Shareholder Update

2009 Outlook

QUICKFACTS

RFID ON THE RISE

"We expect increased activity in 2H09, even if the economy remains sluggish. We base this view on the industry progress made in the last year, particularly with respect to the positive ROI pilot activity that has been occurring in the past six months."
- Reik Reed, Robert W. Baird & Co.

PARTNERSHIPS

Sirit: During the last quarter of 2008, Sirit shipped **181,880** tags embedded with Smart&Secure for AVI applications in the Americas.

Sun Chemical: MIKOH and Sun Chemical are combining expertise and experience to continue leading-edge development and market expansion of Smart&Secure.

MIKOH Corporation Limited

Outlook

With the deteriorating global economic climate affecting everyone, and the opportunities that a new Obama administration in the United States will bring to the world stage, now, more than ever, is a critical time for all. Wise use of resources, incremental revenue, protection of valuable assets and reliable chain of custody are imperative to businesses and government agencies alike.

The Obama administration is expected to focus more heavily on US infrastructure, R&D initiatives, and on technologies that enable security and accountability, and to provide funding accordingly.

What does this mean for the RFID industry? The viewpoint from trade experts seems to be a positive one, as Reik Read, R.W. Baird AIDC/RFID analyst, reports "we expect increased activity in 2H09, even if the economy remains sluggish. We base this view on the industry progress made in the last year, particularly with respect to the positive ROI pilot activity that has been occurring in the past six months." (January 2009 update of Robert W. Baird & Co's RFID Monthly - www.rfid-monthly.com)

The outlook for more specific applications is equally promising. Read also reports that advancements in IT data centres, electronic vehicle registration and healthcare are trends to watch for in 2009.

Consistent with this optimistic industry outlook, during 2008 MIKOH nurtured substantial business opportunities that are expected to translate into revenue growth for MIKOH security products in 2009 and beyond. However revenue growth has been

slower than expected, and so in addition to a modest capital raising expected imminently, MIKOH has taken significant actions to reduce operating costs from January 1, 2009.

Closing out 2008...

During 2008 MIKOH substantially strengthened its sales prospects. Throughout the year the company set the stage for success, and whilst economic activity has slowed we are encouraged by the fact that business in our pipeline is not being lost to competitors. Rather, it is simply taking longer to close in today's harsher market conditions. Since the last time we connected, several noteworthy events have taken place:

Partnerships
Sirit
On the partnership front, we are pleased to report that our Smart&Secure tamper-indicating RFID technology was embedded into 181,880 AVI tags shipped by Sirit (www.sirit.com) in Q4 2008 to countries within the Americas. The royalties have started to flow.

Sun Chemical
MIKOH entered into joint development and supply agreements with Sun Chemical (www.sunchemical.com) regarding Smart&Secure. Through the agreements, Sun Chemical, the world's largest producer of printing inks and pigments, will supply conductive inks and tamper-indicating chemical formulations critical to the effectiveness of Smart&Secure. Sun's expertise and experience in ink technology, and in particular in electronic printing, will provide MIKOH with a stable base for supply and ongoing leading-edge development of Smart&Secure.

QUICKFACTS

AUSTRALIAN MARKET

The appointment of Mr. Hans Van Pelt as General Manager of Australian operations has positioned MIKOH to deliver on recent business opportunities in Australia.

SECUREPRINT

MIKOH's innovative SecurePrint technology allows for authentication and identification of printed materials through unique "fingerprint" marking.

DATADOT

Integrating DataDotDNA with MIKOH's VDP process

STOREFRONT

Launched, and transactions have commenced

Addition to Australian Team

We completed the acquisition of the assets and goodwill of a Melbourne-based RFID company, Global Integrity Pty Ltd. Mr. Hans Van Pelt, previously the Managing Director of Global Integrity, has taken up the position of General Manager of MIKOH's Australian operations, overseeing the digital imaging and SubScribe businesses as well as the developing RFID opportunities in Australia.

Variable Data Printing

MIKOH made good progress in its digital print business, with sales of digital printers into Sydney, Turkey, and a sale to a Melbourne printer in December of 2008. We are confident of an additional six printer sales during 2009.

On a more disappointing note, the Reserve Bank of Australia (RBA) advised that the inkjet printing project which MIKOH's Australian subsidiary, MIKOH Imaging Systems Pty Ltd, has been working on in conjunction with Note Printing Australia's Technical Development Group for almost two years, will not proceed. This was due to a strategic decision taken by the bank, and does not in any way reflect upon the quality of the work done for the RBA by MIKOH.

SecurePrint

MIKOH has conceived and is now developing a new technology for uniquely identifying printed images such as barcodes. The technology allows each printed image to be marked with a unique "fingerprint", so that it becomes both an identification and an authentication feature. The technology has a wide range of high-volume potential markets - from anti-counterfeiting of consumer goods to secure identification of classified documents. MIKOH's objective is for this technology to become the standard for securing barcodes and

2-dimensional barcodes, and to this end is exploring partnerships with industry leaders to facilitate development and large-scale adoption of this new technology.

In the meantime, MIKOH has developed and proven a technique for integrating a leading authentication technology into its high-speed digital print process, and is pursuing commercial partnerships and applications. The first of these relationships is with Datadot Technology Limited and their DatatraceDNA product, which is a joint venture between Datadot Technology Ltd (ASX:DDT) and Australia's national research and development organisation, the CSIRO.

Following positive testing, MIKOH has developed the capability to include forensic security in printed materials using DatatraceDNA coded particles. A Memorandum of Understanding (MOU) is being created to jointly market this ability and to formalise MIKOH as Datadot's label provider. This MOU will enable MIKOH to produce and offer printed products that authenticate a wide range of products and materials that are subject to counterfeit and diversion.

These initiatives complement the company's other security technologies, and strengthen its position as the leader in physical security, identification and authentication technologies.

Store Front

The MIKOH.com online storefront was successfully launched. MIKOH can now better serve the needs of partners and customers for repeat orders and in small-scale projects by giving direct access to MIKOH's Smart&Secure, SecureContainer and SubScribe technologies. In addition, the site will serve as a future hub for partner and reseller equipment.

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AIRPORT EVR

MIKOH has been awarded a project to design, develop and implement a new airside Electronic Vehicle Registration (EVR) system at a major Australian airport.

AVI

Through agreements with 3M and Sirit, and successes in Bermuda, Airports, and the Americas, MIKOH is poised to capture substantial new business in Automatic Vehicle Identification markets during 2009.

ASSET TRACKING

SecureContainer rollouts are gaining traction within high-security US government agencies, with developments in commercial markets following closely.

Bring on 2009...

Moving into the new year, MIKOH has hit the ground running:

First Australian RFID Project

We have been awarded a project to design, develop and implement a new airside Electronic Vehicle Registration (EVR) system at a major Australian airport. The EVR project has been proposed in two stages, with the first stage on track for delivery in the next two weeks. The entire project is expected to be completed during 2009 and will comprise a secure radio frequency identification (RFID) solution for all vehicles operating on and entering the secure airside areas of the airport.

MIKOH will provide the complete system, including readers, software and other infrastructure, in collaboration with its partners, and will provide the Smart&Secure tags through its US-based manufacturing partner.

Automatic Vehicle Identification (AVI)

The agreements with 3M and Sirit, our EVR success in Bermuda, the Australian airport EVR project, and the proven effectiveness of Smart&Secure, together mean that we are poised to capture new business in AVI. This was confirmed recently by the fact that Smart&Secure is being incorporated into several AVI applications throughout North and South America. These projects have resulted in the delivery and installation of 181,880 tags during the fourth quarter of 2008.

The potential size of these combined installations is expected to be five million Smart&Secure tags over the next 12 to 24 months.

These high-volume applications are the first to be received under the newly signed global agreement with Sirit (www.sirit.com), whereby Sirit has been licensed to promote and sell

MIKOH's Smart&Secure technology worldwide in AVI systems in which tamper indicating vehicle tags are required.

In January MIKOH (in conjunction with 3M, Sirit and local business partner Aperium Pty Ltd) proposed a full EVR solution for VicRoads as part of a registration and licensing Expression of Interest project initiated by the Victorian State Government.

Additionally, we are confident that Smart&Secure will be included in other countries in South America such as Mexico and Brazil as the relevant legislations are passed and the projects awarded.

Asset Tracking

While most new project funding has been frozen for some time in the US Federal market, MIKOH is seeing signs of rollout of its SecureContainer product within high-security agencies. Additionally, we are working on some large-scale SecureContainer projects within the Commercial markets. In Australia we are also seeing positive developments, with asset tracking opportunities identified through our relationship with Dexion Integrated Systems. One large Sydney based project could commence RFID tag delivery in the September quarter this year.

Variable Data Printing (VDP)

We continue to seek new market niches for our VDP solutions, and are working with an Australian company to develop a unique system for global adoption in the Fast Moving Consumer Goods food and beverage industry. We look forward to updating you as this promising opportunity develops. It is anticipated that this license agreement alone will lead to $10-15$ printer sales over the next 3 to 5 years.

QUICKFACTS

COMMERCIAL MARKETS

MIKOH will be collecting royalties and generate direct revenue from the AVI and Asset Tracking markets. Building on the foundation laid in 2008, MIKOH is well positioned for these markets in 2009.

FEDERAL GOVERNMENT

MIKOH aims to continue direct sales activity with key US Government stakeholders for the impending US infrastructure boom.

VARIABLE DATA PRINTING

For 2009, MIKOH will continue to develop new lines of business for variable data printing (VDP), including the food and beverage industry.

2009 First Quarter Plan

Taking into consideration the current economic climate and all aspects of MIKOH's experiences to date, our priorities for the first quarter of 2009 can be summarised as follows:

Reduce Operating Costs

MIKOH has substantially reduced its cost base from January 2009 and is being structured to become cashflow positive as soon as possible.

Commercial

Collect royalties and generate direct revenue from the AVI and Asset Tracking markets

- Substantial work has been undertaken during 2008 to position MIKOH in 2009
- These markets are expected to further adopt passive RFID in 2009
- Security is a key requirement in these markets
- Manufacturing and distribution relationships are in place

US & Australian Governments

Align activity to the Obama administration initiatives

- Continue direct sales activity with key US Government security stakeholders to further position MIKOH for the impending US infrastructure boom
- Align MIKOH with US civilian and defense agency initiatives, focusing on technologies that enable security and accountability
- Roll out the SecureContainer

Target business within Federal and State Governments

- Develop opportunities and open new distributor sales channels
- Position MIKOH for EVR/AVI adoption

Partnerships

Continue to develop global distribution partnerships

- Global distribution via partners is vital to realise the potential of MIKOH's technologies

- Long-term agreements with large corporations have proven successful for MIKOH

Printing

Continue to develop new lines of business for VDP

- Develop the food and beverage industry market niche
- Continue to enhance MIKOH's VDP technology with added security capabilities
- Commence label production incorporating the new printed authentication technology at MIKOH's Melbourne facility
- Finalise development and commercialisation agreements for the SecurePrint technology

SubScribe

Continue SubScribe production in the Melbourne facility

- Expand adoption of SubScribe within the Australian and US markets.

These initiatives are intended to position MIKOH for sustainable growth during 2009.

From all of us at MIKOH, we take this opportunity to wish you a happy, prosperous and safe 2009.