

28 May 2015

Ms Lisa Banh
ASX Compliance Pty Limited
20 Bridge Street
Sydney NSW 2000

Dear Ms Banh

Re: Kollakorn Corporation Limited (the “Company”)

We refer to the ASX letter dated 25th of May 2015 and the questions to which you require answers.

1. Compliance with Accounting Standards

The Directors’ confirm that the annual report complies with all relevant accounting standards other than for the matters qualified by the auditor’s in the audit report. It is further the view of the Directors’ that the accounts give a true and fair view of the financial performance and financial position of the Company.

2. The Basis that the Directors were Satisfied that the Financial Statements in the Half Year Report could be Prepared on a Going Concern Basis

2.1 The Company is the owner of a 33.23% interest in Kollakorn Co., Ltd, a private company registered in Thailand (**Kollakorn Thailand**). Kollakorn Thailand is in the process of commercialising an Electronic Vehicle Registration system throughout Thailand. Kollakorn Thailand has in excess of US\$2 million of net assets which is primarily the written down value of an extensive Automated Vehicle Identification system costing approximately US\$5 million. Currently a pilot program of 40,000 buses is being monitored for speeding by the system.

The Company and Kollakorn Thailand have been in discussions with the Thailand Government for the currently operating system to be extended to include the 5 Southern Provinces and eventually all the vehicles in Thailand.

The Director’s announced on 2 March 2015 that the Thailand Government has approved the use of RFID to curb crime in the Southern Provinces of Thailand and in particular, robberies and killings that are being perpetrated using vehicles. Further, the Ministers Council has approved in principle the use of RFID by the DLT and the proposed Regulations have been forwarded to the Office of the Juridical Council to be drafted. The receipt of these regulations is imminent.

It has also been discussed by the Government that the use of RFID Technology should be used in other areas of the country for other purposes such as the prevention of drug abuse and payment of road taxes.

It is the Directors' view (based upon all available information at this time) that the proposal for the implementation of the Southern Provinces will be approved within this calendar year. Approval of the Southern Provinces extension to the existing RFID system will result in a direct inflow of income to the Company from the sale of tags used by Kollakorn Thailand, which will significantly improve the cash flows of the Company.

- 2.2 Within the last 12 months, the Company's royalty income has increased considerably as a result of the implementation of 2 worldwide royalty agreements and as a result the increase of sales of BOR tags by the licensees.
- 2.3 In April 2015, the Company raised \$301,358.40 through a non-renounceable entitlement issue and shortfall offer. The Directors now have the ability to place the remaining shortfall of shares within 3 months from the closing date of the issue. On 22 May 2015, the Directors' announced a placement of 3,651,438 new shares, raising \$25,560.06 under the shortfall.
- 2.4 The operating costs of the Company have been reduced to such a level that they are now covered by royalty income.

Therefore the Directors' are of the view that income is imminent and that in any event, the major shareholders of the Company will support the Company and therefore believe that the Directors' decision that the Annual Report be prepared on a going concern basis is reasonable.

3. Company's Ability to Continue as a Going Concern

On 22 November 2014 the Directors' announced that the Company had issued 28,571,428 Ordinary shares at \$0.007 per share, raising \$200,000.

From this amount, \$150,000 was applied to the full and final settlement of the outstanding debt of US\$770,000 owed to the Company's largest creditor, La Jolla Cove Investors Inc.

Also on 22 November 2014, it was agreed that subject to shareholder approval, that the Company would issue 28,571,428 Ordinary shares at \$0.007 per share to Mr Richard Sealy the second largest creditor of the Company thereby reducing the debt owed to him by \$200,000.

The above reduction in creditors, capital raisings and the recent developments on the commercialisation of the RFID technology is that basis upon which the Directors are able to state that the Company has the ability to continue as a going concern.

4. Carrying Value of Kollakorn Thailand

From the answer in 2 above it may be seen that Kollakorn Thailand has excellent prospects of considerably extending its existing concession rights and becoming profitable.

At the time of the investment in Kollakorn Thailand by the Company, the Directors' commissioned a valuation of Kollakorn Thailand which showed, based on the commercialisation of Thailand concession rights, that the Company's then 28.7% interest in Kollakorn Thailand was worth between \$19.78 million and \$22.62 million.

Based upon that, the Directors' considered the then carrying value to be fair and reasonable. The Directors, at the time of issuing the half yearly accounts, reviewed that previous valuation and are still of the view that the carrying value of Kollakorn Thailand is fair and reasonable, particularly in the light of the imminent commercialisation of the Kollakorn Thailand's projects.

5. Kollakorn Thailand's Reporting Requirements

Kollakorn Thailand's accounts are audited on an annual basis as at 31 December. Kollakorn Thailand's accounts were audited as at 31 December 2014 and provided to the Company's auditors.

The basis of the preparation of the Company's half year accounts was to include an unaudited allocation of the last 6 months of trading of Kollakorn Thailand, prepared by Kollakorn Thailand from their full year 2014 audited accounts.

6. Reasons for Continued Quotation under Regulation 12.1

As may be seen from the foregoing the level of activity within the Company and within Kollakorn Thailand is considerable. Much of the effort from the Company is directed at assisting Kollakorn Thailand meet its objectives as stated above. However in its own right, the Company has won several projects and is very close to winning other projects in jurisdictions other than Thailand.

In addition to the Company's Break on Removal Patented Technology, the Company was granted a new patent last year for Biometric Identification of parties using the internet for financial transactions which the Directors' believe could be highly prospective when commercialised. The Company has been pursuing the international PCT in countries around the world and to date has achieved patent extensions in the USA, Canada, China, Malaysia, Korea and a several European countries.

As stated above, the Company made a recent rights issue. Shareholders subscribed to approximately 50% of the shares offered in that rights issue, showing significant continued support for the Company therefore taking all of the above into account and the shareholders' (approximately 1,800) expectations that these patents will be developed within a listed entity, the Directors' are of the view that the Company complies with listing regulation 12.1.

7. Continued Quotation under Regulation 12.2

The Company has improved its financial position considerably as may be seen from the answer to questions 2 and 3 above. The recent raising of cash together with the significant reduction in creditors means that the Company has cash reserves for the first time in a while.

Also as stated above, the Company has a significantly improved royalty stream which in itself is enough to cover the outgoings of the Company therefore the Directors are of the view that the Company complies with listing regulation 12.2.

8. Not Applicable

9. Obtaining an Unqualified Opinion in the Future

The basis of the qualification by the auditors at the half year was “going concern”, “carrying value of Kollakorn Thailand” and “audit of Kollakorn Thailand”.

9.1 With respect to “going concern”, the Directors’ believe that the answers provided above satisfactorily cover this point.

9.2 With respect to the carrying value of Kollakorn Thailand, the Directors’ are of the view that provided that approval of the extension of the present Thailand project is agree to by the Thai Government, Kollakorn Thailand should come into profit thereby justifying its carrying value.

9.3 With respect to the audit of Kollakorn Thailand, the auditors have previously advised that if the only issue was obtaining an audited half yearly report from Kollakorn Thailand, they would not have deem this as sufficient reason to qualify the accounts of the Company.

10. Confirmation that the Company is in Compliance with the Listing Rules in Particular Listing Rule 3.1.

The Directors’ are of the view that the Company is in compliance with the listing rules and in particular listing rule 3.1.

Kindest Regards

A handwritten signature in black ink, appearing to read 'RM Sealy', with a horizontal line underneath.

RM Sealy
Chief Executive Officer



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25 May 2015

Mr Tom Bloomfield
Company Secretary
Boardroom Limited
Level 7, 207 Kent Street
Sydney NSW 2000

By Email

Dear Tom,

Kollakorn Corporation Limited (the "Company")

ASX Limited ("ASX") refers to the following.

1. The Company's Half Year Report to shareholders for the half year ended 31 December 2014, lodged with ASX on 27 February 2015 (the "Half Year Report").
2. The Independent Auditor's Report on pages 8 to 9 of the Half Year Report ("Auditor's Report") which includes the following Disclaimer of Opinion:

Bases for Disclaimer of Conclusion

Going concern

As disclosed in the Note 1 to the financial statements, the consolidated entity incurred net losses of \$107,253 and had net cash outflows from operating activities of \$102,047 during the half year ended 31 December 2014. As at that date the consolidated entity had net current liabilities of \$2,714,669. The ability of the consolidated entity to continue as a going concern is contingent on a number of future events, the most significant of which is the continued support of its creditors and the ability to source sufficient capital or other sources of funding to repay existing creditors and to fund the completion of the development and successful commercialisation of the Radio Frequency Identification (RFID) technology. We have been unable to obtain sufficient appropriate audit evidence

to support the use of the going concern assumption given the significance of the uncertainty as to whether the consolidated entity will be able to raise sufficient capital and successfully commercialise the RFID technology.

Carrying value of associate

As disclosed in Note 3, the consolidated entity's investment in Kollakorn Co. Ltd is carried at \$5,199,649 in the statement of financial position. This asset represents approximately 92% of the consolidated entity's total assets as at 31 December 2014. The ability to realise the carrying value of this asset is dependent on sufficient funds being raised to complete the development and successful commercialisation of its RFID technology. We were unable to obtain sufficient appropriate audit evidence about the carrying amount of the consolidated entity's investment in Kollakorn Co. Ltd. As a result, we were unable to determine whether any adjustments were necessary in respect of the carrying value of investment in associates as at 31 December 2014.

Share of loss of associate

As disclosed in Note 3, the consolidated entity's share of Kollakorn Co. Ltd's net loss of \$167,659 for the half year ended 31 December 2014 is included in the consolidated entity's statement of comprehensive income. We were unable to obtain sufficient appropriate audit evidence about the consolidated entity's share of Kollakorn Co. Ltd's net loss for the year because the financial statements of Kollakorn Co. Ltd are unaudited. We were unable to perform adequate alternative audit procedures in this regard. Consequently, we were unable to determine whether any adjustments to the share of loss were necessary during the half-year ended 31 December 2014.

Disclaimer of Conclusion

Because of the significance of the matters described in the Bases for Disclaimer of Conclusion paragraphs, we have not been able to obtain sufficient appropriate evidence to provide a basis for a review conclusion. Accordingly, we do not express a conclusion on whether the half-year financial report of Kollakorn Corporation Limited is in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

Relevant Listing Rules and Guidance

- Listing Rule 12.1 – *The level of an entity's operations must, in ASX's opinion, be sufficient to warrant the continued quotation of the entity's securities and its continued listing.*
- Listing Rule 12.2 – *An entity's financial condition (including operating results) must, in ASX's opinion, be adequate to warrant the continued quotation of its securities and its continued listing.*
- Listing Rule 19.11A (b) – *If a listing rule requires an entity to give ASX accounts, the accounts must be prepared to Australian accounting standards. If the entity is a foreign entity the accounts may be prepared to other standards agreed by ASX.*

Questions for Response

In light of the Auditor's Report, the information contained in the Half Year Report, and the application of the Listing Rules stated above, please respond to each of the following questions.

1. Is the Company able to confirm that, in the directors' opinion, the Half Year Report:
 - (a) complies with the relevant Accounting Standards; and
 - (b) gives a true and fair view of the financial performance and financial position of the Company?
2. Please explain the basis for and the factors considered by the directors to satisfy themselves that the financial statements in the Half Year Report could be prepared on a going concern basis. In answering this question, please comment specifically on the matters referred to in Note 3 to the financial statements in the Half Year Report.

3. The Company has stated that its ability to continue as a going concern is dependent on the continued support of its creditors and the ability to source sufficient capital or other sources of funding to repay existing creditors and to the fund the completion of the development and successful commercialisation of the RFID technology, as well as other factors. Please provide an update on these items.
4. Please explain how the directors are satisfied that the carrying value of \$5,199,649 attributed to Kollakorn Co. Ltd is appropriate given that the group's share of net assets per note 3 in the Half Year Report is \$487,059. In doing so, please detail the steps taken to ensure compliance with AASB 128 *Investments in Associates and Joint Ventures*.
5. Please detail the Half Year financial reporting requirements of Kollakorn Co. Ltd, including any requirement for its financial statements to be subject to an audit or review, under the laws of the jurisdiction in which it is incorporated.
6. Does the Company consider that its level of operations is sufficient to warrant the continued quotation of its securities and its continued listing on ASX in accordance with the requirements of Listing Rule 12.1? In answering this question, please also explain the basis for this conclusion.
7. Does the Company consider that the financial condition of the Company is sufficient to warrant the continued quotation of its securities and its continued listing on ASX in accordance with the requirements of Listing Rule 12.2? In answering this question, please also explain the basis for this conclusion.
8. If the answer to questions 6 or 7 is "No", please explain what steps the Company has taken, or proposes to take, to warrant its continued listing on ASX in accordance with the requirements of Listing Rules 12.1 and 12.2 (as applicable).
9. What steps does the Company intend to take to obtain an unqualified audit opinion in the future?
10. Please confirm that the Company is in compliance with the Listing Rules and, in particular, Listing Rule 3.1.

Please note that ASX reserves its right under Listing Rule 18.7A to release this letter and the Company's response to the market. Accordingly, the Company's response should address each question separately and be in a format suitable for release to the market.

Unless the information is required immediately under Listing Rule 3.1, a response is requested as soon as possible and, in any event by **no later than 9.30am AEDT on Friday, 29 May 2015**. If the information is required immediately under Listing Rule 3.1, you should discuss with ASX whether it is appropriate to request a trading halt in the Company's securities under Listing Rule 17.1.

Any response should be sent to me by return email. It should not be sent to the ASX Market Announcements Office.

If you have any queries regarding any of the above, please contact me.

Yours sincerely,

[sent electronically without signature]

Lisa Banh

Adviser, Listings Compliance