



PRINCE HILL WINES LIMITED
ABN: 99 000 094 995

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Winery:
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MUDGEES NSW 2850

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sales@princehillwines.com

6 August 2008

Emma Badhni
Senior Adviser (Issuers) Sydney
Australian Stock Exchange Limited
Exchange Centre
Level 6, 20 Bridge Street
Sydney NSW 2000
By email: emma.badhni@asx.com.au

Dear Emma

Prince Hill Wines Limited (the "Company")

I refer to your letter of query dated 1 August 2008 following the release of the Company's Quarterly Report in the form of an Appendix 4c for the period ended 30 June 2008. Responses to your questions are set out below using the same numbering in your letter.

1. The directors review cash flows on a monthly basis and assess the position of the Company having regard to its banking facilities and ability to borrow, progress in relation to the restructuring program, asset sale program and operational cash flow. As indicated in previous disclosures the Company is undergoing an asset sales program which is expected to realize proceeds from the sale of Non-current assets classified as held for sale (these assets of \$5,188,377 were disclosed in the accounts dated 31 December 2007).
2. Negative operating cash flows are likely to continue for the next 12 months as the company continues to implement its asset realization program and its cost reduction program.
3. As disclosed in releases the Company has disposed of its interest in Cassegrain Wines on 26 June 2008. As a result of that transaction revenues and expenses in relation to Cassegrain Wines have not been consolidated into the Company's financial results with effect from 1 April 2008 resulting in reduced revenue and expenses for the June quarter.
4. The Company disclosed for the half year to 31 December 2007 loss before income tax of \$1.1m and has advised that it is continuing a restructuring of the company. It is likely that the Company will continue to suffer such operating deficits until the restructuring is complete. Revenues and expenses will continue to be dependent on the restructuring initiatives.
5. The Company confirms that in its view it is in compliance with listing rule 3.1.
6. It is considered that the Company is in compliance with listing rule 12.2.

Yours Sincerely

Andrew Parkinson
Managing Director

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**ASX**

AUSTRALIAN SECURITIES EXCHANGE

1 August 2008

Charlie Latham
Company Secretary
Prince Hill Wines Limited
235 Glen Osmond Road
Frewville SA 5063

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DX 10427 Stock Exchange Sydney

Dear Charlie

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 June 2008, released to ASX Limited ("ASX") via a Company Announcement on 31 July 2008 (the "Appendix 4C"). ASX notes that the Company has reported the following.

1. Receipts from customers of \$425,000.
2. Negative net operating cash flows for the quarter of \$563,000.
3. Positive cash at end of quarter of \$827,000.

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 only have sufficient cash to fund its activities for less than 2 quarters. 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. To what extent have the Company's actual revenues and expenses in the quarter, as reported in the Appendix 4C, matched the Company's anticipated revenues and expenses for that reporting period?
4. If the Company's actual revenues and expenses are not substantially in accordance with the Company's anticipated revenues and expenses, when did the Company become aware that its revenues and expenses would not substantially match the anticipated revenues and expenses? You may wish to outline any circumstances that may have had an effect on the Company's revenues and expenses.
5. Can the Company confirm that it is in compliance with the listing rules, and in particular, listing rule 3.1?

6. 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. 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 5.00 pm A.E.S.T on Wednesday, 6 August 2008.

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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