



MIKOH Corporation Limited

Shareholder Update

30 April 2010

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Chairman's Letter

Dear Shareholder,

As many of you are aware, MIKOH has recently made a number of changes to key executives and structure in order to deliver on its strategy to transition the company from an Intellectual Property developer to both licensor and operational provider of custom security and RFID system solutions in global markets.

The Thailand Electronic Vehicle Registration ('EVR') contract announced to the ASX on 17 March 2010 will result in significant cash flow for MIKOH in the medium term. The five year agreement (which is expected to be extended for a second five year term) is with lead partner, Konlakorn Company ('Konlakorn') and system integrator Somapa Information Technology Company Limited ('Somapa') for the Government of Thailand ('Thailand Contract'). The Thailand contract also resulted in the establishment of an exclusive five year co-operation agreement with Konlakorn and Somapa to jointly pursue RFID vehicle management and other opportunities across the Asia-Pacific region.

MIKOH and Somapa executives recently attended Intertraffic Amsterdam 2010, March 23-26, the preeminent international trade fair for infrastructure, traffic management, safety and parking. The event is the major global forum for bringing together supply and demand in the industry and the Thailand EVR project attracted strong interest by others planning EVR implementation. Several valuable opportunities will be pursued in coming months as work commences on the 'showcase' Thailand project.

The transition of the Company to a security systems solutions provider is expected to take a further eight months before achieving positive cash flow, during which time additional working capital will be necessary. Additionally, the company's next generation high-tech SecureContainer product and new bio-authentication technology for the internet will need further investment in order to take them to market.

In order to support the Company's increased working capital requirements, the Company is seeking to raise a minimum of \$1,400,000 through a placement of shares to sophisticated investors. Hanuman Private Wealth (Hanuman Investments Pty Limited) is acting as advisor to the Company and has agreed to underwrite this placement to \$1,400,000.

MIKOH's forward order book is building and the Board remains confident of delivering a record year of revenue in FY11.

Yours sincerely,



Peter Tyree
Chairman

Business Overview

MIKOH's three focused businesses providing Quality, Security and Certainty:

Automatic Vehicle Identification

Physically tamper-evident RFID tags that guarantee the one-to-one relationship between vehicle and tag. Applications in vehicle registration, geo-fencing, access control, tolling and parking.

MIKOH works closely with systems integrators to provide end-to-end AVI solutions.

Key product:

- **Smart&Secure™ Inform:** MIKOH's unmatched tamper-evident passive RFID tags and technology. Attempts to move or tamper the tag result in its permanent and irrevocable destruction



Secure and High Value Asset Management and Tracking Solutions

Guarantees asset authenticity and integrity by applying tamper evident RFID technology at either an item or case level.

Key products include:

- **Smart&Secure™ Inform & Insight:** Inform tags allow reading of original stored data plus a permanent and irrevocable electronic marker indicating that a tamper event occurred.
- **SubScribe™:** A non-RFID tamper indicating security seal using subsurface laser marking for secure, rugged and economical marking of assets.
- **SecureContainer™:** Technology using a patented and US National Security Agency ('NSA') licensed technology for a closure mechanism that indicates whether a container has been opened / tampered with. The closure mechanism is secured using a pressure-sensitive security seal, such as a Smart&Secure™ or SubScribe™.



Secure Variable Data Printers and Printed Security Seals

Turnkey secure digital inkjet solutions and authentication products that protect against copying, counterfeiting and other unauthorised modifications

Key products include:

- **Variable Data Printers:** Low overhead Variable Data (inkjet) Printers ('VDP') and accompanying MIKOH unique software enabling "zero overhead" short print runs of security orientated products and labels.
- **SecurePrint™:** Accompanying authentication products to protect against copying, counterfeiting or other modifications
- **SubScribe™:** Tamper evident security seals



MIKOH provides security seals to over 140 customers worldwide

Operational Review

Under new management, MIKOH has taken positive steps to assess its sales pipeline, build its order book, reassess partnerships and match its product offerings with unmet market needs in order to deliver 'Quality, Security and Certainty' in global markets through custom security system solutions. With new clarity, product offerings in the three core businesses are now defined and targeted.

Corporate Timeline

The following key developments have taken place since 31 December 2009:



Recent Significant Contract Award

Thailand Electronic Vehicle Registration

MIKOH has been awarded a five year contract (which is expected to be extended for a second five year term) to implement a national Electronic Vehicle Registration ('EVR') system in the second largest ASEAN economy, Thailand. MIKOH will be the exclusive supplier of Destruct-on-Removal Radio Frequency Identification ('RFID') Smart&Secure™ EVR tags, RFID decals and RFID readers.

Thailand, with over thirty four million registered vehicles, required an EVR solution that solved a range of business and national security issues. Such a solution had to include physically tamper evident technology and be scalable to meet the expected four million new vehicle registrations per annum. MIKOH is the supplier of choice with its experience in the world's first EVR deployment in Bermuda and market-leading Intellectual Property position in tamper evident technology. MIKOH's proprietary Smart&Secure™ solution was mandated because of its unique Destruct-on-Removal feature that ensures an EVR tag cannot be transferred to another vehicle. In addition, MIKOH's technologies (including adhesives) assure full system functionality in all expected long-term environmental conditions and maintain industry-leading read-rates on various application surfaces in extreme heat, sun, high humidity, rain and other adverse weather conditions.

Strategic Alliances

Co-operation Agreement with Konlakorn and Somapa

MIKOH, Somapa and Konlakorn have entered into an exclusive five year Co-operation Agreement to jointly pursue RFID vehicle management and other opportunities across the Asia-Pacific region. Somapa Information Technology Company Limited is the leading IT systems integrator in Thailand, with 15 years experience in the information technology industry. The potent combination of a financial sponsor (Konlakorn), an experienced systems integrator (Somapa) and a state-of-the-art technology provider (MIKOH) will seek to capitalise on the current Thailand Contract to expand into other Asia-Pacific economies that face similar challenges and issues with their transportation systems.

Visy Technology Systems

MIKOH has signed an agreement with Visy Technology Systems to distribute MIKOH's full range of digital inkjet printers and supplies. The Visy Technology Systems partnership and distribution relationship is expected to provide significant market penetration potential for MIKOH through Visy's extensive network of customers and distributors throughout the packaging and creative print solutions sector.

On 13 April 2010, MIKOH received an initial purchase order for a digital inkjet variable data printer system valued at \$126,000 through this distribution agreement.

Snapsil Corporation

MIKOH and packaging company Snapsil Corporation have established an exclusive five year, world-wide supply agreement for digital inkjet UV printer systems along with an additional exclusive five year license agreement to provide finished printed lids. Label production commenced in April 2010.

Packaging Strategies Inc

MIKOH announced a supply and distribution deal for its SecureContainer™ closure devices with Packaging Strategies Inc in September 2009. Using the results of recent independent market research by Javelin Black, MIKOH is working closely with Packaging Strategies to identify key customers in the US DoD and other security agencies.

Additionally, SecureContainer™ is in the process of being enhanced with real-time tracking and piloted as a next generation high-tech product. MIKOH intends to leverage the strong relationships that Chief Executive, Dr. Paul Scully-Power has with key US Government and security agencies to bring this enhanced product to market.

Transitional Strategy

MIKOH has implemented a transition strategy to bring the Company to a position where it can fund its operations from internal cash flow, substantially reducing its reliance on external funding sources. As part of this strategy, the following has been undertaken:

1. The realignment of MIKOH's cost base and renewed vigour in cost control and sales pipeline assessment.
2. The appointment of Dr. Paul Scully-Power as Transitional Chief Executive Officer.
3. Having the CEO operate from Washington DC (rather than New York) in order to be near customers in the security capital of the world: US Defense and Security Agencies and the related commercial customers.
4. Opening a Singapore office with a full-time Business Development and Program Manager to support regional activities with a focus on EVR opportunities in the Asia-Pacific area.
5. Focus business development efforts on opportunities that have a significant probability of success and that provide maximum near term return on investment.

Specifically, the transition strategy consists of defined immediate term, near term and medium term goals:

1. **In the immediate term:** To consummate a long term supply contract in partnership with Somapa, Konlakorn and SIRIT (a wholly owned subsidiary of Federal Signal Corporation) to provide an EVR solution to the government of Thailand. The Thailand contract was announced to the ASX on 17 March 2010. The agreement's key provision is the supply of MIKOH's patented tamper evident Smart&Secure™ RFID registration tags and is expected to yield minimum revenue of US\$25 million within the first three years with recurring revenue thereafter.
2. **In the near term:**
 - a. To expand the relationship with Somapa to provide EVR and Automatic Vehicle Identification ('AVI') solutions throughout the Asia Pacific region. Active discussions are underway with several parties following the award of the Thailand contract, which is a showcase project in the region.
 - b. Build a market in the US and Australian governments, including the various security agencies for MIKOH's next generation high-tech SecureContainer solution. This solution continues to utilise SecureContainer's NSA lock coupled with a tamper-proof RFID seal, together with enhancements that detect and notify in real time any violation of a high value case in transit worldwide, including any departure from a pre-approved route. This has wide applications for asset protection and secure tracking of valuable goods and documents. MIKOH has developed a detailed plan for the commercialisation of this next generation product in conjunction with Javelin Black, a Washington D.C. based firm of government sector marketing experts. Several live demonstrations of this next generation product have already been successfully undertaken in accordance with this plan.
 - c. Expand on the distribution agreement recently established with Visy Technologies to actively market MIKOH's full range of digital inkjet printing solutions and supplies to Visy's extensive customer and distributor network.
3. **In the medium term:** To introduce MIKOH's newly patented bio-authentication technology to both the commercial and government markets. This particular security solution for electronic information transmission has been identified as a critical unmet market need. MIKOH's unique technology, for the first time, enables the authentication of the individual (rather than an asset) at both ends of any information transmission without transmitting any bio data across the network, thus preventing any 'hacking' of bio data. MIKOH's technology has applications to all secure transactions on the Internet or other networks using Public Key Infrastructure ('PKI'), including banking, sales, and secure encrypted operational transmissions.

Revenue Guidance and Outlook

MIKOH set to grow revenue by over 50% in FY10

Following a further review of current and anticipated orders, the Board has revised its guidance for the year ended 30 June 2010 to:

- Revenue: \$1.9 million
- Forward Orders: \$2.1 million

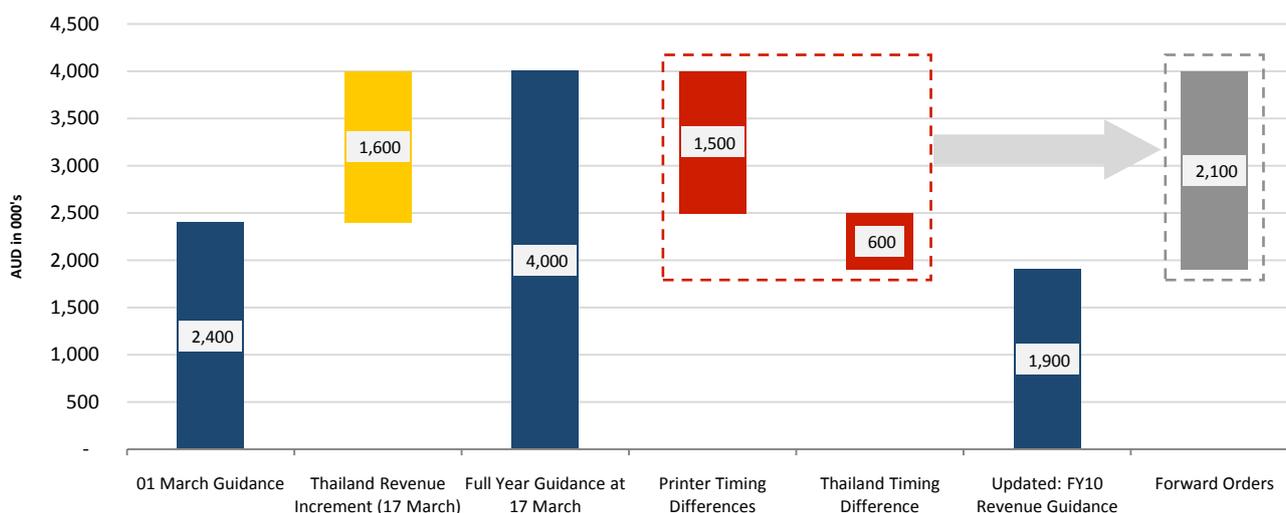
On 1 March 2010, the Company provided revenue guidance of \$2.4 million which excluded any expected revenue from the, then unsigned, Thailand EVR contract. On 17 March 2010, the Company provided further incremental revenue guidance of \$1.6 million (USD \$1.45 million) from the award of the Thailand EVR Contract, bringing full year revenue guidance to a total of \$4.0 million.

MIKOH's revenue recognition policy is in strict adherence to the Revenue Standard outlined by the Australian Accounting Standards Board (AASB118) and the Company can therefore only recognise revenue on final product delivery or, in the case of printers, on final machine commissioning.

Due to circumstances beyond MIKOH's control on the client side, the final commissioning of a small number of material printer orders currently in hand have been postponed until after 30 June 2010. As a result, MIKOH will only be able to recognise approximately \$900,000 of revenue not relating to Thailand EVR this financial year (previous guidance of \$2.4 million). Approximately \$1.5 million of expected purchase orders remain in MIKOH's forward order book and will be brought to account during 1H FY11.

MIKOH's initial order from the Thailand EVR contract is being finalised and it is likely that the portion of the initial order able to be recognised in FY10 will be \$1.0 million. Approximately \$600,000 will now be delivered after 30 June 2010 and as a result will be recognised as revenue in 1H FY11. The Company will deliver further orders throughout FY11 and expects to deliver orders of at least USD \$25 million within the first 3 years of the Thailand EVR contract.

Revenue Bridge and Forward Orders



Outlook

With a strong forward book of approximately \$2.1 million, MIKOH is confident of delivering a record revenue year in FY11. The expected ramp up in orders from the Thailand EVR contract and the introduction of new high-tech security products also strongly supports this view.

Corporate Directory

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