

# Memorandum of Understanding ("MOU")

## Activities Schedule

Date January 25<sup>th</sup>, 2007

### Participants

1. **Securency Pty Ltd** ACN 072 353 452 domiciled at Potter Street, Craigieburn, Victoria, Australia (**Securency**)
2. **Banco de Mexico** domiciled at Avenida 5 de Mayo número 2, Colonia Centro, Delegación Cuauhtémoc, Código Postal 06059, Distrito Federal, Mexico (**BdM**).

### 1. Effect of this MOU

#### 1.1 Non-binding obligations

Each participant agrees that the terms of this MOU do not bind the parties, nor generates any legal right. This MOU is drafted as a starting point for negotiations in connection with the Project. The terms for the Project are to be expressed in definitive and binding form in the Transaction Documents.

Each participant agrees that any expenses that might derive from this document will be the responsibility of the respective participant that generates such expense until the Transaction Documents are executed.

#### 1.2 Background

- A. The participants have conducted a feasibility study dated July 2006 to consider the proposal of establishing a polymer substrate plant in Mexico (**Project**). The feasibility study concluded that there is a favourable business case for proceeding with the Project.
- B. On September 24<sup>th</sup>, 2006, Securency's board of directors approved in principle Securency's participation in the Project.
- C. The Board of Governors of BdM approved in principle the participation of BdM in the incorporation of a Mexican corporation with foreign investment for establishing a security polymer substrate plant.
- D. The participants intend to participate in the Project through a Stock Corporation (**Corporation**) incorporated under Mexican law which could be incorporated with variable capital, and which is to be 51% or more owned by Securency (or its related body corporate) and the remaining interest to be owned by BdM (or its related body corporate).
- E. The participants have agreed to negotiate the terms of the Transaction Documents and share commercially sensitive information in relation to the Project.
- F. The parties have agreed to maintain confidentiality of the information that has been given such character, including the negotiations in relation to the Project and the existence and the terms of this Memorandum of Understanding.



## 2. Project implementation

### 2.1 Transaction Documents

The participants shall negotiate the commercial terms for the Project with reasonable diligence and in good faith. The participants will use their respective best endeavours to enter into the following definitive and binding documents setting out the agreed terms of the Project (**Transaction Documents**):

- (a) a Partnership Agreement or other document regulating the rights and obligations of Securency and BdM relating to a Mexican Stock Corporation which could be a variable capital corporation (**Stock Corporation Agreement**);
- (b) a Technology Licence Agreement between the Corporation and Securency under which Securency licenses its intellectual property to the Corporation to enable the Corporation to manufacture and supply security polymer substrate to the American Continent, excluding the United States of America (**Technology Licence Agreement**);
- (c) a Design Services Agreement between the Corporation and Securency under which Securency designs substrate used in the production of banknotes for the Corporation (**Design Services Agreement**);
- (d) an Engraving Services Agreement between the Corporation and Securency under which Securency engraves cylinders for the Corporation (**Engraving Services Agreement**);
- (e) a termination agreement of the existing Substrate Supply Agreement between Securency and BdM, and the execution of a new security substrate supply agreement with the Corporation (**Termination and New Security Substrate Agreement**);
- (f) a Raw Materials Supply Agreement under which Securency sources key raw materials for the Corporation (**Raw Materials Supply Agreement**); and
- (g) any other document necessary to implement the Project.

### 2.2 Timetable for documentation

The participants set out in the following chart shall prepare the first draft of the relevant Transaction Document and the participants must use their respective best endeavours to enter into the Transaction Documents on or before the dates set out in the table, in the understanding that if by the below mentioned dates, the agreements have not been executed, the participants may extend the dates by mutual agreement or abandon the negotiations without further civil, criminal, administrative or any other kind of liability.



Transaction Document	Participant	First draft due	Execution date of the definitive document
(a) Variable Stock Corporation Agreement	BdM	16 February 2007	16 March 2007
(b) Technology Licence Agreement	Securency	31 January 2007	16 March 2007
(c) Design Services Agreement	Securency	31 January 2008	28 February 2008
(d) Engraving Services Agreement	Securency	31 January 2008	28 February 2008
(e) Termination and New Substrate Supply Agreement	Securency	30 September 2008	31 December 2008
(f) Raw Materials Supply Agreement	Securency	30 September 2008	31 December 2008

### 3. General

#### 3.1 Entire understanding

- (a) This MOU contains the entire understanding between the parties concerning the subject matter of the Project and supersedes all prior communications between the parties.
- (b) Each participant acknowledges that, except as expressly stated in this MOU, that participant has not relied on any representation, warranty or undertaking of any kind made by or on behalf of the other party in relation to the subject matter of this MOU.

#### 3.2 Governing law and jurisdiction

The participants agree that what is expressly stated in this Memorandum of Understanding will be governed by Mexican law and that for their interpretation and legal compliance they will submit to the courts with the jurisdiction in the city of Mexico, Federal District.

#### 3.3 Relationship of parties

Nothing in this MOU may be construed as creating a relationship of partnership, of principal and agent or of trustee and beneficiary.

This document is executed in four counter parts, two in Spanish and two in English.

**Executed by Securrency Pty Ltd:**

  
.....  
Signature

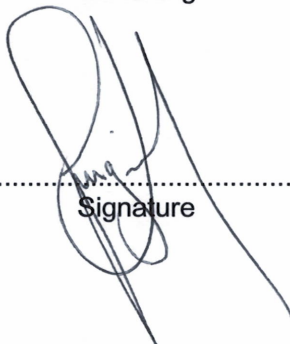
Name of signatory: Miles Curtis  
Managing Director

**Executed by Securrency Pty Ltd:**

  
.....  
Signature

Name of signatory: Joseph Mamo  
Director of Strategic Planning and  
Marketing

**Executed by Banco de Mexico:**

  
.....  
Signature

Name of signatory: Dr. Manuel Galán  
Medina  
Director General de Emisión

**Executed by Banco de Mexico:**

  
.....  
Signature

Name of signatory: Enrique Eduardo  
Guarner Lans  
Gerente de Fábrica de Billetes

