



5 April 2017

Mr Kobe Li
Senior Listings Advisor
ASX Compliance Pty. Limited
Melbourne VIC 3001

BY EMAIL

Dear Kobe,

I refer to your letter to Powerhouse Ventures Limited (PVL) dated 31 March 2017 which requested that PVL answer specific questions and provide additional information to the market.

The ASX noted the following in the PVL Half Year Report to 31 December 2016:

- NZ\$4,027,333 expenses excluding costs associated with the IPO
- NZ\$3,668,063 held in cash or cash equivalents
- NZ\$4,385,315 net cash outflow from operating activities and NZ\$3,493,067 net cash outflow from investing activities

The ASX suggested that it is possible to conclude that if PVL were to continue to expend cash at the rate indicated by the Half Year Report, PVL may not have sufficient cash to continue funding its plans as described at page 20 of the Prospectus. The Board's statements regarding costs, investment plans and scale of operations more generally from page 20 of the PVL Prospectus are reproduced as follows:

4.6 Purpose of the Offer and proposed use of proceeds

The Offer is being conducted to:

- *Raise funds for the working capital required to expand the business of the Company;*
- *Provide improved access to capital markets, thereby enhancing the Company's financial flexibility to pursue growth opportunities and implement strategic initiatives outlined in Sections 5, 6 and 7; and*
- *Gain liquidity in its Shares for existing shareholders.*

The proceeds of the Offer will be applied to:

- *Expand the Investment Portfolio, by making investments in new companies;*
- *Increase its investment in existing Portfolio Companies;*
- *Provide general working capital for the Company including operational and administration expenditure; and*
- *Pay costs associated with the Offer, including obtaining a listing on the ASX.*

In large part the Company's investment in its Portfolio are variable in nature and can be proactively managed by the Board and management in response to the level of funds raised in the Offer. The planned expansion of the business to include Australian operations can be scaled to match Offer proceeds. In addition, the deployment of capital into new and, to a lesser extent, existing New Zealand investments can also be scaled to match Offer proceeds.

The use of funds scenarios detailed in the table below represents 18 months of fund deployment plans in growth and investment, proactively managed in response to New Zealand and Australian pipeline opportunities and the anticipated capital requirements of the existing New Zealand Portfolio.

The Board considers this will be sufficient to enable the Company to execute this strategy.

It is not possible to accurately anticipate precise levels of potential pipeline sourced investments in either New Zealand or Australia. The Company is able to use absolute discretion as to whether to invest or not with regard to the planned Australian pipeline investments and with regard to the number of investments and the amount of funds invested with regard to New Zealand investment opportunities. The Company has less discretion regarding capital to be deployed into the existing New Zealand investment portfolio. This is because Powerhouse would wish to maintain its level of influence over its Portfolio Companies and therefore not have its shareholding position diluted.

The costs of the Offer are estimated to be A\$2.03 million based on the minimum A\$10 million in the Offer...

Following the Offer (under ...the minimum funding scenario), the Company will have enough working capital to carry out its stated objectives...."

Source and use of funds from the Offer

	Minimum Subscription A\$10.0 million	
	A\$'000	% of funds allocated
Source of Funds:		
Cash proceeds received for issue of Shares by Powerhouse	10,000	100.0%
Use of Funds:		
Investment in Portfolio Companies (existing and new investments in New Zealand and Australia)	5,767	57.7%
Operating costs including salaries and provision of general working capital	3,004	30.0%
Expenses of the Offer ¹	1,229	12.3%
	10,000	100.0%

ASX Question 1

Please explain the reason for the significant discrepancy between allocated uses of funds stated in the Prospectus and the actual expenditures as shown in the Half Year Report.

PVL does not currently have any forecasts or forward looking financial information on release to the ASX Announcements Platform. As such, the following statements are deliberately made without the provision of precise figures regarding PVL's expected level of operational cost or investment to be made in the period to 30 June 2017 or beyond.

Nevertheless, PVL makes the following observations about second half operating and investment outflows:

- Employee benefits expense is expected to be well below the costs incurred in the first half
- Promotion and events expense is expected to be well below the costs incurred in the first half
- Travel cost is expected to be well below the costs incurred in the first half
- Interest expense is expected to be insignificant in the second half compared to an expense of \$141,386 incurred in the first half
- Other expenses are expected to be well below the costs incurred in the first half

In addition:

- Interest income is expected to be significant in the second half due to earnings from bank deposits and loans to investee companies
- Whilst there was no profit from liquidity events recorded in the first half, PVL flagged in its Half Year Investor Presentation released to the ASX Company Announcements Platform on 27 February 2017 that a 2017 priority for the Company was to “work on value creation opportunities and liquidity events within the existing portfolio”. Further, the Presentation stated that the Company had a “significant cost control focus”.
- Purchase of investments made in the first half of \$1,565,017 was a significant step-up on earlier periods, as a result of the backlog of investment opportunities that occurred whilst the Company was working towards its IPO during 2015 and 2016. PVL does not expect this level of investments to be repeated in the second half to 30 June 2017.

As such, whilst PVL acknowledges the ASX’s conclusion that if PVL were to continue to expend cash at the rate indicated by the Half Year Report, PVL may not have sufficient cash to continue funding its plans as described in the Prospectus, the Company is not recording operational expenditures or investment outflows at a rate that will lead to this outcome. Further, the Company is working towards the achievement of liquidity events within the existing portfolio that are planned to deliver cash inflows in the period ending 30 June 2017 and following.

In summary, PVL anticipates the net operating costs of the business (which includes some cash inflow related revenues as detailed above) over an 18 month period post IPO to be materially similar to the \$3.004 million detailed in the Prospectus.

ASX Question 2

Has PVL taken any steps, or does it propose to take any steps, to raise further cash to fund its operations or to reduce expenditures and, if so, what are those steps and how likely does it believe that they will be successful?

PVL does not currently propose to take any steps to raise further cash to fund its operations or to further reduce its expenditures. Immediately post IPO, PVL completed a minor re-alignment of its operations to ensure that its staffing model and operational costs continued to be appropriate and in full compliance with its stated objectives disclosed in the Prospectus dated 17 August 2016.

ASX Question 3

Does PVL expect to be able to continue its operations and to meet its business objectives as stated in the Prospectus and, if so, on what basis?

PVL expects to be able to continue its operations and to meet its business objectives as stated in the Prospectus because the net operating cash deficit of the business is contained within the level portrayed in the Prospectus and the current level of investment activity has been slower than anticipated, particularly in Australia. That is not to say that investment opportunities aren't present in Australia, but rather that the technology assessment process through to the making of cash outlays for investments is a measured and thoroughly considered process in accordance with PVL's patient capital business model, as described on page 26 of the Prospectus.

ASX Question 4

Please confirm that PVL is in compliance with Listing Rule 3.1 and that there is no information that should be given to ASX about its financial condition in accordance with that rule that has not already been released to the market.

Confirmed.

ASX Question 5

Please provide any other information that PVL considers may be relevant to ASX's consideration.

The PVL Board actively manages its cash balances and liquidity risk in accordance with the Board approved Capital and Liquidity Management Policy available on the Company's website.

PVL does not consider there is any further information that the Company should provide that may be relevant to ASX's consideration.

ASX Question 6

Please confirm that PVL's responses to the questions above have been authorised and approved in accordance with its published continuous disclosure policy or otherwise by its board or an officer of PVL with delegated authority from the board to respond to ASX on disclosure matters.

Confirmed.

Yours sincerely



Paul K. M. Viney
Chief Financial Officer / Company Secretary



31 March 2017

Mr Paul Viney
CFO / Company Secretary
Powerhouse Ventures Limited
Level 3, 2 Hazeldean Road
Addington, Christchurch
New Zealand 8024

By email

Dear Mr Viney

Powerhouse Ventures Limited (“PVL”): Appendix 4D Half Year Report Query

I refer to the following:

- PVL’s prospectus dated 2 August 2016 issued in connection with its application for admission to the official list dated 2 August 2016 (“Prospectus” and “Admission to the Official List”);
- Page 20 of the Prospectus stating in the table headed: ‘Source and use of funds from the Offer’ that at various levels of subscription that funds would be used as follows:

	A\$10 million	A\$15 million	A\$20 million
	A\$ ‘000	A\$ ‘000	A\$ ‘000
Investment in portfolio companies (existing and new investments in New Zealand and Australia)	5,767	10,553	15,286
Operating costs including salaries and provision of general working capital	3,004	3,004	3,004
Expenses of the offer	1,229	1,443	1,710

- PVL’s half yearly financial report for the period ended 31 December 2016 lodged with ASX Market Announcements Platform and released on 27 February 2017 (the “Half Year Report”).

ASX notes:

- The Company raised A\$10 million (NZ\$11 million) under the Prospectus, and indicated at page 20 that the use of funds scenarios “represents **18 months** (emphasis added) of fund deployment plans in growth and investment”.
- The Half Year Report discloses the following.

- In the statement of comprehensive income for the 6 months ended 31 December 2016 (page 4), the Company incurred a total of NZ\$4,027,333 expenses excluding costs associated with the IPO;
- In the statement of financial position as at 31 December 2016 (page 6), the Company has NZ\$3,668,063 cash.
- In the statement of cash flows for the 6 months ended 31 December 2016 (page 7), the Company had net cash outflow from operating activities of NZ\$4,385,315 and net cash outflow from investing activities of NZ\$3,493,067.

It is possible to conclude, based on the information above, that if PVL were to continue to expend cash at the rate indicated by the Half Year Report, PVL may not have sufficient cash to continue funding its plans as described at page 20 of the Prospectus. In particular, unless PVL's operating cashflow improve substantially over the six month period to 30 June 2017, contrary to the table on page 20 of the Prospectus, PVL will not have cash available to invest further in portfolio companies. In view of that, ASX asks PVL to answer separately each of the following questions and provide the following confirmations in a format suitable for release to the market in accordance with Listing Rule 18.7A:

1. Please explain the reason for the significant discrepancy between allocated uses of funds stated in the Prospectus and the actual expenditures as shown in the Half Year Report.
2. Has PVL taken any steps, or does it propose to take any steps, to raise further cash to fund its operations or to reduce expenditures and, if so, what are those steps and how likely does it believe that they will be successful?
3. Does PVL expect to be able to continue its operations and to meet its business objectives as stated in the Prospectus and, if so, on what basis?
4. Please confirm that PVL is in compliance with Listing Rule 3.1 and that there is no information that should be given to ASX about its financial condition in accordance with that rule that has not already been released to the market.
5. Please provide any other information that PVL considers may be relevant to ASX's consideration.
6. Please confirm that PVL's responses to the questions above have been authorised and approved in accordance with its published continuous disclosure policy or otherwise by its board or an officer of PVL with delegated authority from the board to respond to ASX on disclosure matters.

When and where to send your response

This request is made under, and in accordance with Listing Rule 18.7. Your response is required as soon as reasonably possible and, in any event, by not later than 9.30am AEST on 5 April 2017. If we do not have your response by then, ASX will have no choice but to consider suspending trading in PVL's securities under Listing Rule 17.3.

You should note that if the information requested by this letter is information required to be given to ASX under Listing Rule 3.1 and it does not fall within the exceptions mentioned in Listing Rule 3.1A, PVL's obligation is to disclose the information "immediately". This may require the information to be disclosed before the deadline set out in the previous paragraph.

ASX reserves the right to release a copy of this letter and your response on the ASX Market Announcements Platform under Listing Rule 18.7A. Accordingly, your response should be in a form suitable for release to the market.

Your response should be sent to me by e-mail. It should not be sent directly to the ASX Market Announcements Office. This is to allow me to review your response to confirm that it is in a form appropriate for release to the market, before it is published on the ASX Market Announcements Platform.

Listing Rule 3.1

Listing Rule 3.1 requires a listed entity to give ASX immediately any information concerning it that a reasonable person would expect to have a material effect on the price or value of the entity's securities. Exceptions to this requirement are set out in Listing Rule 3.1A.

In responding to this letter, you should have regard to PVL's obligations under Listing Rules 3.1 and 3.1A and also to Guidance Note 8 *Continuous Disclosure: Listing Rules 3.1 – 3.1B*.

It should be noted that PVL's obligation to disclose information under Listing Rule 3.1 is not confined to, nor is it necessarily satisfied by, answering the questions set out in this letter.

Trading halt

If you are unable to respond to this letter by the time specified above, you should discuss with us whether it is appropriate to request a trading halt in PVL's securities under Listing Rule 17.1.

If you wish a trading halt, you must tell us:

- the reasons for the trading halt;
- how long you want the trading halt to last;
- the event you expect to happen that will end the trading halt;
- that you are not aware of any reason why the trading halt should not be granted; and
- any other information necessary to inform the market about the trading halt, or that we ask for.

We may require the request for a trading halt to be in writing. The trading halt cannot extend past the commencement of normal trading on the second day after the day on which it is granted.

You can find further information about trading halts in Guidance Note 16 *Trading Halts & Voluntary Suspensions*.

If you have any queries or concerns about any of the above, please contact me immediately.

Yours sincerely,

[Sent electronically without signature]

Kobe Li
Senior Adviser Listings Compliance (Melbourne)
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