

Due Diligence and Valuation Report

Arrowhead Code:	83-01-01
Coverage initiated:	3 January 2011
This document:	11 January 2011
Fair share value bracket:	AS\$6.4c to AS\$13.0c
Share price on date:	AS\$3.3c ⁱ

Analyst

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Market Data

52-Week Range:	AS\$3.2c - AS\$13.0c ⁱⁱ
Average Daily Volume:	259,455 ⁱⁱⁱ
Market Cap. on date:	AS\$10.68MM

Financial Forecast Data (in AS\$)

	'11E	'12E	'13E	'14E	'15E	'16E	'17E
High profit/(loss) MM	(0.9)	0.9	2.9	6.2	8.4	12.2	10.2
High EPS cents	(0.26)	0.25	0.80	1.73	2.33	3.40	2.82
Low profit/(loss) MM	(1.9)	(0.2)	0.8	2.7	2.9	4.2	5.2
Low EPS cents	(0.52)	(0.05)	0.23	0.75	0.81	1.17	1.44

Fiscal Year (FY) 1st July – 30th June

Summary

Founded in 1993, MIKOH Corp Ltd (MIKOH) is a high tech global security solution provider specializing in tamper evident techniques for security seals, smart RFID tags and encrypted data on networks. The company creates system-level solutions to protect physical and data assets.

After commercializing its proprietary patented tamper proof solution Smart&SecureTM in FY2007-09, MIKOH has transitioned itself as a commercial security solutions provider in 2010 and is poised to be a leading player in the next generation security markets through its product patents and global



Company:	MIKOH Corporation Limited.
Tickers:	ASX: MIK
Headquarters:	Sydney, Australia
CEO:	Mr. Richard Sealy
Website:	www.mikoh.com

strategic partnerships. MIKOH reported revenue of AS\$1.65M and a loss of AS\$5.0M in FY2010.

In 2010, the company along with its strategic partners Somapa and Konllakorn, secured a ten year contract to implement a national Electronic Vehicle Registration ('EVR') solution in Thailand which has approximately 34m registered vehicles. MIKOH would be the exclusive supplier of its patented Smart&SecureTM tags during the course of the project. The five-year agreement with a five-year option is expected to deliver cumulative revenue of AS\$22.5M and gross profit of AS\$6.0M for the FY2011-13.

Arrowhead believes that the significant ramp-up of revenues in the Automatic Vehicle Identification Segment (AVI), empowered by its tamperproof Smart&SecureTM technology would be the main valuation driver for the company going into the future. The company intends to expand the relationship with Somapa to provide EVR and AVI solution through the Asia Pacific region including Indonesia, Malaysia and Vietnam markets which with Thailand represents a market of about 117M vehicles.

Based on intrinsic revenue capacity of the Thailand EVR contract, Arrowhead believes that MIKOH's fair share value lies in the AS\$6.4c to AS\$13.0c^{iv} bracket. MIKOH has also indicated its plans to dispose of its Printer business to augment its existing financial resources. Arrowhead also believes the two new product initiatives: TransitVault and CertainIDTM should also be able to add value in the coming years but the same have not been included for arriving at the fair value.

Company Presentation

MIKOH is a world-leading provider and innovator of custom security system solutions using its end-to-end authentication and tamper detection products and technologies. The company develops technologies and designs and implements solutions that identify, seal, authenticate, monitor, track, protect and control all types of sensitive assets, both physical and data/communications for its clients.

MIKOH currently focuses on security solutions for:

- Automatic Vehicle Identification (AVI)
- Secure asset management and tracking (objects, containers and vehicles)
- Tamper detection (seals, labels and laser sub-surface digital markings) and
- Secure network online identification (biometric authentication)

These customized end-to-end security systems employ digitally-marked tamper-evident seals, patented tamper-proof RFID labels and tags, licensed NSA (National Security Agency) closure devices for containers, and patented biometric authentication for secure online identification of people and data on encrypted networks and the Internet. MIKOH also prints custom 'diplomatic' seals and digital markings for governments, embassies and diplomats worldwide.

Over the years MIKOH has successfully developed Intellectual Property and formed relationships with commercialization partners, manufacturers, value-added-resellers and licensees. Many of these relationships are both a service or raw material provider as well as a channel to the market.

- In the Automotive Vehicle Identification market (AVI), MIKOH has a collaboration agreement with Sirit, a division of Federal Signal Corporation to produce and distribute Smart&Secure™ for vehicle applications. MIKOH receives a royalty from Sirit when the latter sells a tag in the USA and South American market
- In the printing segment the company has a tie-up with Sun Chemical – the world's largest producer of printing inks and pigments, (part of the Dainippon Ink & Chemicals group) supplying key chemical formulations for MIKOH's Smart&Secure products.

MIKOH has witnessed four tough year's with operating losses growing from AS\$3.7M in FY2007 to AS\$5.2M in FY2010. The company has undertaken significant steps in FY 2009-10 which include significant changes in management and the redefining of strategic direction for the company. During the same period the company has taken various cost cutting measures to increase its operating efficiency. This we believe will lay a strong foundation for growth in the years to come. The company now focuses on maximizing the value of its intellectual property and has significant projects on hand including the ongoing Thailand EVR project which is expected to generate revenues exceeding AS\$22.5M and gross profit of AS\$6.0M for the FY2011-13.

The company plans to replicates its Public Private Partnership (PPP) model along with its strategic partners for the new markets like Indonesia, Malaysia and Vietnam. The Company is also currently focusing utilization of its Smart&Secure™ RFI tags to diverse areas beyond EVR and has two new initiatives lined up: TransitVault and CertainID™.

MIKOH's Asset Portfolio includes^v

MIKOH provides a complete AVI solution that manages vehicles in many automotive applications like Electronic Vehicle Registration (EVR), Vehicle Access Control and Electronic Toll Collection (ETC) and management of vehicles into all kinds of controlled, restricted, or monitored area. Mikoh and its partners have entered into a long term contract with the Government of Thailand to implement EVR in the country by setting up the infrastructure including the RFID tag readers and Tamper evident RFID tags.

Smart&Secure™ - It is a patent-protected, Tamper Evident RFID technology developed and patented by the company which insures a one-to-one relationship between the vehicle and the RFID tag. The company uses its Smart&Secure™ tag to implement its Automatic Vehicle Identification (AVI) solutions. Smart&Secure™ also finds its utility in MIKOH's unique, patented & US National Security Agency (NSA) approved asset tracking

technology. Arrowhead believes that Smart&Secure™ coupled with the AVI and EVR will be the main contributor to the company’s expansion plans in the near future.

SubScribe – SubScribe is a tamper indicating security seal technology. Any attempt to tamper with a SubScribe™ seal will reveal a tamper-evident indicator rendering the seal incapable of being re-applied in its original form.

Transit Vault – TransitVault is a system designed to seal reusable plastic containers (RPCs) using low cost pressure-sensitive security seals. Incorporating intellectual property licensed from the US National Security Agency (NSA), TransitVault uses a patented closure mechanism that indicates whether a container has been opened or tampered. The container can use SubScribe tamper indicating seal or Smart&Secure™ tamper evident RFID seal

CertainID™- CertainID™ is a bio-authentication technology developed by MIKOH to overcome issues currently preventing widespread adoption of network-based biometrics. CertainID™ enables secure biometric identification and ‘biometric tagging’ of encrypted information transfers over the Internet or any other network.

The table below shows us the applications of various technologies developed by MIKOH:

		Applications				
MIKOH Technology and application		Automatic Vehicle Identification	Secure High Value Asset Management & Tracking	Secure Variable Data Print Solutions	Real-Time Tamper and Alarm	Bio-Authentication
Technologies	SubScribe					
	Smart&Secure™					
	Transit Vault					
	SecurePrint					
	CertainID™					

For more detail on Assets see *Product & Services* section of this report.

Geographical Strategy and Reach vi vii viii

Asia pacific

MIKOH and its partners have been awarded an exclusive partnership contract to implement a national electronic vehicle registration (EVR) system in Thailand. The project is being delivered through a 10 year Public Private Partnership (PPP) arrangement and MIKOH has partnered with Kollakorn and Somapa IT for the project. The company has entered a supply contract with Sirit Inc to supply Sirit’s RFID technology tags and readers for the project. MIKOH, Somapa IT and Kollakorn have subsequently entered into a 10 year co-operation agreement to jointly pursue similar opportunities in other ASEAN countries such as Indonesia, Malaysia and Vietnam with a cumulative potential of more than 83 million existing vehicles.

US and Australia

MIKOH has received an order for its Smart&Secure™ Destruct-on-Removal™ RFID smart tags under its licensing agreement with Sirit Inc, marking its entry into the US markets. The company has also teamed up with Accenture for the US Navy Automatic Identification Technology (AIT) Project which has a budget ceiling of US\$75M over 5 years. The company is looking for similar opportunities in the Australian markets.

MIKOH portfolio and company premiums

- MIKOH is a niche player in the customized security solution market and has unique patented products. Its patented Smart&Secure™ tags are differentiated by their tamper evident technology creating an essential one-to-one link between the asset and tag.
- MIKOH's Smart&Secure™ solution could be expanded to other AVI applications including intelligent congestion traffic flow management system, congestion or peak-time charges, Electronic insurance, Electronic toll collection, Automated access control (in Airports, Government Facilities) and parking and permit automation.
- The company's next generation high-tech product TransitVault, to be used in the asset protection and secure tracking of valuable goods and documents would be a huge revenue driver for MIKOH, post its commercialization in the coming years. Beyond that, the CertainID product has a strong potential and a vast market which could make it a far bigger line of business than the AVI and TransitVault applications.
- MIKOH has been able to form relationships with commercialization partners, manufacturers, value-added-resellers and licensees to promote the developed Intellectual properties and leverage upon the tie ups in different geographies. Many of these relationships are both a service or raw material provider as well as a channel to the market
- The public private partnership (PPP) in Thailand should be a prelude to AVI applications in other ASEAN nations including China. MIKOH has the requisite strategic partnership to replicate the success in other geographies including Indonesia, Malaysia and Vietnam which have a combined potential of more than 83m registered vehicles.
- Mr. Sealy, the current CEO of the business has near 30 years of experience in running both public and private companies as a Director and CEO in Australia, New Zealand, the United Kingdom and South East Asia. MIKOH should significantly benefit from Mr. Sealy's experience in various target markets of the company.
- The company is expected to enjoy a huge operating leverage as revenue kicks in significantly after it penetrates the AVI market. The company should have a GPM of nearly 25% in the later stages of the EVR implementation, given the favorable margin of its Smart&Secure™ solution.

MIKOH portfolio company risk

- MIKOH might not be able to extend its contract with the government of Thailand which severely impacts the valuation of the company and hence the revenue stream post 2013.
- MIKOH's patented technology could be superseded and replicated by another player with a cheaper security solution. This could drastically change the prospects for the company given its current ability to charge premium for its tamper proof solution.
- The RFID solution could become obsolete as new technologies evolve in the next few years

MIKOH Corporate Strategy^{ix}

MIKOH has undertaken steps to position itself as a provider of end-to-end security solutions with a focus to leverage upon its Intellectual property. The company plans to do this by:

- Executing the EVR project awarded by the government of Thailand in partnership with Somapa, Konllakorn SIRIT. MIKOH expects to supply the tamper evident Smart&Secure™ RFID tags yielding minimum revenue of AS\$22.5m in the first three years.
- Expanding the relationship with Somapa to provide EVR and Automatic Vehicle Identification (AVI) solution throughout the Asia Pacific region having the Thailand EVR project as a benchmark.
- Building a market for the MIKOH's next generation TransitVault product in the US and Australian Governments. The product has already been demonstrated successfully and is in the initial phase of commercialization through its tie-up with Javelin Black, a Washington D.C. based firm of government sector marketing experts. The company also has a tie up with US-based Pelican Products and has developed SecureContainer closure designs and production tooling specifically for use with Pelican's ruggedized cases, which are used extensively in the US Federal Government.

- Introducing MIKOH's newly patented bio-authentication technology to both the commercial and government markets. The technology enables "certain" authentication of the individual at both ends of any information transmission without transmitting any bio data across the network.

Key trends in Automatic Identification of Vehicle/ Asset Tracking Market

Sector trends: RFID Market ^x

The global RFID market is expected to grow at a 17% CAGR during 2011-2013, generating US\$ 9.7B, with Asia Pacific witnessing the highest growth at a 27% CAGR due to the adoption of RFID technology in countries such as China, India, South Korea, Taiwan, Singapore, Malaysia and Thailand. EVR has growth prospects in ETC and better traffic management in countries with huge road networks such as China, India, and Mexico.

For more detail on trends see *Products and Marketing* section on page 8 of this report.

Key variables in determining MIKOH's revenue estimates

- Sales of Smart&Secure™ tags based on its ten year contract with the government of Thailand to implement an Electronic Vehicle Registration (EVR) system in the nation. MIKOH is expected to have replacement demand for its tags for every two years depending upon the government regulations, apart from the existing (34m) and new vehicles added into the market.
- Sales of Smart&Secure™ tags based on the new vehicles added in the Thailand market, pegged at about 4m to 5m per annum
- Likely mandatory implementation of the EVR system in Thailand. As an incentive to use the EVR technology prior to mandatory regulations the vehicle owners are currently being offered insurance premium discount and phone credits.
- AS\$/US\$ exchange rate (since MIKOH's costs and listing are in Australian dollars while most sales can be expected to be in US\$).

For more detail on key variables see *Key Variable Analysis* section of this report.

News^{xi}

- **Waiting time is over-Technology is making our buses more efficient** (January 5, 2011).
Somapa Information Technology has signed an agreement with Bangkok Mass Transit Authority (BMTA) for approval to establish a proof of concept for a bus scheduling information system along the route between Min Buri and Victory Monument, which is currently used by 384 buses. Somapa Information Technology managing director Namchoke Somapa, who is advising the Department of Land Transport (DLT), said the project will cost at least 10M baht to implement, with radio frequency identification (RFID) readers installed at the bus stops and RFID chips attached to the front mirror and light of the buses
- **MIKOH Corporation Limited - Proposed Capital Raising** (December 11, 2010).
MIKOH engaged Hanuman Private Wealth to advise on and to raise funds. The Board of MIKOH was advised to place up to a total of 27,150,000 shares at 3.5 cents each to sophisticated investors to raise approx. US\$950,250. The fund raising was conducted in two tranches with the first one raising up to a maximum of \$670,000, which was expected to be finalized by December 24, 2010 and the second tranche for the balance up to \$950,250, which was expected to be finalized by February 28, 2011
- **Teams with Accenture for US Navy AIT Project** (November 29, 2010)
MIKOH announced it entered into a Teaming Agreement with global consulting and technology services firm Accenture. As per the agreement, MIKOH joins Accenture's team in a bid for the upcoming US Navy and Marine Corps Automatic Identification Technology (AIT) project. The aim of the AIT project is to improve asset visibility within the US Navy logistics pipeline. The AIT contract, which is due to be awarded during second quarter of 2011, is expected to have a budget ceiling of US\$75M over five years
- **Expands its AVI Footprint into the US Market** (November 25, 2010)
MIKOH announced further steps in expanding its AVI business. Following its successful introduction of AVI in Thailand this year, MIKOH has received an order for its Smart&Secure Destruct-on-Removal RFID smart tags under its licensing agreement with Sirit Inc., a unit of Federal Signal Corporation, in its Federal Signal

Technologies Group. The order, for 250,000 headlamp tags that carry the MIKOH TE patented technology, is for an Electronic Toll Collection (ETC) rollout in Washington, US. The Washington State Department of Transportation has placed the order with Sirit, and the tags will be deployed over the subsequent three to six months as part of the Federal Signal Technologies ETC solution rollout

- **Receives Third Additional Thailand Electronic Vehicle Registration (EVR) Order** (August 3, 2010)
MIKOH announced a further purchase order of US\$900,000 through its EVR contract. The order comprised 1,000,000 MIKOH-patented Smart&Secure 'destruct on removal' TE RFID headlamp tags and 1,000,000 UHF decal tags which were to be delivered between September and October 2010.
- **Thailand Government Formally Unveils MIKOH based EVR Solution** (July 23, 2010)
Global securities solutions provider, MIKOH Corporation Limited today announced the successful completion of the Thailand government's inaugural media event for the country's Electronic Vehicle Registration system. The system has been named "SmartRFID" by the government. This event signifies the first public role-out of the SmartRFID system and the benefits that the system generates for motorists in Thailand
- **MIKOH Receives Second Thailand Electronic Vehicle Registration (EVR) Order** (June 22, 2010)
Global securities solutions provider MIKOH Corporation Limited announced an additional order of US\$400,000 for its patented 'destruct on removal' RFID headlamp tags through its Electronic Vehicle Registration (EVR) system contract in Thailand. Total order to date from Thailand EVR contract stands at US\$2.15M.
- **Confirmation of MIKOH Product Partner for Thailand EVR Project** (May 13, 2010)
MIKOH has formalized the supply of RFID products through its existing manufacturing partner Sirit for the Thailand EVR project that was announced on March 17, 2010. A formal agreement has been signed between MIKOH and Sirit confirming the supply terms and conditions for the full five years plus five-year option of the project. Under the supply agreement, Sirit will supply ID5100 RFID readers and Smart&Secure tags to MIKOH for implementation in the EVR project. The agreement is expected to generate US\$25 million revenue to MIKOH over the next three years.
- **MIKOH Announces an Underwritten Placement of US\$1.4 Million to Advance the Transition to a Profitable Security Systems Solutions Provider** (March 30, 2010)
MIKOH finalized an underwriting agreement for a private placement of the company's shares at an issue price of 7.5 cents per share, to sophisticated investors for a minimum of US\$1.4M. The placement was managed and underwritten by Hanuman Private Wealth (Hanuman Investments Pty Limited) and was expected to close by May 7, 2010.

Listing Information^{xii}

MIKOH Corp Ltd is an Australian listed company (Australian Securities Exchange: MIK.AX) with its Headquarters in Sydney, Australia, with offices in Melbourne, Canberra and Singapore. MIKOH Corp (US) is a US Corporation, incorporated in Delaware, with its Headquarters in McLean VA, with offices in New York and Silicon Valley. MIKOH Corporation Limited is an active player in the security oriented identification, authentication, and information storage technologies market.

Major Shareholders^{xiii}

Name of the holder	Shares Held	% of Shares Outstanding
UBS AG	19,640,254	5.59%
Davies Nominees Pty Ltd	16,426,799	4.68%
Fianza Pty Ltd	15,020,623	4.28%

Contacts

MIKOH Corporation Limited, Registered and Principal office – Level 5, 34 Martin Place Sydney NSW 2000
Email: MIKOH@mikoh.com; Website: www.MIKOH.com.

Management and Governance^{xiv}

The management team at MIKOH comprises of experienced professional with a proven track record.

Peter L Tyree

Chairman

Peter Tyree FTSE, Hon Fellow IE Aust., CPEng, FAICD has unique experience in building the Tyree Group, one of Australia's largest private companies. Peter has worked in a number of organizations in his career that has seen him involved in research work, engineering, sales and manufacturing management before moving to chief executive work over the last 35 years. Peter joined the MIKOH Board as an independent non-executive Chairman as part of this plan, which will see MIKOH using his strategic thinking and engineering knowledge coupled with vast international business experience, a high energy level, competitive strengths and strong managerial capability.

Richard Malcolm Sealy

Chief Executive Officer

Mr Sealy has more than 25 years' experience in various public and private companies in New Zealand, Australia and the United Kingdom in various capacities. He has served as a CEO in a number of financial, manufacturing, real estate and mining companies both private and public. Mr Sealy is a chartered accountant and a graduate of the Australian Institute of Company Directors and has proven credentials for resolving difficult corporate situations such as restructuring. Mr Sealy has considerable experience in South East Asia and Middle Asia and in developing businesses in China, Thailand, Kazakhstan and Kyrgyzstan.

Hans van Pelt

Chief Operating Officer, Asia Pacific

Mr van Pelt has rich strategic, commercial and operational management experience gained from his previous experience in the aviation, IT, retail and Government sectors. Hans van works with the Asia-Pac team and is driving the operational & business aspects in the region. Mr van Pelt mainly focuses on the Automatic Vehicle Identification (AVI) business including Electronic Vehicle Registration (EVR) and Secure Variable Data Printing. Mr. van Pelt has held various senior positions including CEO, Australian airline and has vast experience in the aviation sector.

Dr Peter Atherton

Chief Technology Officer

Dr. Peter Atherton Co-founded MIKOH in the early 1990's and has been instrumental in development of the company's security and authentication technologies. Dr Peter comes with a background in science and technology and is currently working as the chief technology officer with MIKOH Corporation. In his current role he is responsible for the development and manufacturing of MIKOH's security and digital marking technologies. Prior to his current role, Peter was working with OTC in their optical communications research and development department where he was responsible for the development of undersea optical fibre cable designs and high-speed long-distance optical communications technologies.

David Rodriguez

Senior Director, Manufacturing

David Rodriguez has more than 15 years experience in manufacturing program management, supply chain execution and manufacturing engineering. Prior to MIKOH, David served as a customer program management consultant with Celestica. David oversaw contract manufacturing relationships for Corvis Corporation as a program manager and in-house manufacturing for Bausch & Lomb as a process engineering manager. He also served as a product cost engineer for Xerox Corporation. Rodriguez holds an MBA from the University of Rochester and a BSEE from Manhattan College.

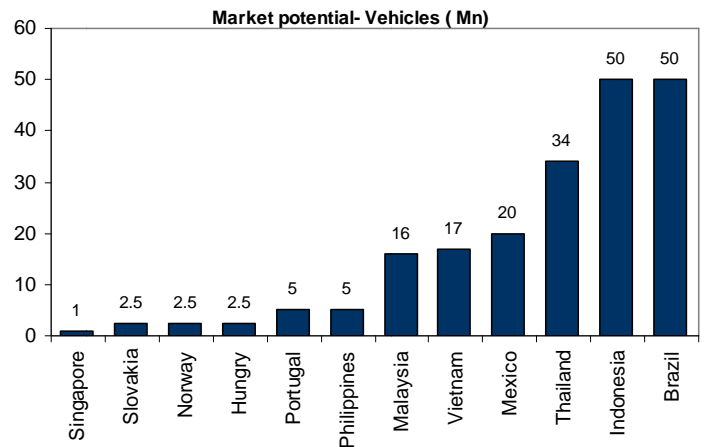
Products and Marketing

Sector trends: Electronic Vehicle Registration – Market Overview ^{xv xvi xvii xviii xix xx xxi}

The global RFID market is expected to grow at a 17% CAGR during 2011-2013, generating US\$ 9.7B, with Asia Pacific witnessing the highest growth at a 27% CAGR due to the adoption of RFID technology in countries such as China, India, South Korea, Taiwan, Singapore, Malaysia and Thailand. China is one of the fastest growing RFID markets and is expected to reach US\$2.4B in 2014. In the Asia Pacific, logistics and retail sectors are increasingly using RFID while the security and transportation sectors are in the emerging stage. RFID for Electronic Vehicle Registration (EVR) particularly has seen a lot of traction in the recent years with governments across the globe looking at it as an effective tool for implementing vehicle regulatory compliances.

EVR solutions have been deployed in many developing nations including South Africa, China, India, Dubai, Mexico, Brazil, Argentina and various other Latin American countries for fleet management, vehicle access control, and electronic toll collection (ETC). EVR uses the passive RFID transponders embedded in decals affixed to windshields or other parts of a vehicle which can be tracked by the fixed RFID readers installed at main traffic intersections and highways. The tags unique ID numbers enable the system to compare and determine details such as owner and registration for regulatory purposes with the information in a back-end database.

In our view, EVR has growth prospects in ETC and better traffic management in countries with huge road networks such China, India, and Mexico. IPICO, a RFID player in the EVR segment, has entered into a joint agreement with the China Academy of Transport Services to exclusively service the Chinese market. In 2009, IPICO estimated the Chinese market at 56M vehicles with a road network spanning up to 63,000 km. In Mexico, Sirit and Axiompass collaborated for the nationwide EVR with tags being supplied by Neology of San Diego. The US\$40M contract for 10M tags was signed in late 2008. The Sirit/Axiompass installations covered 42 lanes at three toll plazas in the state of Morelos in the southern part of the greater Mexico City metro area at the end of 2009.



MIKOH being a niche player in the segment and having presence in the Asian and US markets stands to benefit significantly with the expanding EVR market. MIKOH's unique product portfolio including the tamper evident Smart&Secure™ tags puts it in a better position compared with its competitors to tap the market for regulatory purposes globally. MIKOH, along with its strategic partners, has recently been awarded a project to implement the Thailand EVR, giving it a platform to pursue similar opportunities in other Asian markets such as Indonesia, Malaysia and Vietnam with a combined potential of 83M vehicles.

Sector trends: Asset Tracking – Market Overview ^{xxii}

Defense organizations across the globe have started using RFID technology for their supply chain management with US army granting multiple US\$500MM plus orders in the recent past. The RFID tags, which are affixed to cargo containers, enable real-time tracking ensuring security of the asset. MIKOH's new modified TransitVault enables tracking, tamper detection and reporting from any location in the world. MIKOH with its unique product offering should be able to capitalize on the growing demand for RFID based security solutions in the defense domain. In fact MIKOH and Accenture have recently signed a teaming agreement to do just that, and on the US Army's bid to with a RFID solution for all of its mobile assets.

Products and Services^{xxiii}

1. Smart&Secure™

Smart&Secure is a patent-protected, tamper evident RFID technology developed and patented by MIKOH. It addresses tag physical security issues by detecting whether an RFID label has been tampered or moved and provides a one-to-one relationship between a tag and an asset. Smart&Secure technology indicates when the asset and tag relationship has been compromised. The proprietary multi-layer tag construction results in a reliable tamper detection even when sophisticated tamper methods are used.



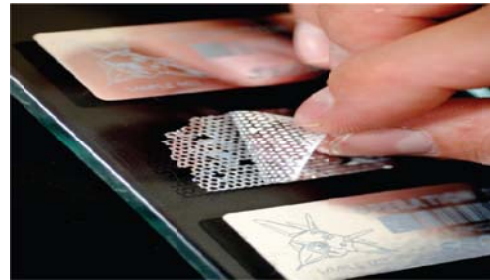
Smart&Secure Inform



Smart&Secure Inform technology disables an RFID tag if it is tampered or moved. The tag cannot be transferred to counterfeit or substituted assets, ensuring that a functional tag indicates the original genuine asset. Users can be certain that more than just the tag is being identified and tracked. The Smart&Secure Insight technology (next level technology) is still under wraps pending the filing of provisional patents

2. SubSubscribe

SubSubscribe is a tamper indicating security seal technology that uses a unique sub-surface laser marking to embed serial numbers, alphanumeric, 1D and 2D barcodes and other information within the seal construction.



Any attempt to tamper with a SubSubscribe seal will reveal a tamper-evident indicator rendering the seal incapable of being re-applied in its original, untampered form. Markings are laser-etched within the substrate material, allowing SubSubscribe seals to withstand handling abuse and environmental extremes. The etched information cannot be removed or modified.



SubSubscribe seals can be produced in virtually any form factor and can include color printing and taggant materials for authentication. Seal marking can include:

- Text & diagrams
- Photographs
- Brand identity
- Serial identification data:
 - Serial numbers and sequential alphanumeric
 - 1D and 2D barcodes
 - Other machine readable encoded data

SubSubscribe™ seals may also be combined with authentication (anti-counterfeiting technologies, including :

- Holograms
- Microtaggant coded inks
- Photochromic inks
- Covert images (using inexpensive lenses)

3. Transit Vault

Transit Vault is a system designed to seal reusable plastic containers (RPCs) using low cost pressure-sensitive security seals. Incorporating intellectual property licensed from the US National Security Agency (NSA), Transit Vault uses a patented closure mechanism that indicates whether a container has been opened.

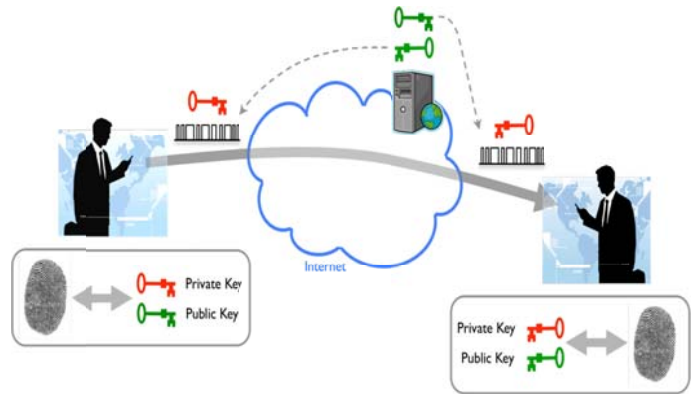


Transit Vault can be used with almost any RPC design by either incorporating the closure mechanism into the container design or creating a retrofit kit. MIKOH has teamed with Pelican Cases to offer Transit Vault retrofit kits for most of the off-the-shelf Pelican case models, covering a wide variety of shapes, sizes and applications. The container can be sealed using either of the Options of security seals with varying levels of capabilities:

- MIKOH SubScribe tamper indicating seal with visual authentication
- MIKOH SubScribe tamper indicating seal with visual authentication and barcode or serial number
- MIKOH Smart&Secure tamper evident RFID seal with electronic tamper indication and authentication.
- Real time tracking using satellite phone tracking and GPS location systems

4. CertainID™

CertainID™ provides a new method for bio-authentication on PKI networks that obviates many of the known vulnerabilities in using biometrics on networks.



CertainID™ enables secure biometric identification and 'biometric tagging' of encrypted information transfers over the Internet or any other network—without releasing any biometric data into the

network, not even during enrolment ensuring privacy and security.

'Biometric tagging' of encrypted message transfers requires both sender and recipient to be biometrically identified in order to complete the transfer.

CertainID™ uses a new "Biometric Authorization" process to enable biometric authentication and tagging without releasing biometric data. Biometrically associated user key pairs are generated in each user's device— independent of any biometric data. Biometrically associated private keys are enabled (as needed) for user-specified cryptographic operations; conditional upon user being biometrically identified—private keys are otherwise disabled.

Private key use by an authorized user can be verified by any remote third party (device or person) via the corresponding public key. CertainID™:

- Allows multiple person as for an authorized user (professional ,private ,etc) through segregated key use
- Does away with the need for a central repository of biometric data
- Can be used with two-factor(or multi factor) authentication
- Can be used with portable devices such as cell phones, laptops ,etc

The system can be adapted for one-time biometrically associated key pairs and puts no additional computational load within the PKI network

Thailand Electronic Vehicle Project^{xxiv}

Overview

MIKOH has been awarded an exclusive partnership contract to implement a national electronic vehicle registration (EVR) system in Thailand. The implementation will guarantee a one-to-one relationship between the RFID tag and vehicles ensuring that tags cannot be switched between vehicles. Under the agreement, MIKOH will be the exclusive EVR technology supplier of Destruct-on-Removal radio frequency identification Smart&Secure™ EVR tags, RFID decals and RFID readers.

Project partners

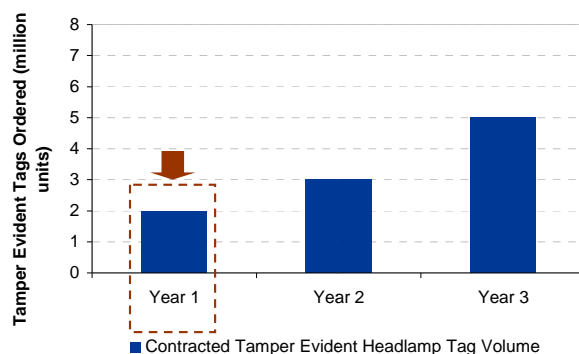
The Thailand EVR project is being delivered through a 10 year Public Private Partnership (PPP) arrangement and MIKOH has partnered with Kollakorn and Somapa IT for the project. Kollakorn is the lead partner and holder of the Government 10-year contract, and is responsible for financial backing, government liaison, and administration of the EVR infrastructure.



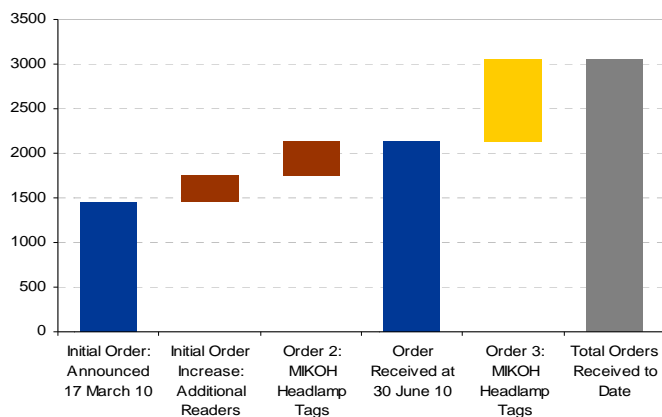
Somapa Information Technology Company is the system integration partner and will work closely with MIKOH to deploy a functional working EVR system to meet the needs of Thailand's Department of Land Transport.

Product Partners

The company has entered into a long-term supply contract with Sirit Inc to supply Sirit's RFID technology tags and readers for the project. MIKOH, Somapa IT and Kollakorn have subsequently entered into a 10 year co-operation agreement to jointly pursue similar opportunities in other ASEAN countries such as Indonesia, Malaysia and Vietnam with a cumulative potential of more than 83M existing vehicles.



The company expects minimum revenue of AU\$25M within the first three years with recurring revenues thereafter. MIKOH has received orders for two million tamper evident headlamp tags (announced on 03 August 10) and expects further orders in excess of contracted volumes. Total orders received from mid-March exceeded US\$3M as reported by the company at end of August 2010.

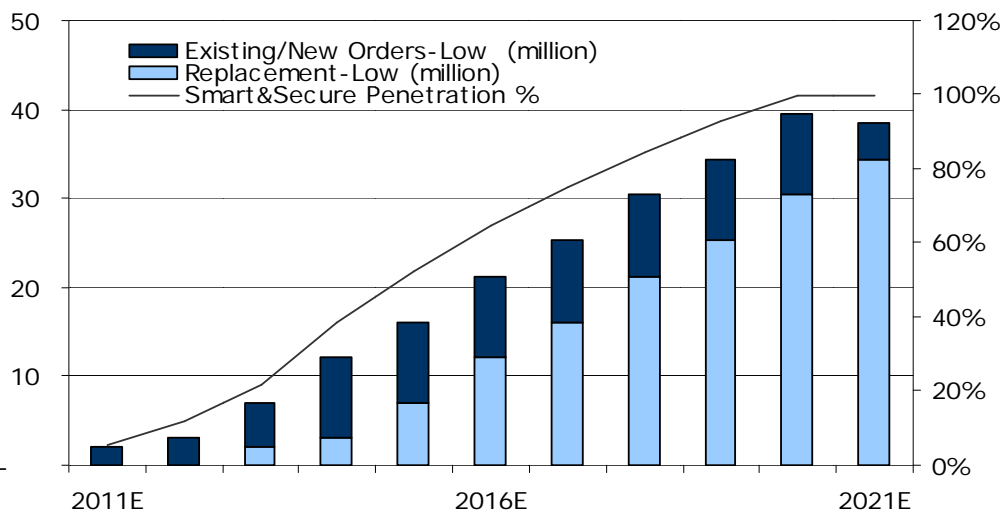


Key variable analysis for Revenue Forecast

The key variables are the main quantifiable variables which influence the valuation of the company. Key variables can be exogenous (exchange rate, product price, etc.) or endogenous (production rates, costs of production) to the company performance. A low and high forecast is determined by Arrowhead for each variable. Each of the variables is considered independently for the purpose of this report because the final goal of the Arrowhead Due Diligence and Valuation Report is to state what the company is worth *at least* and *at most*.

Variable 1 – Sales of Smart&Secure™ Tamper evident tags under the Thailand Electronic vehicle registration contract

Based on the interaction with management, Arrowhead forecasts that MIKOH should be able to cover 2M vehicles in 2011, a comfortable low estimate for 2011, whereas a prudent high estimate should be 3M tags. On the low estimate the company should be able to cover 10M vehicles in the next 3 years while the high estimate will put this number at 14M vehicles. The company pegs the current market size in Thailand at 34M vehicles.



see Thailand Electronic Vehicle Project section on page 11 of this report for Project details

Variable 2 – Net additions of vehicle to the existing base of vehicles in Thailand

We forecast the Net additions of vehicle in the Thailand market at 4M per annum a comfortable low estimate whereas a prudent high estimate should be 5M.

Variable 3 – Regulatory outlook on the Thailand EVR project

We forecast the demand for Smart&Secure Tamper evident tags to be at 12M from 2014 to 2016 in the case where EVR is made mandatory by the government of Thailand. Arrowhead expects the demand to be around 5M from 2014-2020 if it is extended to 10 years. Volumes beyond 2013 are going to be driven by the course adopted by the Thailand government towards making EVR mandatory.

Variable 4 – Currency movement between the AS\$/ US\$ pair

Arrowhead forecasts AS\$/ US\$ pair to trade at parity for the valuation horizon, a comfortably low estimate, whereas a prudent high estimate would be 1.4. Although both the revenue and cost related to the tag are billed in US\$, the gross profit and the cash flows could be impacted by the movement in the exchange rates.

Value

The Fair Market Value for all of MIKOH shares stands at AS\$22.4M to US\$45.7M.

The Fair Market Value for a publicly traded share stands AS\$6.4c to AS\$13.0c

Resources Balance Sheet Forecast

CONSOLIDATED BALANCE SHEET

*all figures in '000 AS\$,
unless stated differently*

Low bracket estimates

<i>year beginning July 1st</i>	2011E	2012E	2013E	2014E	2015E	2016E	2017E	2018E
Total Current Assets	2,044	1,930	2,833	5,598	8,593	12,868	18,152	24,742
Total Non-current As	565	591	619	649	683	720	761	806
TOTAL ASSETS	2,609	2,521	3,451	6,248	9,276	13,588	18,914	25,549
Total Current Liabilit	2,111	2,202	2,298	2,399	2,504	2,616	2,732	2,855
Total Non-current Lia	35	35	35	35	35	35	35	35
TOTAL LIABILITIES	2,145	2,237	2,333	2,433	2,539	2,650	2,767	2,889
Total Shareholder's	464	284	1,119	3,814	6,737	10,938	16,147	22,659
TOTAL LIABILITIES & EQUITY	2,609	2,521	3,451	6,248	9,276	13,588	18,914	25,549

Important information on Arrowhead methodology

The principles of the valuation methodology employed by Arrowhead BID are variable to a certain extent depending on the subsectors in which the research is conducted, but all Arrowhead valuation research possesses an underlying set of common principles and a generally common quantitative process.

With Arrowhead Commercial and Technical Due Diligence, Arrowhead extensively researches the fundamentals, assets and liabilities of a company, and builds solid estimates for revenue and expenditure over a coherently determined forecast period.

Elements of past performance such as price/earning ratios, indicated as applicable, are present mainly for reference purposes. Still, elements of real-world past performance enter the valuation through their impact on the commercial and technical due diligence.

Elements of comparison such as multiple analyses may be to some limited extent integrated in the valuation on a project-by-project or asset-by-asset basis. In the case of this MIKOH report, cash-flow forecasts are derived from the expected advertising revenue in coming years, with a high discount applied.

Arrowhead BID Fair Market Value Bracket

The Arrowhead Fair Market Value is given as a bracket. This is based on quantitative key variable analysis, such as key price analysis for revenue and cost drivers or analysis and discounts on revenue estimates for projects, especially relevant to those projects estimated to provide revenue near the end of the chosen forecast period. Low and high estimates for key variables are produced as a tool for valuation.

In principle, an investor who is comfortable with the high brackets of our key variable analysis will align with the high bracket in the Arrowhead Fair Value Bracket, and likewise in terms of low estimates. The investor will also take into account the company intangibles – as presented in the first pages of this document for the analysis on strengths and weaknesses and on other essential company information. These intangibles serve as supplementary factors for adding or subtracting a premium in the investor's own analysis.

The bracket should be understood as a tool provided by Arrowhead BID for the reader of this report and the reader should not solely rely on this information to make his decision on any particular security. The reader must also understand that global capital markets contain inefficiencies, especially in terms of information, and that, on the other hand, corporations and their commercial and technical positions evolve rapidly: this present edition of the Arrowhead valuation is for a short to medium-term alignment analysis (one to twelve months). The reader should refer to important disclosures on page 15 of this report.

Information on MIKOH Resources valuation

MIKOH Resources valuation methodology: The Arrowhead fair valuation for MIKOH Resources is based on the discounted cash flow (DCF) method on the Thailand EVR project. The cash flow projections are derived using DCF.

Time horizon: The time period chosen for valuation is ~132 months (2011-2021). While revenue is expected to ramp up significantly during the period 2011-14 due to the discount factor used, the later years are heavily discounted and have a marginal effect on the valuation. They are included to present a full project cycle situation.

Underlying Business Plan:

The company is expected to lever upon its patented secure solutions to drive the revenue from Automatic Vehicle Identification and Asset Tracking market from FY 2011.

- The key objective of the company is successfully execute the Thailand EVR project and emulate similar model in other ASEAN countries including Indonesia, Malaysia and Vietnam.
- Building a market for the MIKOH's next generation Transit Vault solution in the US and Australian Governments.
- Introducing MIKOH's newly patented bio-authentication technology to both the commercial and government markets.

Terminal Value: Terminal value is estimated to depend on a terminal growth rate of 0%, representing the maturity, technology change and prospective competitiveness in the business.

Prudential nature of valuation: It should be noted that this Arrowhead Fair Value Bracket estimate is a relatively prudential estimate, the reasonable production from one of these assets, if completed, is heavily discounted (see Key Variables section). The valuation also discounts the eventuality of any of MIKOH's projects, which would be developed by the projects.

Key variables in determining MIKOH's revenue estimates

- Sales of Smart&Secure™ tags based on its ten year contract with the government of Thailand to implement an Electronic Vehicle Registration (EVR) system in the nation. MIKOH is expected to have replacement demand for its tags for every two years depending upon the government regulations, apart from the existing (34m) and new vehicles added into the market.
- Sales of Smart&Secure™ tags based on the new vehicles added in the Thailand market, pegged at about 4m to 5m per annum
- Likely mandatory implementation of the EVR system in Thailand. As an incentive to use the EVR technology prior to mandatory regulations the vehicle owners are currently being offered insurance premium discount and phone credits.
- Exchange rate of ASS\$/US\$

For more detail on key variables see *Key Variable Analysis* section of this report.

For more details on key variables see *Key Variable Analysis* section of this report.

Analyst certifications

I, Thomas Renaud, certify that all of the views expressed in this research report accurately reflect my personal views about the subject security and the subject company.

Important disclosures

Arrowhead Business and Investment Decisions, LLC received fees in 2010 from Next One for researching and drafting this report and for a series of other services to Next One including distribution of this report and networking services. Neither Arrowhead BID nor any of its principals or employees own any long or short positions in Next One.

Aside from certain reports published on a periodic basis, the large majority of reports are published by Arrowhead BID at irregular intervals as appropriate in the analyst's judgment.

Any opinions expressed in this report are statements of our judgment to this date and are subject to change without notice.

This report was prepared for general circulation and does not provide investment recommendations specific to individual investors. As such, any of the financial or other money-management instruments linked to the company and company valuation described in this report, hereafter referred to as "the securities", may not be suitable for all investors.

Investors must make their own investment decisions based upon their specific investment objectives and financial situation utilizing their own financial advisors as they deem necessary. Investors are advised to gather and consult

multiple sources of information while preparing their investment decisions. Recipients of this report are strongly advised to read the *Information on Arrowhead Methodology* section of this report to understand if and how the Arrowhead Due Diligence and Arrowhead Fair Value Bracket integrate alongside the rest of their stream of information and within their decision taking process.

Past performance of securities described directly or indirectly in this report should not be taken as an indication or guarantee of future results. The price, value of, and income from any of the financial securities described in this report may rise as well as fall and may be affected by simple and complex changes in economic, financial and political factors.

Should a security described in this report be denominated in a currency other than the investor's home currency, a change in exchange rates may adversely affect the price of, value of, or income derived from the security.

This report is published solely for information purposes, and is not to be considered as an offer to buy any security, in any state.

Other than disclosures relating to Arrowhead Business and Investment Decisions, LLC, the information herein is based on sources we believe to be reliable but is not guaranteed by us and does not purport to be a complete statement or summary of the available data.

Arrowhead Business and Investment Decisions, LLC is not responsible for any loss, financial or other, directly or indirectly linked to any price movement or absence of price movement of the securities described in this report.

Valuation

Figures are in thousands AS\$, unless indicated otherwise.

WACC

Risk-free rate	5.62%	xxv
Beta	1.68	xxvi
Risk premium	4.0%	xxvii
Additional Risk Premium	3.0%	xxviii
Cost of Equity	17.4%	
Terminal Growth Rate	0%	xxix

KEY VARIABLES

	Demand for Smart & Secure tags from existing vehicles 2011-2021	Additional Demand for Smart & Secure tags from new vehicles 2011-2021	AS\$/US\$ exchange rate
Max value	<i>Please refer to Key Variables section</i>		
Min value			

Time Period --->	0.50	1.50	2.50	3.50	4.50	5.50	6.50	7.50	8.50	9.50
Year beginning 1 st June	2011E	2012E	2013E	2014E	2015E	2016E	2017E	2018E	2019E	2020E
FCFE (High)										
Net cash from operation	(899)	938	2,920	6,288	8,442	12,291	10,202	14,051	11,960	(899)
Capital Expenditure	(23)	(25)	(28)	(31)	(34)	(37)	(41)	(45)	(50)	(23)
Net Debt Addition	1,650	-	-	-	-	-	-	-	-	1,650
Free Cash Flow to Equity	729	913	2,892	6,257	8,408	12,254	10,161	14,006	11,911	729
Discount Factor	0.92	0.79	0.67	0.57	0.49	0.41	0.35	0.30	0.26	0.92
Present Value of FCF	673	718	1,937	3,571	4,088	5,076	3,586	4,211	3,051	673
FCFE (Low)										
Net cash from operation	(1,839)	(144)	873	2,736	2,965	4,245	5,255	6,561	7,570	(1,839)
Capital Expenditure	(23)	(25)	(28)	(31)	(34)	(37)	(41)	(45)	(50)	(23)
Net Debt Addition	1,650	-	-	-	-	-	-	-	-	1,650
Free Cash Flow to Equity	(212)	(169)	845	2,705	2,931	4,208	5,214	6,516	7,520	(212)
Discount Factor	0.92	0.79	0.67	0.57	0.49	0.41	0.35	0.30	0.26	0.92
Present Value of FCF	(195)	(133)	566	1,544	1,425	1,743	1,840	1,959	1,926	(195)

ARROWHEAD FAIR VALUE BRACKET

	High	Low
Terminal Value (TV)	78,570	48,826
Present Value of TV	14,606	9,076
Present Value of FCF	30,347	12,600
Present Value of FCF + TV	44,952	21,677
+ Cash	752	752
Equity Value Bracket	45,704	22,428
Shares on issue ('000)	351,297	351,297
Fair Share Value Bracket	AUD\$ 0.130	AUD\$ 0.064
Current Market Price	AUS\$ 0.033	AUS\$ 0.033
Current Market Cap. (AS\$)	11.59MM	11.59 MM
Target Market Cap. Bracket (AS\$)	45.704MM	22.428MM

xxx
xxxi *Undiluted*

Notes

- i* Source: Bloomberg as of 11th January 2011
- ii* 52 weeks to 11th January 2011. Source: Bloomberg as of 11th January 2011
- iii* 3 months to 11th January 2011 <http://finance.yahoo.com/q?s=MIK.AX&q1=1>
- iv* Arrowhead Business and Investment Decisions Fair Value Bracket - AFVBTM. See information on valuation on pages 13-16 of this report and important disclosures on page 16 of this report.
- v* Source: <http://www.mikoh.com/solutionscenter.php>.
- vi* Source: <http://www.mikoh.com/Downloads/ASX%20Release%20Accenture.pdf>
- vii* Source: Company <http://www.mikoh.com/Downloads/MIK%20AVI%2026%20Aug%2010.pdf>
- viii* Source: [http://www.mikoh.com/Downloads/Final%20ASX%20Release%20\(WAS\)%20%2025%20Nov%202010.pdf](http://www.mikoh.com/Downloads/Final%20ASX%20Release%20(WAS)%20%2025%20Nov%202010.pdf)
- ix* Source: <http://www.mikoh.com/Downloads/842805%20100430%20Shareholder%20Update.pdf>
- x* Source: <http://www.abiresearch.com/press/3557-Massive+Retail+Deployment+Helps+Spur+2011+RFID+Systems+Revenue+Growth+of+More+than+16%25>
- xi* Source: <http://www.mikoh.com/announcements.php>
- xii* Source <http://www.mikoh.com/whymikoh.php>
- xiii* Source: Bloomberg as of 07th January 2011
- xiv* Source: <http://www.mikoh.com/management.php>
- xv* Source: <http://www.rncos.com/Report/IM576.htm>
- xvi* Source: <http://www.isuppli.com/China-Electronics-Supply-Chain/News/Pages/Chinas-RFID-Market-Set-to-Double-by-2014.aspx>
- xvii* Source: www.itssa.org/blog/2010/03/01/ipico-unveils-latest-electronic-vehicle-id-system/ \o "<http://www.itssa.org/blog/2010/03/01/ipico-unveils-latest-electronic-vehicle-id-system/>
- xviii* Source: http://www.ipico.com/site/ipico/assets/pdf/AGM__September_27_2010.pdf
- xix* Source: <http://www.tollroadsnews.com/node/4513>
- xx* Source: http://www.rfid-rnet.com/Presentations_11_May_2010/O_Kristiansen_Q-Free_Workshop_IoT_Oslo_11_May_2010.pdf
- xxi* Source: <http://www.mikoh.com/Downloads/MIK%20AVI%2026%20Aug%2010.pdf>
- xxii* Source: <http://www.packagingessentials.com/2010/06/23/the-booming-rfid-business-in-2010-by-dr-peter-harrop-chairman-idtechex/>
- xxiii* Source: <http://www.mikoh.com/technologies.php>
- xxiv* Source: <http://www.mikoh.com/Downloads/MIK%20AVI%2026%20Aug%2010.pdf>
- xxv* The risk-free rate represented by the rate of 10- Australian treasury on 7th November. Source: www.bloomberg.com.
- xxvi* Source: Arrowhead BID estimate.
- xxvii* Source: Arrowhead BID estimate.
- xxviii* Source: Arrowhead BID estimate.
- xxix* Source: Arrowhead BID estimate.
- xxx* Approximate cash position on 30 June 2010 Source: Company fillings 10-k.
- xxx* Number of shares as reported in Appendix 3B reported on 30-Dec-2010. undiluted options 22,094,762 outstanding