorn, the most significant improvement being the settlement with La Jolla Cove Investments Inc. and the reduction of over \$700,000 in liabilities of the Company.

Operationally and financially, the directors have found this strategy very difficult to execute, however we believe the result has been worthwhile leaving our powder dry to call upon shareholders only when their assistance is vital to ensure the final transition of Kollakorn to self-sustainability.

The most recent announcement by the Thailand Government for the installation of RFID tags on all vehicles in the 5 Southern Provinces of Thailand could be a great boost to Kollakorn as when this is implemented it could mean increased revenues to Kollakorn and may pave the way for the implementation of an RFID tag on every vehicle in Thailand.

In addition to the Thailand project and other projects in Dominican Republic and Israel, there is also a very positive development for a significant project in Malaysia. This, coupled with the increased revenues from our channel partners 3M and StarRFID, should mean that Kollakorn will shortly be financially self-sustaining. A very full review and update of our activities has been provided in section 4 and the accompanying schedules.

At this time, before the major projects become revenue producing, there is a requirement for a modest financial buffer in order to be able to meet the cost of operational expenses on a monthly basis. Currently, Kollakorn is reliant on royalty payments which are paid quarterly.

The Rights Offer (attached) is a non-renounceable pro-rata rights issue to Eligible Shareholders on the basis of 1 New Share for every 10 Shares held on the Record Date, at a price of \$0.007 per New Share. If fully subscribed, this Offer will raise approximately \$620,453 before costs and expenses of the Offer. There is also an opportunity for Eligible Shareholders to apply for Additional Shares in excess of their Entitlement under the Shortfall Offer.

We encourage you to read all the information in this Offer Memorandum and if you have any questions, please consult your financial or other professional adviser.

Each of the Directors has advised that they will take up their personal entitlement in the Rights Offer and we look forward to your continued support of Kollakorn.

Yours sincerely



Riad Tayeh  
Chairman

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## 1. DETAILS OF THE OFFER

### 1.1 The Offer

Kollakorn is making a non-renounceable pro-rata offer of fully paid ordinary shares in the capital of Kollakorn (**Shares**) to Eligible Shareholders. Eligible Shareholders will be entitled to apply for 1 New Share for every 10 Shares held on the Record Date at an issue price of \$0.007 per New Share.

There is also an opportunity for Eligible Shareholders to apply for Additional Shares in excess of their Entitlement under the Shortfall Offer.

The issue price represents a 15% discount to the volume weighted average price of Kollakorn's Shares on the ASX over the 30 ASX trading days prior to 30 March 2015 when Kollakorn announced this Offer.

The issue price of \$0.007 cents per share is payable in full on application. If this placement is fully subscribed, New Shares will be issued under the Offer, raising approximately \$620,453 before costs and expenses (refer 2.1). The Offer is not underwritten.

The number of New Shares to which you are entitled is shown on the Entitlement and Acceptance Form which accompanies this Offer Memorandum. Where the determination of the Entitlement of any Eligible Shareholder results in a fraction of a New Share, such fraction will be rounded up to the nearest whole New Share.

Kollakorn option holders and convertible note holders also have an opportunity to participate in the Offer, provided that they elect to exercise their options and/or convertible notes and become the registered holders of the Shares in respect of the exercised options and/or convertible notes by 5.00pm (AEST) on the Record Date.

New Shares will be fully paid and will rank equally in all respects with Kollakorn's existing issued Shares, including as to dividends and voting rights.

This Offer Memorandum is issued pursuant to section 708AA of the Corporations Act for the offer of New Shares without disclosure to investors (e.g. a prospectus) under Part 6D.2 of the Corporations Act. This Offer Memorandum was lodged with the ASX on 30 March 2015. ASX takes no responsibility for the content of this Offer Memorandum.

### 1.2 Entitlement and Eligibility

Each Eligible Shareholder who is registered as the holder of Shares at 5:00pm (AEST) on the Record Date is entitled to participate in the Offer. The number of New Shares able to be applied for under your Entitlement is shown on your Entitlement and Acceptance Form accompanying this Offer Memorandum.

You may accept all or only part of your Entitlement. You may also apply for Additional Shares under the Shortfall Offer - see Section 1.4 of this Offer Memorandum.

If you decide not to accept all or part of your Entitlement or fail to do so by the Closing Date, your Rights to participate in the Offer will lapse and any New Shares not taken up by you will form part of the Shortfall and may be used to fill over subscriptions or placed by the Directors at their discretion. As a result, Shareholders who do not take up all of their Entitlement will have their percentage shareholding in Kollakorn diluted.

Kollakorn reserves the right (in its sole discretion) to:

- Reject any application that it believes comes from a person who is not an Eligible Shareholder or valid transferee of Rights; and

- Reduce the number of New Shares allocated to Eligible Shareholders or persons claiming to be Eligible Shareholders, if their claim to be entitled to participate in the Offer proves to be false, exaggerated or unsubstantiated.

Kollakorn reserves the right not to proceed with the whole or any part of the Offer at any time prior to the allotment of New Shares. In that event, relevant Application Moneys will be refunded without interest.

### 1.3 Timetable

EVENT	DATE
Announcement of Entitlement Offer and ASX Appendix 3B, section 708AA(2)(f) notice with ASX and Offer Document lodged with ASX	Monday 30 March 2015
Notice sent to Eligible Shareholders	Tuesday 31 March 2015
Shares quoted on an “ex-Entitlement” basis	Wednesday 1 April 2015
Record date for determining entitlements of Eligible Shareholders under the Entitlement Offer	Tuesday 7 April 2015
Entitlement Offer letter and Entitlement and Acceptance Forms dispatched to Shareholders	Thursday 9 April 2015
Opening date	Thursday 9 April 2015
Closing Date for acceptances under the Entitlement Offer	Tuesday 21 April 2015
Expected commencement of trading on a deferred settlement basis of New Shares on ASX	Wednesday 22 April 2015
ASX notified of under subscriptions	Friday 24 April 2015
New Shares are issued, Shareholder holding statements dispatched and deferred settlement trading ends	Tuesday 28 April 2015
Normal trading of New Shares commences	Wednesday 29 April 2015

The timetable above is indicative only and subject to change. Subject to the Corporations Act and the Listing Rules, Kollakorn reserves the right to vary the dates in connection with the Offer, including the Offer closing date, without prior notice. This may include extending the Offer or accepting late acceptances, either generally or in particular cases.

### 1.4 Shortfall Offer

Eligible Shareholders may also apply for more than their Entitlement, such Additional Shares to be issued from any Shortfall under this Offer. To apply for Additional Shares an Eligible Shareholder should complete the ‘Additional Shares’ section on the Entitlement and Acceptance Form.

Kollakorn’s directors’ in their sole discretion, reserve the right to scale back or reduce to zero the number of Additional Shares to be issued to any Eligible Shareholder. Additional Shares will not be issued to Eligible Shareholders where to do so would involve a breach of the Listing Rules or any applicable law.

It is a term of the Offer that Applicants are bound to accept a lesser number of Additional Shares allotted to them than applied for, and Applicants shall be bound to accept a refund of Application Moneys in respect of the number of Additional Shares for which they applied but were not issued. No interest will be paid on any money refunded to Applicants in these circumstances.

### 1.5 Non-Renounceable Offer

The Offer is non-renounceable. This means that if you are an Eligible Shareholder and do not subscribe for some or all of your Rights you may not sell those Rights on the ASX and any Rights for which you do not subscribe will lapse on the closing date of the Issue.

## 1.6 Entitlement and Acceptance Form

Acceptance of a completed Entitlement and Acceptance Form by Kollakorn creates a legally binding contract between the Applicant and Kollakorn for the number of New Shares accepted by Kollakorn. The Entitlement and Acceptance Form does not need to be signed to be a binding acceptance of New Shares.

If the Entitlement and Acceptance Form is not completed correctly it may still be treated by Kollakorn as valid. Kollakorn's decision as to whether to treat the acceptance as valid and how to construe, amend or complete the Entitlement and Acceptance Form is final.

## 1.7 Issue of New Shares and Despatch of Holding Statements

New Shares offered by this Offer Memorandum are expected to be issued, and holding statements despatched, on the date specified in the timetable in section 1.3 of this Offer Memorandum. No issue of New Shares will be made until ASX grants permission for quotation of the New Shares.

It is the responsibility of Applicants to determine their allocation prior to trading in the New Shares. The sale by the Applicant of New Shares prior to the receipt of a holding statement is at the Applicant's own risk. Eligible Shareholders who wish to trade New Shares obtained under the Offer should contact Kollakorn's Share Registry to ascertain their allocation before trading.

## 1.8 Use of Proceeds of the Offer

It is the view of the Directors that between 33% and 50% of the maximum amount of \$620,453 will be raised through this Rights Offer. If the Rights Offer closes and is not fully subscribed the Shortfall will be used in the first instance, to satisfy oversubscriptions and then be available for placement by the directors.

Set out below, is a table illustrating the amount available to Kollakorn to fund general operating expenses based on various levels of subscription:

AUD*	33% Subscribed	50% Subscribed	Fully Subscribed
Cash on hand as per Balance Sheet (based on 28 February 2015 Management Accounts)	18,080	18,080	18,080
Amounts subscribed from Offer	206,818	310,227	620,453
Costs of the offer	(15,000)	(15,000)	(15,000)
Available for General Operating Costs	209,898	313,307	623,533

## 1.9 ASX Announcements

Kollakorn is listed on the ASX and is subject to regular reporting and disclosure obligations under the Corporations Act and the Listing Rules. These obligations require Kollakorn to notify ASX of information about specific events and matters as they arise as well as the lodgment of yearly and half-yearly financial statements, audit or review reports and quarterly reports.

Shareholders are encouraged to refer to Kollakorn's website and the ASX website to ensure they are kept fully informed.

Kollakorn has recently lodged a number of announcements with ASX including:

22/12/2014	Issue of 28,571 428 ordinary shares at \$0.007 (\$200,000) by way of placement to a new investor and the reduction of \$770,000 outstanding debt to la Jolla Cove Investments Inc. Issue to Richard Sealy (subject to shareholders approval) of 28,571,428 ordinary shares at 0.007 reducing the amount owed by the Company to him of \$488,528.76 by \$200,000.
20/01/2015	Grant of international patent rights for CertainID™ in China and USA.
06/02/2015	Resignation of the Chairman, Sevag Chalabian and the appointment of Riad Tayeh as Chairman in his place. Appointment of Richard Sealy as CEO following his retirement as Managing Director on 31 March 2015.
13/02/2015	Appointment of Charles Hunting as a non-executive director.
24/02/2015	Receipt of a further order of BOR tags from Israel for the 2 <sup>nd</sup> phase of the trial of the Israel project.
27/02/2015	Half Yearly Report (31 December 2014) and Financial Statements
02/03/2015	Thailand Government announces the use of RFID in the 5 southern Provinces of Thailand in order to curb terrorism.

These and all other announcements are available for inspection at ASX and may be viewed on the ASX website at [www.asx.com.au](http://www.asx.com.au) under the ASX code KKL or on Kollakorn's website at [www.kollakorn.com](http://www.kollakorn.com).

#### 1.10 Underwriting

The Offer is not underwritten.

#### 1.11 ASX Quotation

Kollakorn will apply for official quotation of the New Shares on ASX. Subject to approval, it is expected that normal trading of New Shares issued under the Offer will commence on 29 April 2015.

#### 1.12 Brokerage

No Eligible Shareholder will pay brokerage as a subscriber for New Shares under the Offer.

#### 1.13 Application Moneys

Application Moneys will be held in a trust account until the New Shares are issued to Eligible Shareholders. Any interest earned on Application Moneys will be for the benefit of, and remains the sole property of, Kollakorn and will be retained by Kollakorn whether or not the issue of New Shares takes place.

Applications and payments made under the Offer may not be withdrawn once they have been received by Kollakorn.

#### 1.14 Eligible and Excluded Shareholders

On Offer is made only to Eligible Shareholders with a registered address in Australia, New Zealand, Malaysia or Singapore or such other place in which or to any person to whom it would be lawful to make such an offer.

Kollakorn is of the view that it is unreasonable to make the offer to other overseas Shareholders (**Excluded Shareholders**) having regard to:

- The number of Excluded Shareholders;
- The number and value of New Shares to be offered to Excluded Shareholders; and
- The cost of complying with overseas legal requirements.

The Offer does not constitute an offer in any place in which, or to any person to whom, it would not be lawful to make such an offer. Kollakorn is not required to make such offers under this Offer to Excluded Shareholders. Where this Offer has not been dispatched to Shareholders domiciled outside Australia, New Zealand, Malaysia and Singapore and where the country's securities codes and/or legislation prohibits or restricts in any way the making of the offers contemplated by this Offer, This Offer is provided for information purposes only.

Any Eligible Shareholders holding Shares on behalf of persons who are resident elsewhere are responsible for ensuring that taking up the Entitlements under the Offer, participating in the Offer and dealing with New Shares issued under the Offer do not breach the laws and regulations in the relevant overseas jurisdiction, and should seek independent professional advice and observe any applicable restrictions relating to the exercise of Entitlements or the distribution of this Offer Memorandum including the Entitlement and Acceptance Form. Return of a completed Entitlement and Acceptance Form will be taken by Kollakorn to constitute a representation that there has been no breach of any such laws or regulations.

The Offer contained in this Offer Memorandum to Shareholders with a registered address in New Zealand is made in reliance on the Securities Act (Overseas Companies) Exemption Notice 2001 (New Zealand). Members of the public in New Zealand who are not Shareholders on the Record Date are not entitled to apply for New Shares

The distribution of this Offer Memorandum and the Entitlement and Acceptance Form (including electronic copies) outside Australia or New Zealand may be restricted by law. If you come into possession of these documents, you should observe such restrictions and should seek your own advice about such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws.



## 2. IMPACT OF THE OFFER ON KOLLAKORN AND THE CONTROL OF KOLLAKORN

### 2.1 Current Issued Capital

At the date of this Offer Memorandum, Kollakorn has 886,361,514 Shares on issue. There are commitments subject to Shareholder's approval at an EGM, to issue a further 40,627,428 Shares which would bring the total number of Shares on issue to 926,988,942 Shares.

### 2.2 Options on Issue

Kollakorn currently has the following Options on issue:

Classes of Options	Expiring	Exercise Price	Number
Unlisted Options (CN Holders)	7/3/2016	\$0.04	12,000,000
Unlisted Options (CN Holders)	28/5/2016	16,000,000 options may be exercised on 28/5/2015 @ \$0.03 and if not exercised then they may be exercised on 28/5/2016 @ \$0.04	12,000,000
Unlisted Options (CN Holders)	3/9/2016	34,000,000 options may be exercised on 3/9/2015 @ \$0.03 and if not exercised then they may be exercised on 3/9/2016 @ \$0.04	51,000,000
Unlisted Options (CN Holders)	5/12/2016	22,000,000 options may be exercised on 5/12/2015 @ \$0.03 and if not exercised then they may be exercised on 5/12/2016 @ \$0.04	33,000,000
Unlisted Options R M Sealy	14/08/2015	\$0.075	5,000,000
Unlisted Options R M Sealy	5/12/2016	\$0.075	5,000,000
Total Issued Options			118,000,000

No new Options will be issued under this Offer. It is also unlikely that any of these Options will be exercised prior to the closure of the Rights Offer given that the exercise price of these Options exceeds the current market price for Shares.

### 2.3 Convertible Notes on Issue

Classes of Convertible Notes	Repayment	Face Value	Number
Unlisted Convertible Notes Face Value \$100,000	7/3/2016	\$400,000	4
Unlisted Convertible Notes Face Value \$25,000	3/9/2016	\$600,000	24
Unlisted Convertible Notes Face Value \$100,000	5/11/2016	\$100,000	1
Total Issued Convertible Notes		\$1,100,000	29

No new Convertible Notes will be issued under this Offer.

## 2.4 Fully Diluted Capital after Completion of the Offer

Based on Kollakorn's issued securities as at the date of this Offer Memorandum, the fully diluted share capital of Kollakorn following completion of this Offer (at various levels of subscription) assuming that no holders of Options on issue as at the date of this Offer exercises those Options prior to the Record Date would, at various levels of subscription (actual numbers may differ due to rounding), be as follows:

	33% Subscribed		50% Subscribed		Fully Subscribed	
Securities	Number	%	Number	%	Number	%
Existing Shares	886,361,514	92.7%	886,361,514	91.2%	886,361,514	87.2%
New Shares Subject to AGM	40,627,428	4.3%	40,627,428	4.2%	40,627,428	4.0%
New Shares issued under Offer	29,214,015	3.1%	44,263,658	4.6%	88,527,317	8.7%
	953,614,610		968,664,253		1,012,927,912	

If you do not take up your Entitlement under the Offer, your percentage shareholding in Kollakorn will be diluted.

## 2.5 Effect on the Control of Kollakorn

If all Eligible Shareholders (as assumed in 0 above) take up in full their Entitlements to New Shares, then 88,636,151 New Shares (plus additional New Shares to cover entitlements resulting from the rounding up of fractional entitlements) will be issued by Kollakorn.

If any Eligible Shareholders do not take up in full their Entitlements to New Shares, then the proportional shareholding interest in Kollakorn of those Eligible Shareholders will be diluted.

Kollakorn Thailand, the largest single shareholder and which is entitled to 10.14% of the issue has advised Kollakorn that it cannot participate in the Offer as it is not an Eligible Shareholder. The Kollakorn Thailand rights will therefore lapse and the proportional shareholding interest in Kollakorn of Kollakorn Thailand will consequently be diluted.

None of the abovementioned circumstances is expected to have any effect or material effect on the control of Kollakorn.

## 2.6 Unaudited Pro Forma Balance Sheet

Set out below is an unaudited pro forma balance sheet of Kollakorn on completion of the Offer. It is based on Kollakorn's unaudited (but audit reviewed) balance sheet as at 31 December 2014 and shows varying levels of subscription to the Offer. The financial information has been prepared in accordance with the Corporations Act, the Corporations Regulations 2001, the ASX Listing Rules, the Accounting Standards and other mandatory financial requirements in Australia. The pro forma balance sheet reflects the impact of the Offer and the transaction costs at various levels of subscription.

With respect to the liabilities that Kollakorn has, they all fall into the following categories:

- \$1,295, 515 being Convertible Notes plus accrued interest (see section 2.3);
- Liabilities over which there are arrangements with the creditor to either pay over time or to not require payment at this time, in particular the largest portion being \$1,018,102 is to the directors of the Company; or
- Liabilities that are as yet not due.

Unaudited Pro Forma Balance Sheet After Placement Based on Various Levels of Subscription to the Rights Offer					
Securities	31/12/14 Interim Financials (Audit Review)	28/02/15 Management Accounts (Unaudited)	33% Subscribed	50% Subscribed	100% Subscribed
<b>Current Assets</b>					
Cash and cash equivalents	64,784	18,080	222,080	328,080	637,771
Receivables	97,104	95,344	95,344	95,344	95,344
Other Current Assets	393	197	197	197	197
<b>Total Current Assets</b>	<b>162,281</b>	<b>113,621</b>	<b>317,621</b>	<b>423,621</b>	<b>733,312</b>
<b>Non-Current Assets</b>					
Intangible Assets	305,148	290,617	290,617	290,617	290,617
Investment in Kollakorn	5,199,649	5,199,649	5,199,649	5,199,649	5,199,649
<b>Total Non-Current Assets</b>	<b>5,504,797</b>	<b>5,490,266</b>	<b>5,490,266</b>	<b>5,490,266</b>	<b>5,490,266</b>
<b>Total Assets</b>	<b>5,667,078</b>	<b>5,603,887</b>	<b>5,807,887</b>	<b>5,913,887</b>	<b>6,223,578</b>
<b>Current Liabilities</b>					
Payables	1,495,419	1,653,455	1,653,455	1,653,455	1,653,455
Convertible Notes + Interest	1,295,595	1,322,872	1,322,872	1,322,872	1,322,872
Provisions	85,936				
<b>Total Current Liabilities</b>	<b>2,876,950</b>	<b>2,976,327</b>	<b>2,976,327</b>	<b>2,976,327</b>	<b>2,976,327</b>
<b>Total Liabilities</b>	<b>2,876,950</b>	<b>2,976,327</b>	<b>2,976,327</b>	<b>2,976,327</b>	<b>2,976,327</b>
<b>Net Assets</b>	<b>2,790,128</b>	<b>2,627,560</b>	<b>2,831,560</b>	<b>2,937,560</b>	<b>3,247,251</b>
<b>Equity</b>					
Share Capital	49,756,151	49,756,151	49,960,151	50,066,151	50,375,842
Reserves	1,794,025	1,787,546	1,787,546	1,787,546	1,787,546
Retained Earnings	(48,760,048)	(48,916,137)	(48,916,137)	(48,916,137)	(48,916,137)
<b>Total Shareholders' Equity</b>	<b>2,790,128</b>	<b>2,627,560</b>	<b>2,831,560</b>	<b>2,937,560</b>	<b>3,247,251</b>

### 3. YOUR OPTIONS IN RESPECT OF THE OFFER

#### 3.1 Your Entitlement

As an Eligible Shareholder, your Entitlement is shown on the Entitlement and Acceptance Form that accompanies this Offer Memorandum. It has been calculated as 1 New Share for every 10 Shares you held as at 5:00pm (AEST) on the Record Date, rounded up to the nearest whole New Share.

#### 3.2 Your Options

As an Eligible Shareholder you may:

- Take up some or all of your Entitlement; or
- Take up all of your Entitlement and apply for Additional Shares; or
- Do nothing and allow your Entitlement to lapse; or

##### 3.2.1 Take up your Entitlement and, if applicable, apply for Additional Shares

If you want to take up all or part of your Entitlement, and if applicable, apply for Additional Shares:

- You must complete and return the Entitlement and Acceptance Form with Application Moneys pursuant to the instructions that are set out on the Entitlement and Acceptance Form accompanying this Offer Memorandum;

OR

- If you have an Australian financial institution account that supports BPAY®, by paying by BPAY®, before 5:00pm (AEST) on the Closing Date. You do not need to complete and submit your Entitlement and Acceptance Form in those circumstances. Please ensure you quote the Biller Code and your unique Reference Number (see Section 3.3.2 of this Offer Memorandum for further details regarding acceptance and payment by BPAY®). Kollakorn will treat you as applying for as many New Shares (and if applicable, Additional Shares in that Order) as your payment will pay for in full.

##### 3.2.2 Doing nothing in respect of the Offer

If you do nothing, your Entitlement will lapse. Although you will continue to own the same number of Shares in Kollakorn your shareholding in Kollakorn will be diluted.

#### 3.3 Method of payment

Cash payments will not be accepted.

The method of taking up the Offer will depend on your method of payment, being only:

##### 3.3.1 Payment by cheque

Should you wish to pay by cheque you should complete your Entitlement and Acceptance Form in accordance with the instructions set out on that form and return the form accompanied by a cheque or money order:

- In Australian currency, drawn on an Australian branch of a financial institution;
- For an amount equal to \$0.007 multiplied by the number of New Shares and, if applicable, Additional Shares that you are applying for; and
- Made payable to “Kollakorn Corporation Limited - Entitlement Offer Account” and crossed “Not Negotiable”.

Receipts for payment will not be issued. If your cheque is dishonoured, your application will be rejected.

Your completed Entitlement and Acceptance Form, together with your Application Moneys, should be mailed using the reply paid envelope provided with this Offer Memorandum, to:

**KOLLAKORN Corporation Limited - Entitlement Offer Account**  
**C/o Boardroom Pty Limited**  
**Level 7, 207 Kent Street**  
**Sydney NSW 2000**

### 3.3.2 Payment by BPAY®

If you wish to pay by BPAY® (only available to Eligible Shareholders who hold an account with an Australian financial institution that supports BPAY®):

- Please follow the instructions on your personalised Entitlement and Acceptance Form (which includes the Biller Code and your unique Reference Number). Your BPAY® payment must be received by no later than 5:00pm (AEST) on the Closing Date. Applicants should be aware that their own financial institution may impose earlier cut off times with regards to electronic payment, and should therefore take this into consideration when making payment. It is the responsibility of the Applicant to ensure that funds submitted through BPAY® are received by this time; and
- For payment by BPAY®, you do not need to submit your Entitlement and Acceptance Form - by making a payment through BPAY® you will be taken to have made the declarations set out in the Entitlement and Acceptance Form.

Any Application Moneys received for more than your final allocation of New Shares will be refunded. No interest will be paid on any Application Moneys received or refunded.

### 3.4 Enquiries concerning your Entitlement

If you have any queries concerning your Entitlement, please contact Kollakorn's Share Registry using the details below:

**Boardroom Pty Limited**  
**Telephone: 61 (02) 9290 9600**

Alternatively, consult your share broker or other professional adviser.

## 4. SUMMARY OF KOLLAKORN'S BUSINESS

### 4.1 Introduction

Kollakorn has two patented technologies one of which (**SmartRFID™**) (see Appendix 1), and which is very close to commercialisation and the other (**CertainID™**) (see Appendix 2), which is still in the early stages of development.

### 4.2 Background

Founded in 1993, Kollakorn Corporation Limited is an Australian listed company (**ASX: KKL**). Kollakorn's registered office is in Sydney, Australia however Kollakorn is managed from Bangkok, Thailand.

In 2011 Kollakorn brought in new management that had a focused vision to develop the Break on Removal (**BOR**) **SmartRFID™** technology. The original proof of concept was developed in association with Somapa Information Technology PCL (**Somapa**) in Thailand and this is where the development of the the system continues to occur today (see Section 4.3.1 and Schedule 1).

In 2013 the Company developed and patented a new technology called **CertainID™** (see Section 4.5 and Schedule 2) which has not yet been prototyped into a product. The view of the directors is that this patent has significant potential, but needs the experience and vision from a party which is familiar with the development of transactional security on the internet.

Kollakorn's business is therefore to develop technologies for asset identification and security so that customers can ensure the authenticity of their assets or information about their assets. Kollakorn provides custom system solutions using:

- Tamper-evident and non-tamper evident passive RFID tags;
- Real-time location, aware and reporting technologies;
- Data authentication capabilities that combine biometric authentication of a user, ensuring that the identity of parties communicating over the internet is verified and secure.

### 4.3 Kollakorn Corporate Structure and Key Relationships

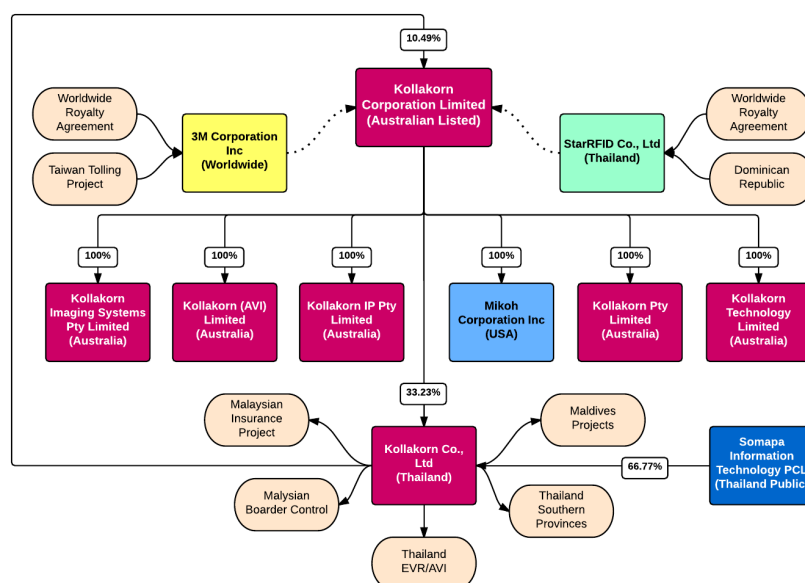


Figure 1: Diagramme showing Kollakorn Corporate Relationships

#### 4.3.1 Somapa Information Technology (Thailand)

Somapa provides comprehensive solutions and services in two core business areas:

- Intelligent Transport System (ITS); and
- Security Solutions.

Somapa has available hundreds of Network Engineer, Software Engineers, Hardware Engineers, Business Analysts which have specific experience in security systems and Intelligent Transport Systems. Somapa is certified as an A Grade Information Technology and Communication consultant by Ministry of Finance in Thailand.

#### 4.3.2 Kollakorn Co., Ltd (Kollakorn Thailand)

Kollakorn Thailand is the joint venture company through which the Thailand EVR/AVI system is operated. Kollakorn Thailand has a significant investment in the EVR/AVI project.

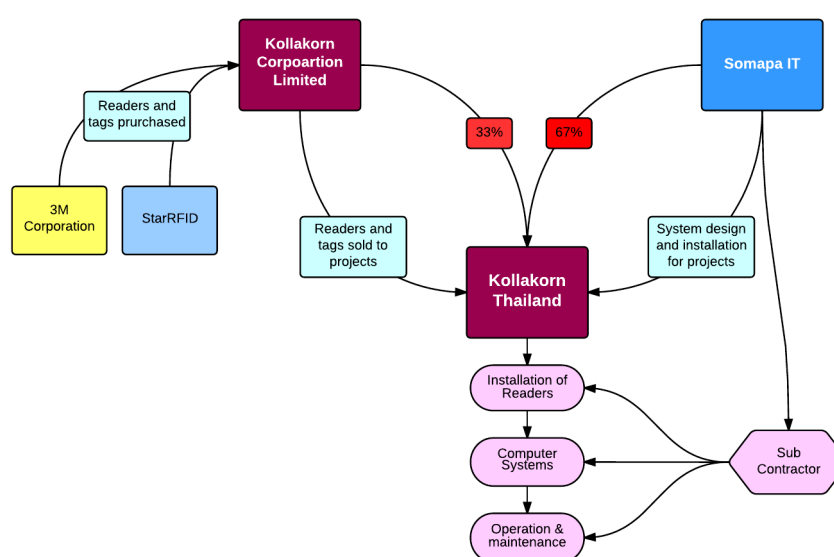


Figure 2: Diagramme showing the Kollakorn Joint Venture

The directors of Kollakorn Thailand have been diligently working for approximately three years in order to convince the Governments in power from time-to-time, to adopt the EVR/AVI system as a mandatory requirement for all vehicles in Thailand.

This project has now been reviewed by three consecutive governments, the “Yellows”, the “Reds” and now the military or the “Greens”. The project has been favourably received by all the various Governments however every time, just as approvals were coming through the Governments have changed, resulting in Kollakorn Thailand having to revert back to square 1 with yet another group of bureaucrats.

In 2010 Kollakorn Thailand won (from the Yellows) a 10 year concession to install the SmartRFID™ system throughout Thailand. The primary reasons validating the use of the system were to reduce the road death toll caused principally by speed; and eliminate the fraud that is being perpetrated by people not renewing registrations or registering vehicles and therefore not paying third party insurance charges.

Statistics for these two reasons are:

- Every hour more than one person dies on Thailand roads and every day there are 35 deaths; and

- It is estimated that approximately 8 million of the 34 million registered vehicles on the roads in Thailand today have not paid third party insurance premiums and that approximately a further 2 to 3 million vehicles are on the roads, but unregistered.

The goal of the Thailand Department of Land Transport's (DLT) Electronic Vehicle Registration (EVR) initiative, is therefore to have a SmartRFID tag on every vehicle in Thailand to ensure that all vehicles are up-to-date with their road taxes, insurance and roadworthiness inspections and can be monitored for speed control.

(a) Speed Enforcement

In April 2012, the DLT made it mandatory for approximately 40,000 private buses to be tagged with a SmartRFID tag and brought into law very severe penalties for exceeding the speed limit of 90km/hr. The reason this regulation was enacted, was because of the very bad record of deaths on the road from this sector of the vehicle population.

All buses are now required to have two tags, one which is concealed in the registration certificate which is adhered to the windscreen and a second tag which is adhered to the head light. The results from implementing this initiative were immediate as may be seen below:

Table 1: The immediate effect of the introduction of SmartRFID™ was a dramatic change in the numbers of accidents involving buses

	2011				2012			
	Before EVR				After EVR			
	April	May	June	Total	April	May	June	Total
Number of Accidents	35	23	34	92	3	2	2	7

Source 2011: [http://apps.dlt.go.th/statistics\\_web/statistics.html](http://apps.dlt.go.th/statistics_web/statistics.html) on 18 July 2012

Source 2012: Daily News - June 2012

The drop in the road toll as reported above was a direct consequence of the reduction in speed and quickly proved the efficacy of the SmartRFID™ system.

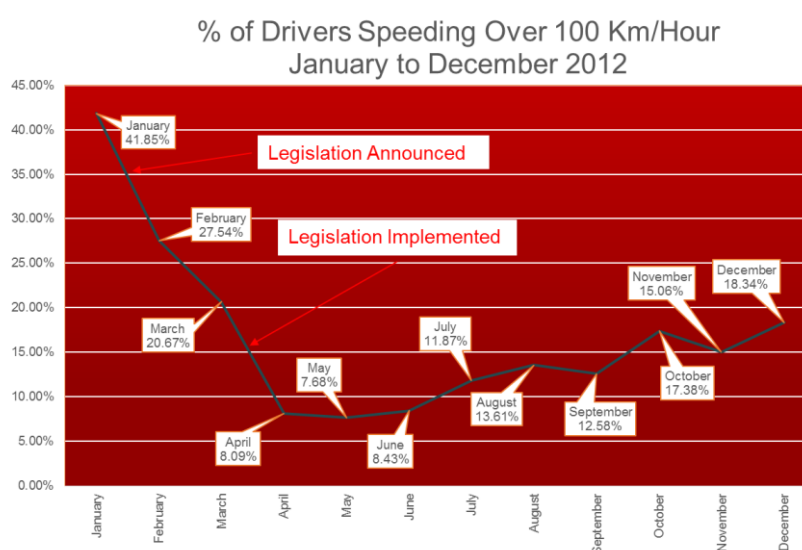


Figure 3: Dramatic drop in the % of Bus drivers exceeding 100Km/Hour January to December 2012



The military Government (which is currently in power and provides a stable political environment) has understood the strong security benefit of the SmartRFID™ project and has fast tracked the installation of RFID in the Southern Provinces of Thailand. This will include tagging of all the vehicles (cars and motorcycles) in the 5 Southern Provinces. This project is expected to begin in 2015.

The effect of the implementation of the Southern Provinces project will be to increase the number of vehicles that are currently tagged with RFID in Thailand to over 2 million vehicles which will effectively start the cash flow for Kollakorn.

However, the point at which there will be significant profits to be made from the Thailand AVI/EVR project is when it is agreed with the Government to mandatorily tag every one of the 34 million vehicles in the Thailand.

This prospect is currently being openly discussed. There are strong reasons to tag all vehicles in Thailand in particular the elimination of criminal activities such as the sale of drugs, fraudulent registration and third party insurance transactions and reducing speeding and consequently road deaths.

(b) Outline of RFID System Operating in Thailand

The RFID System operating in Thailand is a real time system and while capable of running all of the various AVI applications outlined in Schedule 1, currently only runs a speed enforcement system for approximately 40,000 busses.

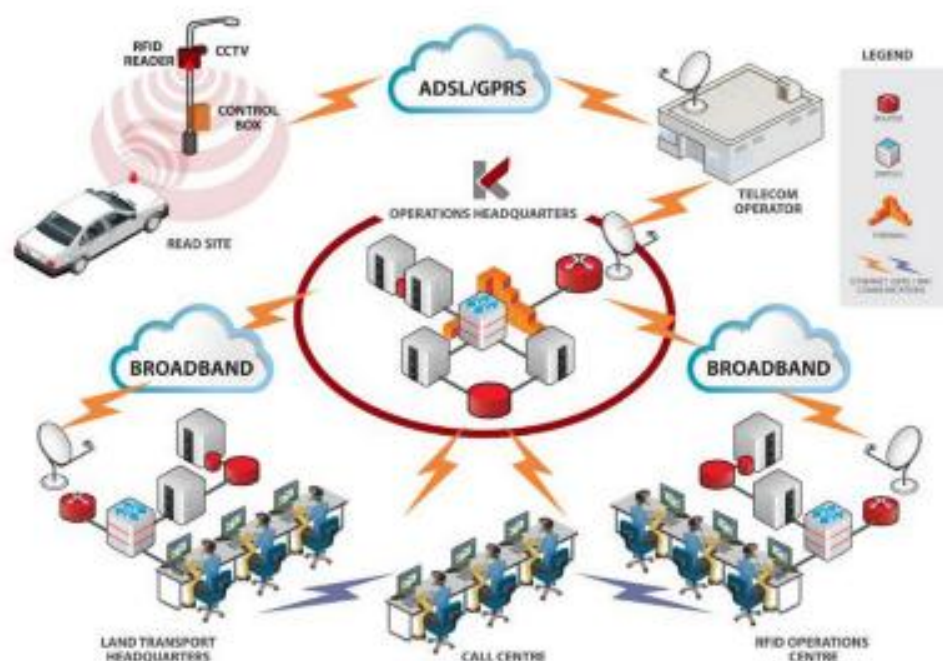


Figure 4: Overview of the RFID System operating in Thailand for the DLT

The overview shown in Figure 4 above shows the system that has been developed by Kollakorn Thailand. While only operating for a small number of vehicles, the system has the capacity to operate for all 34 million vehicles in Thailand with very little additional scaling and increase in operational personnel.

Currently the system is run from two servers one of which is situated at the premises of Somapa and the other which is situated in the computer centre of the DLT.

Vehicles are enrolled into the system at registration time which occurs at any one of the 208 DLT offices around Thailand. At this time, the registration certificate containing the RFID tag and the Headlamp RFID tag (see Schedule 1) are encoded by DLT staff and issued to the vehicle owner. The information is concentrated by the DLT server and sent to the Kollakorn server by broadband.



Figure 5: Kollakorn Thailand server situated at the offices of Somapa



Figure 6: Kollakorn Thailand's server situated at the DLT

There are currently 450 reader and camera sites installed in Thailand. The requirements of each site will vary considerably dependent on the type of site that is being used. However, usually there is a need for 1 reader and one license plate reading (LPR) camera per lane going each way, therefore for a 3 lane highway 6 readers and 6 LPR cameras are required. Two CCTV cameras for real time filming of vehicles are also required.



Figure 7: Freeway site in Bangkok showing LPR Camera, CCTV and RFID Reader

There can, therefore be up to 14 appliances required for one reader site all of which are collecting information about vehicles. This generates a significant amount of data and requires an on-site server at the reader site to concentrate the data before transmitting it to the servers using the ADSL/GPRS network.



Figure 8: Control Box at each reader site that concentrates the data prior to transmission over GPRS

All of the information collected from the system is then shown in real time in the DLT RFID Control Centre (see figure 10). The vehicles over-speeding can be seen on CCTV and are highlighted on printouts that give the owners name the type and make of the vehicle, the position of the vehicle and the speed being travelled. If the vehicle is exceeding the speed limit then the LPR camera will take a photo of the number plate for prosecution purposes.



Figure 9: real time CCTV footage of the vehicle relayed to the RFID Control Centre



Figure 10: RFID real time Control Centre in Bangkok

#### 4.4 Other Markets

Kollakorn has relationships with two channel resellers, 3M Corporation and StarRFID which together are currently selling every quarter, significant numbers of RFID tags equipped with the patented BOR technology. This volume is on the increase as the popularity of the use of RFID for vehicle applications expands across the world.

Kollakorn Thailand, together with its partner Somapa actively pursues projects directly, that have as a central feature the use of SmartRFID™ tags with BOR technology.

##### 4.4.1 Malaysia

In Malaysia there are two projects that are currently being pursued directly by Kollakorn Thailand. For both of these projects we have a local integrator as our partner.

These projects, which would require every vehicle in Malaysia to be tagged with a passive SmartRFID™ tag using our patented BOR technology are in the approval stages and have been presented to the Government on a specially developed presentation system built by Kollakorn Thailand that shows the system in action. Kollakorn Thailand has submitted a quote for 100 readers and 12 million tags.

#### 4.4.2 Taiwan

In Taiwan, our partner 3M Corporation secured a contract with Far Eastern Electronic Toll Co (FETC) for the supply of passive RFID SmartRFID™ tags with BOR technology to encourage regular users of the tollways to switch to a cashless mode of payment. 3M Corporation have now delivered 6 million SmartRFID™ tags with BOR technology and now 99% of vehicles in Taiwan are tagged. The project continues in maintenance mode.

#### 4.4.3 Dominican Republic

A large contract was recently won to supply RFID tags with BOR technology to the Dominican Republic for the purpose of tagging all motor cycles in that country. The initial order was for 1.2 million tags. This order was won against competitors only as a result of defending our patent rights for the BOR technology.

#### 4.4.4 Israel

In October 2014, Kollakorn supplied 3,000 tags for phase 1 of a pilot project in Israel which is for the biggest bus Company in Israel. This company has subsidiaries throughout Israel and Europe. The project will install RFID tags with our break on removal technology for tracking buses and cars in their car washes. In March a further 3,000 tags have been supplied for phase 2 of the pilot.

#### 4.4.5 Potential of the RFID Business

According to an RFID sector survey by IDTechEx Research published in October 2013, the RFID market increased from US\$6.98 billion in 2012 to US\$7.88 billion in 2013 and they believe that the RFID market will in 2020 reach US\$23.4 billion.

RFID is mainly driven by one application, retail apparel, which globally required 2.25 billion RFID labels in 2013. After apparel tagging, passive UHF is deployed in many different application areas and in particular for asset tracking and transport applications, both of which are applications in which Kollakorn specialises.

The RFID tag with BOR technology will always be central to any secure transportation RFID application. It is however the view of the directors' of Kollakorn that the margins are being rapidly squeezed out of simply supplying a tag to a customer. The directors' believe that future profits will be made out of designing, implementing and leasing RFID applications. Design and implementation of RFID Systems is a strength available to Kollakorn because of its relationship with Somapa.

While Kollakorn's BOR patent covers much of the world and could be developed in the USA and European markets, it has been impossible in recent years for Kollakorn to devote the funds and the manpower required to carrying out market to development in these markets. Kollakorn has therefore focused on the development of RFID applications in the ASEAN nations (which does not include China) for its future expansion.



Figure 11: Map showing the ASEAN Member States (Brunei, Cambodia, Indonesia, Lao, Malaysia, Myanmar, Philippines, Singapore, Thailand and Vietnam)



The reason for focusing on the ASEAN nations is that it has a solid vehicle base that is expanding. Table 2 shows the total number of vehicles in the ASEAN region and the growth for the period from 2010 to 2014.

**Table 2: Estimated Number of Registered Vehicles in ASEAN Region (Including Motor Cycles)**

No.	Country	2010	2011	2012	2013	2014
1	Thailand	28,484,829	30,194,937	32,476,977	33,520,175	34,681,811
2	Myanmar	2,240,983	2,354,275	3,614,256	4,874,237	4,908,018
3	Vietnam	36,274,000	38,594,824	40,115,000	42,881,000	45,647,000
4	Cambodia	1,652,534	2,190,000	2,378,600	2,571,500	2,780,000
5	Laos	1,008,788	1,741,585	2,366,000	2,990,415	3,614,830
6	Singapore	945,829	956,704	1,943,210	1,948,340	1,944,074
7	Indonesia	68,839,641	85,601,351	94,373,000	103,144,649	111,916,298
8	Philippines	6,634,855	7,138,942	7,463,393	7,690,038	7,916,683
9	Malaysia	13,100,000	14,300,000	15,100,000	16,400,000	17,500,000
10	Brunei	114,000	148,000	160,000	216,000	272,000
	<b>Total ASEAN</b>	<b>159,295,459</b>	<b>183,220,618</b>	<b>199,990,436</b>	<b>216,236,354</b>	<b>231,180,714</b>
	<b>% Growth</b>		<b>13.06%</b>	<b>8.39%</b>	<b>7.51%</b>	<b>6.46%</b>

Another reason for Kollakorn focusing on the ASEAN nations is the location of Thailand. It may be seen from Figure 11 that Thailand borders most of the ASEAN nations other than for Indonesia, which means that most vehicular traffic including heavy transport from China, will need to pass through Thailand sooner or later.

Thailand already leads the ASEAN nations with its development of RFID vehicle tracking and will soon make it compulsory in the Southern Provinces and at all of its border crossings for all alien vehicles entering these areas to be tagged. It is therefore a fair assumption that once Thailand completely embraces SmartRFID™ vehicular tags that it will become the standard for the countries that border Thailand.

#### 4.5 Overview of CertainID

Secure personal identification is becoming increasingly important for Internet based transactions. The use of biometrics over the Internet and the privacy issues that have prevented widespread adoption of biometrics as a form of security on the internet are well known but difficult to solve.

Kollakorn has patented a new approach to enabling biometric identification over the Internet known as “**CertainID™**” which ensures security and privacy of a persons’ biometric data without any biometric information being released onto the internet. The features and benefits of this technology are as follows:

- Enables secure biometric identification over a network (such as the Internet);
- Ensures the privacy and security of users’ biometric information as no biometric information is ever released into the internet;
- No central repository of biometric data;
- Enables secure, biometrically authenticated person-to-person or person-to-device communications over the internet;
- Can be part of a multi-factor user authentication protocol;
- Can use any PKI protocol and any biometric identification method therefore the appropriate biometric method and cryptographic protocol can be selected to suit the requirements of the application;

- Intended for use with portable devices such as cell phones, tablets and laptops:
  - ✓ Avoids the need for high-speed generation of long keys; and
  - ✓ Keys can be generated in the background and prepositioned;
- Features of PKI (nonrepudiation, etc.) are extended to the individual not just the device;
- Imposes proper use of biometric identification and prevents sharing of secure network access points;
- There is no added computational load or time delays within the internet because the biometric identification is carried out locally, before or after engaging the internet.

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

- Biometric authorisation of financial transactions - web-based or in-store;
- Ensuring the privacy and security of online personal records e.g. medical records;
- Securely identifying participants on social networking sites;
- Protection against identity theft;
- Biometrically authenticated access control;
- Biometric authentication of the sender and recipient of sensitive or classified information;
- Thwarting Internet predators.

Therefore in summary, internet-based biometric identification using current technology is unlikely to be adopted on a large-scale, due mainly to privacy concerns.

CertainID, which is a new approach to internet biometrics developed by Kollakorn, resolves the privacy issue by enabling biometric identification over the internet without any biometric information ever being released into the Internet.

#### 4.6 Status of the CertainID™ Business

Currently, the Company has the USA patent (see Schedule 2) and is pursuing worldwide protection for that patent. To date there has been a significant investment in development of the patent and in registering it and defending it.

It is very significant that Kollakorn already has received patent protection in the USA, China and Australia and the directors are confident that Kollakorn will secure protection in Korea and in Europe which will cover the location of all the major cell phone manufacturers.

No work has as yet been done on developing a working prototype of the patent. The patent has a generality to it that will, we believe, cover many of the new developments of Biometric security of transactions being brought to market by other parties.

For example the CertainID™ patent:

- Is not specifically tied to any form of biometric identification system it uses the biometric data generated by any method, this therefore increases the scope of the coverage of the patent;
- Is not tied to any particular device, it operates with any device that interacts with the internet which again makes the coverage of the patent very wide and easy to infringe.

Right now, many developments are happening in this field but the developments are very specific which may in fact mean that they fall within the bounds of the CertainID™ patent which is very wide. However, Kollakorn has neither the people nor the financial resources to investigate this question.

#### **4.7 Potential of the CertainID™ Business**

The potential of this business if developed properly is huge, as it could affect any device that connects to the internet and through which a secure transaction will occur. As is common knowledge, there are simply billions of devices that connect to the Internet. Even if Kollakorn were to receive a fraction of a cent for every device that used the CertainID™ patent that would represent an immense amount of revenue.

**FURTHER INFORMATION ON RFID AND CertainID™ IS SHOWN IN SCHEDULES 1 & 2**

## 5. RISK FACTORS

### 5.1 Introduction

Activities by Kollakorn and its controlled entities, as in any business, are subject to risks which may impact on Kollakorn's future performance.

Prior to deciding whether to take up your Entitlement, Shareholders should read the entire Offer Memorandum (including the Schedules) and review announcements made by Kollakorn to ASX (at [www.asx.com.au](http://www.asx.com.au) under the code "KKL") or on the Kollakorn website (at [www.kollakorn.com](http://www.kollakorn.com)) in order to gain a better appreciation of Kollakorn, its activities, operations, financial position and prospects.

An investment in New Shares should be considered speculative. New Shares carry no guarantee with respect to the payment of any dividends, returns of capital or the market value of those New Shares.

Shareholders should also consider the risk factors set out below which Kollakorn believes represent some of the specific and general investment risks that Shareholders should be aware of when evaluating Kollakorn and deciding whether to increase their shareholding in Kollakorn.

### 5.2 Specific Risks

The following risk factors are not intended to be an exhaustive list of all of the risk factors to which Kollakorn is exposed.

#### 5.2.1 Revenue Concentration Risk

As 98% of Kollakorn's revenue over the last two financial years has been derived from royalty revenue, the loss of this source of revenue for any reason would have a detrimental impact on Kollakorn and which may impact its ability to continue as a going concern.

#### 5.2.2 Country Risk

Kollakorn's main project is located in Thailand and is operated through Kollakorn Thailand. While the Government is, in the view of the director's stable, the country has in the past experienced political unrest that has led to riots. There can be no assurance that the systems of government and the political systems in Thailand or any other overseas countries in which Kollakorn seeks to do business will remain stable.

There can be no assurance that government regulations relating to foreign investment, repatriation of foreign currency and taxation in the Kingdom of Thailand will not be amended or replaced in the future, to the detriment of Kollakorn's business and/or projects.

The directors' are unaware of any such proposals as at the date of this Offer Memorandum.

#### 5.2.3 The Concession

Currently, the business in Thailand is operated through Kollakorn Thailand under a 10 year concession from the Government of Thailand for the provision of an RFID EVR system. The concession was issued to Kollakorn Thailand in 2010. Following a protracted trial period in which the system has been used to measure speed of buses, the current Government has now adopted the implementation of the EVR system as one of their policies and is proposing the implementation of the system in the 5 Southern Provinces of Thailand. There is however, the possibility that the concession could be withdrawn either partially or completely.



#### 5.2.4 Development Risk

The success of Kollakorn relies on:

- Kollakorn receiving royalty income from its two major sales channels 3M Corporation and StarRFID; and
- Investments in specific joint ventures in various countries.

All of these joint ventures and royalties depend on the delineation of economically viable projects being found within a country or industry, access to required development capital and obtaining all consents and approvals necessary for the conduct of the joint venture or project.

#### 5.2.5 Future Capital Requirements

While it is the Board's view that Kollakorn should be cash flow positive by the end of the 2015 financial year, should another large project be secured in which Kollakorn was required to invest in infrastructure it may be necessary in the future to raise significant further financing.

Should this finance be raised in the form of additional equity financing it may be dilutive to Shareholders, undertaken at lower prices than the current market price (or Offer price) or may involve restrictive covenants which limit Kollakorn's operations and business strategy.

Although the directors of Kollakorn believe that additional capital can be obtained, no assurances can be made that appropriate capital or funding, if and when needed, will be available on terms favourable to Kollakorn or at all.

If Kollakorn is unable to obtain additional financing as needed, it may be required to reduce, delay or suspend its operations and this could have a material adverse effect on Kollakorn's activities and could affect Kollakorn's ability to continue as a going concern.

#### 5.2.6 Joint Venture Parties, Agents and Contractors

There is a risk of financial failure or default by a participant in any joint venture to which Kollakorn is, or may become, a party; or the insolvency or financial failure by any of the contractors used by Kollakorn in any of its activities; or the insolvency or other financial failure by any of the other service providers used by Kollakorn for any activity.

#### 5.2.7 Exchange Rate Fluctuations

Kollakorn currently purchases its tags and equipment in the USA and Thailand and sells it in Asia. Kollakorn does not hold any stock of tags or equipment. All contracts when purchasing and selling tags and equipment are delineated in USD.

Investments in Joint Ventures are made in AUD and are therefore subject to exchange rate fluctuations which are affected by numerous factors beyond the control of Kollakorn. These factors include world demand for various currencies, macroeconomic factors such as expectations regarding inflation, interest rates and global and regional confidence in the financial markets.

#### 5.2.8 Kollakorn Investment Risk

Applicants should be aware that there are risks associated with any securities investment. Kollakorn securities have in the past, experienced extreme price and volume fluctuations. Factors may again occur in the future that may materially affect the market price of the securities regardless of Kollakorn's performance.

(a) Competition

Kollakorn competes with other companies, including majors in Australia and Internationally. Most of these companies have greater financial and other resources than Kollakorn and, as a result, are in a better position to compete for future business opportunities. There can be no assurance that Kollakorn can compete effectively with these companies.

(b) Key Personnel

Recruiting and retaining qualified personnel is important to Kollakorn's success. Kollakorn does not have a large staff and it is unlikely that in the future it will have a large staff however the number of persons skilled in the operations of the Company is limited and the loss of any staff member could be of critical importance. Currently Kollakorn does not have Key-man Insurance.

(c) Other

Other risk factors include those normally found in conducting business, including litigation resulting from the breach of agreements or in relation to employees (through personal injuries, industrial matters or otherwise) or any other cause such as strikes, lockouts, loss of service of key management or operational personnel, non-insurable risks.

Delay in resumption of activities after reinstatement following the occurrence of an insured or uninsured risk and other matters may interfere with the business or trade of Kollakorn.

### 5.3 General Investment Risks

The following risks have been identified as being general investments risks that apply to most companies and therefore these risks also apply to an investment in Kollakorn:

#### 5.3.1 Stock Market Conditions

As with all stock market investments, there are risks associated with an investment in Kollakorn. Share prices may rise or fall and the price of Shares might trade below or above the issue price for the New Shares.

General factors that may impact the market price of Shares include economic conditions in both Australia and Internationally, investor sentiment and local and international share market conditions, changes in interest rates and the rate of inflation, variations in commodity prices, the global security situation and the possibility of terrorist disturbances, changes to government regulation, policy or legislation, changes which may occur to the taxation of companies as a result of changes in Australian and foreign taxation laws, changes to the system of dividend imputation in Australia, and changes in exchange rates.

#### 5.3.2 Liquidity Risk

There can be no assurance that there will continue to be an active market for Shares or that the price of Shares will increase. There may be relatively few buyers or sellers of Shares on ASX at any given time. This may affect the volatility of the market price of Shares. It may also affect the prevailing market price at which Shareholders are able to sell their Shares. This may result in Shareholders receiving a market price for their Shares that is less or more than the price paid under the Offer.

#### **5.3.3 Securities Investment Risk**

Applicants should be aware that there are risks associated with any securities investment. Securities listed on the stock market can experience extreme price and volume fluctuations that may not be related to the operating performances of such companies.

#### **5.3.4 Taxation Risk**

Kollakorn is subject to taxation and other imposts in Australia. Future changes in taxation laws, including changes in the interpretation or application of existing laws by the courts or taxation authorities, may affect the taxation treatment of Kollakorn securities or the holding or disposal of those securities.

## **6. ADDITIONAL INFORMATION**

### **6.1 Fractional Entitlements**

Where fractions arise in the calculation of your Entitlement, the fraction will be rounded up to the next whole number of New Shares. If you have more than one holding of Shares you will be sent more than one Offer Memorandum and you will have separate Entitlements for each holding.

### **6.2 Tax**

Taxation implications will vary depending upon the individual circumstances of Eligible Shareholders. Kollakorn and its officers do not accept any responsibility or liability for any taxation consequences of Eligible Shareholders subscribing for and disposing of New Shares.

You should obtain your independent taxation advice before deciding whether to invest in New Shares.

### **6.3 Privacy**

The Entitlement and Acceptance Form requires you to provide information that may be personal information for the purposes of the *Privacy Act 1988 (Cth)*. Kollakorn (and Kollakorn's Share Registry on its behalf) collects, holds and uses personal information in order to assess applications for New Shares, service the needs of Shareholders, provide facilities and services and to administer Kollakorn.

Access to information may also be provided to Kollakorn's Related Body Corporates (as that term is defined in the Corporations Act), agents and service providers, regulatory bodies, mail houses and Kollakorn's Share Registry.

If you do not provide the information requested of you in the Entitlement and Acceptance Form, Kollakorn's Share Registry will not be able to process your application for New Shares or administer your holding of Shares appropriately.

### **6.4 Governing law**

The Offer and the contracts formed on the return of the Entitlement and Acceptance Form are governed by the laws applicable in New South Wales, Australia. Each Shareholder who applies for New Shares submits to the non-exclusive jurisdiction of the courts of New South Wales, Australia.

## 7. GLOSSARY OF DEFINED TERMS

In this Offer Memorandum, the following terms have the following meaning unless the context requires otherwise:

**Additional Shares** means New Shares forming part, or all, of the Shortfall and in respect of which an Eligible Shareholder may apply to be issued to such Eligible Shareholder under the Shortfall Offer;

**AEST** means Australian Eastern Standard Time;

**Applicant** means a person who has applied to subscribe for New Shares by submitting an Entitlement and Acceptance Form;

**Application Moneys** means the aggregate amount of money payable for New Shares applied for in a duly completed Entitlement and Acceptance Form;

**ASIC** means the Australian Securities and Investments Commission;

**ASX** means ASX Limited ACN 008 624 691 trading as the Australian Securities Exchange;

**AVI** means automatic vehicle identification;

**Closing Date** means the last day for payment and return of Entitlement and Acceptance Forms, being 5:00pm (AEST) on 21 April 2015 (unless extended in accordance with the Corporations Act and Listing Rules);

**Corporations Act** means the *Corporations Act 2001 (Cth)*;

**Director** means a director of Kollakorn Corporation Limited;

**DLT** means the Department of Land Transport in Thailand;

**Eligible Shareholder** means a person who is registered as the holder of Shares on the Record Date as a Shareholder and is not an Excluded Shareholder;

**Entitlement** means the number of Shares that a Shareholder is entitled to apply for under the Offer, as determined by the number of Shares held by that Shareholder on the Record Date;

**Entitlement and Acceptance Form** means the entitlement and acceptance form accompanying this Offer Memorandum;

**Excluded Shareholder** means a Shareholder described in Section 1.14;

**EVR** means Electronic Vehicle Registration;

**Joint Venture** means the joint venture between Kollakorn and Kollakorn Thailand commenced on 16 March 2010;

**Kollakorn Thailand** means Kollakorn Co., Ltd situated at 12 Soi Prayasuren 35, Prayasuren Rd, Bangchan, Klongsamwa, Bangkok 10510, Thailand;

**La Jolla** means La Jolla Cove Investors Inc.;

**Listing Rules** means the official listing rules of ASX;

**Kollakorn** means Kollakorn Corporation Limited ACN 003 218 862;

**New Shares** means the Shares offered under this Offer Memorandum;

**Offer** means the Rights Offer and the Shortfall Offer;

**Offer Memorandum** means this document, including the Entitlement and Acceptance Form, and any supplementary or replacement offer memorandum in relation to this document;

**Record Date** means the time for determining Entitlements under the Rights Offer, being 5:00pm (AEST) on 7 April 2015;

**RFID** means radio frequency identification;

**Right** means a right under the Rights Offer to apply for 1 New Shares for every 10 Shares held on the Record Date;

**Rights Offer** means the offer of Entitlements to New Shares under this Offer Memorandum;

**Share Registry** means Boardroom Pty Limited of Level 7, 207 Kent Street, Sydney NSW 2000;

**Shareholder** means a holder of Shares;

**Shares** means fully paid ordinary shares in the capital of Kollakorn;




**Shortfall** means the number of New Shares offered under the Rights Offer for which valid applications have not been received from Eligible Shareholders before the Closing Date;

**Shortfall Offer** means the offer to subscribe for New Shares in excess of an Eligible Shareholder's Entitlement;

**Star RFID** means Star RFID Co., Ltd of 941,943 Rama III Road, Bangpongpan, Yannawa Bangkok 10120, Thailand;

**Sydney** means Sydney, New South Wales, Australia;

## 8. DIRECTOR'S PROFILES

 <p><b>Riad Tayeh</b> B.Econ, FICA Chairman</p>	<p>Riad began his career at Coopers &amp; Lybrand, moving to Ferrier Hodgson Sydney, and then Ferrier Hodgson Hong Kong. For ten years he specialised in corporate restructure, financial investigation, and turnaround strategy. In the Hong Kong market Riad restructured listed companies, undertook fraud investigations, and provided litigation support. Riad is a fellow of the institute of chartered accountants.</p> <p>Riad has assisted various companies in restructuring, equity raisings, building and acquiring businesses, and exit strategies. He joined Antony de Vries in partnership in February 2002, bringing considerable commercial acumen in the formation of De Vries Tayeh.</p> <p>Riad also undertakes a number of appointments for not for profit organisations. He has been president and chairman of the turnaround management association of Australia, and continues on various committees including various charity committees.</p>
 <p><b>Richard Sealy</b> CA, FAICD, GAICD CEO</p>	<p>Mr Richard Sealy who has been Managing Director for 4 years, has held numerous private and public company directorships in New Zealand, Australia and the united kingdom over the last 30 years. He has also successfully managed as CEO, a number of financial, manufacturing, real estate and mining companies both private and public.</p> <p>A chartered accountant and a fellow and graduate of the Australian institute of company directors, Richard, is skilled at resolving difficult corporate situations such as companies that are starting-up, restructuring or in financial difficulties; and then growing these companies within a structure of appropriate management, corporate governance and finance.</p> <p>Richard has considerable experience in south east Asia and has developed businesses in china and Thailand. He is located in Thailand working on the company's ASEAN EVR business. He is also an executive director of Kollakorn's Thailand associate.</p>
 <p><b>Mr Nicholas Aston</b> B.Bus, CA Non-Executive Director</p>	<p>Nick is a chartered accountant and a founding director of Brentnalls NSW Pty Ltd a chartered accountancy firm based in Sydney.</p> <p>Nick has over 25 year's business services experience across a broad range of clients. Nick was a founding director and member of the self-managed superannuation professionals' association of Australia, and is the current chair of their audit and risk committee.</p> <p>Nick's other roles have also included chair of the Brentnalls national accounting affiliation together with directorships and company secretarial roles for several successful Australian companies and industry associations.</p> <p>Nick is a member of the audit committee and a justice of the peace in the state of new south wales.</p>

	<p>Mr Namchoke Somapa is the founder and CEO of Somapa Information Technology Public Company Limited and the CEO of Kollakorn co., ltd, Kollakorn's partner in the Thailand EVR/AVI rollout. Somapa information technology PCL. Owns 75% of Kollakorn. Namchoke's background in marketing and software development enables him to understand both the business and technical aspects of Kollakorn's EVR business in Thailand. Namchoke's vast network of contacts, both in Thailand and internationally, reach as far as the united states, Africa, the pacific islands and back to Asia.</p> <p>Somapa information technology PCL, which was founded in 1992, is based in Bangkok, Thailand and provides information technology consulting, planning, designing and training services. The products of the company include border control systems; intelligent transport system; e-library which is an automated library system; and remote monitoring systems. The company also provides application development, call centre services, document imaging services, data entry and research survey services.</p> <p>Namchoke was awarded the Phra Kinnaree award in Thailand. This is an award given to people of good morality and ethics who have had an impact on the community at large and society, in a sustainable manner. These people are good role models and influential forces for Thailand and their actions must have contributed significantly to the development of Thailand and the national unity.</p>
<p><b>Namchoke Somapa</b> BA, MBA Non-Executive Director</p>	<p>Mr Charles Hunting was appointed as a director of Kollakorn in Feb 2015. He has more than 20 years of management, executive and director experience across the Asia Pacific region.</p> <p>Charles has previously filled the role of Managing Director or Chief Executive Officer for the regional businesses of a number of listed global multinationals and most recently has and founded a number of ventures in the Asian region. Charles is advising companies in the achievement of transformational change and creating companies to take advantage of technology and innovation.</p> <p>Charles also currently serves as the Executive Chairman or Chairman in these ventures including Infitecs, Lan Tian and Tailors Mark.</p>
	<p><b>Charles Hunting</b> B. Info Tech (Bus Major) Non-Executive Director</p>



## 9. CORPORATE DETAILS

### DIRECTORS

Riad Tayeh (Chairman)  
Richard Sealy (CEO)  
Namchoke Somapa  
Nick Aston  
Charles Hunting

### COMPANY SECRETARY

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### INTERNET

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Website: [www.kollakorn.com](http://www.kollakorn.com)

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### UNITED STATES OF AMERICA

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McLean, VA 22102  
United States of America

## Schedule 1 RFID Systems Using Kollakorn's Patented "Break on Removal" Technology

### 1. The Exclusive Patented Technology for Secure Asset Tagging

The use of Kollakorn's patented tamper indicating, or break-on-removal (BOR), technology in RFID tags ensures that a one-to-one relationship is established between the asset being tagged and the tag. This security feature guarantees that provided the tag is still operational, the RFID asset management system is tracking the original asset and not just the tag.

Once the tag is adhered to a surface correctly, any attempt to move it from one asset to another will result in the connection between the antenna and chip being broken, thereby rendering the tag inoperative.

This feature also ensures that the data stored in the chip cannot be retrieved or altered using a standard RFID read/write device.



Figure 12: Tag with break on removal technology (BOR) adhered to a vehicle headlight

### 2. Early Uses of SmartRFID™ Technology

High-security US Government agencies were among the early adopters of Kollakorn's tamper indicating RFID tags. The tags, along with customised readers, have been used in a variety of applications, including tracking of vehicles and securing of equipment and locations to detect tampering and unauthorised access, tracking of sensitive and classified documents and managing office assets (including computer equipment) in high-security work environments.

The first use of Kollakorn's break-on-removal technology for Automatic Vehicle Identification (AVI) was implemented by the Government of Bermuda, which introduced Kollakorn's BOR technology for Electronic Vehicle Registration (EVR) in 2007 to regulate the payment and collection of road taxes. The Bermudians recovered their capital expenditure of the system within the first year.

### 3. The Passive SmartRFID™ Tag Technology

The SmartRFID™ tag is a passive RFID tag which means that it comes as a thin strip of acetate with an RFID chip attached to an antenna but does not have its own on-board

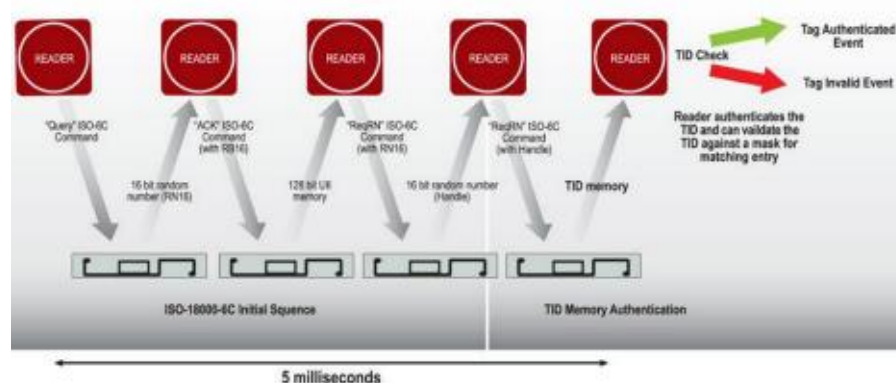


Figure 13: Diagrammatic flow of the operation of the tag once operation is initiated by a reader

power unit. This is in contrast to the active RFID tag which is normally a small box adhered to the windscreen which has its own a power source.

The SmartRFID™ tag is a very robust and capable tag and Kollakorn guarantees it for 2 years. The passive tag has a data storage area and a read/write capability. In comparison,

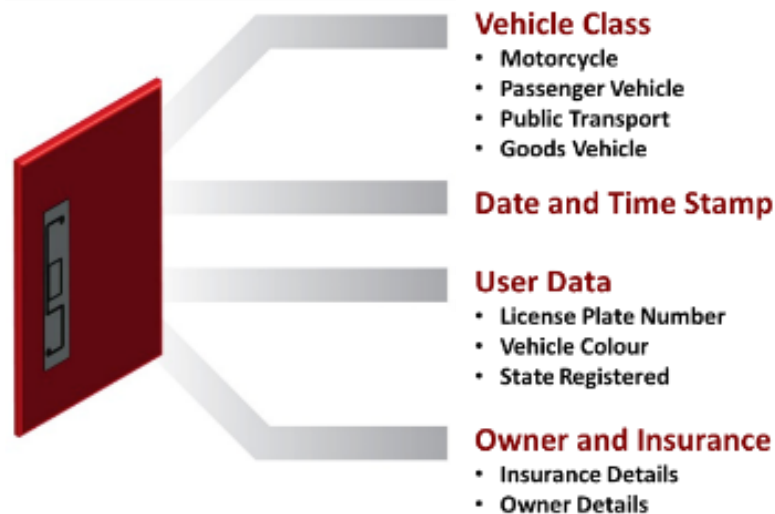


Figure 14: An example of the unique SmartRFID™ information storage capability

the active RFID tag will normally only transmit the Tag Identification Number (TID) and has no other data stored on it.

To complete the AVI hardware solution, Kollakorn uses high performance, weather proofed (IP 67-rated) RFID readers which ensures unbeatable performance in terms of reliability, read distance, speed and most importantly, data security.

For open road applications such as eTolling and Average Speed Monitoring, the reader is able to read the SmartRFID™ tag from 15 meters away and at speeds of over 170 km/h. For lower speed applications such as access control, gated toll plazas and parking lot management, a lower-speed reader is recommended.

In an AVI system, Readers are strategically placed along highways or where it is required to read a SmartRFID™ tag for a specific application. The reader will sense the presence of a tag at approximately 15 to 20 meters away and send out sufficient power to the tag to enable it to operate.

Once the tag has been ‘powered-up’ by the reader, it proceeds with its encryption and security protocols, transmitting its identity, location and updating the information from the data base to the tag in a mere 5 mille-seconds.

#### 4. What is BOR and Why Use it?

The SmartRFID™ tag contains the patented “Tamper Evident” Break on Removal (**BOR**) system which prevents the removal from the vehicle of the tag and attachment to another vehicle. If an attempt is made at removing the SmartRFID™ tag from the vehicle it will break in such a way that it cannot be used again.

The reason why BOR is so important in the identification process is that, provided the passive RFID tag is still operating, it is assured that the item the tag is adhered to, is original item it was adhered to.



Figure 15: How the BOR anti-tampering system works

For example:

“If a box of socks and a box of morphine are going through an automated cash register system, it is vitally important to know that no one has switched the tags and is getting a box of morphine for the price of a box of socks.”

While this may not be so crucial in a simple tolling system where all that is needed to be known is the fact that a vehicle has passed through a toll gate and been charged the correct toll, it is vitally important in AVI systems that require the vehicle to be positively identified for reasons such as for paying fines or for security reasons.

Additionally, the tag may be used as evidence of payment of road tax and third party insurance payments. In Asia, where fraud in both of these areas is rife, the SmartRFID™ EVR/AVI system can recover tens of millions of dollars currently leaking from the present systems.

## 5. The Components of a Passive RFID System

A passive RFID system has a number of components:

- The passive RFID tag which is adhered to the headlight or windscreen of a vehicle (in Thailand the RFID tag is incorporated inside the registration certificate and applied to the headlight);
- The RFID reader that records the tag information of the vehicle being identified;
- The Licence Plate Reading Camera in order to record the number plate of an offending vehicle;
- A CCTV camera that records a short video burst of the vehicle being identified;
- A comprehensive IT system that connects all the readers and processes the information collected.



Figure 16: The hardware components of the SmartRFID™ system

## 6. Advantages of Using Passive RFID tags in EVR/AVI

In Europe and North America, passive RFID has been used for AVI, and specifically for electronic tolling systems since the late 1980s. Initially, the technology of choice was Dedicated Short Range Communication (known as “active RFID”) however in the last decade the passive RFID reader and tag technology has improved exponentially.

The cost of installing and operating a passive RFID system has dropped considerably with reliable tag read rates now as high as 99.99%. The increase in reliability and considerably lower set-up cost is making passive RFID the technology of choice for use in AVI and Asset Tracking.

With the exception of China, South Korea, Japan and Singapore, where the use of active RFID for AVI applications such as tolling, congestion charging and parking fee collection is widespread, most Asian countries find the capital expense of setting up active RFID infrastructure prohibitive and that the population is resistant to the cost of purchasing an active RFID transponder. These are the main reasons for passive RFID becoming more popular in Asian economies.

Table 3: Comparison of Active RFID and Passive RFID Technologies for Vehicle Tagging

Component	Standard Active RFID Tag	Standard Passive RFID Tag	SmartRFID™ Tag
Tag	Transferrable	Non-tamper indicating, transferrable	Tamper indicating, non-transferrable
	Vehicle classification possible	Vehicle classification not guaranteed	Vehicle classification guaranteed
	No data security	Limited data security	Locking of chip and encryption of data
	Battery powered tags need maintenance	Operational lifespan between 6 - 12 months	Operational lifespan between 2 to 5 years
	Data Unencrypted over-the-air transactions	Data Unencrypted over-the-air transactions	Encrypted over-the-air transactions
	High speed and low speed read/write capability	Low speed read/write capability	High speed and low speed read/write capability
	Between US\$20 - US\$120	Under US\$1	Under US\$3
Readers	Between 1 & 6 per lane	1 per lane at low speed	1 per lane at low or high speed
	Up to 60 meters depending on tag and reader specifications and setup	Between 0.5 to 2 meters depending on tag and reader specifications and setup	Up to 15 - 20 meters depending on tag and reader specifications and setup
System	Proprietary architecture	Open Architecture	Open Architecture
	Cost of infrastructure limits scalability	Scalability of system depends on the reliability of tag	Scalable system infrastructure on reliability of tag with interchangeable readers based on one tag

## 7. AVI Applications

One of the particular advantages of SmartRFID™ is that one platform can operate many applications once a tag has been mounted on a vehicle by way of the Electronic Vehicle Registration (EVR) system.

- **SmartRFID™ Free-Flow and Congestion Tolling**

Free flow tolling is where the tolls are subtracted from the vehicle owner's account without the vehicle having to stop at a toll barrier. This significantly reduces peak hour congestion that occurs around toll booths.

Congestion tolling is where certain streets within a city have a toll for use which varies depending on the time of day. Therefore at peak hours, the charge will be much higher than at other times of the day in order to discourage the use of vehicles in that street and thereby reducing congestion.



Figure 17: Example of free flow tolling



- **Vehicle Tracking**

Vehicle Tracking with RFID is not to be confused with GPS tracking. Passing under an RFID reader is the only way that a vehicle can be tracked using a passive RFID AVI system. Therefore vehicle tracking is by exception rather than by constant monitoring.

If a vehicle has a deliberate route then the system can track the vehicle on that route. If the vehicle does not follow that route then this fact will be detected by the system. This is particularly useful when tracking delivery vans or buses.

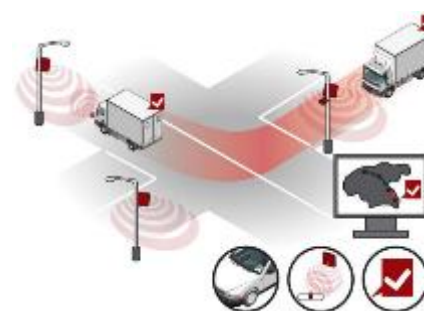


Figure 18: Example of Vehicle Tracking

- **Access Control and Border Control**

The passive RFID tag can be used as an access control tag in order to open access gates. There can be by predetermined authorisations assigned to a particular tag that allows for instance, all vehicles into a general area but only certain vehicles into a high security area. This system has been installed by Kollakorn Thailand in military bases in Thailand and uses tags which have the BOR technology.

Border control is another similar application where vehicles can have pre-clearance for use in a fast lane at a country's border.



Figure 19: Example of Access and Border Control

- **National Security & Mobile Police Checks**

Mobile readers may be used in conjunction with computer links directly from specially equipped vehicles. This is particularly useful for detecting vehicle compliance such as payment of current registration, road tax and third party insurance and also vehicle fitness tests.

Another application is detecting vehicles on black lists, such as stolen vehicles or vehicles associated with criminal or terrorist people.



Figure 20: Example of Mobile System

- **Parking Applications**

The passive RFID tag can be used for parking applications. It can be used to direct vehicles to car parks that are vacant and it can also be used to identify car parks that are vacant. The method of identifying vacant car parks is by the vehicle covering the tag which is embedded in the ground. This means that the system can be applied to external car parks where other similar systems cannot operate.



Figure 21: Example of parking applications

- **Bus Journey Time Management System**

This system which is under trial in Thailand, is used to monitor busses on their routes. Due to traffic congestion in Bangkok, busses often catch up to each other and vary significantly from their official timetables.

The system uses RFID tags identifying each bus and RFID readers at each bus stop in order to monitor the progress of a bus on its route. This information is relayed to the bus management system which dispatches busses in order to avoid clumping. In addition, new arrival times can be transmitted to notification boards at bus stops advising the arrival of the next bus.



Figure 22; Example of bus control system

- **Speed Monitoring**

Speed monitoring of buses has been operational in Thailand for several years using the SmartRFID™ system.

The method of monitoring is average speed which measures the time that a vehicle takes to travel a pre-defined distance between 2 readers. The system is a real time tracking system and vehicles are monitored



Figure 23: Method of calculating speed over a distance

from an RFID Speed Monitoring Centre. The vehicles that infringe are automatically sent penalty speeding fines created by the system.

## Schedule 2 CertainID™ A Patented Internet-Based Biometrics System that Ensures User Privacy and Security

### 1. The Need for Personal Identification on the Internet

Cryptography is commonly used to secure transactions and information transfers over the Internet. While effective in terms of securing data and identifying sending and receiving devices, cryptography does not directly identify the individuals that may be using those devices.

Secure personal identification in which the person, rather than the device, is identified is emerging as an increasingly important requirement for internet transactions as more and more information and daily interactions migrate to the web. In activities such as online banking, online health care and social networking, the need to securely identify individuals is becoming more and more urgent.

### 2. Personal Identification Technologies

Personal identification can be undertaken by means of passwords, tokens (such as smart cards) or biometrics.

Passwords and tokens may be lost or stolen however when properly implemented, biometric technology provides the most secure and reliable means of personal identification.

### 3. The Problem with Biometric Technology

In a conventional network based biometric system the biometric templates are stored online in one or more databases and accessed remotely in order to verify a user's identity. This process presents major privacy and security risks if the database is hacked, since biometric signatures (ie finger prints, retina scans and facial features) are permanent and cannot be changed.

These risks are a major obstacle to the widespread adoption of biometrics in internet applications.

The current method of biometric identification involves the use of external biometric devices.

In this approach, each user has a personal device that stores the user's biometric templates and carries out biometric identification locally, within the device.

Positive biometric identification then unlocks the device to allow access to sensitive data such as cryptographic keys, digital certificates, etc. stored in an on-board memory.

While this method, which is used primarily for access control, resolves the privacy issue, it is not well suited to internet applications since there is no guaranteed association between the actual user and cryptographic keys or certificates, each time these devices are used. For example; the device may be unlocked by an authorised user and then used by someone else.

### 4. Linking Biometrics and Cryptographics

In recent years, a good deal of research has been aimed at combining biometrics and cryptographics to enable biometrics for the internet. A particular focus has been on deriving complete or partial cryptographic keys directly from a biometric signature such as a fingerprint or an iris scan.

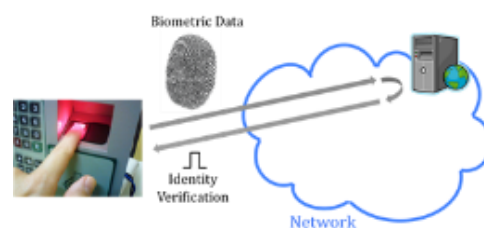


Figure 24: A conventional network-based biometric system stores biometric templates in a remote database



This approach does however run up against a fundamental difficulty in that a cryptographic key must be the same each time it is used (identical, bit for bit). Biometric signatures, on the other hand varying significantly from one instance to another.

Some researchers have tried to overcome this difficulty by extracting the stable part of a biometric signature and using this as the basis for key derivation. However, an inherent disadvantage of generating partial or complete keys from a biometric signature is that it limits the range of keys that can be generated, since the biometric signature does not change (apart from case-to-case fluctuations).

In addition, generating keys from a biometric signature allows the possibility of ‘leakage’ of biometric information into the key values, thereby putting the privacy of users at risk.

## 5. CertainID™, A Simple New Approach to Network Based Biometrics

Kollakorn has **developed and patented** a new technology known as CertainID™ for enabling Internet based biometrics. In this approach, which is in essence a biometrically enabled Public Key Infrastructure (PKI), each user has a module (hardware or software) that incorporates biometric and cryptographic functions.

This bio/crypto module may be a separate plug-in or may be integrated into a personal device such as a cell phone, tablet or computer.

Each bio/crypto module stores biometric templates for the authorised user and internally generates the public/private cryptographic key pairs that it associates with biometric identification of the user. Generation of the key pairs is not dependent in any way on the stored biometric data.

The private keys are retained secretly within the module, while the public keys are uploaded to a public key repository on the internet. In their default state the private keys are disabled (i.e. they cannot be used by the bio/crypto module).

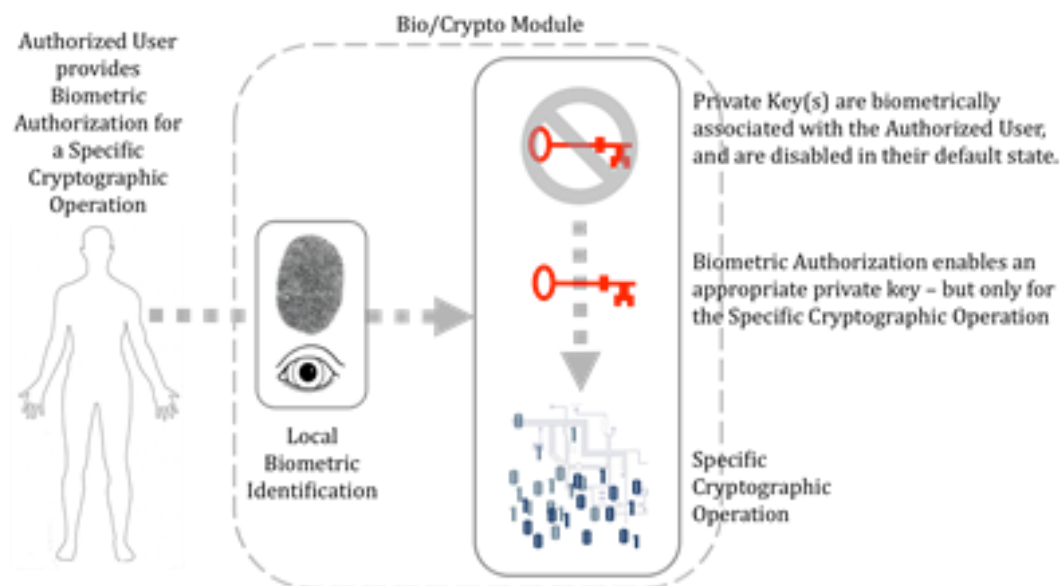


Figure 25: Biometric authorization involves an authorized user being biometrically identified as an integral part of authorizing a specific cryptographic operation. A biometrically associated private key is enabled, but only for the specific cryptographic operation - the private keys otherwise remain disabled

When the authorised user of a bio/crypto module needs to be biometrically identified to a remote third party (person or device) on the internet, he or she biometrically authorises a specific cryptographic operation that can be verified by the third party. For example; generation of a digital signature.

Biometric authorisation involves the authorised user providing biometric input as an integral part of authorising a specific cryptographic operation. Biometric identification of the user (by the bio/crypto module) enables an appropriate private key for use in the specific cryptographic operation, but for no other purpose.

For example; a user may provide a fingerprint to authorise the generation of a digital signature, which (upon successful biometric identification of the user) will be created using a private key associated with the user. The authorisation process enables the private key only for generation of the digital signature and for no other purpose.

It is important to note that each biometric authorisation applies only to a specific cryptographic operation, and that the private keys otherwise remain disabled. Use of a private key therefore signifies biometric identification of the corresponding authorised user.

The remote third party can verify the cryptographic operation by using the corresponding public key, obtained from an online public key repository. By confirming that the user's private key was used, the third party biometrically identifies the user of the bio/crypto module. No biometric information is released into the Internet during this process.

A similar approach can be used to tag an encrypted message transmission with the biometric identity of both the sender and recipient, so that the sender is biometrically identified to the recipient, and the sender knows that only the intended recipient (after being biometrically identified) can read the message.

In this scenario both the sender and recipient are required to use a biometrically-associated private key in order to complete the transaction, thereby ensuring that both are biometrically identified in the process.

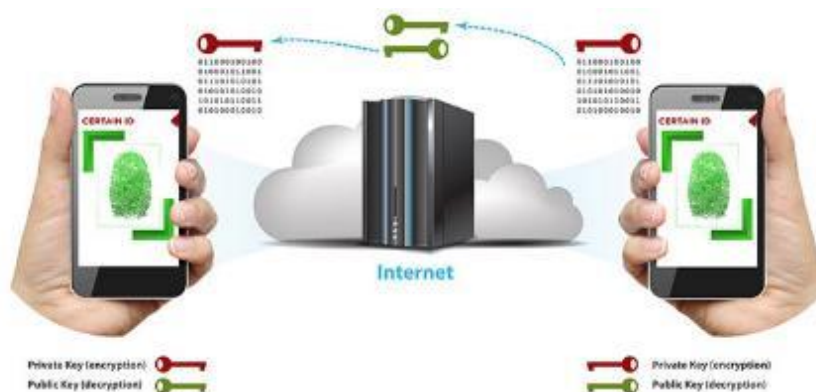


Figure 26: An encrypted message can be biometrically tagged for both the sender and recipient, without releasing any biometric data

For example; in a process that mirrors standard PKI, the sender may generate a digital signature using a biometrically-associated private key and encrypt the message using the recipient's public key so that the recipient must use a biometrically-associated private key to decrypt it. As in the previous example, no biometric data is released into the Internet during this process.

The technology can be used also for person-to-device communications in which a person must be biometrically associated with information sent to a device - an example being the biometric identification of a credit card user or an online shopper.

For enhanced security, each bio/crypto module will autonomously update the authorised user's key pairs from time to time. For maximum security the keys may be updated after each use (one-time keys).

CertainID can be implemented using any biometric identification method and any PKI protocol, so the combination of biometrics and cryptographics can be chosen to match the security, operational and cost requirements of the application.

By keeping key generation separate from the biometric identification process, CertainID provides complete flexibility in the determination of public/private key pairs, and avoids any leakage of biometric information through the key values.

## **6. Ensuring User Privacy and Security**

The privacy and security of each user's biometric information is ensured, since it is securely stored in the user's bio/crypto module and is never uploaded to the Internet, not even during enrolment.

## **7. Keeping the Technology Safe and Secure**

The bio/crypto module, if lost or stolen, cannot be used by anyone else, since it requires biometric input from the authorised user. The module, whether hardware or software based, will incorporate tamper security to prevent access to the stored biometric templates and private keys.

If reported lost or stolen, a bio/crypto module can be disabled by the network. The public key values can be revoked at the public key repository and an erase instruction to delete the corresponding biometric templates and private keys can be sent to the module the next time it appears on the internet. The original user can re-enrol to continue using the technology.

New users can be vetted at the time of enrolment, to exclude people who should not have access to the technology. Enrolled users can be disabled if they violate system usage rules or are found to have provided false information during enrolment.

## **8. User Enrolment**

During enrolment, the identity of a new user must first be established by means of conventional identification methods (passport, driver's license, etc.). Once this is done the user is issued with a bio/crypto module (hardware or software) or a personal device with an integrated bio/crypto module which is used to record the user's biometric templates.

The templates are stored securely in the bio/crypto module and are never uploaded to the internet. The bio/crypto module then generates the first biometrically-associated key pairs, which it associates with biometric identification of the new user and uploads the public keys and the user's personal information to a public key repository on the internet. The new user is now enrolled.

## **9. Compatible with PKI**

CertainID can be made entirely compatible with existing PKI which is one of the cryptographic methods commonly used to secure internet transactions and communications.

# RIGHTS ISSUE ENTITLEMENT AND ACCEPTANCE FORM

Entitlement No.

Subregister

SRN/HIN.

Number of Shares held at 7pm  
on 7 April 2015

Offer Closes: 21 April 2015 at 5:00pm

NON-RENOUNCEABLE ISSUE OF UP TO 88,636,151 NEW SHARES AT AN ISSUE PRICE OF \$0.007 EACH ON THE BASIS OF 1 NEW SHARE FOR EVERY 10 ORDINARY SHARES HELD, PAYABLE IN FULL UPON ACCEPTANCE OF THIS OFFER

## A Rights Acceptance

If you wish to accept your **FULL ENTITLEMENT** please complete and return this form **WITH YOUR PAYMENT FOR THE AMOUNT SHOWN BELOW**. The return of this form by the close date with payment will constitute acceptance of the Offer. Your signature is only required when an alteration to your address is indicated by you over the page.

Entitlement to New Shares on the basis of One New Share for every Ten Ordinary Shares held	Price Per Share	Amount Payable for Full Acceptance, at \$0.007 per New Share
	<b>\$0.007 per Share =</b>	

If you wish to accept **PART OF YOUR ENTITLEMENT ONLY** please complete this form showing in the box below the **NUMBER OF NEW SHARES BEING ACCEPTED** and the appropriate amount payable.

Number of New Shares accepted	Price Per Share	Amount Enclosed
	<b>\$0.007 per Share =</b>	<b>\$</b>

## B Apply for Shortfall Shares (if available)

If you wish to apply for additional shares to your Entitlement above please insert the number of shares in the box below and the appropriate amount payable. These additional shares will only be allotted if available.

Number of Shortfall Shares Applied for	Price Per Share	Amount Enclosed
	<b>\$0.007 per Share =</b>	<b>\$</b>

## C Payment

Payment may only be made by BPAY or cheque. Cash will not be accepted via the mail or at the Kollakorn Corporation Limited Share Registry. Payments cannot be made at any bank.

### Payment Option 1 - BPAY


Biller Code: XXXX  
Ref:

#### Telephone & Internet Banking - BPAY®

Contact your bank, credit union or building society to make this payment from your cheque or savings account.

More info: [www.bpay.com.au](http://www.bpay.com.au)

© Registered to BPAY Ltd ABN 69 079 137 518

- To pay via BPAY please contact your participating financial institution.
- If paying by BPAY you do not need to return the Entitlement and Acceptance Form.
- If paying by BPAY the amount of your payment received in the account divided by the issue price will be deemed to be the total number of shares you are applying for.

### Payment Option 2 – Cheque (Record cheque details below)

DRAWER	CHEQUE NO.	BSB NO.	ACCOUNT NO.	AMOUNT \$AUD
				<b>\$</b>

- Only cheques or bank drafts in Australian dollars and drawn on a bank or financial institution in Australia will be accepted.
- Your cheque or bank draft must be made payable to "Kollakorn Corporation Limited" and crossed "Not Negotiable."
- Please ensure that you submit the correct amount. Incorrect payments may result in your application being rejected.

**THIS FORM CONTINUES OVERLEAF**

## D Contact Details

CONTACT NAME	TELEPHONE WORK	TELEPHONE HOME	EMAIL ADDRESS
	( )	( )	

By submitting this Application Form or by using the BPAY facility to accept the Offer, I/We represent and warrant that I/we have read and understood the Offer Memorandum to which this Application Form relates and declare that this Application is completed and lodged according to the Offer Memorandum and the instructions on the reverse of the Application form and declare that all details and statements made by me/us are complete and accurate. I/We agree to be bound by the constitution of Flat Glass Industries Limited and agree to the terms and conditions of the Offer. I/We represent and warrant that I/we have not relied on any other information provided by the Company other as set out in the Offer Memorandum when making my/our decision to invest.

The Offer to which this Entitlement and Acceptance Form relates does not constitute an offer to any person who is not an Eligible Shareholder, and in particular is not being made to Shareholders with registered addresses outside Australia and New Zealand. This Entitlement and Acceptance Form does not constitute an offer in the United States of America (or to, or for the account or benefit of, US Persons) or in any jurisdiction in which, or to any persons to whom it would not be lawful to make such an offer.

## LODGEMENT INSTRUCTIONS TO APPLICANTS

Please read these instructions carefully

### ACCEPTANCE OF YOUR ENTITLEMENT IN FULL OR PART

Multiply the number of New shares for which you are accepting by \$0.007 then fill in the acceptance details, where necessary, in the space provided on the front of this form. Complete your cheque details on the front of this form and send your cheque/draft and completed form to:

Boardroom Pty Limited  
GPO Box 3993  
SYDNEY NSW 2001

Telephone No. 02 9290 9600  
Facsimile No. 02 9279 0664

If you do not deal with your Entitlement it will lapse at 5.00 pm on 21 April 2015.

### PAYMENT

#### Cheque or Draft

All cheques or drafts (expressed in Australian currency) are to be made payable to “**Kollakorn Corporation Limited**” and crossed “Not Negotiable”.

#### BPAY

If you make payment using BPAY you must contact your Australian bank, credit union or building society to make this payment from your cheque or savings account. For more information: [www.bpay.com.au](http://www.bpay.com.au). Refer to the front of this form for the Biller Code and Customer Reference Number. Payments must be received by BPAY before 5.00 pm on 21 April 2015.

### PAYMENT - OVERSEAS RESIDENTS

Overseas shareholders who are permitted to apply for shares must obtain a draft in Australian currency payable on a bank in Australia, or where the shareholder has an account with a bank in Australia, by a cheque drawn on that bank within Australia.

The Australian currency draft should be attached to your completed form and the document mailed to:

Boardroom Pty Limited  
GPO Box 3993  
SYDNEY NSW 2001

OVERSEAS SHAREHOLDERS ARE ADVISED TO ENSURE THEIR DOCUMENTS ARE POSTED TO AUSTRALIA BY AIRMAIL.

Personal cheques drawn on overseas banks in Australian or any foreign currency will not be accepted. These will be returned and the acceptance deemed to be invalid.

### INTERPRETATION

Terms used in this Entitlement and Acceptance Form have the same meaning as defined in the Offer Memorandum.

### CHANGES OF ADDRESS SUPPORTED BY YOUR SIGNATURE(S)

If your address is not exactly as shown, please provide details below. This is only relevant for Issuer Sponsored registered holdings. CHESS holders must notify your sponsoring broker for amendments to holdings on the CHESS Subregister.

CHANGE OF ADDRESS DETAILS – ISSUER SPONSORED ONLY		
SIGN HERE FOR ADDRESS AMENDMENTS:		

Shareholder 1 (Individual) /  
Sole Director & Sole Company  
Secretary

Joint Shareholder 2 (Individual) /  
Director

Joint Shareholder 3 (Individual) /  
Director/Company Secretary  
(Delete one)

### Privacy Statement:

Boardroom Pty Limited advises that Chapter 2C of the Corporations Act 2001 (Cth) requires information about you as a shareholder (including your name, address and details of the shares you hold) to be included in the public register of the entity in which you hold shares. Information is collected to administer your share holding and if some or all of the information is not collected then it might not be possible to administer your share holding. Your personal information may be disclosed to the entity in which you hold shares. You can obtain access to your personal information by contacting us at the address or telephone number shown on the Entitlement and Acceptance Form.

Our privacy policy is available on our website (<http://www.boardroomlimited.com.au/privacy.html>).