

ASX Announcement

10 November 2015

AGM - Chairman's and CEO's Address to Shareholders

Chairman's Address

Ladies and Gentlemen

Another year has passed and I would like to thank the board for their efforts over the year and also thank the shareholders for their continuing support of the company and especially for their patience. I would particularly like to thank Richard Sealy for all he has done, and continues to do, to ensure we keep this company relevant in the market place.

We have maintained the operations of the company with a minimum of expenditure whilst continuing to pursue the opportunities available in the market place. As you will shortly hear, we are optimistic of finally being successful in the RFID markets we have targeted. A major challenge has been finding a party to invest in CertainID. This still remains difficult because of the lack of finance of the Company to further develop the technology, however finding a party remains a priority for the board.

As you will all be aware Richard Sealy retired from the position of Managing Director on 31 March, but he did agree to take the position of CEO until a replacement could be found. The Board has, throughout this year, been searching for a suitable replacement for Richard, however this task has been made all the more difficult by the present cash constraints of the company.

It now gives me great pleasure to present to you Richard Sealy's report on the state of the company and its current activities. Richard is present on the phone, but has asked me to read his report so that it may be clearly heard by all shareholders. He will answer questions on his report once I have finished reading it.

CEO's Report to Shareholders

I would like to welcome all Shareholders to the 2015 Annual General Meeting. I apologise that I have been unable to attend this year. While I can manage the travel

in Asia, the long distances by air have, because of my health, become very challenging for me. After discussion with the Board, it was agreed that I not attend this year's AGM in person, but instead the Chairman will read my Report to the Shareholders and then I will be available on the phone to answer any questions.

Review of Our Core Business

The recognition of Kollakorn's patented "Break on Removal" technology or "BOR" as it has become known by the Industry, is a game changer for Kollakorn. Finally, the Industry has recognised that RFID for vehicle asset tracking and security is of absolutely no use unless you have BOR, this is because if someone can simply peel off a tag on one vehicle and put it on another vehicle, how can you ensure the data on the tag is correctly describing the vehicle to which it is attached.

Simple? - Yes, but it really only became understood internationally at the beginning of last year.

In 2013, Kollakorn established a trial system in Thailand, because Kollakorn's 33% owned associate company in Thailand, Kollakorn Thailand, received a concession to install an extensive RFID system in Bangkok. There has now been an interactive real time system in operation in and around Bangkok with 40,000 buses and 400 RFID sites for 3 years. The RFID tag containing the BOR technology, which was used to control speeding, was issued with the registration certificate at registration time. This trial programme, which was used to test the effectiveness of RFID in reducing speeding of vehicles has been an unqualified success; with compliance to speed limits improving spectacularly and road deaths from this type of vehicle being almost eliminated. The trial ended in October 2015.

The Military Government in Thailand is now embracing the use of RFID in the Southern Provinces of Thailand for a different reason; to assist in identifying cars and motor cycles that are used in bombings and terrorist incidents or vehicles associated with terrorists and criminals. The Government has approved a budget for the Southern Provinces and will proceed with the installation of RFID in the Southern Provinces, however they will do this in their own time frame, which may well be slower than we would like.

There are several strategies being developed for the implementation of RFID nationwide in Thailand. It is expected that proposals for these strategies will be submitted to the Government for consideration early next year. Also, initiatives such

as are being taken by the Malaysian Government may will speed up decision making in Thailand.

Are we making progress in Thailand? - I believe so, we are in a process in Thailand that has been delayed longer than was expected because of political change and having to restart the approval process with 4 successive governments, but what we have gained, as a result of 3 years of trials, is a mature product, we know works and can be marketed with confidence.

In addition, we have in that time, developed relationships and licenced 3M and StarRFID to use BOR. They are both very reliable and supportive channel partners actively marketing RFID tags with our BOR technology, successfully and exclusively, throughout the world.

While Kollakorn focuses on the ASEAN nations, our channel partners have successfully implemented systems using our BOR technology in Taiwan, USA, South America, Caribbean, Dominican Republic, India and the Middle East.

As I have previously said, we consider “our patch” as being Asia, and in particular the ASEAN nations. The reason for this becomes clear when looking at the map of Thailand. Thailand borders Laos, Myanmar, Cambodia, Vietnam, Malaysia and almost reaches China. For this reason, we believe that BOR could very well become the standard for all of these countries when implementing vehicle identification systems and vehicle border crossing controls, giving Kollakorn a market of 100's of millions of vehicles to draw upon.

In fact, we are now seeing the start of this evolution. We have been working for some time with a local integrator in Malaysia with a view to introducing a common RFID vehicle tag to the Malaysian Government that could be used for vehicle identification, border crossings and tolling. It quickly became obvious that BOR technology would be necessary to prevent the unauthorised transfer of tags between vehicles, hence the attraction of BOR. This initiative has progressed and has now been rapidly embraced by the Malaysian Government, public evidence of which may be seen from several newspaper reports.

In the Sunday Daily on the 25 August 2015 it was reported that the Deputy Transport Minister Datuk Aziz Kaprawi (pix) had said that:

- “A new vehicle security tracking system suitable for all types of vehicles - the Radio Frequency Identification (RFID) - will be implemented nationwide by the Road Transport Department (JPJ) by 2018”;

- “He is optimistic by 2018, the JPJ would complete the data vehicle synchronisation with other agencies including the Immigration Department and the Touch n' Go payment system”; and
- “It is expected that the total number of registered vehicles by 2018 may reach 28 million nationwide, based on 2013 record of 23.8 million, a 5.3% increase from the previous year”.

It was also stated in the same newspaper article that the RFID tag would be used almost immediately for border control at all of Malaysia’s borders. Of particular interest to Kollakorn is the border with Thailand, that is shared with the Southern Provinces and through which many Malaysian stolen vehicles enter Thailand.

- “This October, we will begin the pilot stage of the RFID-base for the Vehicle Entry Permit (VEP) tags in Johor Baru (Malaysian/Singapore Border) for all types of vehicles - both local and foreign - which travel in and out of Johor’s border checkpoints,” said Aziz, adding that the second and third phase would be for foreign vehicles from Thailand, Brunei and Indonesia in 2016 and 2017 respectively”.

The timeline for the VEP Border entry has now been revised by an announcement reported in the Straits Times on the 25 September 2015 which said:

- “Cutoff date of October 1 for Singaporeans to register their respective vehicles under the VEP Boarder Control System has now been pushed forward to “the end of the year at least”;
- “The move is brought about in order to provide the Malaysian authorities additional time to refine the radio frequency identification tag (RFID) to make said system impervious to cloning and/or tampering.”
- “The latest decision is that we want a better tag that is tamper and clone-proof, so we are trying to enhance the tag at this point of time,” added a spokesperson. The finalisation of the RFID’s architecture is expected to be completed in about four months from now, hence the postponement.”

The tag proposed by Kollakorn for the Malaysian market is a windshield tag that will include the Kollakorn BOR technology to prevent tampering and in particular the transfer of RFID tags between vehicles.

The proposed RFID tag will use the Alien “Higgs 3” RFID chip which uses Dynamic Authentication™. This chip has an enhanced IC security system using a non-digital,

unique and non-cloneable “finger-print” which practically eliminates tags being counterfeited or applied to goods of a higher value.

We continue to work with our integration partner in Malaysia to insure that they can meet their implementation deadlines.

In other areas Kollakorn announced progress on a Caribbean RFID implementation project. The Caribbean is not new territory to Kollakorn, having supplied tags with BOR to Bermuda for more than 7 years through one of our channel partners.

This new project will be for the provision of vehicle RFID throughout the various islands of the Caribbean. Discussions have commenced with one of the Governments in the region through a local integration provider however, progress has been slowed down on finalising Kollakorn’s relationship with that provider because other more important priorities have temporarily diverted its managements’ attention.

The provider has subsequently reaffirmed that they are keen to see the establishment of a relationship to work together with Kollakorn on this opportunity and other opportunities.

CertainID

The CertainID patent which addresses Biometric Data security on the Internet is in the process of finalisation of the International Phase for patent protection and we are very excited that we have gained patent protection in many major territories for this technology and in particular China. We have been very diligent about following up information regarding security of biometric data on the Internet. To date, we have not identified an application that effectively addresses the protection of a person’s Biometric information once released to the internet.

CertainID would be an application which could ideally be partnered with a company that has a biometric capture system either facial, finger print or iris as there is no specific application required for data capture and CertainID can interface with any biometric capture system.

The reason why banks internationally have been slow in adopting existing biometric systems for validation of financial transactions via the internet, is that currently there is no effective security for biometric data that is released onto the Internet. Once the biometric data of a person (finger prints, facial recognition, etc) is released to the Internet, if it is hacked, unlike a password which can be changed, it is hacked forever.

Kollakorn's patent effectively eliminates the possibility of a person's biometric data being hacked by not releasing the biometric data to the internet. The Board is actively looking for a partner that will assist Kollakorn to commercialise this technology.

Kollakorn Thailand

On 29 July 2015, the Directors' announced that Kollakorn's 33% owned associate company, Kollakorn Thailand had won a USD10.7 million (A\$14.6 million) contract to supply equipment to Samart Corporation PCL a Thailand listed public company.

The equipment will be used for the implementation of an Advance Passenger Processing system ("APPS") to Airports of Thailand ("AOT"). APPS is a system where every airline flying to Thailand must submit passenger information prior to a passenger's departure, arrival or transit through Thailand. The equipment has now largely been installed and system development is well underway. Kollakorn Thailand has now received 2/3rds of the sale price, with the balance due before the end of the year.

Kollakorn Thailand is also working with a local partner in Cambodia which is bidding to provide a new RFID SmartCard which will be used to replace of the existing vehicle drivers' licence. It is proposed that the new SmartCard will contain soft data of the person's photograph and their fingerprints. The project will also include the issue of a vehicle registration SmartCard to replace existing vehicle registration papers. It is expected that implementation of this project will commence in 2016 and will be a long term engagement for Kollakorn Thailand, with a high probability of becoming a full electronic vehicle registration system.

The directors of Kollakorn Thailand will continue to find similar projects from which Kollakorn will benefit to the extent of its shareholding from time-to-time.

Conclusion

In conclusion, your directors are of the view that the restructuring of your Company is complete having been concluded when the debt of almost AU\$1 million that was due to La Jolla Cove Investors Inc. was settled.

The financial structure of Kollakorn is now significantly improved with minimal debt and very low yearly outgoings that directors expect to be covered by royalty income. There is now a solid pipeline of projects in Kollakorn, Kollakorn Thailand and its licenced channel partners that should provide significant revenue to Kollakorn in 2016.