

23 February 2016

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

Dear Lisa

## Re: Your Query Letter dated 18 February 2016

In response to the questions that you posed the directors of the Company we answer as follows:

- We attach a copy of the announcement made by the Company on the 19<sup>th</sup> of February 2015 concerning the debt due to convertible noteholders and the announcement of the 4D which was released to the ASX yesterday. Both of these announcements should assist the ASX and the shareholders in determining the future situation with respect to the financial situation of the Company;
- With respect to your specific questions:

1. *Does the Entity expect that it will continue to have negative operating cash flows for the time being and if not, why not?*

The Company may well continue to have negative operating cash flows for a period of time. The Company is an IP company and is therefore project driven. The directors have for some years been developing projects that use the Company's IP.

Kollakorn is not unlike a mining company that is aware of the resource it has but needs cash and time to achieve production. Kollakorn has ensured its financial viability through raising cash using capital and debt instruments and royalty revenue and will, if necessary, continue to do so until one of the projects become revenue producing. As may be seen from the 4D the various projects are progressing nicely and the directors expect revenue (other than royalty revenue) to commence shortly;

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

Since the Company's incorporation more than 20 years ago, it has been the practice of the various boards of the Company to raise cash for the Company's ongoing operations by the issue of shares, options and convertible notes. This is the practice of the current directors of the Company who intend to continue to do this until one of the projects becomes revenue producing.

The directors are always assessing potential ways of raising cash and currently are in a number of discussions with various parties the details of which cannot be released due to their sensitive commercial nature.

While there is no guarantee of success, the directors would look to the Company's 20-year track record of success in this type of activity.

3. *Does the Entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?*

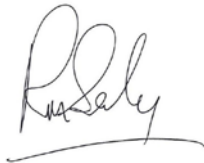
Please refer to the answer to 2 above.

4. *Does the Entity confirm that it is in compliance with Listing Rule 3.1 and that there is no information that should be given to the ASX about its financial condition in accordance with that Rule, that has not already released to the market?*

The directors confirm that the Company is in compliance with Listing Rule 3.1. The directors are very conscious of their obligations to the Company in this respect, and of their obligations under the ASX Rules and the requirements of the Corporations Act. The directors continuously review their obligations in respect to keeping the market informed about activities that may affect the share price of the Company.

Yours sincerely

RM Sealy

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

Chief Executive Officer



18 February 2016

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

By email:

Dear Mr Bloomfield,

**Kollakorn Corporation Limited (the “Entity”): ASX Appendix 4C Query**

I refer to the Entity’s quarterly report in the form of Appendix 4C for the period ended 31 December 2015 lodged with ASX Market Announcements Platform and released on 28 January 2016 (the “Appendix 4C”).

ASX notes that the Entity has reported:

- negative net operating cash flows for the quarter of \$69,290 and
- cash at the end of the quarter of \$89,115.

It is possible to conclude on the basis of the information provided in the Appendix 4C that if the Entity were to continue to expend cash at the rate for the quarter indicated by the Appendix 4C, the Entity may not have sufficient cash to continue funding its operations. In view of that, please respond to each of the following questions:

1. Does the Entity expect that it will continue to have negative operating cash flows for the time being and, if not, why not?
2. Has the Entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?
3. Does the Entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?
4. Can the Entity confirm that it 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?



Please also provide any other information that the Entity considers may be relevant to ASX forming an opinion on whether the Entity is in compliance with Listing Rule 12.2.

### **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 (AEDT) on 23 February 2016. If we do not have your response by then, ASX will have no choice but to consider suspending trading in the Entity'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, the Entity'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 at [lisa.banh@asx.com.au](mailto:lisa.banh@asx.com.au). 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.

The obligation of the Entity to disclose information under Listing Rules 3.1 and 3.1A is not confined to, nor is it necessarily satisfied by, answering the questions set out in this letter.

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

### **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 the Entity'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]*

Lisa Banh

**Senior Adviser, Listings Compliance**