

ASX ANNOUNCEMENT

18 April 2013

Managing Director Renews Contract

The Directors of Kollakorn Corporation Limited (**ASX: KKL**) are pleased to advise that the Managing Director, Mr Richard Sealy has renewed his consulting contract for a further year on the same terms as the previous two years.

In addition, Mr Sealy (**Noteholder**) has agreed to convert \$100,000 of his unpaid consulting fees to a Limited Recourse Secured Convertible Loan Notes (**Note**). The Note will have identical terms to the ones issued on 7 March 2013 to Multi-Vendor Support Services Pty Ltd and K B J Investments Pty Ltd and will be subject to shareholder approval.

Issue Terms of Notes

The Note will be issued by KKL with a face value of \$100,000. The Note will carry a 15% coupon rate and will be repayable by KKL within 36 months. Interest will be capitalised on yearly rests. The following are additional terms and conditions of the Note:

1. Security

The security for the Note will be limited in recourse to 117,952 ordinary shares in Kollakorn Co., Ltd (**Security**). Should KKL for any reason default on the repayment of the Note, then the Noteholder shall have the right to have transferred to him the Security.

2. Repayment

KKL shall have the right to repay the Note plus capitalised interest at 36 months either:

- In cash; or
- Subject to the KKL ordinary shares (**KKL Shares**) having been quoted on ASX at 7.5 cents or higher during the month prior to repayment then, by the issue of KKL Shares at an issue price that is 20% less than the VWAP for KKL Shares as quoted on ASX, 1 month prior to the Repayment Date. The lowest price at which shares will be issued pursuant to this right will be 6 cents.

KKL shall have the right of early repayment in cash at any time.

3. Noteholder's Right of Early Conversion

The Noteholder shall have the right of early conversion of all or part of the Note into KKL Shares as follows:

- The Noteholder shall have a window of 7 days within which to convert all or part of the Note (**Conversion Window**);
- The first Conversion Window shall occur at 12 months and if exercised shall be converted at 2 cents per KKL Share;
- The second Conversion Window shall occur at 24 months and if exercised shall be converted at 3 cents per KKL Share;
- The third Conversion Window shall occur at 35 months and if exercised shall be converted at 4 cents per KKL Share;

4. Options

In addition, the Noteholder shall be issued 12,000,000 unlisted options in KKL (**Options**) to subscribe for KKL Shares. The Options shall be valid for a period of 36 months from the date of issue of the Notes and may be converted on the following basis:

- The Option holder shall have a window of 7 days within which to convert all or part of the Note (**Option Conversion Window**);
- The first Option Conversion Window shall occur at 12 months and the Noteholder shall have the right to convert 4 million Options at 2 cents per KKL Share by paying the sum of \$80,000;
- The second Option Conversion Window shall occur at 24 months and the Noteholder shall have the right to convert 4 million Options at 3 cents per KKL Share by paying the sum of \$120,000;
- The third Option Conversion Window shall occur at 35 months and the Noteholder shall have the right to convert the balance of any unconverted Options at 4 cents per KKL Share.
- Options not exercised on or before 36 months shall expire.

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