



PRINCE HILL WINES LIMITED  
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5 November 2010

Emma Bahdni  
ASX Compliance Pty Ltd  
20 Bridge Street  
Sydney NSW 2000

Dear Emma,

I refer to your letter of 3 November 2010 and respond to each of your questions in the order they were posed.

1. While the Prince Hill Wines Limited Group (The Group) had negative net cash flows of \$53,000 for the September quarter the Group also had \$266,000 in cash available at 30 September as well as unused finance facilities of \$159,000 which alone are sufficient to keep operating for at least 12 months if the Group kept expending cash at the same rate.

The Group's activities have grown substantially as a result of the acquisition of assets and assumption of liabilities from Watson Wine Group Pty Ltd (ACN 093 886 509) which has been previously announced to the market. The Group's sales for the quarter have exceeded budget although profit margins have been reduced. The sales growth has resulted in increased receivables at the end of the quarter and is therefore not reflected in cash flows from operating activities for this quarter.

2. Cash flows will improve as receivables are collected in due course.
3. As previously outlined to the shareholders it is our intention to develop a mid-tier wine business domestically and internationally. To this end the acquisition of assets from Watson Wine Group and its associated entities has taken place, bank facilities have been arranged and negotiations commenced with overseas distributors of Watson Wine Group products to also distribute Prince Hill's range of wines.
4. Prince Hill Wines Limited has complied with the listing rules including rule 3.1.

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5. At 30 June 2010 the Group had accumulated losses of \$36,205,160 and net assets of \$266,766. In the September quarter the Group made a profit of \$40,485 (unaudited) compared to a loss of \$148,891 in the corresponding period last year. The Group's financial position has also been strengthened by the inclusion of the Watson Wine Group's assets in exchange for ordinary shares. This will increase net assets by \$742,570. In relation to Rule 12.2 the Group's financial condition is adequate.

Yours Sincerely

Andrew Parkinson  
Managing Director



3 November 2010

Andrew Parkinson  
Managing Director  
Prince Hill Wines Limited  
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Frewville SA 5063

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By Email

Dear Andrew

**Prince Hill Wines Limited (the "Company")**

I refer to the Company's Quarterly Report in the form of an Appendix 4C for the period ended 30 September 2010, released to ASX Limited ("ASX") via a Company Announcement on 31 October 2010 (the "Appendix 4C"). ASX notes that the Company has reported the following.

1. Receipts from customers of \$1,033,000.
2. Negative net operating cash flows for the quarter of \$53,000.
3. Negative cash at end of the quarter of \$1,000,000.

In light of the information contained in the Appendix 4C, please respond to each of the following questions.

1. It is possible to conclude on the basis of the information provided that if the Company were to continue to expend cash at the rate for the quarter indicated by the Appendix 4C, the Company may not have sufficient cash to fund its activities. Is this the case, or are there other factors that should be taken into account in assessing the Company's position?
2. Does the Company expect that in the future it will have negative operating cash flows similar to that reported in the Appendix 4C for the quarter and, if so, what steps has it taken to ensure that it has sufficient funds in order to continue its operations at that rate?
3. What steps has the Company taken, or what steps does it propose to take, to enable it to continue to meet its business objectives?
4. Can the Company confirm that it is in compliance with the listing rules, and in particular, listing rule 3.1?
5. Please comment on the Company's compliance with listing rule 12.2, with reference to the matters discussed in the note to the rule.

## Listing rule 3.1

Listing rule 3.1 requires an 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. The exceptions to this requirement are set out in the rule.

In responding to this letter you should consult listing rule 3.1 and the guidance note titled "Continuous disclosure: listing rule 3.1".

If the information requested by this letter is information required to be given to ASX under listing rule 3.1 your obligation is to disclose the information immediately.

Your responsibility under listing rule 3.1 is not confined to, or necessarily satisfied by, answering the questions set out in this letter.

This letter and your response will be released to the market. If you have any concerns about your response being released, please contact me immediately. Your response should be sent to me on facsimile number (02) 9241 7620 or by email at [emma.badhni@asx.com.au](mailto:emma.badhni@asx.com.au). It should not be sent to the Company Announcements Office.

Unless the information is required immediately under listing rule 3.1, a response is requested as soon as possible and, in any event, not later than 9.30 am A.E.S.T on Monday, 8 November 2010.

If you are unable to respond by the time requested you should consider a request for a trading halt in the Company's securities.

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

Yours sincerely,

*(sent electronically without signature)*

Emma Badhni  
**Senior Adviser, Issuers (Sydney)**

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