

EXTRAORDINARY GENERAL MEETING

3 JUNE 2011

MANAGING DIRECTOR'S REPORT

Company Operations

MIKOH is a company that has had, and still has great potential, however due to the management issues of the past, and a loss of faith by its shareholders, it has until today, found itself in a difficult financial position with an all-time low share price.

All this changes from today!

You are all aware that 6 months ago I agreed to become Managing Director. I did this because I saw, and believed, in the potential that MIKOH had and was determined to realise the value for shareholders.

In the last 6 months, the new MIKOH management team have work on 3 different parts of the business and made the following progress:

The Company

- We have a new management with a focus on shareholder value;
- There is now a new business model with multiple profit streams;
- We have made a strategic transition from an R & D company to commercialisation and revenues;
- We have achieved significant reductions in staff, overhead costs and disposal of underperforming businesses;

The Thai Concession

- We have signed binding agreements with Kollakorn and hopefully approval to proceed from our meeting today;
- We have established Thailand as a template and working example for the EVR system;
- We now have access to a complete EVR solution to offer to new countries;
- We have shown that EVR is a profitable solution for Governments on multiple levels;
- There is now recognition from private enterprise that generating profits from the EVR system in commercial applications is viable;

For the Ongoing Growth of MIKOH

- We have an EVR focus on Asia, the region that was least affected by the GFC;
- We have a signed Heads of Agreement with a Malaysian integrator;
- We have made a breakthrough into a new market - Protective Clothing;
- We have made real progress on developing new and improved IP for MIKOH.

Today, you see before you the new management and Board. I believe this is the most focused and commercial Board and management team that MIKOH has seen in many years - focused on shareholder returns, and maximising of the commercial value of MIKOH for all stakeholders.

You have heard the presentations from Stefanie and Namchoke and you can, for the first time see that there is really a "team" working for your benefit. I will not add much to their presentations as I believe that they have covered their topics well.

As I said, we have reduced the staff in MIKOH to 6 people and virtually eliminated the plethora of consultants who provided little value and charged the earth. This, together with other cost reductions, has significantly addressed the extravagant operational costs of the last few years.

Further, we have disposed of Subscribe, one of the underperforming businesses at close to breakeven and which for the last three years at least, lost \$15,000 per annum. The printer manufacturing business is the last underperforming business to be disposed of, having lost MIKOH millions over the previous 9 years.

I can now confirm that the printer manufacturing business will cease operating on 10 June. There will be book losses associated with ceasing to operate this business of the order of \$400,000 and a further cash loss of around \$80,000. We will seek to minimise this cash loss, however disposing of this business is critical as it will stop a base net cash drain of approximately \$360,000 per annum.

As announced at the last EGM in March, MIKOH had revenue of \$1,764,768 and profit of \$559,648 from the EVR business for the first half of the 2011 year. Most of this revenue related to the purchase of hardware for Thailand that has been, or is being installed by Kollakorn in the second half of this year. We estimate the revenues for the full year will be in the range of \$2.6 to \$3 million.

The revenues for the second half of the year are lower, due to the hiatus caused by the need to rollout and activate the hardware before full operations of the system can commence. As you have heard from Namchoke today, operations are now ramping up with the announcement in Thailand yesterday of benchmark test which should lead to compulsory wearing of tags for public transport vehicles on the Don Muang Freeway.

Since the last EGM, we have signed a heads of agreement with ARA TechBiz in Malaysia for the purpose of establishing an EVR/AVI system in Malaysia.

The principle terms of the agreement are as follows:

- The Joint Venture Company will be incorporated in Malaysia for the purpose of gaining a concession from the relevant parties in Malaysia to operate EVR;
- ARA will arrange funding for the Joint Venture Company which will be owned 80% by ARA, 10% by Somapa and 10% by MIKOH;
- The Somapa and MIKOH shares in the Joint Venture Company will be free carried for the first 10 million Ringgit which is approximately A\$3.1 million;
- The tags and the hardware will be supplied by MIKOH;
- The basic application systems that operate the AVI/EVR System will be supplied by Somapa and ARA will modify them for use in Malaysia;

The primary objective of the Joint Venture will be to obtain the concession to operate the EVR system in Malaysia, a market of 17 million vehicles.

Finally, MIKOH has broken into the protective equipment and apparel sector by signing a sales and marketing agreement with Global Safety Solutions & Management Pty Ltd to supply Smart&Secure tamper-indicating RFID tags for protective clothing used in hazardous conditions. GSSM believe that the use of the Smart&Secure tamper evident tag will differentiate their product from competitors and have estimated that once deployed throughout their range of garments they could require up to 10 million tags per annum.

Fund Raising

In April, MIKOH went to the market to raise \$1.5 million. The terms of the issue were shares at 3.5 cents with an attached 1 for 2 option, exercisable at 5 cents within 12 months. Filling this issue has been a challenge particularly while the share price has remained in the 2 to 2.5 cent range.

Despite this, a number of Australian believers and strong supporters with faith in the new management team subscribed to approximately \$600,000 of the issue. However, closing the issue remained a significantly difficult task because of the share price and this despite the progress made in rejuvenating the company

I think you are all aware that we have announced that we have signed a term sheet with Kodiak Capital Group LLC, a New York Capital Fund for an investment of US\$800,000 (A\$750,000) in MIKOH. Also in the last two days we have presented to a group of investors new to MIKOH who have so impressed that they have already committed \$100,000 to the placement and we are advised that a further \$400,000 will follow, however at this time there is no commitment.

Assuming these additional funds come in and including the Kodiak investment, the placement will close oversubscribed at approximately \$1.8 million. Our thanks have to go to Hanumans for their super human effort in achieving this in such an adverse market.

The terms of the various issues are:

- For Kodiak we will issue the shares at a 15% discount to the lowest daily VWAP for the 5 consecutive days following the effective date, which is the date the legal agreements are executed. This means that the price at which Kodiak invests cannot at present be determined;
- For Australian shareholders that have already subscribed to the placement, we will now issue the shares to all these applicants at the lower of: the VWAP used to determine the Kodiak price; or 3.5 cents. Every two shares purchased by the Australian shareholders will be entitled to a one free option exercisable at 5 cents in the next 12 months.

I can already hear the restlessness in the room, as shareholders squirm in their seats about all the dilution that this will cause. Based on our modelling it will cause additional dilution above what we previously announced of:

- 6.64% at a VWAP of 2.5 cents;
- 4.39% at a VWAP of 3 cents; and
- 2.15% at a VWAP of 4 cents.

Unfortunately, this is the pain that has to be borne by existing shareholders to retrieve MIKOH from the brink of disaster that it faced 6 months ago. We are now fully funded, have revenue from a real operation, have a focused and dedicated management team and in a word we have a “future”!

We have already announced our intention to raise \$5 million for Kollakorn. We have been working closely with a number of New York institutions and funds with a view to closing this raising within the next couple of months. This funding is critical to ensure that the project in Thailand achieves its full potential.

A number of shareholders have already said to us that at these low prices they would like the opportunity to take up shares in MIKOH. The Board has considered this and agree that existing shareholders should be given the opportunity to participate and show their support to MIKOH while benefiting from these low share prices.

I would therefore like to announce that the directors will as soon as possible launch a Share Purchase Plan, offering Shareholders the right to purchase up to \$5,000 worth of shares. We have calculated that even a 20% take up of the SPP by shareholders will raise in excess of \$2 million and this will significantly reduce the quantum of funds required to be raised for Kollakorn in New York.

Supporting the SPP is now the opportunity for existing shareholders to step up and show their support for MIKOH and its new management team.

Proposed Resolution

As Shareholders know, MIKOH and Kollakorn have been working together to jointly establish and operate the EVR system in Thailand. Kollakorn holds an exclusive 10 year concession from the Government of Thailand to operate the EVR system throughout the country

From projections supplied to the Company by Kollakorn it is expected that over the next ten years, Kollakorn will earn revenues in excess of US\$800 million from the sale of tags and tracking activities. Currently, the situation is that MIKOH only gets revenue from sales of its tags to Kollakorn and does not share in the profits made by Kollakorn from the applications and the System.

In order for MIKOH to share in Kollakorn's revenues, we have negotiated an opportunity to acquire a 19.9% interest in Kollakorn in consideration for issuing 19.9% of the shares in MIKOH to Kollakorn.

What will be the benefits to the MIKOH shareholders of passing this resolution?

- Currently MIKOH does not have a complete EVR system to offer to other countries. MIKOH can only provide the Tag; it cannot provide the all-important IT applications which monetise the Tag. This proposal will allow MIKOH in conjunction with Kollakorn to offer the Tag and the application systems to new country integrators.
- MIKOH will own 19.9% of Kollakorn. This means that MIKOH will be entitled to 19.9% of all dividends declared by Kollakorn.

What will be the disadvantages and risks to the MIKOH shareholders of passing this resolution?

- Clearly this proposal will cause dilution however to counter that, this investment will earn revenue for the company in terms of a 19.9% interest in Kollakorn's dividends;
- As discussed earlier, MIKOH needs to raise \$5 million for Kollakorn in order to rollout the readers and other hardware. If we do not raise the funds it is likely that the revenues and profits from Kollakorn would be significantly different from those that Kollakorn are now predicting. However, a good response by shareholders to the SPP will significantly mitigate this risk and we believe that from the work already done in New York and other places we should be able to raise the balance of the funds.

The Directors therefore believe that the potential benefits of this resolution to MIKOH and its shareholders outweigh the disadvantages and risks, and therefore recommend that you vote in favour of it.

Before we continue with the vote on this resolution I would like to quickly run through a visual summary of what I have said.