



ASX ANNOUNCEMENT

30 August 2011

MIKOH Corporation Limited
ACN 003 218 863
Level 5, 32 Martin Place
Sydney NSW 2000
AUSTRALIA

Review of the Preliminary Audited Financial Reports for the Year ended 30 June 2011

- Revenues up 151% to \$3,992,930 (2010: \$1,591,439)
- Net loss down 38% to \$3,144,780 (2010: \$5,129,233)
- NTA per share up 475% to 0.69 of a cent (2010: 0.12 of a cent)

Overview

These results were a considerable improvement on the previous year and are in line with predictions given to the shareholders by the Managing Director earlier this calendar year.

The loss this year of \$3,144,780 can be analysed into two categories:

- Loss for the period from continuing operations was \$2,160,363; and
- Loss for the period from discontinued operations was \$984,417.

The increase in the net tangible asset backing per share of 0.69 of a cent (2010: 0.12 of a cent) was due principally to fund raising activities, reduction of operating expenses (especially staff and consulting costs) and the disposal of loss making businesses.

During the year the Company issued 196,139,603 shares as follows:

- 89,722,683 shares for a 19.9% interest in Kollakorn (\$2,871,126);
- 41,840,296 shares issued for the SPP issued pre 30 June 2011 (\$857,721);
- 9,591,524 shares issued as share based payments principally to past directors, employees and consultants (\$525,691);
- 54,985,100 shares placed for cash (\$1,918,224).

AVI/EVR

The AVI Smart&Secure tag business became profitable as a result of the sale of equipment and an initial stock of 2,000,000 tags to Kollakorn. The revenue for the period from this activity was \$3,761,408 (2010: \$521,036) giving a gross profit for the period of \$1,072,001. After deducting staff and consultant costs and settlements (many of which will not reoccur in the next financial year), travel, marketing and development in other countries, this business segment contributed net profit of \$128,295 (2010: net loss \$87,541).

It is expected that now that all the equipment has been purchased there will be a slowdown in revenue from Kollakorn as the equipment is installed and commissioned. Further, Kollakorn now holds stocks of 2,000,000 tags which will most likely fulfil tag sale requirements for 2012 as the marketing programme for the sale of tags in Thailand is ramped up.

For the above reasons, MIKOH is expecting revenues from AVI/EVR to be significantly less for the 2012 financial year. This will however be counteracted by the Company's 19.9% share of the profits being generated within Kollakorn.

Printer Manufacturing and Subscribe Labels

In line with announcements made by the Managing Director, the Subscribe label business and the Printer manufacturing business were respectively sold and discontinued.

The revenue from these two businesses for the year was \$231,523 while the loss was \$984,417. As previously advised, these businesses were not making profits and were draining valuable cash resources funding the losses.

USA

As previously reported, the marketing operations in the USA have been significantly scaled down and now only two employees remain in the USA, Peter Atherton and David Rodriguez.

Peter Atherton continues to remain closely involved with the Company's operations and is currently developing a new generation Smart&Secure tag which will be patented worldwide. Peter is also continuing with the development of the CertainID product, while David Rodriguez assists Peter Atherton and has the added responsibility of overseeing the manufacture of our Smart&Secure tags.

Funding

Funding has been a big issue for MIKOH since November 2010 when the funds raised by the previous management ran perilously low. Fund raising activities were hampered as shareholders lost confidence in the previous management and the GFC took its toll on share markets around the world.

The new management took over a Company with significant debts, little money and an environment where several large and disgruntled shareholders sold shares at any price, causing a downward spiral to occur with the share price. Despite this, the new management raised \$2,775,950 in cash to fund operations. Unfortunately a significant amount of this money was expended on paying past debts (relating back, in some cases to the 2009 financial year) and redundancies and claims made by previous consultants and employees in particular.

Prior to, and subsequent to the end of the financial year, MIKOH secured two additional funding lines; a US\$800,000 equity funding line with Kodiak Capital Inc. and a US\$6,000,000 convertible note arrangement with La Jolla Cove Investors Inc. (still subject to shareholder approval). No funds have been drawn on either of these funding lines which will be used principally to finance the rollout of the Thailand EVR project.

Assets and Liabilities

Within the assets shown in the Segmented Assets and Liabilities (*Note 2*) is included a sum of \$2,871,126 which was the purchase price (in shares) for a 19.9% interest in Kollakorn.

The main liability of the Company is the amount of \$2,008,750 owing to Federal Signals Inc. for purchases of tags and readers, on-sold to Kollakorn. This amount is matched by the amount of \$2,716,434 owing by Kollakorn to the Company.

The next few months will see a significant reduction of both of these amounts as funding lines are advanced to Kollakorn. Simultaneously, this will improve the cash flow of MIKOH by the difference between these two amounts.

Operational Expenses

The expenses by category this year were:

- Administration and General \$2,468,276 (2010: \$3,028,987);
- Marketing and Sales \$512,153 (2010: \$1,270,395); and
- Research and Development \$389,904 (2010: \$484,799).

The largest component of expenses for MIKOH is people. With the discontinuance of the printer business, staff numbers have now been reduced to 7 including the Managing Director.

Employee benefits from continuing operations cost \$1,704,116 (2010: 2,409,089). Over \$400,000 of this amount related to severance pays and redundancy payments. Total employee benefits (including those from discontinued operations) were \$2,208,908 (2010: \$3,003,593).

Towards the Future

MIKOH is now stable, both financially and economically. The new management appointed in December 2010 has delivered on all of its promises:

- Funding;
- Business focus;
- Establishing the path to commercialisation;
- Cost reductions; and
- Divestment of loss making businesses.

The Thailand concession is now poised to commence making returns and the newly acquired ownership of 19.9% of Kollakorn will provide MIKOH with dividends in the coming years. The strategy of purchasing an interest in Kollakorn has provided MIKOH with a valuable asset that has increased in value significantly over its acquisition price.

As explained above, revenue expectations for the coming financial year will be down due to the fact that all of the hardware and the first year's tags have been supplied. Profit will improve markedly with the expectation of eliminating the loss of the previous years. MIKOH is now in a period of low revenue while the reader network is installed and commissioned by Kollakorn. MIKOH will however experience strong cash flow as Kollakorn pays for the tags and readers it acquired on long term settlement dates.

The increased cash flow, together with the new funding lines that have been established, means that it is unlikely that, other than the shares required to be issued for these funding lines, any new shares will be issued.

A strong marketing effort is continuing with the objective of securing a new country rollout in the coming financial year. Also, for the first time in a long time, stronger cash resources will allow for an increased level of research and development. We expect the release of the next generation tag in the coming financial year and work is continuing on the development of CertainID.

The Directors are confident that the turnaround programme for MIKOH has been a success and that the Company is on course with all its strategies and in good heart.

Richard Sealy
Managing Director