

29 May 2017

Dear Shareholder

Attached to this letter is a Notice for a General Meeting to be held on 30 June 2017.

In summary, the Resolutions to be submitted to the Meeting cover the following topics:

- The issue of Ordinary Shares for the acquisition of Isity Global Pte Ltd (“Isity”);
- The issue of Performance Shares to the Vendors of Isity;
- Approval of a Share Placement to raise \$1.5 million of working capital;
- A 10 for 1 consolidation of the Shares on issue;
- The conversion to Shares of outstanding debt for Convertible Notes, Accounting Fees and Directors Fees; and
- Ratification of some previous Share issues, including issues of Shares to the CEO, Mr David Matthews, pursuant to his consulting contract.

Acquisition of Isity

The Directors’ believe that the purchase of Isity will enhance the value of and market image of Kollakorn and bring to Kollakorn two potentially very powerful, new technologies along with the added ability to fund and operate projects generated from these technologies. Also, the addition of several high-level executives to the Kollakorn Management Team will bring a better capacity to service both existing and new technologies.

Isity is a private company based in Singapore, operating in the Asia Pacific market, with a focus on Buildings and Public Infrastructure Facilities (“Smart Cities”). Isity owns and operates a wholly owned subsidiary in China and has developed a pipeline of projects in most of the large Asian countries and Australia (refer to the Explanatory Notes for Resolution 1 for more detail on Isity).

The really exciting news is that already Isity has signed with Changchun Industry Development Research Institute a “Sewage Treatment and Sludge to Clean Water and Energy Project Strategic Cooperative Framework Agreement” and has received a letter of confidence from a New York consortium of financiers confirming their ability to arrange funding of up to USD250 million for this project.

Kollakorn has for many years, focused on the development of new technologies. The Directors see many similarities between Kollakorn’s core technologies and those of Isity. In fact, there are crossover technologies that can apply to both businesses. Acquiring Isity is not a matter of out with the old and in with the new. The RFID business should flourish this year as one of our major projects kicks in and if a good partner can be found for CertainID, then this product has considerable upside too.

Issue of Performance Shares

It is proposed as part of consideration of the acquisition of Isity to issue Performance Shares in Kollakorn.

A Performance Share is an ordinary Share that has limited rights unless and until the nominated Performance Milestones have been achieved. The Company has agreed to issue unlisted Performance Shares to the vendors of Isity as a form of motivation for the vendors of Isity in order to realise the full potential of Isity’s technology and be rewarded for the pipeline projects already identified.

The Terms and Conditions attached to the Performance Shares are set out in the Notice in the Explanatory Notes for Resolution 2. Shareholders should note that the Performance Milestones are also set out in the same Explanatory Note, which in summary, will require that Isity provides to Kollakorn, at least \$100 million in revenue in the third year from the acquisition date, coupled with significantly enhanced revenues in years 1 and 2. Shareholders should note that the Performance Shares will be equal to 28.4% of the total issued capital of the Company after completing all the resolutions.

Independent Expert's Report on the Acquisition of Isity and the Issue of the Performance Shares

As required by the ASX Listing Rule 10.10.2 the Directors have sought advice from an Independent Expert, RSM Corporate Australia Pty Ltd, to assess whether the proposed transaction to acquire Isity and issue the Performance Shares is "Fair and Reasonable to the non-associated shareholders of Kollakorn".

The Independent Expert has stated in the attached Independent Experts Report that in their view:

"As the fair value of a Kollakorn share immediately after the proposed transaction is greater than the fair value prior to the proposed transaction, and in the absence of any other relevant information, in our opinion, the proposed transaction is fair to the non-associated shareholders of Kollakorn."

And secondly:

"In our opinion, the position of the non-associated shareholders if the proposed transaction is approved is more advantageous than the position if it is not approved. Therefore, in the absence of any other relevant information and/or a superior offer, we consider that the proposed transaction is reasonable for the non-associated shareholders of Kollakorn."

Therefore, it is the Independent Expert's view that the proposed transaction is fair and reasonable to the non-associated shareholders of Kollakorn.

Raising Working Capital

The Directors are also seeking approval for the placement of shares to raise \$1.5 million of working capital. The capital raised will not only enhance the ability of Kollakorn to pursue its existing technologies, but will also provide working capital for Isity.

Consolidation of Shares and Options on Issue

The Directors are also recommending that the Shares and Options on issue in the Company be consolidated on the basis of 1 new consolidated Share/Option for every existing 10 ordinary Shares/Options. The Directors believe that the Consolidation will improve the market perception of Kollakorn and make the shares more attractive to the share market.

The proposed Consolidation will reduce the large number of securities on issue and post the Consolidation and the execution of all the Resolutions in this Notice of Meeting (if approved) there will be 264,271,473 Shares on issue in Kollakorn, including the 75,000,000 Performance Shares.

The Conversion of Outstanding Debt for Convertible Notes, Accounting Fees and Directors Fees

Kollakorn has significant debt liabilities. The Directors believe that now is the time to convert the debt on the Convertible Notes (including accrued interest) and the debts due for Directors' Fee and Accounting Fees into Shares and relieve the Company of this unnecessary burden currently totalling \$2,525,237.

In summary, the items under consideration for conversion to Shares are:

- 44 Convertible Notes of \$25,000 each with a value of \$1,100,000 plus accrued interest of \$96,197;
- Accounting Fees totalling \$555,890;
- Directors' Fees amounting to \$686,896;
- CEO Management Fees and expenses of \$86,254.

The Directors realise that this is necessarily a complex Notice of Meeting, but are confident that these significant changes to Kollakorn will enhance the value of Kollakorn now and in the future. We recommend that you read the notice carefully and should you have any questions about any of the proposed Resolutions that you contact the Company.

Yours sincerely



Riad Tayeh
Chairman

**NOTICE OF EXTRAORDINARY GENERAL MEETING
OF KOLLAKORN CORPORATION LIMITED**

(ACN: 003 218 862)

TAKE NOTICE that an Extraordinary General Meeting of Shareholders of the Company will be held at the place, date and time specified below:

Place: Level 12, 225 George Street, Sydney NSW 2000

Date: Friday, 30 June 2017

Time: 10.30am (AEST)

DATED this 29 day of May 2017

By order of the Board:



Tom Bloomfield
Company Secretary

www.kollakorn.com

AGENDA

- A. Address by the Chairman
- B. Address by the CEO
- C. Business of the Meeting

BUSINESS OF THE MEETING

Resolution 1 - Approval of Issue of Shares to the Vendors of Isity Global Pte Ltd

To consider, and if thought fit, pass as an ordinary resolution, with or without amendment, the following:

“That for the purposes of ASX Listing Rule 7.1 and for all other purposes, approval be given in respect of the issue of 312,500,000 Shares (pre-consolidation) at \$0.008 per Share to the vendors of Isity Global Pte Ltd (“Isity”) in consideration for the purchase of all of the shares in Isity as per the terms and conditions set out in the Explanatory Memorandum.”

Voting Prohibition Statement:

The Company will disregard any votes cast on the Resolution by a person who may participate in the proposed issue under this Resolution and a person who might obtain a benefit, except a benefit solely in the capacity of a Securityholder, if the Resolution passed. However, the Company need not disregard a vote if:

- It is cast by such person as proxy for a person who is entitled to vote, in accordance with the directions specified on the Proxy Form; or
- It is cast by the Chairman as proxy for a person who is permitted to vote, in accordance with directions specified on the Proxy Form to vote as the proxy decides.

Resolution 2 - Approval of Issue of Performance Shares

To consider, and if thought fit, pass as an ordinary resolution, with or without amendment, the following:

“Subject to the passing of Resolution 1, that for the purposes of ASX Listing Rule 7.1 and for all other purposes, approval be given in respect of the issue of 54,946,527 unlisted Performance Shares (post consolidation) at \$0.08 per Share to the vendors of Isity subject to terms and conditions set out in the Explanatory Memorandum.”

Voting Prohibition Statement:

The Company will disregard any votes cast on the Resolution by a person who may participate in the proposed issue under this the Resolution and a person who might obtain a benefit, except a benefit solely in the capacity of a Securityholder, if the Resolution passed. However, the Company need not disregard a vote if:

- It is cast by such person as proxy for a person who is entitled to vote, in accordance with the directions specified on the Proxy Form; or
- It is cast by the Chairman as proxy for a person who is permitted to vote, in accordance with directions specified on the Proxy Form to vote as the proxy decides.

Resolution 2A - Approval of Issue of Performance Shares to Charles Hunting, a Director of the Company

To consider, and if thought fit, pass as an ordinary resolution, with or without amendment, the following:

“Subject to the passing of Resolution 1, that for the purposes of ASX Listing Rule 10.11 and s208 of the Corporations Act and for all other purposes, approval be given in respect of the issue of 20,053,473 unlisted Performance Shares (post consolidation) at \$0.08 per Share to Charles Hunting, a Director of Kollakorn and one of the vendors of Isity subject to terms and conditions set out in the Explanatory Memorandum.”

Voting Prohibition Statement:

In accordance with s224 of the Corporations Act and the ASX Listing Rules, any votes cast by or on behalf of Mr Hunting or any associate of Mr Hunting, are prohibited for Resolution 2A and the Company will disregard any votes cast on Resolution 2A by or on behalf of Mr Hunting, or any associate of Mr Hunting. However, the Company need not disregard a vote if:

- It is cast by such person as proxy for a person who is entitled to vote, in accordance with the directions specified on the Proxy Form; or

- It is cast by the Chairman as proxy for a person who is permitted to vote, in accordance with directions specified on the Proxy Form.

Resolution 3 - Approval of Share Placement

To consider, and if thought fit, pass as an ordinary resolution, with or without amendment, the following:

“Subject to the passing of Resolution 1, that pursuant to and in accordance with ASX Listing Rule 7.1 and for all other purposes, the Directors are authorised to issue up to 187,500,000 Shares (pre-consolidation) in the Company, by way of a placement to sophisticated, eligible and professional investors at an issue price of \$0.008 per Share on the terms and conditions set out in the Explanatory Memorandum.”

Resolution 4 - Approval of Consolidation of Shares and Options

To consider, and if thought fit, pass as an ordinary resolution, with or without amendment, the following:

“Subject to the passing of Resolution 1, and pursuant to section 254H of the Corporations Act, approval be given to consolidate all the issued securities in the Company (Shares and Options) on a 10 for 1 basis and that any resulting fractions of a Security be rounded up to the nearest whole number, in accordance with and on the terms and conditions set out in the Explanatory Memorandum.”

Resolution 5 - Approval of the Conversion of the Convertible Notes to Shares

To consider, and if thought fit, pass as an ordinary resolution, with or without amendment, the following:

“Subject to the passing of Resolution 1, that for the purposes of Listing Rule 7.1 and for all other purposes, approval is given for the conversion of 38 convertible notes of \$25,000 per convertible note to Shares (including accrued interest up to 31 May 2017) at the conversion price of \$0.008 per Share, resulting in the allotment of approximately 129,134,899 Shares (pre-consolidation) on the terms and conditions set out in the Explanatory Memorandum.”

Voting Prohibition Statement:

The Company will disregard any votes cast on the Resolution by a person who may participate in the proposed issue under this the Resolution and a person who might obtain a benefit, except a benefit solely in the capacity of a Securityholder, if the Resolution passed. However, the Company need not disregard a vote if:

- It is cast by such person as proxy for a person who is entitled to vote, in accordance with the directions specified on the Proxy Form; or
- It is cast by the Chairman as proxy for a person who is permitted to vote, in accordance with directions specified on the Proxy Form to vote as the proxy decides.

Resolution 5A - Approval of the Conversion of Convertible Notes to Shares

To consider, and if thought fit, pass as an ordinary resolution, with or without amendment, the following:

“Subject to the passing of Resolution 1, for the purposes of Listing Rule 10.11 and for all other purposes, approval is given because Nicolas Aston is a Director of both the Company and Brentnalls NSW Pty Limited for the conversion of 5 convertible notes of \$25,000 per convertible note to Shares (including accrued interest up to 31 May 2017) at the conversion price of \$0.008 per Share, resulting in the allotment to Brentnalls NSW Pty Limited of 16,991,438 Shares (pre-consolidation) on the terms and conditions set out in the Explanatory Memorandum.”

Voting Prohibition Statement:

The Company will disregard any votes cast on the Resolution by a person who is to receive securities in relation to the entity under the Resolution. However, the Company need not disregard a vote if:

- It is cast by such person as proxy for a person who is entitled to vote, in accordance with the directions specified on the Proxy Form; or
- It is cast by the Chairman as proxy for a person who is permitted to vote, in accordance with directions specified on the Proxy Form to vote as the proxy decides.

Resolution 5B - Approval of the Conversion of the Convertible Notes to Shares

To consider, and if thought fit, pass as an ordinary resolution, with or without amendment, the following:

“Subject to the passing of Resolution 1, that for the purposes of Listing Rule 10.11 and for all other purposes, approval is given for the conversion of 1 convertible note of \$25,000 to Shares (including accrued interest up to 31 May 2017) at the conversion price of \$0.008 per Share, resulting in the allotment to Riad Tayeh, a Director of the Company, of 3,398,288 Shares (pre-consolidation) on the terms and conditions set out in the Explanatory Memorandum.”

Voting Prohibition Statement:

The Company will disregard any votes cast on the Resolution by a person who is to receive securities in relation to the entity under the Resolution. However, the Company need not disregard a vote if:

- It is cast by such person as proxy for a person who is entitled to vote, in accordance with the directions specified on the Proxy Form; or
- It is cast by the Chairman as proxy for a person who is permitted to vote, in accordance with directions specified on the Proxy Form to vote as the proxy decides.

Resolution 6 - Approval of the Conversion of Outstanding Director Fees and Accounting Fees to Shares

To consider, and if thought fit, pass as an ordinary resolution, with or without amendment, the following:

“Subject to the passing of Resolution 1, that for the purposes of ASX Listing Rule 10.11 and for all other purposes, approval is given for the Directors to issue the equivalent of \$695,223 in Shares at the conversion price of \$0.008 per Share (pre-consolidation) to Nicolas Aston’s nominee, Brentnalls NSW Pty Ltd, resulting in the allotment of 86,902,876 Shares (pre-consolidation) on the terms and conditions set out in the Explanatory Memorandum.”

Voting Prohibition Statement:

The Company will disregard any votes cast on the Resolution by a person who is to receive securities in relation to the entity under the Resolution. However, the Company need not disregard a vote if:

- It is cast by such person as proxy for a person who is entitled to vote, in accordance with the directions specified on the Proxy Form; or
- It is cast by the Chairman as proxy for a person who is permitted to vote, in accordance with directions specified on the Proxy Form to vote as the proxy decides.

Resolution 7 - Approval of the Conversion of Outstanding Director Fees to Shares

To consider, and if thought fit, pass as an ordinary resolution, with or without amendment, the following:

“Subject to the passing of Resolution 1, that for the purposes of ASX Listing Rule 10.11 and for all other purposes, approval is given for the Directors to issue the equivalent of \$244,696 in Shares at the conversion price of \$0.008 per Share (Pre-consolidation) to Riad Tayeh, a Non-Executive Director, or his nominee, resulting in the allotment of 30,587,040 Shares (pre-consolidation) on the terms and conditions set out in the Explanatory Memorandum.”

Voting Prohibition Statement:

The Company will disregard any votes cast on the Resolution by a person who is to receive securities in relation to the entity under the Resolution. However, the Company need not disregard a vote if:

- It is cast by such person as proxy for a person who is entitled to vote, in accordance with the directions specified on the Proxy Form; or
- It is cast by the Chairman as proxy for a person who is permitted to vote, in accordance with directions specified on the Proxy Form to vote as the proxy decides.

Resolution 8 - Approval of the Conversion of Outstanding Director Fees to Shares

To consider, and if thought fit, pass as an ordinary resolution, with or without amendment, the following:

“Subject to the passing of Resolution 1, that for the purposes of ASX Listing Rule 10.11 and for all other purposes, approval is given for the Directors to issue the equivalent of \$102,666 in Shares at the conversion price of \$0.008 per Share (Pre-consolidation) to Charles Hunting, a Non-Executive Director, or his nominee, resulting in the allotment of 12,833,310 Shares (pre-consolidation) on the terms and conditions set out in the Explanatory Memorandum.”

Voting Prohibition Statement:

The Company will disregard any votes cast on the Resolution by a person who is to receive securities in relation to the entity under the Resolution. However, the Company need not disregard a vote if:

- It is cast by such person as proxy for a person who is entitled to vote, in accordance with the directions specified on the Proxy Form; or
- It is cast by the Chairman as proxy for a person who is permitted to vote, in accordance with directions specified on the Proxy Form to vote as the proxy decides.

Resolution 9 - Approval of the Conversion of Outstanding Director Fees to Shares

To consider, and if thought fit, pass as an ordinary resolution, with or without amendment, the following:

“Subject to the passing of Resolution 1, that for the purposes of ASX Listing Rule 10.11 and for all other purposes, approval is given for the Directors to issue the equivalent of \$200,200 in Shares at the conversion price of \$0.008 per Share (Pre-consolidation) to Namchoke Somapa, a Non-Executive Director, or his nominee, resulting in the allotment of approximately 25,025,029 Shares (pre-consolidation) on the terms and conditions set out in the Explanatory Memorandum.”

Voting Prohibition Statement:

The Company will disregard any votes cast on the Resolution by a person who is to receive securities in relation to the entity under the Resolution. However, the Company need not disregard a vote if:

- It is cast by such person as proxy for a person who is entitled to vote, in accordance with the directions specified on the Proxy Form; or
- It is cast by the Chairman as proxy for a person who is permitted to vote, in accordance with directions specified on the Proxy Form to vote as the proxy decides.

Resolution 10 - Approval of the Conversion of Outstanding Management Fees and Expenses to Shares

To consider, and if thought fit, pass as an ordinary resolution, with or without amendment, the following:

“That for the purposes of ASX Listing Rule 7.1 and for all other purposes, approval be given pursuant to a contract of employment, for the Directors to the equivalent of \$76,254.17 in Shares at the conversion price of \$0.008 per Share (Pre-consolidation) to David Matthews, CEO of the Company, or his nominee, resulting in the allotment of approximately 9,531,772 Shares (pre-consolidation) on the terms and conditions set out in the Explanatory Memorandum.”

Voting Prohibition Statement:

The Company will disregard any votes cast on the Resolution by a person who may participate in the proposed issue under this Resolution and a person who might obtain a benefit, except a benefit solely in the capacity of a Securityholder, if the Resolution passed. However, the Company need not disregard a vote if:

- It is cast by such person as proxy for a person who is entitled to vote, in accordance with the directions specified on the Proxy Form; or
- It is cast by the Chairman as proxy for a person who is permitted to vote, in accordance with directions specified on the Proxy Form to vote as the proxy decides.

Resolution 11 - Ratification of Previous Share Issue

To consider, and if thought fit, pass as an ordinary resolution, with or without amendment, the following:

“That for the purposes of Listing Rule 7.4 and for all other purposes, approval is given for the ratification of the prior issue on 24 November 2016 of 37,500,000 Shares at an issue price of \$0.004 per Share (pre-consolidation), on the terms and conditions set out in the Explanatory Memorandum.”

Voting Prohibition Statement:

The Company will disregard any votes cast on the Resolution by any person who participated in the issue. However, the Company will not disregard a vote if:

- It is cast by such a person as proxy for a person who is entitled to vote, in accordance with the directions specified on the Proxy Form; or
- It is cast by the Chairman as proxy for a person who is entitled to vote, in accordance with directions specified on the Proxy Form to vote as the proxy decides.

Resolution 12 - Ratification of Previous Share Issue to the CEO

To consider, and if thought fit, pass as an ordinary resolution, with or without amendment, the following:

“That for the purposes of Listing Rule 7.4 and for all other purposes, approval is given for the ratification of the prior issue of Shares to the CEO, David Matthews on 16 December 2016 of 8,050,846 Shares at an issue price of \$0.0059 per Share (pre-consolidation), on the terms and conditions set out in the Explanatory Memorandum.”

Voting Prohibition Statement:

The Company will disregard any votes cast on the Resolution by any person who participated in the issue. However, the Company will not disregard a vote if:

- It is cast by such a person as proxy for a person who is entitled to vote, in accordance with the directions specified on the Proxy Form; or
- It is cast by the Chairman as proxy for a person who is entitled to vote, in accordance with the directions specified on the Proxy Form to vote as the proxy decides.

Resolution 13 - Ratification of Previous Share Issue to the CEO

To consider, and if thought fit, pass as an ordinary resolution, with or without amendment, the following:

“That for the purposes of Listing Rule 7.4 and for all other purposes, approval is given for the ratification of the prior issue of Shares to the CEO, David Matthews on 24 November 2016 of 4,439,251 Shares at an issue price of \$0.0107 per Share (pre-consolidation), on the terms and conditions set out in the Explanatory Memorandum.”

Voting Prohibition Statement:

The Company will disregard any votes cast on the Resolution by any person who participated in the issue. However, the Company will not disregard a vote if:

- It is cast by such a person as proxy for a person who is entitled to vote, in accordance with the directions specified on the Proxy Form; or
- It is cast by the Chairman as proxy for a person who is entitled to vote, in accordance with the directions specified on the Proxy Form to vote as the proxy decides.

Resolution 14 - Ratification of Previous Share Issue

To consider, and if thought fit, pass as an ordinary resolution, with or without amendment, the following:

“That for the purposes of Listing Rule 7.4 and for all other purposes, approval is given for the ratification of the prior issue on 2 February 2017 of 6,250,000 Shares at an issue price of \$0.004 per Share (pre-consolidation), on the terms and conditions set out in the Explanatory Memorandum.”

Voting Prohibition Statement:

The Company will disregard any votes cast on the Resolution by any person who participated in the issue. However, the Company will not disregard a vote if:

- It is cast by such a person as proxy for a person who is entitled to vote, in accordance with the directions specified on the Proxy Form; or
- It is cast by the Chairman as proxy for a person who is entitled to vote, in accordance with directions specified on the Proxy Form to vote as the proxy decides.

NOTES:**1. Explanatory Memorandum**

The Explanatory Memorandum and the annexure accompanying this Notice of Extraordinary General Meeting are incorporated in and comprise part of this Notice of Extraordinary General Meeting and should be read in conjunction with this Notice of Extraordinary General Meeting.

2. Who may vote

In accordance with Regulation 7.11.37 of the Corporations Regulations, the Company (as convener of the Meeting) has determined that a person's entitlement to attend and vote at the Meeting will be those persons set out in the register of Shareholders as at 7.00pm (AEST) on 28 June 2017. This means that any Shareholder registered at 7.00pm (AEST) on 28 June 2017 is entitled to attend and vote at the Meeting.

3. Proxies

A Shareholder entitled to attend this Meeting and vote, is entitled to appoint a proxy to attend and vote on behalf of that Shareholder at the Meeting.

- (a) A proxy need not be a Shareholder.
- (b) If the Shareholder is entitled to cast two or more votes at the Meeting, the Shareholder may appoint two proxies and may specify the proportion or number of the votes which each proxy is appointed to exercise. If the Shareholder appoints two proxies and the appointment does not specify the proportion or number of votes each proxy may exercise, each proxy may exercise half of the votes held by that Shareholder.
- (c) If the Shareholder appoints only one proxy, that proxy is entitled to vote on a show of hands. If a Shareholder appoints two proxies, only one proxy is entitled to vote on a show of hands.
- (d) Where two proxies are appointed, any fractions of votes resulting from the appointment of two proxies will be disregarded.
- (e) A Proxy Form accompanies this Notice.
- (f) Unless the Shareholder specifically directs the proxy how to vote, the proxy may vote as he or she thinks fit, or abstain from voting.
- (g) If a Shareholder wishes to appoint a proxy, the Shareholder should complete the Proxy Form and comply with the instructions set out in that form relating to lodgement of the form with the Company.
- (h) The Proxy Form must be signed by the Shareholder or his or her attorney duly authorised in writing or, if the Shareholder is a corporation, either signed by an authorised officer or attorney of the corporation or otherwise signed in accordance with the Corporations Act.
- (i) If any attorney or authorised officer signs the Proxy Form on behalf of a Shareholder, the relevant power of attorney or other authority under which it is signed or a certified copy of that power or authority must be deposited with the Proxy Form.
- (j) The Proxy Form (together with any relevant authority) must be received by no later than 10.30am (AEST) on 28 June 2017 before the time scheduled for the commencement of the meeting (or any adjournment of that meeting).
- (k) The completed Proxy Form may be:
 - Mailed to the address on the Proxy Form; or

- Faxed to Kollakorn Corporation Limited, Attention the Company Secretary, on facsimile number +61 2 9290 9655.

4. Corporate Representative

Any corporate Shareholder who has appointed a person to act as its corporate representative at the Meeting should provide that person with a certificate or letter executed in accordance with the Corporations Act authorising him or her to act as that company's representative. The authority must be sent to the Company and/or registry at least 24 hours in advance of the Meeting.

EXPLANATORY MEMORANDUM

This Explanatory Memorandum forms part of the Notice convening the Extraordinary General Meeting of Shareholders of Kollakorn Corporation Limited (Company) to be held at 10.30am (AEST) on 30 June 2017 at Level 12, 225 George Street, Sydney NSW 2000.

This Explanatory Memorandum is to assist Shareholders in understanding the background to, and the legal and other implications of, the Notice and the reasons for the proposed Resolutions. Both documents should be read in their entirety and in conjunction with each other.

Explanatory Notes to the Resolutions

Resolution 1: Approval of Issue of Shares to the Vendors of Isity Global Pte Ltd

Resolution 1 will seek approval for the purposes of Listing Rule 7.1, and all other purposes from the meeting for the issue of 312,500,000 Shares to the vendors of Isity to be issued at \$0.008 per Share which will in aggregate be equal to 16.5% of the issue capital of the Company following the completion of all the Resolutions in this Notice, but excluding the issue of the Performance Shares.

About Isity Global Pte Limited

Isity is a private company based in Singapore, operating in the Asia Pacific market, with a focus on Buildings and Public Infrastructure Facilities (**Smart Cities**). Isity owns and operates a wholly owned subsidiary in China and has developed a pipeline of projects in most of the large Asian countries and Australia.

1. Building Sustainability, Productivity and Environmental Performance

The first of Isity's core businesses is the improvement of the sustainability, productivity and environmental performance of buildings through the use of innovative building management systems. Isity aligns disparate building infrastructures and support technologies and uses integrated analytics to optimise building and environmental performance.

It is estimated by the directors of Isity that in the Asia Pacific market, the opportunity for improving building performance could be worth more than AUD100bn by 2025 (this assumption is for building stock of in excess of 18bn m² in Asia Pacific).

The focus of Isity is on buildings that are 3 or more years old. This market is, as of now, largely untouched and also more often the worst performing segment of the building market. Building Developers usually focus on new developments in which they incorporate the newest technologies and innovations rather than retrofitting older existing buildings. The target market for Isity is large commercial, retail and campus/park developments constructed just prior to the current smart building revolution.

Isity operates core analytical and optimisation technology that has already proven the value of the Isity services on buildings owned by two Fortune 500 companies. Isity's philosophy is to integrate the best building optimisation solutions from a series of global leaders in various fields and in that way, provide an end-to-end solution to its clients. This approach has eliminated a significant amount of R&D costs for Isity and has allowed Isity to add new proven technologies to their suite of offerings.

Isity has already demonstrated that cost savings from energy efficiency retrofits can be extended to provide value in many new investment areas which then drive improved building asset value for owners.

Isity has a powerful yet simple value proposition - **"target 40% operational savings"**, improving further over the long-term. This typically provides a project Return on Investment (ROI) of 12 to 36 months (excluding cost of finance) and it is estimated that over a 20-year period, savings could exceed the total cost of the initial building development.

The most significant advantage that Isity has is that it can offer a fully financed solution to clients with a **"no-up-front"** cost. This allows repayments to be made out of the real savings generated.

Isity has been in start-up phase and has funded operations through capital raisings since inception. Revenues associated with its initial Building Sustainability clients are breakeven because margins have been sacrificed for building case studies and experience. Projects initiated in 2017 are producing project margins reaching 30 - 35% of project revenues.

2. Public Infrastructure Sustainability, Productivity and Environmental Performance

Isity's second core business relates to public infrastructure where it has an exclusive right in Asia Pacific to cutting-edge technologies that help turn high cost city level infrastructure into profitable enterprises.

The first and best example of this relates to converting sewage into clean water and clean energy. The Isity solution offers services to generate 100% renewable energy from waste which is especially valuable in such situations as sewage and waste water treatment systems.

The management of municipal and industrial wastewater sludge has been a long-standing challenge for many cities. For example, Canadian municipalities spend C\$12-15 billion annually for sewerage sludge treatment and up to 30% of this is for energy costs. By the end of 2015, China's cities and towns had in excess of 3,800 sewage plants with a sewerage treatment rate of 91%.

In these cities, annually, 51.1 billion cubic meters of sewage is treated. Sewerage and water treatment systems are responsible for up to 19% of a region's total power demand and 30% of natural gas consumption resulting in the production of billions of tonnes of carbon annually.

Most countries are mandating upgrades to the quality of water output from water treatment facilities while on a daily basis all over the world, 1,000's of trucks transport sewerage across cities and for the most, the contents become landfill.

(a) The First Opportunity

The Directors have previously announced that Isity has signed with Changchun Industry Development Research Institute a **"Sewage Treatment and Sludge to Clean Water and Energy Project Strategic Cooperative Framework Agreement"**.

The Changchun Industry Development Research Institute is part of the Changchun Municipal Government in Jilin Province, China which focuses on new ways to solve the problems of urbanisation, construction and industrial development.

This agreement states that the parties will work closely with Isity using a **"Build-Operate-Transfer Model"** in order to facilitate the construction and operation of a system for turning sewage into clean water and energy in Jilin Province in China. Isity will provide finance for this project through a local Joint Venture Company.

The outline of Changchun Project (subject to further due diligence) is as follows:

- Sewage treatment plant scale for phase 1 will be up to 500 tons per day;
- Power generation plant scale will be 50 -100 MW;
- Total Investment will be USD 150 - 250 Million;
- Project duration will be 30 years;
- Projected annual revenue of USD 29.2m once the facility is operational.

(b) Funding for Changchun Infrastructure Project

The details of the Changchun Project have been reviewed by the lead partner of a consortium of New York financiers who have given Isity a letter of confidence for submission to the Changchun Municipal Government confirming their ability to arrange funding of up to USD250 million on an accelerated timeline for the development of the Changchun Project.

(c) Changchun Solution Features

There are two critical technical advantages of Isity's solution:

(i) Sewage Dehydration

Sewage water is dehydrated in a vacuum using a very cost effective and patented process to produce potable water and a very dry sewage sludge cake (<2% moisture) and as a result is now regarded as an excellent fuel for sustainable power generation for the following reasons:

- Concentrating the carbon content of the sludge enables efficient utilization in a number of gasification solutions;
- Potable water (certified to EU standards) is generated and captured for commercial use; and

- The negative environmental impact of sewage waste is avoided.

(ii) **Pyrolysis Gasification of Sewage Sludge**

The sludge pyrolysis gasification concept has a number of unique and patented attributes that allow for the manufacture of a high quality, high energy renewable syngas (synthetic gas) suitable for direct use in gas engines. This process is capable of high levels of both electrical and thermal efficiency.

The process is used to turn sewerage into energy, and ash/biochar (fertiliser). The process combines flash pyrolysis with steam gasification and is:

- Significantly more efficient than other approaches or technologies; and
- Is completely carbon neutral and can be added to existing infrastructure or used to create a purpose-built facility.

This technology has created a lot of interest already, and as a result Isity has entered into due diligence with 2 cities in China and 2 cities in Australia.

3. **Management of Isity**

There are currently 3 members in the Isity management team, all of which have many years of experience in management, finance and the core businesses of Isity.

Senior Management include:

(a) **Paul Beddie - CEO**

Paul Beddie is a founder and CEO of Isity. Originally from the United States, he is a highly-experienced business leader who has lived and worked in Asia since 1991. He has sold and delivered over USD600 million in complex technology, IT and services projects.

A pioneer in the environmental engineering sector, Paul successfully developed and sold multiple utility scale scrubber projects using Japanese technology in North America, Europe and Asia. He later joined the energy practice in Australia of one of the Big Four consulting practices.

(b) **Don Johnson - Building and Infrastructure**

Don has fifteen years' experience leading a broad variety of urban development and planning, infrastructure and research projects with a focus on technology and sustainability. He has expertise in:

- Urban infrastructure and “smart cities” development;
- Sustainable development and green building;
- Real estate development and financing;
- Data analysis, database design and urban informatics;
- Smart grid and renewable energy; and
- Financial feasibility and innovative development financing.

He is the author of Navigant Research's 2014 “Smart Cities: Asia Pacific” and the Energy Foundation's forthcoming publication, “Smart Energy in China”.

(c) **Dave Leslie -Clean Energy Solutions**

Dave is the sales director of Isity's Australian operations. His specialty is enterprising resource (waste) recovery solutions. Resource recovery is an element of a bigger picture that consists of energy and water usage, solar generation and storage, sustainable procurement, human wellbeing and pro-active sustainability reporting.

Dave is an expert in delivering comprehensive and corporate responsible sustainability programs and setting new standards within clients' industries in order to continually increase the performance of a client's businesses; environmentally, financially and socially.

4. Justification for the Investment in Isity

Kollakorn for many years, focused on the development of new technologies. The Directors see many similarities between Kollakorn's core technologies and those of Isity. In fact, there are crossover technologies that can apply to all the businesses. This proposal is not a matter of out with the old and in with the new. The Tag business should flourish this year and if a good partner can be found for CertainID then this product too, has considerable upside. This investment will however bring to Kollakorn two potentially very powerful new technologies with the ability to fund and operate projects. Also, the addition of superior executives to the Management Team will bring a better capacity to service both the existing and the new technologies.

In short, the Directors of Kollakorn believe that the Isity Transaction will benefit Kollakorn and its Shareholders for the following reasons:

- It will provide a sustainable business that can grow revenue and profits quickly;
- It will provide additional management to the management team with expertise in the Isity business and which can be extended to Kollakorn's existing businesses;
- It will provide much needed funding to Kollakorn;
- It will add new technologies to Kollakorn's existing technologies, some of which such as RFID, and CertainID can be used in Isity's Building Sustainability business;
- It will bring new significant Shareholders to the register of Kollakorn; and
- It will allow a capital restructure that will consolidate existing Shares and convert existing debt and convertible notes to Shares.

5. Summary of Independent Expert's Report

As required by the ASX Listing Rule 10.10.2 the Directors have sought advice from an Independent Expert, RSM Corporate Australia Pty Ltd, to assess whether the proposed transaction to acquire Isity and issue the Performance Shares is "Fair and Reasonable to the non-associated shareholders of Kollakorn".

The Independent Expert has stated that in their view as follows:

"As the fair value of a Kollakorn share immediately after the proposed transaction is greater than the fair value prior to the proposed transaction, and in the absence of any other relevant information, in our opinion, the proposed transaction is fair to the non-associated shareholders of Kollakorn."

"In our opinion, the position of the non-associated shareholders if the proposed transaction is approved is more advantageous than the position if it is not approved. Therefore, in the absence of any other relevant information and/or a superior offer, we consider that the proposed transaction is reasonable for the non-associated shareholders of Kollakorn."

Therefore, it is the Independent Expert's view was that the proposed transaction is fair and reasonable to the non-associated shareholders of Kollakorn.

6. Legal Requirements

For the purposes of Listing Rule 7.1, and all other purposes, the Company is seeking Shareholder approval for the issue of the 312,500,000 Shares (pre-consolidation) at \$0.008 per Share to the vendors of Isity.

The following information is provided in accordance with ASX Listing Rule 7.3:

Number of Shares to be issued:	312,500,000 (pre-consolidation) fully paid ordinary Shares
The date by which the Shares must be issued:	The Shares will be issued no later than 3 months after the date of the EGM
The issue price of the Shares:	Zero cash consideration but with a nominal value of \$0.008 per Share
Ranking of the Shares	Shares allotted will in all respects rank equally with the then issued Shares of Kollakorn. Official quotation on the ASX of the Shares issued pursuant to the exercise of the Performance Shares will be sought
The intended use of funds raised:	No funds will be raised by the issue of Shares as they are being issued as consideration for the acquisition of the shares in Isity

THE NAMES OF THE PERSONS WHO WILL BE ISSUED WITH SHARES		
Name	Percentage Holding of Shares in Isity	Allocation of Kollakorn Shares
James Paul Beddie	9.0%	28,164,380
Charles Hunting	-	-
Donald Johnson	2.1%	6,705,790
Fan Xin	1.3%	4,023,470
Feng Yujuan	1.9%	5,939,450
140 Foot Ventures (Singapore) Pte Ltd	46.4%	144,845,590
Harold Stuart Turner	4.3%	13,411,580
BTC Advisory Pty Ltd.	17.4%	54,374,300
The Beddie Family Trust	8.6%	26,823,160
Wang Xiaoyan	2.9%	9,052,880
David John Leslie	0.0%	-
Gary Fitzgerald	6.1%	19,159,400
TOTAL	100.0%	312,500,000

Resolution 2 and Resolution 2A: Approval of Issue of Performance Shares

Subject to passing Resolution 1, **Resolution 2** will seek approval for the purposes of Listing Rule 7.1 and all other purposes from the meeting for the Issue of 54,946,527 unlisted Performance Shares to the vendors of Isity (post consolidation) and **Resolution 2A** will seek approval for the purposes of Listing Rule 10.11, s208 of the Corporations Act and all other purposes from the meeting for the issue of 20,053,473 unlisted Performance Shares to Charles Hunting (also a vendor of Isity) (post consolidation) making in total 75,000,000 unlisted Performance Shares to be issued at \$0.08 per Share (post consolidation) which if converted to ordinary shares, will in aggregate be equal to 28.4% of the issue capital of the Company following the completion of all the Resolutions in this Notice.

It is proposed that the unlisted Performance Shares will be issued only once all the other Resolutions submitted to the meeting have been completed and the existing Shares have been consolidated pursuant to Resolution 4.

1. About Performance Shares

(a) What are Performance Shares

A Performance Share is an ordinary Share that has limited rights unless and until the nominated Performance Milestones have been achieved.

(b) Reasons for Issuing Performance Shares

The Company is purchasing all the issued shares in Isity and in addition issuing unlisted Performance Shares to the vendors of Isity as a form of motivation of the vendors to realise the full potential of Isity's technology and be rewarded for the pipeline projects already identified.

Listing Rule 6.1 provides that the terms that apply to each class of equity security must in the ASX's opinion, be "**appropriate and equitable**". This applies whether the securities are quoted or unquoted. Listing Rules 12.5 imposes an ongoing obligation for a listed entity to have a structure that is appropriate for that listed entity.

Section 606 of the *Corporations Act* states that on certain acquisitions of relevant interests in voting shares, namely a person or entity may not acquire voting shares in a company if that acquisition will increase their interest in voting shares to in excess of 20% without triggering the takeover provisions.

This is further modified by Section 611(7) which exempts the issue of Shares pursuant to Section 606 if an acquisition approved previously by a resolution passed at a general meeting of the company in which the acquisition is made, if:

- (a) No votes are cast in favour of the resolution by:
 - (i) The person proposing to make the acquisition and their associates; or

- (ii) The persons (if any) from whom the acquisition is to be made and their associates; and
- (b) the members of the company were given all information known to the person proposing to make the acquisition or their associates, or known to the company, that was material to the decision on how to vote on the resolution, including:
 - (i) The identity of the person proposing to make the acquisition and their associates; and
 - (ii) The maximum extent of the increase in that person's voting power in the company that would result from the acquisition; and
 - (iii) The voting power that person would have as a result of the acquisition; and
 - (iv) The maximum extent of the increase in the voting power of each of that person's associates that would result from the acquisition; and
 - (v) The voting power that each of that person's associates would have as a result of the acquisition.

The effect of these provisions in the *Corporations Act* will be, that once the Performance Shares are approved by Shareholders at the meeting to be convened by this Notice there will be no need for the Directors to hold another meeting upon conversion of the Performance Shares provided no single Performance Shareholder increases their interest above 20% of the total issued capital of the Company.

The directors have determined that the shareholders of Isity have no agreement between them, by which they have agreed to collude to control the board of directors or the Company, therefore the directors will not seek a resolution from the shareholders pursuant Section 611 of the Corporations Act 2001 (Cth) as no single shareholder of Isity will, on receipt of the Shares issued pursuant to Resolution 1 and the conversion of the Performance Shares issued pursuant to Resolution 2, exceed the 20% threshold specified in Section 611. This is not to say that any Isity Shareholder may not acquire Shares during the 3 year period of the Performance Shares such that when the Performance shares are exercised their shareholding will exceed the 20% threshold specified in Section 611.

The Directors of Kollakorn can confirm that the ASX has in principle approved the terms of the issue of the Performance Shares on the terms and conditions set out in this explanatory note and subject to the approval of the Shareholders pursuant to the general meeting.

2. Summary of Independent Expert's Report

As required by the ASX Listing Rule 10.10.2 the Directors have sought advice from an Independent Expert, RSM Corporate Australia Pty Ltd, to assess whether the proposed transaction to acquire Isity and issue the Performance Shares is *"Fair and Reasonable to the non-associated shareholders of Kollakorn"*.

The Independent Expert has stated that in their view of the proposed transaction is as follows:

"As the fair value of a Kollakorn share immediately after the proposed transaction is greater than the fair value prior to the proposed transaction, and in the absence of any other relevant information, in our opinion, the proposed transaction is fair to the non-associated shareholders of Kollakorn."

And Secondly

"In our opinion, the position of the non-associated shareholders if the proposed transaction is approved is more advantageous than the position if it is not approved. Therefore, in the absence of any other relevant information and/or a superior offer, we consider that the proposed transaction is reasonable for the non-associated shareholders of Kollakorn."

Therefore, it is the Independent Expert's view was that the proposed transaction is fair and reasonable to the non-associated shareholders of Kollakorn.

3. Legal Requirements

For the purposes of Listing Rule 7.1, and all other purposes, the Company is seeking Shareholder approval for the issue of in total 75,000,00 unlisted Performance Shares (post-consolidation) at 8 cents per unlisted Performance Share to the vendors of Isity pursuant to Resolution 2 and Resolution 2A.

The unlisted Performance Shares will be issued at zero consideration, but with a nominal price of \$0.08 per Share (post-consolidation). Shareholders should note that if Resolution 4 (“**Consolidation of Shares**”) is passed, the resulting conversion of these securities shall be, subject to meeting the “**Performance Milestones**”.

The following information is provided in accordance with ASX Listing Rule 7.3:

Number of Performance Shares to be issued:	54,946,527 (post-consolidation) unlisted Performance Shares will be issued to the non-related vendors of Isity
The date by which the Performance must be issued:	The Performance Shares will be issued as soon as possible but in any event no later than 3 months after the date of the EGM
The issue price of the Performance Shares:	Zero cash consideration
Conversion of the securities into Shares:	The Performance Shares will have a nominal price of \$0.08 per Share (post-consolidation), but will have limited rights until the holders of the Performance Shares have met the Performance Milestones. The Performance Milestones need to be met within a period of 3 years after which time if met, will be converted to Ordinary Shares
The intended use of funds raised:	No funds will be raised by the issue of the Performance Shares
Other Terms of the Performance Shares	<ol style="list-style-type: none"> 1. The Performance Shares shall may be converted on a date being 3 years (30 June 2020) from the date of the conclusion of the Transaction (“Conversion Date”) at this time provided the Performance Milestones have been met they will be converted to ordinary Shares that rank pari passu with all other Shares on issue at the time; 2. The Performance Shares will be converted subsequent to the receipt by the Directors’ of a notice for conversion of the Performance Shares (“Notice for Conversion”) from the holders of the Performance Shares. 3. If the Directors have not received a Notice for Conversion and/or the Performance Milestones have not been met within 3 months of the Conversion Date (“Conversion Period”) the Performance Shares shall be cancelled or bought back for no or nominal consideration; 4. Each individual holder of a block of Performance Shares shall be subject to the requirements of Section 606 of the Corporations Act with respect to increasing their shareholding beyond 20% of the total issued capital of the Company. 5. Each Performance Share will convert into 1 ordinary Share; 6. The Performance Shares will not be transferable; 7. The Performance Shares will not confer an entitlement to dividend; 8. The Performance Shares will not confer any right to the return of capital, whether on winding up, capital reduction or otherwise; 9. The Performance Shares will not confer a right to participate in surplus profits or assets upon winding up; 10. Subject to term 14 below, the Performance Shares will not confer any right to participate in new issues of securities such as bonus issues or entitlement issues; 11. Official quotation on the ASX of the Performance Shares will not be sought however once they have converted to ordinary Shares, ASX quotation will be sought; 12. The Performance Shares will not confer any right to vote. However, The Performance Shareholders will be entitled to receive and will be sent all reports and accounts required to be laid before Shareholders in general meeting and all notices of general meetings and will have the right to attend General Meetings; 13. The Performance Shares will be recorded on the Company’s register maintained at the share registry. The register will be open for inspection by a holder of Performance Shares free of charge. The conversion of the Performance Shares into ordinary Shares will be recorded on Kollakorn’s share register;

	<p>14. Anti-Dilution Clause</p> <p>Should the Company split or consolidate its Shares (the consolidation recommended to Shareholders by this Notice excepted) or undertake a bonus issue, entitlement issue or other capital reconstruction then the number of ordinary Shares resulting from the conversion of the Performance Shares will be appropriately adjusted in order to maintain the same percentage control of the entity as previously;</p> <p>15. Change of Control Clause</p> <p>If there is a change of control of the entity, the holders of Performance Shares shall be entitled to convert up to 10% of the total Performance Shares on issue into ordinary Shares notwithstanding that the applicable Performance Milestones have not been achieved. A change of control is defined as:</p> <p><i>“Any change in the entity ownership occurring when any person or company, directly or indirectly, becomes the beneficial owner of voting equity shares of the entity (to the extent of more than 50 percent of the voting shares) or the rights to acquire such shares.”</i></p>
Performance Milestones	<p>In order for the Performance Shares to be converted into ordinary Shares the following Performance Milestones must be met:</p> <ol style="list-style-type: none"> The Primary Performance Milestone is that: <ol style="list-style-type: none"> The Revenue contributed by Isity in the Financial Year ended 30 June 2020 shall be equal to or exceed \$100 million; and That earnings before interest, taxation, depreciation and amortization (“EBITDA”) in the Financial Year ended 30 June 2020 shall be equal to or exceed \$30 million. The Secondary Performance Milestones is that for the Financial Years ended 30 June 2018 and 30 June 2019: <ol style="list-style-type: none"> From an agreed base of \$8 million for Revenue in 2017, the Revenue received from Isity must increase at a minimum of 25% each Financial Year commencing the Financial year ended 30 June 2018; and That based on EBITDA being 30% of the Revenue and from an agreed base of \$2.4 million for EBITDA in 2017 the EBITDA received from Isity must increase at a minimum of 25% each Financial Year commencing the Financial Year ended 30 June 2018. The Primary Performance Milestone must be met in order to receive the Performance Shares. Failure to meet the Secondary Performance Milestones will not affect the right to convert the Performance Shares after 3 years, however meeting the Secondary Performance Milestones and failing to meet the Primary Performance Milestone will not entitle the holders of the Performance Shares to the right of conversion after 3 years

ASX Listing Rule 10.11 provides that a company must not issue or agree to issue shares (or other securities) to a related party of the Company without the approval of shareholders. For the purposes of ASX Listing Rule 10.11, the Directors are related parties of the Company. Under ASX Listing Rule 10.13, securities approved for issue under ASX Listing Rule 10.11 must be issued not more than one month after the date of Shareholder approval and must be issued at a fixed price.

Because Charles Hunting is a Director of the Company and the recipient of some of the Performance Shares from the Company, the following information for **Resolution 2A** is provided in accordance with ASX Listing Rule 10.13 and s219 of the Corporations Act and is submitted for consideration by the Shareholders:

The related party	Charles Hunting
Proposed Financial Benefit	20,053,473 unlisted Performance Shares issued with a nominal price of \$0.08 per Share (post-consolidation)
Consideration	Zero cash consideration
Reasons for Grant and for giving a Financial Benefit	The purpose of the grant of the unlisted Performance Shares is as part of an overall Transaction to acquire Isity.
Reasons for the specific number of Performance Shares	The proposal is part of an overall Transaction for the purchase of Isity

Recommendation of the Director's	The Directors (excluding Mr Hunting) recommend to Shareholders that they vote in favour of the Resolution
Interests of Directors in outcome of resolution	The Directors (excluding Mr Hunting) do not have an interest in the outcome of the Resolution. Mr Hunting has an interest in the outcome of the Resolution in that he will receive 20,053,473 unlisted Performance Shares if the Resolution is passed
Total Remuneration Package	Mr Hunting's total remuneration package comprises a Director's fee of \$3,333.33 per month (exclusive of GST) and the expenses
Summary of Director's holdings	At the date of the Notice Mr Charles Hunting did not own or have a relevant interest in any securities of the Company however it should be noted that pursuant to passing Resolution 8 of the Notice, Mr Charles hunting will own 1,283,331 Shares (post consolidation) in the Company in addition to the 20,053,473 Performance Shares proposed to be approved pursuant to Resolution 2A
Date for Granting and Issuing Performance Shares	If the Resolution is passed, the unlisted Performance Shares will be granted and issued as soon as possible after the date of the Meeting and in any event no later than 1 months after the date of the Meeting.
Intended Use of Funds Raised from Grant	No funds will be raised from the grant of the unlisted Performance Shares as it is part of a larger Transaction to acquire Isity
Tax Consequences (include Fringe Benefits Tax)	There are no taxation consequences for the Company resulting from the grant of the unlisted Performance Shares, including no fringe benefits tax
Opportunity Costs and Benefits Foregone	The Board does not consider that there are any opportunity costs to the Company, or benefits forgone by the Company, as a result of granting the unlisted Performance Shares
Terms & Conditions	The terms and conditions for the Performance Shares shown under the section of the Explanatory Notes for Resolution 2 also apply to the issue of the Performance Shares to Charles Hunting

THE NAMES OF THE PERSONS WHO WILL BE ISSUED WITH UNLISTED PERFORMANCE SHARES		
Name	Percentage Holding of Performance Shares in Isity	Allocation of Kollakorn Performance Shares
James Paul Beddie	29.7%	22,259,365
Charles Hunting	26.7%	20,053,473
Donald Johnson	12.9%	9,692,512
Fan Xin	8.6%	6,483,956
Feng Yujuan	8.6%	6,483,956
140 Foot Ventures (Singapore) Pte Ltd	-	-
Harold Stuart Turner	-	-
BTC Advisory Pty Ltd.	-	-
The Beddie Family Trust	-	-
Wang Xiaoyan	-	-
David John Leslie	13.4%	10,026,737
Gary Fitzgerald	-	-
TOTAL	100.0%	75,000,000

Assuming that the performance shares are exercised because the milestones have been satisfied the Isity shareholders will own the equivalent of 40.2% of the total issued capital of the Company after the completion of all the Resolutions in this Notice.

Resolution 3: Approval of Share Placement

Subject to the passing of Resolution 1, the Company is seeking Shareholder approval of **Resolution 3** for the future placement of 187,500,000 Shares at the price of \$0.008 per Share (pre-consolidation).

1. Legal Requirements

The following information for Resolution 3 is provided in accordance with ASX Listing Rule 7.3:

Number of Shares to be issued:	187,500,000 (pre-consolidation) fully paid ordinary Shares
The date by which the Shares must be issued:	The Shares will be issued no later than 3 months after the date of the EGM
The issue price of the Shares:	\$0.008 per Share to raise \$1.5 million
The names of the persons who will be issued with the Shares:	The Shares will be issued to sophisticated, eligible and professional investors identified by the Directors of the Company
Ranking of the Shares	Shares allotted will in all respects rank equally with the then issued Shares of Kollakorn. Official quotation on the ASX of the Shares issued will be sought
The intended use of funds raised:	The funds will be to provide working capital for Kollakorn and Isity to meet their proposed objectives. This Capital Raising is a pre-condition to the passing of Resolution 1

Resolution 4: Approval of Consolidation of Shares and Options

Under section 254H of the Corporations Act, a company may, by resolution passed in a general meeting, convert any or all of its shares into larger or smaller parcels.

The Directors are seeking Shareholder approval to consolidate the Company's Securities on the basis of one consolidated Security for every existing ten (10) Securities. The table below shows the effect of the Isity Transaction, the other Resolutions to be proposed at the Meeting and the Consolidation.

The Consolidation is proposed to reduce the large number of securities on issue and will reduce the number of Shares on issue to approximately 264,271,473 Shares and 8,475,000 Options (post consolidation) including the 75,000,000 Performance Shares.

The Directors believe the Consolidation of the Shares on a 10 for 1 basis will improve the market perception and attractiveness of the Company and the value of its securities. Whilst the Consolidation proposes a reduction in the number of securities on issue, it does not involve a return of capital to Shareholders. Accordingly, there is no direct impact on the Company's market capitalisation or book value of paid up capital.

Table of Effect of the Resolutions on the Capital of the Company	Shares
Issued Capital Pre-Acquisition and Consolidation*	1,078,310,077
Resolution 1: Shares issued for the purpose of acquiring Isity Shares	312,500,000
Resolution 3: Approval of Share placement	187,500,000
Resolution 5: Approval of the Conversion of Notes to Shares	129,134,899
Resolution 5A: Approval of the Conversion of Notes to Shares (Brentnalls NSW)	16,991,438
Resolution 5B: Approval of the Conversion of Notes to Shares (Riad Tayeh)	3,398,288
Resolution 6: Approval of the Conversion of Outstanding Director Fees and Accounting fees to Shares (Brentnalls NSW)	86,902,876
Resolution 7: Approval of the Conversion of Outstanding Director Fees to Shares (Tayeh)	30,587,040
Resolution 8: Approval of the Conversion of Outstanding Director Fees to Shares (Hunting)	12,833,310
Resolution 9: Approval of the Conversion of Outstanding Director Fees to Shares (Somapa)	25,025,029
Resolution 10: Approval of the Conversion of Outstanding Management Fees to Shares to the CEO	9,531,772
*Resolution 11: Ratification of Previous Issue (37,500,000 shares included in Opening balance)	-

Table of Effect of the Resolutions on the Capital of the Company (cont.)	Shares
Resolution 12: Approval of the Conversion of Outstanding Management Fees to Shares to the CEO* (8,050,846 shares included in opening balance)	-
*Resolution 13: Approval of the Conversion of Outstanding Management Fees to Shares to the CEO (4,439,251 included in opening balance)	-
*Resolution 14: Ratification of Pervious Issue (6,250,000 shares included in opening balance)	-
Total Shares on Issue prior to the Consolidation	1,892,714,729
Resolution 4: Total Shares on issue after Consolidation on the basis of 1 Consolidated Share for every 10 existing Shares	189,271,473
Resolution 2: Performance Shares issued for the purpose of acquiring Isity	54,946,527
Resolution 2A: Performance Shares issued to Charles Hunting for the purpose of acquiring Isity	20,053,473
Total Shares on Issue Post the Consolidation	264,271,473

NOTES TO THE TABLE:

* The Resolutions marked with an astrix have already been issued and are included in the opening capital figure of 1,078,310,077 and are being ratified at this meeting.

If all the Resolutions are passed:

- The number of Shares the Company will have on issue prior to the issue of the Performance Shares and the Consolidation will be increased from 1,078,310,077 to approximately 1,892,714,729 (subject to rounding up to the nearest whole number)
- The Consolidation of the Shares on a 10 for 1 basis and the issue of Performance Shares will result on a final issued capital of 264,271,473 Shares;
- The number of unlisted Options the Company will have on issue will be Consolidate from 84,750,000 to approximately 8,475,000 (subject to rounding up to the nearest whole number);
- The Convertible Notes plus accrued interest to 30 May 2017, will be converted to Shares;
- The outstanding Directors fees and accounting fees to Brentnalls NSW to 30 May 2017, will have been converted to Shares; and
- The Company will have created 75,000,000 unlisted Performance Shares representing 28.4% of the Issued Capital after all resolutions have been completed.

Procedural Effects of the Consolidation of Shares

1. From the date of Consolidation, all holding statements will cease to have effect other than as evidence of a Shareholder's entitlement to a particular Security parcel following Consolidation. Once Consolidation becomes effective, the Company will arrange for new holding statements to be issued to every eligible Shareholder and Option holder and Performance Shareholder. It is the responsibility of each Shareholder and Option holder and Performance Shareholder to check the number of Shares, Performance Shares and Options held prior to the disposal of their old holding statements.
2. Where a Security parcel cannot be evenly divided by 10 thereby causing a fractional entitlement, the Company will round that fraction up to the nearest whole Share or Option.
3. **Indicative timetable**

If Resolution 4 is passed, Consolidation will take effect in accordance with the following indicative timetable (as set out in paragraph 8 of Appendix 7A of the ASX Listing Rules):

Event	Date	Business Days
General Meeting	30 June 2017	0
Notification to ASX of the results of the EGM	30 June 2017	0
Last day for pre-consolidation trading	3 July 2017	1
Post-consolidation trading starts on a deferred settlement basis	4 July 2017	2
Last day for the Company to register transfers on a pre-consolidation basis	5 July 2017	3

First day for the Company to send notice to each holder of the change in their details of holdings	6 July 2017	4
First day for the Company to register the securities on a post-consolidation basis and the first day for issue of holding statements	6 July 2017	4
Issue date (the Company must advise ASX by noon on the issue day that the issue has occurred for the normal trading (T+2) trading starts on the next business day (i.e. Day 9)	12 July 2017	8
Last day for the securities to be entered into holders' Security holdings	12 July 2017	8
Last day for the Company to send notice to each holder of the change in their details of holding	12 July 2017	8

Resolution 5, Resolution 5A and Resolution 5B: Approval of the Conversion of Convertible Notes to Shares

Subject to the passing of Resolution 1, and for the purposes of Listing Rule 7.1, and all other purposes, the Company is seeking Shareholder approval for the conversion of 38 Convertible Notes of \$25,000 (excluding the 6 Convertible Notes owned by Riad Tayeh and Brentnalls NSW Pty Ltd) (plus accrued interest) per note to Shares at the conversion price of \$0.008 per Share resulting in the issue of approximately 129,134,899 Shares.

Subject to the passing of Resolution 1, and for the purposes of Listing Rule 10.11, and all other purposes, the Company is seeking Shareholder approval pursuant to Resolution 5A for the conversion of 5 Convertible Notes of \$25,000 (plus accrued interest) per note to Shares at the conversion price of \$0.008 per Share resulting in the issue of 16,991,438 Shares to Brentnalls NSW Pty Ltd and pursuant to Resolution 5B for the conversion of 1 Convertible Notes of \$25,000 (plus accrued interest) per note to Shares at the conversion price of \$0.008 per Share resulting in the issue of approximately 3,398,288 Shares to Riad Tayeh.

The Company is not seeking Shareholder approval under Chapter 2E of the Corporations Act for the conversion of the Convertible Notes under Resolution 5A and Resolution 5B. The Company consider the conversion of the Notes to be reimbursement of expenses incurred by two officers of the Company and therefore s211 of the Corporations Act can be applied.

For the purposes of this approval, the following information is provided in accordance with ASX Listing Rule 7.3:

1. Legal Requirements

The following information for Resolution 5 is provided in accordance with ASX Listing Rule 7.3:

Number of Shares to be issued:	129,134,899 (pre-consolidation) fully paid ordinary Shares (38 Convertible Notes plus accrued Interest) to non-related parties
The date by which the Shares must be issued:	The Shares will be issued no later than 3 months after the date of the Meeting
The issue price of the Shares:	\$0.008 per Share
Persons who will be issued with the Shares:	The Shares will be issued to the holders of the 38 Notes
Ranking of the Shares:	Shares allotted will in all respects rank equally with the then issued Shares of Kollakorn. Official quotation on the ASX of the Shares issued will be sought
The intended use of funds raised:	There are no funds raised from the conversion of the 38 Convertible Notes, but debt will be converted to share capital and payment of interest will stop

ASX Listing Rule 10.11 provides that a company must not issue or agree to issue shares (or other securities) to a related party of the Company without the approval of shareholders. For the purposes of ASX Listing Rule 10.11, the Directors are related parties of the Company. Under ASX Listing Rule 10.13, securities approved for issue under ASX Listing Rule 10.11 must be issued not more than one month after the date of shareholder approval and must be issued at a fixed price.

Nicolas Aston is a Director of the Company and a Director of Brentnalls NSW Pty Ltd is the recipient of some of the Shares from the Company, the following information for Resolution 5A is provided in accordance with ASX Listing Rule 10.13 and is submitted for consideration by the Shareholders:

The related party	Nicolas Aston a Director of the Company and Brentnalls NSW Pty Limited
Proposed Financial Benefit	16,991,438 Shares issued (pre-consolidation) (5 Convertible Notes plus accrued interest to 30 May 2017)

Total Remuneration Package	Mr Aston's total remuneration package comprises a Director's fee of \$3,333.33 per month (exclusive of GST)
Summary of Director's Holding	At the date of the Notice Mr Aston held or had a relevant interest in: Brentnalls Financial Group Pty Ltd (as trustee for the BFG Unit Trust) <ul style="list-style-type: none"> • 2,010,000 ordinary Shares Brentnalls NSW Pty Limited <ul style="list-style-type: none"> • 5 Notes valued at \$25,000 each OMB Investments Pty Ltd (as trustee for the OMB Unit Trust) <ul style="list-style-type: none"> • 1,300,000 ordinary Shares Dunscroft Pty Limited <Elleran Family A/C> <ul style="list-style-type: none"> • 4,585,000 ordinary Shares Dunscroft Pty Ltd <Aston Fam Retire Fund A/C> <ul style="list-style-type: none"> • 4,415,000 ordinary Shares Dunscroft Pty Ltd & Raintron Pty Ltd & Fitzzy Pty Ltd (joint holders) <ul style="list-style-type: none"> • 15,000,000 unlisted options
Consideration	\$0.008 per Share
Reasons for Grant and for giving a Financial Benefit	The conversion of the Convertible Notes into Shares
Reasons for the specific number of Shares	Approximately 16,991,438 (pre-consolidation) fully paid ordinary Shares (5 Convertible Notes plus accrued Interest)
Recommendation of the Director's	The Directors (excluding Mr Aston) recommend to Shareholders that they vote in favour of the Resolution
Interests of Directors in outcome of resolution	The Directors (excluding Mr Aston) do not have an interest in the outcome of the Resolution. Mr Aston has an interest in the outcome of the Resolution in that he will receive Shares if the Resolution is passed
Date for Granting and Issuing Performance Shares	If the Resolution is passed, the Shares will be granted and issued as soon as possible after the date of the Meeting and in any event no later than 1 months after the date of the Meeting.
Intended Use of Funds Raised from Grant	There are no funds raised from the conversion of the Convertible Notes, but debt will be converted to share capital and payment of interest will stop
Tax Consequences (include Fringe Benefits Tax)	There are no taxation consequences for the Company resulting from the grant of the Shares, including no fringe benefits tax
Opportunity Costs and Benefits Foregone	The Board does not consider that there are any opportunity costs to the Company, or benefits forgone by the Company, as a result of granting the Shares
Listing Rules 7.1 and 10.11 and 15% restriction	ASX Listing Rule 7.2 exception 14 provides that the issue of Securities in accordance with Listing Rule 10.11 will be treated as having been made with Shareholder approval for the purposes of ASX Listing Rule 7.1

ASX Listing Rule 10.11 provides that a company must not issue or agree to issue shares (or other securities) to a related party of the Company without the approval of shareholders. For the purposes of ASX Listing Rule 10.11, the Directors are related parties of the Company. Under ASX Listing Rule 10.13, securities approved for issue under ASX Listing Rule 10.11 must be issued not more than one month after the date of shareholder approval and must be issued at a fixed price.

Because Riad Tayeh is a Director of the Company and the recipient of some of the Shares from the Company, the following information for Resolution 5B is provided in accordance with ASX Listing Rule 10.13 and is submitted for consideration by the Shareholders:

The related party	Riad Tayeh
Proposed Financial Benefit	3,398,288 Shares issued (pre-consolidation) (1 convertible note plus accrued interest)
Total Remuneration Package	Mr Tayeh's total remuneration package comprises a Director's fee of \$5,000 per month (exclusive of GST)
Summary of Director's Holding	At the date of the Notice Mr Tayeh held or had a relevant interest in: Tayeh Provident Fund A/c <ul style="list-style-type: none"> • 750,000 unlisted options • 6,113,740 ordinary Shares • 1 Convertible Note valued at \$25,000
Consideration	\$0.008 per Share
Reasons for Grant and for giving a Financial Benefit	The conversion of the Convertible Notes into Shares
Reasons for the specific number of Shares	Approximately 3,398,288 (pre-consolidation) fully paid ordinary Shares (1 Convertible Notes plus accrued Interest)
Recommendation of the Director's	The Directors (excluding Mr Tayeh) recommend to Shareholders that they vote in favour of the Resolution
Interests of Directors in outcome of resolution	The Directors (excluding Mr Tayeh) do not have an interest in the outcome of the Resolution. Mr Tayeh has an interest in the outcome of the Resolution in that he will receive Shares if the Resolution is passed
Date for Granting and Issuing Performance Shares	If the Resolution is passed, the Shares will be granted and issued as soon as possible after the date of the Meeting and in any event no later than 1 months after the date of the Meeting.
Intended Use of Funds Raised from Grant	There are no funds raised from the conversion of the Convertible Notes, but debt will be converted to share capital and payment of interest will stop
Tax Consequences (include Fringe Benefits Tax)	There are no taxation consequences for the Company resulting from the grant of the Shares, including no fringe benefits tax
Opportunity Costs and Benefits Foregone	The Board does not consider that there are any opportunity costs to the Company, or benefits foregone by the Company, as a result of granting the Shares
Listing Rules 7.1 and 10.11 and 15% restriction	ASX Listing Rule 7.2 exception 14 provides that the issue of Securities in accordance with Listing Rule 10.11 will be treated as having been made with Shareholder approval for the purposes of ASX Listing Rule 7.1

Resolution 6: Approval of the Conversion of Outstanding Director Fees and Accounting Fees to Shares

Subject to passing Resolution 1, and for the purposes of Listing Rule 10.11, and all other purposes, the Company is seeking Shareholder approval for the for the issue of approximately 86,902,876 Shares to Brentnalls NSW Pty Limited.

The Company is not seeking Shareholder approval under Chapter 2E of the Corporations Act for the issue of shares under Resolution 6. The shares are to be issued as reimbursement for remuneration and expenses incurred to an officer of the Company and therefore s211 of the Corporations Act can be applied.

ASX Listing Rule 10.11 provides that a company must not issue or agree to issue shares (or other securities) to a related party of the Company without the approval of shareholders. For the purposes of ASX Listing Rule 10.11, the Directors are related parties of the Company. Under ASX Listing Rule 10.13, securities approved for issue under ASX Listing Rule 10.11 must be issued not more than one month after the date of shareholder approval and must be issued at a fixed price.

Approval for the issue of Shares to Brentnalls NSW Pty Ltd (an entity associated with Mr. Nicholas Aston), is being sought for the purposes of converting outstanding Directors fees and accounting fees owed to Brentnalls NSW Pty Ltd to equity and for the purposes of this approval, the following information is provided in accordance with ASX Listing Rule 10.13 for Mr Aston by virtue of him being a Director of Brentnalls NSW Pty Ltd:

The related party	Brentnalls NSW Pty Ltd (an entity associated with Mr. Nicholas John Aston)
Proposed Financial Benefit	86,902,876 Shares issued (pre-consolidation)
Total Remuneration Package	Mr Aston's total remuneration package comprises a Director's fee of \$3,333.33 per month (exclusive of GST)

Summary of Director's Holdings	<p>At the date of the Notice Mr Aston held or had a relevant interest in:</p> <p>Brentnalls Financial Group Pty Ltd (as trustee for the BFG Unit Trust)</p> <ul style="list-style-type: none"> • 2,010,000 ordinary Shares <p>Brentnalls NSW Pty Limited</p> <ul style="list-style-type: none"> • 5 Notes valued at \$25,000 each <p>OMB Investments Pty Ltd (as trustee for the OMB Unit Trust)</p> <ul style="list-style-type: none"> • 1,300,000 ordinary Shares <p>Dunscroft Pty Limited <Elleran Family A/C></p> <ul style="list-style-type: none"> • 4,585,000 ordinary Shares <p>Dunscroft Pty Ltd <Aston Fam Retire Fund A/C></p> <ul style="list-style-type: none"> • 4,415,000 ordinary Shares <p>Dunscroft Pty Ltd & Raintron Pty Ltd & Fitzzy Pty Ltd (joint holders)</p> <ul style="list-style-type: none"> • 15,000,000 unlisted options
Consideration	\$0.008 per Share
Reasons for Grant and for giving a Financial Benefit	The conversion of debt to Shares
Reasons for the specific number of Shares	86,902,876 Shares issued (pre-consolidation)
Recommendation of the Director's	The Directors (excluding Mr Aston) recommend to Shareholders that they vote in favour of the Resolution
Interests of Directors in outcome of resolution	The Directors (excluding Mr Aston) do not have an interest in the outcome of the Resolution. Mr Aston has an interest in the outcome of the Resolution in that Brentnalls NSW Pty Ltd will receive Shares if the Resolution is passed
Date for Granting and Issuing Performance Shares	If the Resolution is passed, the Shares will be granted and issued as soon as possible after the date of the Meeting and in any event no later than 1 month after the date of the Meeting.
Intended Use of Funds Raised from Grant	There are no funds raised from this transaction, but debt will be converted to share capital
Tax Consequences (include Fringe Benefits Tax)	There are no taxation consequences for the Company resulting from the grant of the Shares, including no fringe benefits tax
Opportunity Costs and Benefits Foregone	The Board does not consider that there are any opportunity costs to the Company, or benefits forgone by the Company, as a result of granting the Shares
If the person is not a director (e.g. a trust) a statement of the relationship between the person/trust and director that require the approval to be obtained:	Mr. Nicholas John Aston, a Director of the Company, holds a concurrent directorship of Brentnalls NSW Pty Ltd. Brentnalls NSW Pty Ltd is therefore a related party of the Company for the purposes of Chapter 2E of the Corporations Act 2001 and Listing Rule 10.11

Resolution 7: Approval of the Conversion of Outstanding Director Fees to Shares

Subject to passing Resolution 1, and for the purposes of Listing Rule 10.11, and all other purposes, the Company is seeking Shareholder approval for the for the issue of approximately 30,587,040 shares to Riad Tayeh.

The Company is not seeking Shareholder approval under Chapter 2E of the Corporations Act for the issue of shares under Resolution 7. The shares are to be issued as reimbursement for remuneration owed to an officer of the Company and therefore s211 of the Corporations Act can be applied.

ASX Listing Rule 10.11 provides that a company must not issue or agree to issue shares (or other securities) to a related party of the Company without the approval of shareholders. For the purposes of ASX Listing Rule 10.11, the Directors are related parties of the Company. Under ASX Listing Rule 10.13, securities approved for issue under ASX Listing Rule 10.11 must be issued not more than one month after the date of shareholder approval and must be issued at a fixed price.

Subject to passing Resolution 1, approval for the issue of Shares to Riad Tayeh, a Director of the Company is being sought for the purposes of converting outstanding Directors fees to equity and for the purposes of this approval, the following information is provided in accordance with ASX Listing Rule 10.13:

Maximum number of Shares to be issued or the formula for calculating the number of securities to be issued:	30,587,040 Shares in order to pay outstanding Directors fees (
The date by which the Shares must be issued:	The Shares will be issued no later than 1 month after the date of the Meeting
The issue price of the Shares:	\$0.008 per Share
The names of the persons who will be issued with the Shares:	Riad Tayeh
Ranking of the Shares	Shares allotted will in all respects rank equally with the then issued Shares of Kollakorn. Official quotation on the ASX of the Shares will be sought
The intended use of funds raised:	There are no funds raised from the issue, but outstanding Directors' fees will be converted to share capital
The related party	Riad Tayeh
Proposed Financial Benefit	30,587,040 Shares issued (pre-consolidation)
Total Remuneration Package	Mr Tayeh's total remuneration package comprises a Director's fee of \$5,000.00 per month (exclusive of GST)
Summary of Director's Holding	At the date of the Notice Mr Tayeh held or had a relevant interest in: Tayeh Provident Fund A/c <ul style="list-style-type: none"> • 750,000 unlisted options • 6,113,740 ordinary Shares • 1 Convertible Note valued at \$25,000
Consideration	\$0.008 per Share
Reasons for Grant and for giving a Financial Benefit	The conversion of outstanding Directors' Fees to Shares
Recommendation of the Director's	The Directors (excluding Mr Tayeh) recommend to Shareholders that they vote in favour of the Resolution
Interests of Directors in outcome of resolution	The Directors (excluding Mr Tayeh) do not have an interest in the outcome of the Resolution. Mr Tayeh has an interest in the outcome of the Resolution in that he will receive Shares if the Resolution is passed
Date for Granting and Issuing Performance Shares	If the Resolution is passed, the Shares will be granted and issued as soon as possible after the date of the Meeting and in any event no later than 1 month after the date of the Meeting.
Intended Use of Funds Raised from Grant	There are no funds raised from this transaction, but outstanding Directors' fees will be converted to share capital
Tax Consequences (include Fringe Benefits Tax)	There are no taxation consequences for the Company resulting from the grant of the Shares, including no fringe benefits tax
Opportunity Costs and Benefits Foregone	The Board does not consider that there are any opportunity costs to the Company, or benefits forgone by the Company, as a result of granting the Shares

Resolution 8: Approval of the Conversion of Outstanding Director Fees to Shares

Subject to passing Resolution 1, and for the purposes of Listing Rule 10.11, and all other purposes, the Company is seeking Shareholder approval for the for the issue of approximately 12,883,310 Shares to Charles Hunting.

The Company is not seeking Shareholder approval under Chapter 2E of the Corporations Act for the issue of shares under Resolution 8. The shares are to be issued as reimbursement for remuneration owed to an officer of the Company and therefore s211 of the Corporations Act can be applied.

ASX Listing Rule 10.11 provides that a company must not issue or agree to issue shares (or other securities) to a related party of the Company without the approval of shareholders. For the purposes of ASX Listing Rule 10.11, the Directors are related parties of the Company. Under ASX Listing Rule 10.13, securities approved for issue under ASX Listing Rule 10.11 must be issued not more than one month after the date of shareholder approval and must be issued at a fixed price.

Subject to passing Resolution 1, approval for the issue of Shares to Charles Hunting, a Director of the Company is being sought for the purposes of converting outstanding Directors fees to equity and for the purposes of this approval, the following information is provided in accordance with ASX Listing Rule 10.13:

The related party	Charles Hunting
Proposed Financial Benefit	12,833,310 Shares (pre-consolidation)
Total Remuneration Package	Mr Hunting's total remuneration package comprises a Director's fee of \$3,333.33 per month (exclusive of GST)
Summary of Director's Holding	At the date of the Notice Mr Charles Hunting did not own or have a relevant interest in any Securities of the Company
Consideration	\$0.008 per Share
Reasons for Grant and for giving a Financial Benefit	The conversion of outstanding Directors' Fees to Shares
Reasons for the specific number of Shares	12,833,310 Shares (pre-consolidation)
Recommendation of the Director's	The Directors (excluding Mr Hunting) recommend to Shareholders that they vote in favour of the Resolution
Interests of Directors in outcome of resolution	The Directors (excluding Mr Hunting) do not have an interest in the outcome of the Resolution. Mr Hunting has an interest in the outcome of the Resolution in that he will receive Shares if the Resolution is passed
Date for Granting and Issuing Performance Shares	If the Resolution is passed, the Shares will be granted and issued as soon as possible after the date of the Meeting and in any event no later than 1 month after the date of the Meeting.
Intended Use of Funds Raised from Grant	There are no funds raised from this transaction, but outstanding Directors' fees will be converted to share capital
Tax Consequences (include Fringe Benefits Tax)	There are no taxation consequences for the Company resulting from the grant of the Shares, including no fringe benefits tax
Opportunity Costs and Benefits Foregone	The Board does not consider that there are any opportunity costs to the Company, or benefits foregone by the Company, as a result of granting the Shares

Resolution 9: Approval of the Conversion of Outstanding Director Fees to Shares

Subject to passing Resolution 1, and for the purposes of Listing Rule 10.11, and all other purposes, the Company is seeking Shareholder approval for the for the issue of approximately 25,025,029 Shares to Namchoke Somapa.

The Company is not seeking Shareholder approval under Chapter 2E of the Corporations Act for the issue of shares under Resolution 9. The shares are to be issued as reimbursement for remuneration owed to an officer of the Company and therefore s211 of the Corporations Act can be applied.

ASX Listing Rule 10.11 provides that a company must not issue or agree to issue shares (or other securities) to a related party of the Company without the approval of shareholders. For the purposes of ASX Listing Rule 10.11, the Directors are related parties of the Company. Under ASX Listing Rule 10.13, securities approved for issue under ASX Listing Rule 10.11 must be issued not more than one month after the date of shareholder approval and must be issued at a fixed price.

Subject to passing Resolution 1, approval for the issue of Shares to Namchoke Somapa, a Director of the Company is being sought for the purposes of converting outstanding Directors fees to equity and for the purposes of this approval, the following information is provided in accordance with ASX Listing Rule 10.13:

The related party	Namchoke Somapa
Proposed Financial Benefit	25,025,029 Shares (pre-consolidation)
Total Remuneration Package	Mr Namchoke's total remuneration package comprises a Director's fee of \$3,333.33 per month (exclusive of GST)
Summary of Director's Holding	At the date of the Notice Mr Somapa did not own any securities of the Company but had a relevant interest in: <ul style="list-style-type: none"> • 89,722,683 Shares owned by Kollakorn Co Ltd; and • 2,218,185 Shares owned By Somapa Information Technology PCL
Consideration	\$0.008 per Share
Reasons for Grant and for giving a Financial Benefit	The conversion of outstanding Directors' Fees to Shares
Reasons for the specific number of Shares	25,025,029 Shares (pre-consolidation)
Recommendation of the Director's	The Directors (excluding Mr Somapa) recommend to Shareholders that they vote in favour of the Resolution

Interests of Directors in outcome of resolution	The Directors (excluding Mr Somapa) do not have an interest in the outcome of the Resolution. Mr Somapa has an interest in the outcome of the Resolution in that he will receive Shares if the Resolution is passed
Date for Granting and Issuing Performance Shares	If the Resolution is passed, the Shares will be granted and issued as soon as possible after the date of the Meeting and in any event no later than 1 month after the date of the Meeting.
Intended Use of Funds Raised from Grant	There are no funds raised from this transaction, but outstanding Directors' fees will be converted to share capital
Tax Consequences (include Fringe Benefits Tax)	There are no taxation consequences for the Company resulting from the grant of the Shares, including no fringe benefits tax
Opportunity Costs and Benefits Foregone	The Board does not consider that there are any opportunity costs to the Company, or benefits forgone by the Company, as a result of granting the Shares

Resolution 10: Approval of the Conversion of Outstanding Management Fees and Expenses to Shares

For the purposes of Listing Rule 7.1, and all other purposes, the Company is seeking Shareholder approval for the issue of 9,531,772 Shares to David Matthews, CEO of the Company.

Maximum number of Shares to be issued or the formula for calculating the number of securities to be issued:	The equivalent of \$76,254.17 in Shares in order to pay outstanding Directors fees: (a) \$63,333.31 in Consulting fees; and (b) \$12,920.86 in reimbursement of out of pocket expenses.
The date by which the Shares must be issued:	The Shares will be issued no later than 1 month after the date of the Meeting
The issue price of the Shares:	\$0.008 per Share
The names of the persons who will be issued with the Shares:	David Matthews
Ranking of the Shares	Shares allotted will in all respects rank equally with the then issued Shares of Kollakorn. Official quotation on the ASX of the Shares will be sought
The intended use of funds raised:	There are no funds raised from the issue, but outstanding management fees will be converted to share capital

Resolution 11: Ratification of Previous Share Issue

On 24 November 2016, 37,500,000 Shares were issued to at \$0.004 per Share. In accordance with Listing Rule 7.1 and Listing Rule 7.4, to restore the Company's capacity to issue Shares it is proposed that Shareholders ratify the issue of ordinary Shares as detailed below.

The following information is provided in accordance with Listing Rule 7.5:

Maximum number of Shares to be issued or the formula for calculating the number of securities to be issued:	37,500,000 Shares (pre-consolidation)
The date by which the Shares must be issued:	24 November 2016
The issue price of the Shares:	The Shares were issued and allotted at \$0.004 per share
The names of the persons who will be issued with the Shares:	Allotted to sophisticated, eligible and professional investors selected by the Company
Ranking of the Shares:	Shares allotted will in all respects rank equally with the then issued Shares of Kollakorn. Official quotation on the ASX of the Shares will be sought
The intended use of funds raised:	The funds raised were used for working capital

Resolution 12: Ratification of Previous Share Issue to the CEO

On 16 December 2016, 8,050,846 Shares were issued to Mr David Matthews, CEO of Kollakorn Corporation Limited (at \$0.0059 per Share). In accordance with Listing Rule 7.1 and Listing Rule 7.4, to restore the Company's capacity to issue Shares it is proposed that Shareholders ratify the issue of ordinary Shares as detailed below.

The following information is provided in accordance with Listing Rule 7.5:

Maximum number of Shares to be issued or the formula for calculating the number of securities to be issued:	8,050,846 Shares
The date by which the Shares must be issued:	16 December 2016
The issue price of the Shares:	The Shares were issued and allotted at \$0.0059 per share
The names of the persons who will be issued with the Shares:	Allotted to Mr David Matthews CEO of the Company
Ranking of the Shares:	Shares allotted will in all respects rank equally with the then issued Shares of Kollakorn. Official quotation on the ASX of the Shares will be sought
The intended use of funds raised:	There are no funds raised from the issue, but outstanding management fees will be converted to share capital

Resolution 13: Ratification of Previous Share Issue to the CEO

On 24 November 2016, 4,439,251 Shares were issued to Mr David Matthews, CEO of Kollakorn Corporation Limited (at \$0.0107 per Share). In accordance with Listing Rule 7.1 and Listing Rule 7.4, to restore the Company's capacity to issue Shares it is proposed that Shareholders ratify the issue of ordinary Shares as detailed below.

The following information is provided in accordance with Listing Rule 7.5:

Maximum number of Shares to be issued or the formula for calculating the number of securities to be issued:	4,439,251 Shares
The date by which the Shares must be issued:	24 November 2016
The issue price of the Shares:	The Shares were issued and allotted at \$0.0107 per Share
The names of the persons who will be issued with the Shares:	Allotted to Mr David Matthews CEO of the Company
Ranking of the Shares:	Shares allotted will in all respects rank equally with the then issued Shares of Kollakorn. Official quotation on the ASX of the Shares will be sought
The intended use of funds raised:	There are no funds raised from the issue, but outstanding management fees will be converted to share capital

Resolution 14: Ratification of Previous Share Issue

On 2 February 2017, 6,250,000 Shares were issued at \$0.004 per Share. In accordance with Listing Rule 7.1 and Listing Rule 7.4, to restore the Company's capacity to issue Shares it is proposed that Shareholders ratify the issue of ordinary Shares as detailed below.

The following information is provided in accordance with Listing Rule 7.5:

Maximum number of Shares to be issued or the formula for calculating the number of securities to be issued:	6,250,000 Shares
The date by which the Shares must be issued:	2 February 2017
The issue price of the Shares:	The Shares were issued and allotted at \$0.004 per share
The names of the persons who will be issued with the Shares:	Allotted to sophisticated, eligible and professional investor selected by the Company
Ranking of the Shares:	Shares allotted will in all respects rank equally with the then issued Shares of Kollakorn. Official quotation on the ASX of the Shares will be sought
The intended use of funds raised:	The funds raised were used for working capital

DEFINITIONS

Throughout this Notice of Meeting and Explanatory Memorandum the following various words and phrases are capitalised and the definitions of these capitalised words and phrases are set out below:

“Extraordinary General Meeting” means the meeting convened by the Notice of Meeting;

“ASIC” means the Australian Securities & Investments Commission;

“ASX” means ASX Limited (ACN 000 943 377);

“ASX Listing Rules” or **“Listing Rule”** means the Official Listing Rules of the ASX;

“Board” means the board of Directors of the Company;

“Business Day” means a day on which trading takes place on the stock market of the ASX;

“Chairman” means the chairman of the general meeting;

“Company” means Kollakorn Corporation Limited ACN 003 218 862;

“Constitution” means the Company's constitution;

“Corporations Act” means the *Corporations Act 2001* (Cth);

“Corporations Regulation” means the *Corporations Regulation 2001* (Cth)

“Directors” mean the current Directors of the Company;

“Equity Securities” means has the meaning given to that term in the Listing Rules;

“Explanatory Memorandum” means this Explanatory Memorandum as modified or varied by any supplementary Memorandum issued by the Company from time to time;

“Kollakorn” means Kollakorn Corporation Limited ACN 003 218 862;

“Management” or **“Board”** means the management of the Company;

“Notice” or **“Notice of Meeting”** means the notice convening the general meeting of the Company to be held on 30 June 2017 which accompanies this Explanatory Memorandum;

“Option” means an option to acquire a Share in the Company;

“Option holder” means a registered holder of an Option in the Company;

“Performance Share” means a share issued to a party that may be converted to ordinary Shares on meeting Performance Milestones;

“Performance Shareholder” means a registered holder of Performance Share in the Company;

“Performance Milestones” means the agreed Milestones that will allow for conversion of the Performance Shares into Shares;

“Proxy Form” means the proxy form that is enclosed with and forms part of this Notice;

“Related Party” of a member of the Key Management Personnel means:

- A spouse or child of the member;
- A child of the member's spouse;
- A dependant of the member or the member's spouse;
- Anyone else who is one of the member's family and may be expected to influence the member, or be influenced by the member, in the member's dealing with the entity;
- A company the member controls; or
- A person prescribed by the Corporation Regulations 2001 (Cth).

“Resolution” means a resolution in the form proposed in the Notice of Meeting;

“Security” means a Share, Performance Share or Option in the Company;

“Securityholder” means a registered holder of a security in the Company;

“Share” means a fully paid ordinary share in the capital of the Company;

“Shareholder” means a registered holder of a Share in the Company;

“Transaction” means the acquisition of Isity by Kollakorn;

“Trading Day” means a day determined by ASX to be a trading day and notified to market participants.



All Correspondence to:

✉ **By Mail** Boardroom Pty Limited
GPO Box 3993
Sydney NSW 2001 Australia

📠 **By Fax:** +61 2 9290 9655

💻 **Online:** www.boardroomlimited.com.au

☎ **By Phone:** (within Australia) 1300 737 760
(outside Australia) +61 2 9290 9600

YOUR VOTE IS IMPORTANT

For your vote to be effective it must be recorded **before 10:30am (AEST) on Wednesday 28 June 2017.**

🖥 TO VOTE ONLINE

- STEP 1: VISIT** www.votingonline.com.au/kklegm2017
- STEP 2: Enter your Postcode OR Country of Residence (if outside Australia)**
- STEP 3: Enter your Voting Access Code (VAC):**

📱 BY SMARTPHONE



Scan QR Code using smartphone
QR Reader App

TO VOTE BY COMPLETING THE PROXY FORM

STEP 1 APPOINTMENT OF PROXY

Indicate who you want to appoint as your Proxy.

If you wish to appoint the Chair of the Meeting as your proxy, mark the box. If you wish to appoint someone other than the Chair of the Meeting as your proxy please write the full name of that individual or body corporate. If you leave this section blank, or your named proxy does not attend the meeting, the Chair of the Meeting will be your proxy. A proxy need not be a securityholder of the company. Do not write the name of the issuer company or the registered securityholder in the space.

Appointment of a Second Proxy

You are entitled to appoint up to two proxies to attend the meeting and vote. If you wish to appoint a second proxy, an additional Proxy Form may be obtained by contacting the company's securities registry or you may copy this form.

To appoint a second proxy you must:

- (a) complete two Proxy Forms. On each Proxy Form state the percentage of your voting rights or the number of securities applicable to that form. If the appointments do not specify the percentage or number of votes that each proxy may exercise, each proxy may exercise half your votes. Fractions of votes will be disregarded.
- (b) return both forms together in the same envelope.

STEP 2 VOTING DIRECTIONS TO YOUR PROXY

To direct your proxy how to vote, mark one of the boxes opposite each item of business. All your securities will be voted in accordance with such a direction unless you indicate only a portion of securities are to be voted on any item by inserting the percentage or number that you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on a given item, your proxy may vote as he or she chooses. If you mark more than one box on an item for all your securities your vote on that item will be invalid.

Proxy which is a Body Corporate

Where a body corporate is appointed as your proxy, the representative of that body corporate attending the meeting must have provided an "Appointment of Corporate Representative" prior to admission. An Appointment of Corporate Representative form can be obtained from the company's securities registry.

STEP 3 SIGN THE FORM

The form **must** be signed as follows:

Individual: This form is to be signed by the securityholder.

Joint Holding: where the holding is in more than one name, all the securityholders should sign.

Power of Attorney: to sign under a Power of Attorney, you must have already lodged it with the registry. Alternatively, attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: this form must be signed by a Director jointly with either another Director or a Company Secretary. Where the company has a Sole Director who is also the Sole Company Secretary, this form should be signed by that person. **Please indicate the office held by signing in the appropriate place.**

STEP 4 LODGEMENT

Proxy forms (and any Power of Attorney under which it is signed) must be received no later than 48 hours before the commencement of the meeting, therefore by **10:30am (AEST) on Wednesday 28 June 2017**. Any Proxy Form received after that time will not be valid for the scheduled meeting.

Proxy forms may be lodged using the enclosed Reply Paid Envelope or:

🖥 **Online** www.votingonline.com.au/kklegm2017

📠 **By Fax** + 61 2 9290 9655

✉ **By Mail** Boardroom Pty Limited
GPO Box 3993,
Sydney NSW 2001 Australia

👤 **In Person** Boardroom Pty Limited
Level 12, 225 George Street,
Sydney NSW 2000 Australia

Attending the Meeting

If you wish to attend the meeting please bring this form with you to assist registration.

Kollakorn Corporation Limited

ACN 003 218 862

☐

Your Address

This is your address as it appears on the company's share register. If this is incorrect, please mark the box with an "X" and make the correction in the space to the left. Securityholders sponsored by a broker should advise their broker of any changes. **Please note, you cannot change ownership of your securities using this form.**

PROXY FORM

STEP 1 APPOINT A PROXY

I/We being a member/s of **Kollakorn Corporation Limited** (Company) and entitled to attend and vote hereby appoint:

☐

the Chair of the Meeting (mark box)

OR if you are **NOT** appointing the Chair of the Meeting as your proxy, please write the name of the person or body corporate (excluding the registered securityholder) you are appointing as your proxy below

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chair of the Meeting as my/our proxy at the Extraordinary General Meeting of the Company to be held at the **Grosvenor Place, Level 12, 225 George Street, Sydney NSW 2000 on Friday, 30 June 2017 at 10:30am (AEST)** and at any adjournment of that meeting, to act on my/our behalf and to vote in accordance with the following directions or if no directions have been given, as the proxy sees fit.

The Chair of the Meeting intends to vote undirected proxies in favour of each of the items of business.

STEP 2 VOTING DIRECTIONS

* If you mark the Abstain box for a particular item, you are directing your proxy not to vote on your behalf on a show of hands or on a poll and your vote will not be counted in calculating the required majority if a poll is called.

		FOR	AGAINST	ABSTAIN*			FOR	AGAINST	ABSTAIN*
Res 1	Approval of Issue of Shares to the Vendors of Isity Global Pte Ltd	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Res 7	Approval of the Conversion of Outstanding Director Fees to Shares	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Res 2	Approval of Issue of Performance Shares	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Res 8	Approval of the Conversion of Outstanding Director Fees to Shares	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Res 2A	Approval of Issue of Performance Shares to Charles Hunting, a Director of the Company	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Res 9	Approval of the Conversion of Outstanding Director Fees to Shares	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Res 3	Approval of Share Placement	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Res 10	Approval of the Conversion of Outstanding Management Fees to Shares	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Res 4	Approval of Consolidation of Shares and Options	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Res 11	Ratification of Previous Share Issue	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Res 5	Approval of the Conversion of Notes to Shares	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Res 12	Ratification of Previous Share Issue to the CEO	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Res 5A	Approval of the Conversion of Notes to Shares	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Res 13	Ratification of Previous Share Issue to the CEO	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Res 5B	Approval of the Conversion of Notes to Shares	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Res 14	Ratification of Previous Share Issue	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Res 6	Approval of the Conversion of Outstanding Director Fees and Accounting Fees to Shares	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>					

STEP 3 SIGNATURE OF SECURITYHOLDERS

This form must be signed to enable your directions to be implemented.

Individual or Securityholder 1

Sole Director and Sole Company Secretary

Securityholder 2

Director

Securityholder 3

Director / Company Secretary

Contact Name.....

Contact Daytime Telephone.....

Date / / 2017



KOLLAKORN CORPORATION LIMITED

Independent Experts Report

MAY 2017

FINANCIAL SERVICES GUIDE

RSM Corporate Australia Pty Ltd ABN 82 050 508 024 AFSL 255 847 (RSM or we or us or ours as appropriate) has been engaged to issue general financial product advice in the form of an independent expert's report to be provided to you.

In the above circumstances we are required to issue to you, as a retail client, a Financial Services Guide (FSG). This FSG is designed to help retail clients make a decision as to their use of the general financial product advice and to ensure that we comply with our obligations as financial services licensees.

This FSG includes information about:

- who we are and how we can be contacted;
- the services we are authorised to provide under our Australian Financial Services Licence, Licence No 255847;
- remuneration that we and/or our staff and any associates receive in connection with the general financial product advice;
- any relevant associations or relationships we have; and
- our complaints handling procedures and how you may access them.

Financial services we will provide

For the purpose of our report and this FSG, the financial service which we will be providing to you is the provision of general financial product advice in relation to securities.

We provide financial product advice by virtue of an engagement to issue a report in connection with a financial product of another person. Our report will include a description of the circumstances of our engagement and identify the person who has engaged us. You will not have engaged us directly but will be provided with a copy of the report as a retail client because of your connection to the matters in respect of which we have been engaged to report.

Any report we provide is provided on our own behalf as a financial services licensee authorised to provide the financial product advice contained in the report.

General financial product advice

In our report we provide general financial product advice, not personal financial product advice, because it has been prepared without taking into account your personal objectives, financial situation or needs.

You should consider the appropriateness of this general advice having regard to your own objectives, financial situation and needs before you act on the advice. Where the advice relates to the acquisition or possible acquisition of a financial product, you should also obtain a product disclosure statement relating to the product and consider that statement before making any decision about whether to acquire the product.

Benefits that we may receive

We charge various fees for providing various different financial services. However in respect of the financial services being provided to you by us, fees will be agreed with, and paid by, the person who engages us to provide the report and such fees will be agreed on either a fixed fee or time cost basis. You will not pay to us any fees for our services; the Company will pay our fees. These fees are disclosed in the Report.

Except for the fees referred to above, neither RSM Corporate Australia Pty Ltd, nor any of its directors, employees or related entities, receive any pecuniary benefit or other benefit, directly or indirectly, for or in connection with the provision of the report.

Remuneration or other benefits received by our employees

All of our employees who provide or provided services in relation to the financial services being provided to you receive a salary. However, other employees of RSM Corporate Australia Pty Ltd may be remunerated in other ways, such as salaries with the entitlement to earn a bonus, depending on meeting revenue, compliance and marketing targets throughout any given financial year. Such other remuneration structures are not relevant to the financial services being provided to you.

Referrals

We do not pay commissions or provide any other benefits to any person for referring customers to us in connection with the reports that we are licensed to provide.

Associations and relationships

RSM Corporate Australia Pty Ltd is wholly owned by the partners of RSM Australia, a large national firm of chartered accountants and business advisers. Our directors are partners of RSM Australia Partners.

From time to time, RSM Corporate Australia Pty Ltd, RSM Australia Partners, RSM Australia and / or RSM related entities may provide professional services, including audit, tax and financial advisory services, to financial product issuers in the ordinary course of its business.

Complaints Resolution

Internal complaints resolution process

As the holder of an Australian Financial Services Licence, we are required to have a system for handling complaints from persons to whom we provide financial product advice. All complaints must be in writing, addressed to The Complaints Officer, RSM Corporate Australia Pty Ltd, PO Box R1253, Perth, WA, 6844, +61 (0) 8 9261 9100.

When we receive a written complaint we will record the complaint, acknowledge receipt of the complaint within 15 days and investigate the issues raised. As soon as practical, and not more than 45 days after receiving the written complaint, we will advise the complainant in writing of our determination.

Referral to external dispute resolution scheme

A complainant not satisfied with the outcome of the above process, or our determination, has the right to refer the matter to the Financial Ombudsman Service (FOS). FOS is an independent company that has been established to provide free advice and assistance to consumers to help in resolving complaints relating to the financial services industry.

Further details about FOS are available at the FOS website or by contacting them directly via the details set out below.

Financial Ombudsman Service
GPO Box 3
Melbourne VIC 3001

Toll Free: 1300 78 08 08
Facsimile: (03) 9613 6399
Email: info@fos.org.au

Contact details

You may contact us using the details set out at the top of our letterhead on page 3 of the Independent Expert's Report.

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19 May 2017

The Directors
Kollakorn Corporation Limited
Level 9
65 York Street
SYDNEY NSW 2000

Dear Directors

INDEPENDENT EXPERT'S REPORT

1. Introduction

- 1.1 This Independent Expert's Report (the Report or IER) has been prepared to accompany the Notice of General Meeting and Explanatory Memorandum (NoM) to be sent to shareholders for an Extraordinary General Meeting of Kollakorn Corporation Limited (Kollakorn or the Company) to be held in or around June 2017 (the EGM) at which shareholder approval will be sought for, inter alia, the proposed acquisition of Isity Global Pte Limited (Isity) as announced to the Australian Securities Exchange Limited (ASX) on 22 December 2016 (the proposed transaction).
- 1.2 The Directors of Kollakorn have requested RSM Corporate Australia Pty Ltd (RSM), being independent and qualified for the purpose, to express an opinion as to whether the proposed transaction on the terms set out in the ASX announcement are fair and reasonable to the Kollakorn shareholders not associated with the proposed transaction (the non-associated shareholders).
- 1.3 In preparing this IER, we have had regard to the Australian Securities and Investment Commission's (ASIC's) Regulatory Guide 111 – Content of Expert Reports (RG 111) in our assessment of the fairness and reasonableness of the proposed transaction.
- 1.4 The ultimate decision whether to approve the proposed transaction should be based on each shareholder's assessment of their circumstances, including their risk profile, liquidity preference, tax position and expectations as to value and future market conditions. If in doubt about the proposed transaction, or matters dealt with in this IER, shareholders should seek independent professional advice.

2. Summary and conclusion

- 2.1 In our opinion, and for the reasons set out in Sections 10 and 11 of this Report, for the purposes of ASX Listing Rule 10.1, we are of the opinion the proposed transaction is fair and reasonable to the non-associated shareholders of Kollakorn.

Fairness

- 2.2 As both Kollakorn and Isity are loss making, we are not able to assess value (fairness) using an earnings or income based valuation approach. Accordingly, in assessing the fairness of the proposed transaction, we have valued a share in Kollakorn immediately prior to and immediately after the proposed transaction on two bases as follows:
 - the net assets as a going concern approach; and
 - the price at which the securities of both entities have recently traded.
- 2.3 Further, we have conducted our analysis on a minority basis. We have done so as, in our opinion, the transaction is not a control transaction. No individual, or group of shareholders, control Kollakorn prior to the proposed transaction (the largest shareholder, Kollakorn Thailand, holds approximately 8.4% of the issued capital) and, assuming the proposed and associated transactions are approved and the Performance Shares vest and are exercised, no individual or (existing) group of shareholders will hold greater than 50% of the post transaction issued capital of Kollakorn. Accordingly, we have compared the value of a share in Kollakorn prior to the

proposed transaction on a minority basis to the value of a Kollakorn share immediately after the proposed transaction on a minority basis.

- 2.4 Accordingly, we have assessed the fairness of the proposed transaction by valuing a share in Kollakorn immediately prior to, and immediately after, the proposed transaction using the net assets on a going concern method as shown in the table below.

AUD	Low	High
Value of a Kollakorn share prior to the proposed transaction (minority)	nil	nil
Value of a Kollakorn share immediately after the proposed transaction (minority)	nil	nil

Source: RSM analysis

Table 1: Fairness evaluation using net assets as a going concern basis

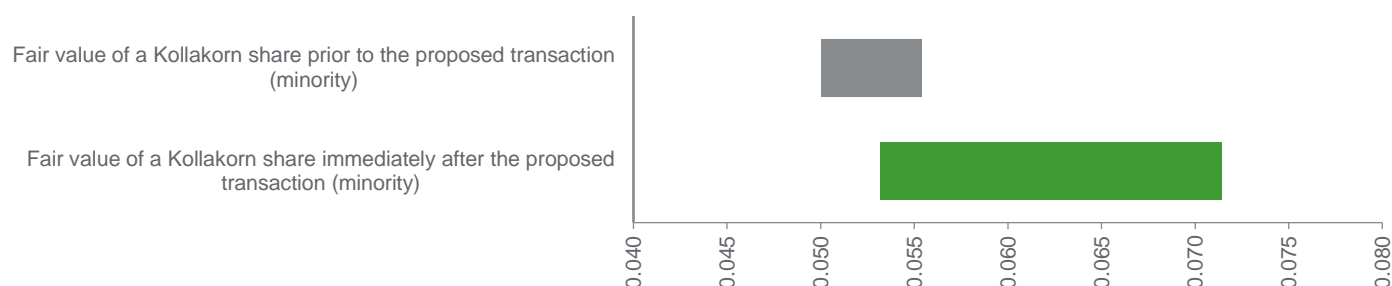
- 2.5 Our analysis of the value of a Kollakorn share prior to and immediately after the proposed transaction on a minority basis using the price at which securities of the entities have traded is set out in the table below.

AUD	Low	High
Value of a Kollakorn share prior to the proposed transaction (minority)	0.0500	0.0554
Value of a Kollakorn share immediately after the proposed transaction (minority)	0.0532	0.0714

Source: RSM analysis

Table 2: Fairness evaluation using the quoted price of listed securities

- 2.6 The results of our analysis using the net assets on a going concern method are illustrated in the figure below.



Source: RSM analysis

Figure 1: Graphical representation of valuation summary (quoted price of listed securities method)

- 2.7 As the fair value of a Kollakorn share immediately after the proposed transaction estimated under both the net asset and traded price approaches is greater than or equal to the fair value prior to the proposed transaction, and in the absence of any other relevant information, in our opinion, the proposed transaction is fair to the non-associated shareholders of Kollakorn.

Reasonableness

- 2.8 RG 111 establishes that an offer is reasonable if it is fair. It might also be reasonable if, despite not being fair, there are sufficient reasons for the security holders to accept the offer in the absence of any higher bid.
- 2.9 In our assessment of whether the proposed transaction is reasonable, we have given consideration to the future operations of Kollakorn if the proposed transaction does not proceed and other commercial advantages and disadvantages to the non-associated shareholders as a consequence of the proposed transaction proceeding.
- 2.10 In our opinion, the key advantages of the proposed transaction are:

- Kollakorn shareholders will obtain direct exposure to the Isity projects and expertise;
- The capital raised under the share placement (which is co-dependent upon approval of the acquisition of Isity) will allow Kollakorn access to working capital to progress commercialisation of Isity and also existing Kollakorn intellectual property;
- If Isity is successful in executing its plans, the proposed transaction could provide a sustainable business which can grow revenue and profits over the medium term;
- Kollakorn will add members to the management team with expertise in the Isity business and whose skills may be extended to Kollakorn's existing businesses;

- Isity's potential access to cash flow from projects such as the Changchun project may allow further development and commercialisation of Kollakorn's technology;
- Kollakorn may have opportunities to expose Isity's contacts and clients to Kollakorn's existing technologies, some of which (e.g. RFID) can be used in Isity's building sustainability business;
- The addition of the Isity business may encourage additional liquidity in Kollakorn shares; and
- If the proposed transaction is approved, shareholders have the opportunity to approve other resolutions (in relation to conversion of existing debt and convertible notes to shares) which will have the effect of strengthening Kollakorn's balance sheet.

2.11 In our opinion, the key disadvantages of the proposed transaction are:

- in the absence of any other transactions, Kollakorn shareholders will be diluted from 100% to 68.3% immediately after the proposed transaction and 46.3% should the Performance Shares vest;
- should the shareholders approve the associated resolutions, they will be further diluted to 57.0% immediately after the proposed transaction and 40.8% should the Performance Shares vest; and
- Kollakorn shareholders may not want exposure to the potential risks and benefits of the Isity business. Should this be the case, those shareholders may be able to exit Kollakorn by selling their shares on the ASX.

2.12 We are not aware of any alternative proposals at this time that would offer the non-associated shareholders a premium over, or be more advantageous than, the terms offered under the proposed transaction.

2.13 We have also considered the Volume Weighted Average Price (VWAP) of Kollakorn's share price and volume traded in the period prior to, and after the announcement of the proposed transaction on 22 December 2016 in our assessment of the market's response to the announcement.

2.14 The VWAP of \$0.007 in the period after the announcement to 21 February 2017 is 27% and 40% higher (respectively) than the VWAP of \$0.0055 and \$0.0050 observed for the 30 days and 5 days prior to the announcement of the proposed transaction.

2.15 Notwithstanding the low liquidity of Kollakorn shares, we consider that the market has reacted favourably to the announcement of Kollakorn's proposed transaction with Isity. We note that the proposed transaction is part of a series of transactions contemplated by Kollakorn as set out in the NoM, and it is likely that any market reaction is to the suite of proposed corporate actions announced as opposed to just the proposed transaction.

2.16 In the absence of any other relevant information and / or a superior offer, for the purposes of ASX Listing Rule 10.1, we consider that the proposed transaction is reasonable for the non-associated shareholders of Kollakorn.

3. Summary of the proposed transaction

- 3.1 On 22 December 2016, Kollakorn announced, together with a number of other associated transactions, the proposed acquisition of all of the issued capital of Isity Global Pte Limited by way of the issue of Shares and Performance Shares.

Proposed transaction

- 3.2 Subject to the approval at the EGM, the Kollakorn directors will:

- pursuant to *Resolution 1* in the NoM, issue 312,500,000 pre consolidation shares (31,250,000 post consolidation) to the shareholders of Isity in consideration for 100% of the issued capital of Isity; and
- pursuant to *Resolutions 2 and 2A* in the NoM, issue 75,000,000 (post consolidation) Performance Shares to the shareholders of Isity on the terms set out in the announcement.

The key vesting conditions which attach to the Performance Shares are:

- vesting date is to be three years from the date of conclusion of the proposed transaction plus the period to the end of that financial year (i.e. if the proposed transaction concludes on 31 May 2017, the vesting date would be 30 June 2020), and the Performance Shares must be exercised with three months of the vesting date;
 - Isity's revenue will reach USD100 million by the end of the vesting period; and
 - Isity's profit contribution to Kollakorn's revenues will follow a 25% annual compound growth rate for the vesting period.
- The proposed share placement is a pre-condition to the proposed transaction. Pursuant to *Resolution 3* in the NoM, under the proposed share placement, the directors of Kollakorn will issue 187,500,000 pre consolidation shares to sophisticated investors at \$0.008 per share (18,750,000 post consolidation shares at \$0.08) to raise \$1.5 million (the proposed share placement).

- 3.3 As the proposed transaction and the proposed share placement are co-dependent, we have considered them together when forming our opinion for the purposes of this report. Accordingly, references to the proposed transactions are hereinafter references to the co-dependent transactions being considered by shareholders under *Resolutions 1, 2, 2A and 3*.

Associated transactions

- 3.4 According to the announcement, the directors of Kollakorn will seek shareholder approval for a number of associated transactions at the EGM (the associated transactions). The associated transactions are each subject to the passing of *Resolution 1* in the NoM (the proposed transaction) and are set out in more detail in the NoM and Explanatory Memorandum.

- 3.5 For the purposes of this report, we have summarised the associated transactions below:

- pursuant to *Resolution 4* in the NoM, the directors are seeking approval to consolidate all the issued securities in Kollakorn on a 1 for 10 basis;
- pursuant to *Resolutions 5, 5A and 5B* in the NoM, the directors are seeking approval to convert outstanding convertible notes with a value of approximately \$1,196,197 (principal and interest at 31 May 2017) to shares at \$0.008 per share (pre consolidation) on the terms previously agreed (the proposed conversion);
- pursuant to *Resolutions 6*, the directors are seeking approval to convert the liability to Brentnalls NSW Pty Limited for outstanding directors and accounting fees of approximately \$695,223 to shares at \$0.008 per share (pre consolidation);
- pursuant to *Resolutions 7, 8 and 9* in the NoM, the directors are seeking approval to convert the liability to directors for outstanding directors fees (excluding those dealt with above) of approximately \$547,562 to shares at \$0.008 per share (pre consolidation);
- pursuant to *Resolution 10* in the NoM, the directors are seeking approval to convert the liability for management fees in the sum of \$76,254 to shares at \$0.008 per share (pre consolidation); and
- pursuant to *Resolutions 11, 12, 13 and 14* the directors are seeking ratification of previous share issues to various parties on the terms set out in the NoM and Explanatory Memorandum.

Effect of the proposed transaction on the capital structure of Kollakorn

3.6 The table below summarises the capital structure of Kollakorn prior to, and immediately following, the proposed transactions. To allow comparability of the pre and post-Performance Share position, we have assumed the share consolidation will occur – we note this does not impact the relative holdings described below.

Shareholding metrics - proposed transaction	Res'n	Pre-transaction	%	Post-transaction	%	Post – performance shares	%
KKL shares on issue (pre consolidation)		1,078,310,077					
Share consolidation – 1 for 10	4	(970,479,069)					
KKL shares on issue (post consolidation)		107,831,008	100%	107,831,008	68.3%	107,831,008	46.3%
Issued to Isity vendors	1,2,2A			31,250,000	19.8%	106,250,000	45.6%
Issued under share placement	3			18,750,000	11.9%	18,750,000	8.1%
Total shares on issue (post proposed transaction)		107,831,008	100%	157,831,008	100%	232,831,008	100%

Source: Kollakorn, RSM analysis

Table 3: Kollakorn capital structure prior to and immediately after the proposed transaction

- 3.7 As set out in the table above, prior to the proposed transaction, existing Kollakorn shareholders held 100% of the issued capital.
- 3.8 Should the proposed transactions be approved, current Kollakorn shareholders will hold around 68.3% of the issued capital, the Isity shareholders approximately 19.8% and the placement shareholders 11.9%.
- 3.9 In the absence of the associated transactions, should the Performance Shares vest, the existing Kollakorn shareholders would hold 46.3% of the issued capital, the Isity vendors 45.6% with the balance held by the placement shareholders.
- 3.10 The table below summarises the capital structure of Kollakorn prior to, and immediately following, the proposed transactions assuming the associated transactions are also approved.

Shareholding metrics - proposed and associated transactions	Res'n	Pre-transaction		Post-transaction		Post – performance shares	
KKL shares on issue (pre consolidation)		1,078,310,077					
10:1 share consolidation	4	(970,479,069)					
KKL shares on issue (post consolidation)		107,831,008	100%	107,831,008	57.0%	107,831,008	40.8%
Issued to Isity vendors	1,2,2A			31,250,000	16.5%	106,250,000	40.2%
Issued under share placement	3			18,750,000	9.9%	18,750,000	7.1%
Issued to convertible note holders	5,5A,5B			14,952,463	7.9%	14,952,463	5.6%
Issued for Directors and accounting fees	6,7,8,9			15,534,825	8.2%	15,534,825	5.9%
Issued for management fees	10			953,177	0.5%	953,177	0.4%
Total shares on issue (post proposed and associated transactions)		107,831,008	100%	189,271,473	100.0%	264,271,473	100.0%

Source: Kollakorn, RSM analysis

Table 4: Kollakorn capital structure prior to and immediately after the proposed and associated transactions

- 3.11 Should the proposed and associated transactions be approved, current Kollakorn shareholders will hold around 57.0% of the issued capital, Isity shareholders approximately 16.5%, the placement shareholders 9.9%, the convertible note holders 7.9% and the balance held by directors and related parties who have elected to receive shares in satisfaction of amounts debts owed by the Company.
- 3.12 Should the Performance Shares vest, the current Kollakorn shareholders will continue to hold up 40.8% of the issued capital of Kollakorn and the Isity vendors 40.2%.
- 3.13 We note the existing Kollakorn shareholders retain greater than 50% (control) of the Company (immediately after the proposed transactions and associated transactions are complete), and that no individual or (existing) group of shareholders will hold greater than 50% should the Performance Shares vest and be exercised.
- 3.14 The scenarios above also assume the following:
- no additional Kollakorn shares are issued or bought back; and
 - no other trading in Kollakorn shares occurs.

4. Purpose of this Report

ASX Listing Rule 10.1

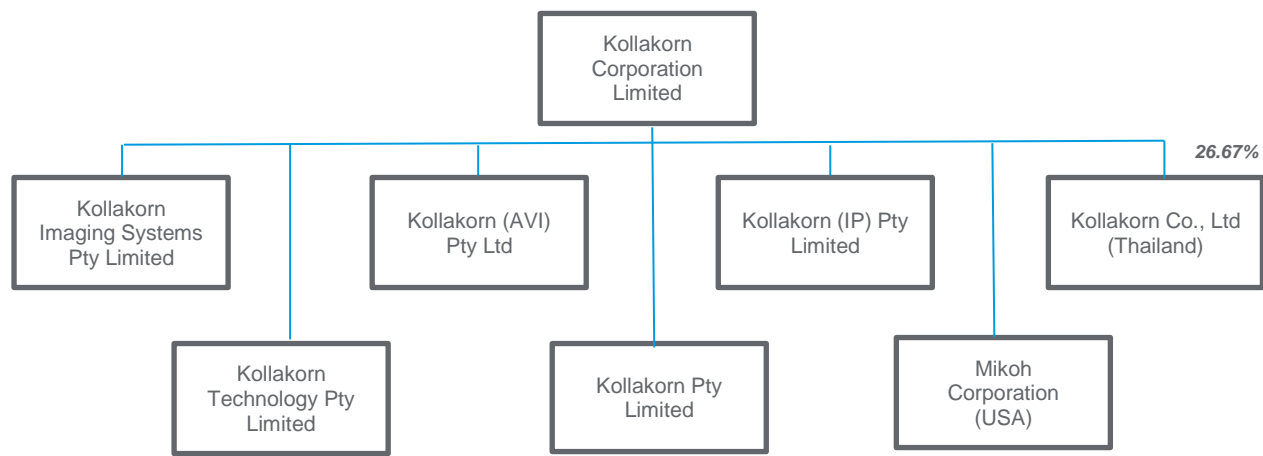
- 4.1 Kollakorn is seeking approval to acquire ordinary securities in Isity pursuant to ASX Listing Rule 10.1. Chapter 10 of the Listing Rules contains certain provisions in relation to transactions between an entity and “persons in a position of influence”. Listing Rule 10.1 provides that a listed entity must not acquire or dispose of a “substantial asset” from or to a related party, a substantial holder, an associate to any of those persons or any person whose relationship is to the listed entity, without the approval of holders of the entity’s ordinary securities.
- 4.2 An asset is deemed to be substantial if its value, or the value of the consideration for it, is 5% or more of the equity interests of the entity. Mr Charles Hunting is a director of both Kollakorn and Isity and, accordingly, the proposed transaction contravenes Listing Rule 10.1.
- 4.3 Where Listing Rule 10.1 is contravened, Listing Rule 10.10.2 requires a report on the proposed transaction from an independent expert. The report must state the independent expert’s opinion as to whether the transaction is fair and reasonable to holders of the entity’s ordinary securities whose votes are not to be disregarded.

Basis of evaluation

- 4.4 In determining whether the proposed transaction is “fair and reasonable”, we have given regard to the views expressed by ASIC in RG 111. RG 111 provides ASIC’s views on how an expert can help security holders make informed decisions about transactions. Specifically, it gives guidance to experts on how to evaluate whether or not a proposed transaction is fair and reasonable.
- 4.5 RG 111 states that the expert report should focus on:
- the issues facing the security holders for whom the report is being prepared; and
 - the substance of the transaction rather than the legal mechanism used to achieve it.
- 4.6 When analysing related party transactions, RG 111 states it is important that an expert focus on the substance of the related party transaction, rather than the legal mechanism. For example, where a related party transaction is made of a number of separate components, the expert should consider the overall effect of the related party transaction. Where the related party transaction is one component of a broader transaction or a series of transactions involving non-related parties (such as a control transaction), the expert should carefully consider what level of analysis of the related party transaction is required. In this consideration, the expert should bear in mind whether the report has been sought to ensure the non-associated shareholders are provided with sufficient information to decide whether to approve giving a financial benefit to the related party as well as approving the broader transaction.
- 4.7 RG 111 applies the fair and reasonable test as two distinct criteria, stating that a proposed related party transaction is fair if the value of the financial benefit to be provided by the entity to the related party is equal or less than the value of the consideration being provided to the entity.
- 4.8 A related party transaction is reasonable if it is fair. It might also be reasonable if, despite not being fair, the expert believes there are sufficient reasons for the non-associated shareholders to vote for the transaction.
- 4.9 Consistent with the guidelines in RG 111, in determining whether the proposed transaction is “fair and reasonable” to the non-associated shareholders, the analysis undertaken is as follows:
- a comparison of the fair value of a share in Kollakorn prior to and immediately following the proposed transaction, being the ‘consideration for non-associated shareholders’ in the assessment of fairness; and
 - a review of other significant factors which the non-associated shareholders might consider appropriate prior to approving the proposed transaction in the assessment of reasonableness.
- 4.10 In particular, we have considered the advantages and disadvantages of the proposed transaction in the event that the proposed transaction proceeds or does not proceed, including:
- the future operations of Kollakorn if the proposed transaction does not proceed; and
 - any other commercial advantages and disadvantages to the non-associated shareholders as a consequence of the proposed transaction proceeding.
- 4.11 Our assessment of the proposed transaction is based on economic, market and other conditions prevailing at the date of this Report.

5. Profile of Kollakorn

- 5.1 Kollakorn, listed on the ASX in 1992 (as MIKOH Corporation Ltd), has patented technology which is applied to an RFID tag called Break on Removal (BOR) with 13 other patents granted as subsets to BOR, including the Smart&Secure RFID tags which have application in a range of industries.
- 5.2 The purpose behind the BOR RFID tags is to ensure the one on one relationship between the tag and the original asset that has been tagged remains. If the tag is still operating then this gives confidence that the tag has not been tampered with or transferred from another asset.
- 5.3 BOR has particular application to the transport industry where it is necessary for the purposes of Electronic Vehicle Registration (EVR) and Automatic Vehicle Identification (AVI) systems to ensure that the tag originally applied to a motor vehicle is still the same tag. This provides a platform for applications such as vehicle registration, speed monitoring, free flow and congestion tolling, parking lot management, fleet management, e-commerce, border security and vehicle access.
- 5.4 The mechanism used to do this is to construct the tag so that if it is tampered with (removed from an asset) it will cease to operate, thus, the tag is ‘tamper evident’ rather than ‘tamper proof’.
- 5.5 Once in operation the tag securely stores data which can be read, and performs in a range of weather conditions, read distances and speeds.
- 5.6 In addition, Kollakorn owns a second patented technology called ‘CertainID’, which is patented in the US, Australia and China, with patents pending in Europe and elsewhere. CertainID allows a person to be biometrically identified over the Internet without any of that person’s biometric information being released into the Internet. CertainID is intended to assist in combatting online fraud and identity theft.
- 5.7 CertainID works with all access methods used to access the internet and provides secure reliable identification of a person, e.g. authentication for online banking and financial transactions, ensuring privacy and security of online personal records such as medical records or securely identifying participants on social networking sites.
- 5.8 Kollakorn also owns 26.67% of Kollakorn Co., Ltd (Kollakorn Thailand). The initial 20% stake in Kollakorn Thailand was acquired in June 2011 and additional shares have been acquired since that date.
- 5.9 The corporate structure of Kollakorn as at the date of this report is illustrated below. With the exception of Kollakorn Thailand, all subsidiaries are wholly owned.



Source: Kollakorn

Figure 2: Kollakorn corporate structure

Directors and key management

5.10 As at the date of this IER, the Directors and key management of Kollakorn, comprised the following:

- Riad Tayeh – Non-Executive Director and Independent Chairman;
- Charles Hunting – Non-Executive Director;
- Namchoke Sompapa – Non-Executive Director;
- Nicholas Aston – Director and Chief Financial Officer;
- David Mathews – Chief Executive Officer;
- Richard Sealy – Chief Operating Officer; and
- Tom Bloomfield – Company Secretary.

Financial performance

5.11 The table below sets out the financial performance of Kollakorn for the years ended 30 June 2014 (FY2014), 30 June 2015 (FY2015) and 30 June 2016 (FY2016) together with the half-year ended 31 December 2016.

AUD	Note	Year ending 30-Jun-14 Audited	Year ending 30-Jun-15 Audited	Year ending 30-Jun-16 Audited	6 months ending 31-Dec-16 Reviewed
<i>Income</i>					
Revenue from sale of goods	5.12 i), 5.12 v)	7,957	18,166	21,621	-
Revenue from royalties	5.12 i), 5.12 v)	126,803	254,038	198,444	96,359
Less cost of goods sold		(7,455)	(12,653)	(10,113)	(5,262)
Gross profit		127,305	259,551	209,952	91,097
Gross margin		94%	95%	95%	95%
Other income		64,114	738,194	33	6
Total income		191,419	997,745	209,985	91,103
<i>Expenses</i>					
Administration	5.12 ii)	(1,021,337)	(783,023)	(626,921)	(457,971)
Amortisation of intangible assets		(87,185)	(87,185)	(87,185)	(43,593)
Finance costs		(115,613)	(175,061)	(59,003)	(52,941)
Marketing and sales		(6,702)	-	-	-
Foreign exchange losses		(10,092)	(128,521)	(3,077)	(2,684)
Research and development		(150,907)	(103,044)	(125,122)	(38,147)
Share of profit (losses) from associates	5.12 iii)	(414,824)	(365,619)	40,017	(223,075)
Total expenses		(1,806,660)	(1,642,453)	(861,291)	(818,411)
Profit / (loss) before income tax		(1,615,241)	(644,708)	(651,306)	(727,308)
Income tax expense		-	-	-	-
Profit / (loss)		(1,615,241)	(644,708)	(651,306)	(727,308)
Exchange differences on translation of foreign entities		(4,415)	(30,219)	(7,371)	(7,900)
Total comprehensive profit / (loss)	5.12 iv), 5.12 vi)	(1,619,656)	(674,927)	(658,677)	(735,208)

Source: Kollakorn audited and reviewed financial statements

Table 5: Kollakorn historical statements of financial performance

5.12 In relation to the financial information presented in the table above we note:

- i) Kollakorn earns revenue from two sources:
 - Direct sales of goods – primarily RFID tags; and
 - Royalty income from the licensing of RFID technology to 3M and Star RFID;
- ii) the Company has reduced administration costs to allow it to operate solvently. Funding for ongoing operations has, historically been sourced primarily through capital raisings;
- iii) Kollakorn equity accounts for its investment in Kollakorn Thailand. Accordingly, Kollakorn has recorded its share of the losses of Kollakorn Thailand in each period. We note Kollakorn Thailand was profitable in the year to 30 December 2015 which, we understand, was primarily due to the entity winning a project to deliver

computer equipment for the Thailand Advance Passenger Profiling System to Samart Corporation PCL, a company listed on the Thailand stock exchange. We note that Kollakorn Thailand recorded a loss for the six months to 31 December 2016;

- iv) Kollakorn has been loss making in each period presented, with the exception of FY2015. In FY2015, Kollakorn made a gain on extinguishment of certain debt owed to La Jolla Cove Investments, Inc. when it settled a debt of around \$900,000 for \$150,000;
- v) in the six months to 31 December 2016, revenue of approximately \$96,000 was significantly lower than the prior corresponding period (\$911,014). According to the financial statements for the period to 31 December 2016, the decrease was primarily due to accounting for the Kollakorn's share of the loss made by Kollakorn Thailand for the period of (\$233,075) (prior corresponding period \$820,087); and
- vi) Kollakorn was not in a tax paying position at any time in the period presented above. As at 30 June 2016, Kollakorn had approximately \$13.6 million of unrecognised tax losses (potential tax benefit at 30% of around \$4.1 million).

5.13 We have not been provided with directors forecasts for FY2017 and accordingly have not presented any prospective financial information in relation to Kollakorn in this report.

Financial position

5.14 The table below summarised the audited statement of financial position of Kollakorn as at 30 June 2016 together with the reviewed statement of financial position as at 31 December 2016.

AUD	Note	As at 30-Jun-16 Audited	As at 31-Dec-16 Reviewed
<i>Current assets</i>			
Cash and cash equivalents	5.16 i)	35,149	106,339
Trade and other receivables	5.16 ii)	167,529	184,584
Other assets		-	-
Total current assets		202,678	290,923
<i>Non-current assets</i>			
Intangible assets	5.16 iii)	174,371	130,778
Investment in associates	5.16 iv)	5,041,706	4,818,632
Total non-current assets		5,216,077	4,949,410
Total assets		5,418,755	5,240,333
<i>Current liabilities</i>			
Trade and other payables	5.16 v)	1,712,267	1,913,303
Other current liabilities		-	-
Provisions		94,917	97,408
Total current liabilities		1,807,184	2,010,711
<i>Non-current liabilities</i>			
Other non-current liabilities	5.16 vi)	1,125,526	1,164,343
Total non-current liabilities		1,125,526	1,164,343
Total liabilities		2,932,710	3,175,054
Net assets		2,486,045	2,065,279
<i>Equity</i>			
Issued capital		50,562,667	50,850,167
Reserves		1,872,187	1,891,229
Accumulated losses		(49,948,809)	(50,676,117)
Total equity		2,486,045	2,065,279

Source: Kollakorn audited and reviewed financial statements

Table 6: Kollakorn historical statements of financial position

5.15 The audit and review opinions in relation to each of the above summarised statements of financial position contain a disclaimer of opinion in relation to the items identified below. As at 31 December 2016, the auditor (RSM Australia Partners) noted the following (paraphrased):

- going concern assumption – in the period to 31 December 2016 Kollakorn incurred net loss after tax of \$727,308 and had net cash outflows from operating activities of \$82,040. As at 31 December 2016, the

Company had net current liabilities of \$1,719,788. The auditor noted the inability to obtain sufficient audit evidence that Kollakorn will be able to raise sufficient capital to allow it to pay its debts as they fall due over the following 12 months;

- carrying value of Kollakorn Thailand – the auditor noted the investment in Kollakorn Thailand was being carried at \$4,818,362 and that this balance represents over 90% of the entities net assets. The ability to realise the carrying value of the investment is dependent upon Kollakorn Thailand raising sufficient funds to commercialise and exploit its RFID and related technology;
- share of results of Kollakorn Thailand – Kollakorn reflects its share of Kollakorn Thailand's net profit in its profit and loss in each period. The auditor was unable to obtain sufficient audit evidence in relation to the carrying value of the investment in Kollakorn Thailand and Kollakorn's share of the net profit of Kollakorn Thailand as the financial statements of Kollakorn Thailand are unaudited and RSM Australia Partners are unable to perform adequate alternative audit procedures. Consequently RSM Australia Partners were unable to determine whether any adjustments to these amounts were necessary at 31 December 2016.

5.16 We note the following in relation to the statement of financial position as at 31 December 2016 presented above:

- i) the cash balance of \$106,339 was around \$70,000 higher than the cash position as at 30 June 2016. We are advised the increase was primarily due to the net impact of a capital raising during the period. The capital raising was conducted under the 10% placement facility approved by the shareholders at the 2016 AGM.
- ii) trade and other receivables of \$184,584 include an amount of approximately \$90,000 which has been outstanding for over 120 days;
- iii) intangible assets of \$130,778 as at 31 December 2016 include Kollakorn's intellectual property at cost less accumulated amortisation;
- iv) Investment in associates is the carrying value of Kollakorn's 26.67% share of the issued capital of Kollakorn Thailand as discussed above;
- v) trade and other payables includes amounts due to trade and sundry creditors. Sundry creditors include directors and advisors to Kollakorn who have elected not to request immediate payment of amounts owing for services to the company; and
- vi) other non-current liabilities are primarily convertible notes issued in February 2016. The notes carry a coupon of 7% per annum which is to be capitalised on yearly rests and are secured against a portion of the shares owned in Kollakorn Thailand.

5.17 The net asset position of Kollakorn has deteriorated from \$2.486 million at 30 June 2016 to \$2.065 million at 31 December 2016. Further, the tangible net asset position as at 31 December 2016 was \$1.934 million and the net asset position of the group excluding the investment in Kollakorn Thailand (at carrying value) was (\$2.753) million.

Capital structure

5.18 As at the date of the announcement regarding the proposed acquisition of Isity, Kollakorn had 1,072,060,077 shares on issue, of which approximately 43% were held by the top 20 shareholders. A summary of the share register of Kollakorn is included in the table below.

Kollakorn shareholders	Number of shares	Percentage of total
Kollakorn Company Limited	89,722,683	8.4%
Terstan Nominees Pty Limited <Morrows P/L Super Fund A/C>	40,159,082	3.7%
Bond Street Custodians Limited <HPWPL-O19760 A/C>	38,498,615	3.6%
Davies Nominees Pty Ltd <Super Duper Super Fund A/C>	35,000,000	3.3%
Bordonni Holdings Pty Ltd <Peter Brown S/F A/C>	31,924,535	3.0%
140 Foot Ventures (Singapore) Pte Ltd	28,571,428	2.7%
Deancorp Pty Ltd <Jumbo Super Fund A/C>	25,255,206	2.4%
Mr Stuart Turner	20,077,000	1.9%
Mr Gregory Levvey & Mrs Bronwyn Levvey <Levvey Super Fund A/C>	19,748,436	1.8%
Ronatac Pty Ltd <Master Carpets Hld P/L Super Fund A/C>	17,000,000	1.6%
K B J Investments Pty Ltd <Jarry Family A/C>	16,500,000	1.5%
Thomas Evans Investments Pty Ltd <Thomas Evans Holdings A/C>	12,490,097	1.2%
Edinburgh Park Stud Pty Ltd	12,222,223	1.1%
K B J Investments Pty Ltd <Jarry Family Super Fund A/C>	11,424,016	1.1%
Deancorp Pty Ltd <Jumbo S/F A/C>	11,226,136	1.0%
Miss Kim Van Netten	11,140,104	1.0%
Mr Alex Dell'Anna	10,500,000	1.0%
Davies Nominees Pty Ltd <Snape Family A/C>	10,436,708	1.0%
Chavoo Pty Ltd <Midhurst Super Fund A/C>	10,357,267	1.0%
Mr Peter Bailey & Mrs Helen Bailey <Petlen Superannuation A/C>	10,000,000	0.9%
Top 20 holders of issued capital	462,253,536	43.1%
Remaining shareholders	609,806,541	56.9%
Total shares on issue	1,072,060,077	100.0%

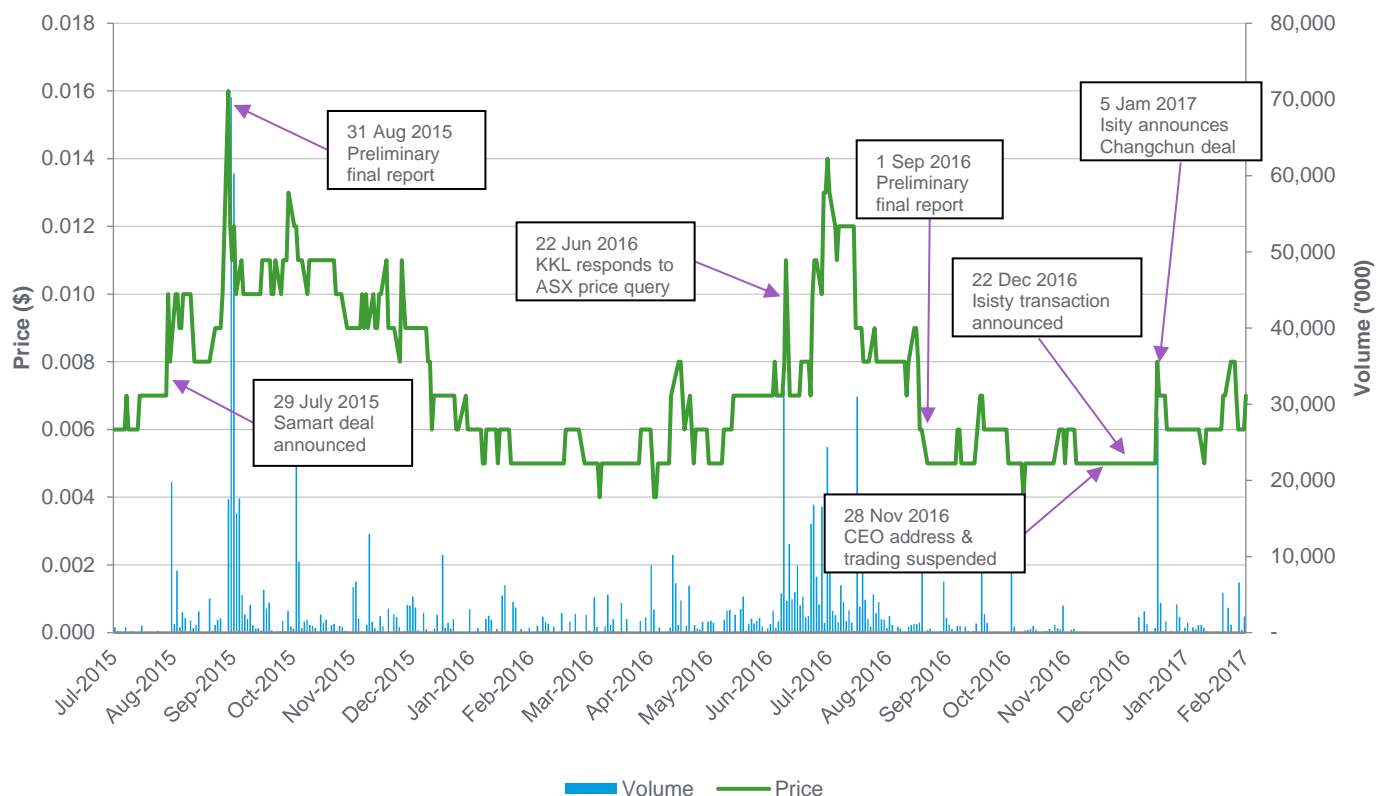
Source: Kollakorn

Table 7: Kollakorn shareholdings as at 22 December 2016

- 5.19 We note Kollakorn has a relatively open share register with no significant institutional shareholdings. The largest holding in Kollakorn is held by a related entity, Kollakorn Thailand, with around 8.4%. Kollakorn Thailand was the only shareholder with over 5% of the issued capital.
- 5.20 As at 19 September 2016, Kollakorn had 2,247 shareholders. Of those, around 680 shareholders held greater than 100,000 shares and collectively, this group held over 97% of the issued capital. 173 shareholders held less than a marketable parcel at that date.

Share price performance

5.21 The daily closing price and traded volumes of Kollakorn shares on the ASX from 1 July 2015 to 21 February 2017 are set out in the chart below.



Source: Capital IQ, ASX announcements and RSM analysis

Figure 3: Kollakorn daily closing price and traded volume

5.22 Over the period, as presented in the Figure above, Kollakorn's share price has ranged between \$0.004 (March, April and November 2016) and \$0.016 (September 2015). The closing price on the day the directors announced the proposed transaction to the ASX was \$0.005.

5.23 Trading in Kollakorn shares demonstrates relatively low liquidity, with higher levels of trading historically associated with results of other price sensitive announcements.

5.24 We note the spike in trading and share price in Kollakorn's shares during the period from June 2016 to August 2016 occurred at a time during which Kollakorn released no market sensitive information. The Company responded to an ASX price query over that period (on 22 June 2016) confirming that the directors were not aware of any information which could have caused the abnormal trading in Kollakorn shares.

5.25 The key announcements made by Kollakorn over the period presented in the Figure above are summarised below:

- 29 July 2015 – Kollakorn Thailand won an USD10.7 million deal to supply equipment to Samart Corporation PCL to be used for an Advance Passenger Processing system at Thai airports;
- 31 August 2015 – Shareholder update and preliminary final report;
- 30 September 2015 – Annual report to shareholders;
- 10 November 2015 – Annual general meeting and CEO's address to shareholders;
- 1 December 2015 – Kollakorn announces completion of the Advance Passenger Processing contract;
- 22 February 2016 – Half yearly report and accounts released;

- 29 March 2016 – Resignation of CEO and Director - Mr Richard Sealy;
 - 30 May 2016 – Kollakorn announces the appointment of Mr David Matthews as CEO and Mr Richard Sealy is appointed as COO;
 - 22 June 2016 – ASX requests and Kollakorn responds to a price query;
 - 1 September 2016 – Preliminary final report released;
 - 3 October 2016 – Annual report to shareholders;
 - 11 November 2016 – Kollakorn Thailand signs an MOU for implementation of an Advance Passenger Processing System with the Ministry of Public Security in Laos;
 - 28 November 2016 – CEO's address and presentation to shareholders. The company is suspended from the ASX due to the presentation of a potential transaction to transform the business;
 - 22 December 2016 – Details of the proposed acquisition of Isity Global;
 - 22 December 2016 – Reinstatement to the Official List;
- 5 January 2015 – Isity announces the signing of a major agreement with Changchun Industry Development Research Institute; and
 - 28 February 2016 – Half yearly report and accounts.

Kollakorn's pre announcement volume weighted average share price (VWAP)

5.26 We have also analysed the trading in Kollakorn shares over the period 180 days prior to the announcement of the proposed transaction on 22 December 2016. The table below sets out a summary of Kollakorn's VWAP for the 5, 10, 30, 60, 90, and 180 calendar days prior to the announcement.

Period	\$	Shares traded	%of total	Trading days
180 day	0.0088	421,539,630	39%	67
90 day	0.0059	65,871,035	6%	48
60 Day	0.0058	34,466,246	3%	26
30 day	0.0055	7,586,137	1%	8
10 day	0.0050	2,024,210	0%	1
5 day	0.0050	2,024,210	0%	1
Close	0.0050	2,024,210	0%	1

Source: S&P Capital IQ

Table 8: Kollakorn VWAP – 22 December 2016

- 5.27 We note the VWAP of Kollakorn's shares ranged from \$0.005 to \$0.0088 over the 180 trading days prior to 22 December 2016.
- 5.28 Shares were traded on 67 of the 180 trading day period and comprised 39% of the weighted shares outstanding over the period. However, in the 90 day period prior to the announcement, shares traded on 28 days and 3% of the issued capital traded, with around 1% trading in the 30 days prior at a VWAP of \$0.0055
- 5.29 Notwithstanding the recent low liquidity of the Kollakorn shares traded, the Company complies with the full disclosure regime required by the ASX. As a result, the market is fully informed about the performance of Kollakorn.
- It is evident that Kollakorn shares have been relatively thinly traded in the 90 day period prior to the announcement with relatively small trades being made on around one third of available trading days over each of the above VWAP periods.

6. Profile of Isity

- 6.1 Isity is a private company based in Singapore and operating in the Asia Pacific market with a focus on buildings and public infrastructure facilities (Smart Cities). Isity also operates a wholly owned subsidiary in China and has developed a pipeline of projects in a number of the large Asian countries and Australia. Isity was established by the current directors in 2015.
- 6.2 Isity's core business is the improvement of the sustainability, productivity and environmental performance of buildings through the use of innovative building management systems. Isity aligns disparate building infrastructures and support technologies and uses integrated analytics to optimise building and environmental performance.
- 6.3 Isity's philosophy is to integrate the best building optimisation solutions from a series of global leaders in this field and to provide an end-to-end solution to its clients, eliminating a significant amount of R&D cost and allowing Isity to rapidly add new proven technologies to their suite of offerings.
- 6.4 The focus of Isity is on buildings and infrastructure which is three or more years old. According to the Directors of Isity, this market is, as of now, largely untouched and is often a poor performing segment of the building market. The directors of Isity have also identified that, while new developments incorporate the new technologies and innovations for building efficiencies, there has historically been minimal focus on retrofitting existing buildings.
- 6.5 Isity's core analytical and optimisation technology has been tested on buildings owned by two Fortune 500 companies. Isity has identified that cost savings from energy efficiency retrofits can be extended to provide value in many new investment areas which drive improved building asset value for owners.
- 6.6 Isity targets 40% operational savings and seeks to improve performance further over the long-term.
- 6.7 In addition to the Smart Cities initiative, Isity has an exclusive right in Asia Pacific to certain technology for converting sewage into clean water and clean energy. In this regard, on 5 January 2017, the directors of Kollakorn announced to the ASX that Isity had an executed a "Sewage Treatment and Sludge to Clean Water and Energy Project Strategic Cooperative Framework Agreement" with the Changchun Industry Research Association (the agreement).
- 6.8 The Changchun Industry Development Research Institute is part of the Changchun Municipal Government in Jilin Province, China which focuses on new ways to solve the problems of urbanization, construction and industrial development.
- 6.9 The agreement states that the parties will work closely with Isity through a 'Build-Operate-Transfer' model in order to facilitate the construction and operation of a system for turning sewage into clean water and energy in Jilin Province in China and that Isity will provide finance for this project through a local Joint Venture company (the Changchun Project).
- 6.10 The outline of Changchun Project (subject to further due diligence) is as follows:
- sewage treatment plant scale for phase 1 will be up to 500 tons per day;
 - power generation plant scale will be 50 -100 MW;
 - total investment will be USD150 – USD250 million;
 - project duration will be up to 30 years.
- 6.11 The details of the Changchun Project have been reviewed by the lead partner of a consortium of New York financiers who on 14 December 2016, gave Isity a letter of confidence for submission to the Changchun Municipal Government confirming (subject to further due diligence) their ability to arrange funding of up to USD250 million on an accelerated timeline for the development of the Changchun Project.
- 6.12 Based on our discussion with Charles Hunting and Paul Beddie (Directors of Isity), we understand Isity management expect the agreement to be formalised and contracts executed by 30 June 2017, although the directors note this timeframe could extend by a number of months as negotiations are finalised. The contract will allow Isity to earn substantial income over the term of the project (30 years, including an initial 18 month construction phase), however we understand those terms are yet to be finalised and will be commercial in confidence.
- 6.13 Further information in relation to Isity has been provided in the NoM and Explanatory Memorandum to which this IER is appended.

Directors and key management

6.14 The Directors and key management of Isity are:

- Charles Hunting – Executive Chairman;
- Paul Beddie – Managing Director and Chief Executive Officer
- Sophia Wang – Non-Executive Director; and
- Don Johnson – Vice President – Solutions.

Financial performance

6.15 The table below summarises the financial performance of Isity for the period 4 May 2015 to 31 December 2015 and the year ended 31 December 2016. The balances presented in the table have been converted from SGD (the reporting currency of Isity) at the average Reserve Bank of Australia (RBA) AUD:SGD rates for each year.

AUD	4 May 2015 to 31 Dec 2015 Audited	Year ended 31 Dec 2016 Audited
<i>Income</i>		
Revenue	-	-
<i>Expenses</i>		
Other losses	(32)	-
Other expenses	(204,566)	(621,918)
Loss before tax	(204,598)	(621,918)
Income tax expense	-	-
Total comprehensive loss	(204,598)	(621,918)

Source: Isity audited financial statements

Table 9: Isity historical statements of financial performance

6.16 In relation to the financial information presented in the table above we note:

- Isity commenced operations in May 2015 and the information presented above relates to periods since establishment;
- Isity did not earn revenue in the periods presented above, however incurred expenses in relation to:
 - Establishment of the company;
 - Occupancy costs;
 - Employment costs of key management personnel; and
 - Travel and related costs.

6.17 We note the Isity financial statements are not consolidated and the income and expenses of a Chinese subsidiary, Isity Global (Shanghai) Co., Ltd. (Isity China) are not incorporated in the table above.

6.18 We have reviewed the Isity China financial statements for the year ended 31 December 2016 and note the entity generated revenue of approximately \$428,300 (converted from RMB at 1 AUD:5.0286 RMB) and incurred a loss for the year of approximately \$104,200.

Financial position

6.19 The table below summarises the financial position of Isity as at 31 December 2015 and 31 December 2016. The balances presented in the table have been converted from SGD (the reporting currency of Isity) at the RBA AUD:SGD rates at each balance date.

AUD	As at 31-Dec-15 Audited	As at 31-Dec-16 Audited
<i>Current assets</i>		
Cash and cash equivalents	14,396	66,350
Other assets	9,682	54,770
Total current assets	24,078	121,120
<i>Non current assets</i>	-	-
Investment in Subsidiaries	13,845	54,016
Total non current assets	13,845	54,016
Total assets	37,923	175,136
<i>Current liabilities</i>		
Other current liabilities	242,519	531,735
Total current liabilities	242,519	531,735
Total liabilities	242,519	531,735
Net assets	(204,596)	(356,599)
<i>Equity</i>	-	-
Issued capital	2	467,238
Accumulated losses	(204,598)	(823,838)
Total equity	(204,596)	(356,599)

Source: Isity audited financial statements

Table 10: Isity historical statements of financial position

- 6.20 As outlined above, the Isity financial statements presented above are not consolidated financial statements.
- 6.21 Isity has been in a negative net asset position at each balance date presented above. The company has been in start-up phase and has funded operations through capital raisings and the revenue of Isity China since inception.
- 6.22 As at 31 December 2016, Isity had cash on hand of around \$70,000.
- 6.23 The investment in subsidiaries represents the carrying value of Isity's wholly owned subsidiary, Isity China. The investment was impaired during the year by an amount equal to the loss incurred by the subsidiary for the year, and is carried at its recoverable amount.
- 6.24 The audit opinion provided by RSM Cho Lim LLP (Singapore) included an emphasis of matter in relation to the ability of Isity to continue as a going concern. The financial statements note Isity's ability to continue as a going concern is dependent upon the immediate parent company not demanding repayment of the amounts payable and providing continuing financial support; and Isity being profitable in the future. Further, the directors of Isity indicate that management are satisfied that financial support will be available when required for at least a year from 31 December 2016.
- 6.25 The audit opinion in relation to the financial position presented above contains an emphasis of matter in relation to the above.

Capital structure

6.26 As at the date of this report, Isity had 1,165,038 ordinary shares on issue, of which over 60% were held by the top two shareholders as set out in the table below. The shares in Isity have been issued over the period since establishment in various tranches to fund operations.

Shareholder	Shares held	% owned
140 Foot Ventures Pte Ltd	540,002	46.4%
BTC Advisory Pty Ltd.	202,714	17.4%
Paul Beddie	105,000	9.0%
The Beddie Family Trust	100,000	8.6%
Gary Fitzgerald	71,429	6.1%
Harold Stuart Turner	50,000	4.3%
Wang Xiaoyan	33,750	2.9%
Donald Johnson	25,000	2.1%
Feng Yujuan	22,143	1.9%
Fan Xin	15,000	1.3%
Total shares	1,165,038	100.0%

Source: Isity management

Table 11: Isity shareholders – 15 May 2017

- 6.27 In the periods preceding 31 December 2016, tranches of Isity shares had been issued for SGD0.25, SGD0.74 and SGD1.00.
- 6.28 In the periods following 31 December 2016, we are advised Isity had completed two further rounds of capital raising.
- 6.29 The first round was completed around February 2017 and was undertaken on an arm's length basis with an external investor, with a further 71,429 shares being issued at a share price of SGD3.00 per share to raise SGD214,287.
- 6.30 We understand Isity has recently completed a non-arm's length capital raising to assist with short term funding requirements. 100,000 shares were issued to the Beddie Family Trust, an entity associated with the CEO Mr Paul Beddie, to raise SGD105,000. We have been advised this capital raising was completed on non-arm's length terms (with the approval of the Directors) and accordingly we have not considered it in our analysis.

7. Valuation methodologies

- 7.1 In assessing the value of a share in Kollakorn prior to and immediately following the proposed transaction, we have considered a range of valuation methodologies. RG 111 proposes that it is generally appropriate for an expert to consider using the following methodologies:
- the discounted cash flow (DCF) method and the estimated realisable value of any surplus assets;
 - the application of earnings multiples to the estimated future maintainable earnings or cash flows added to the estimated realisable value of any surplus assets;
 - the amount which would be available for distribution on an orderly realisation of assets;
 - the quoted price for listed securities; and
 - any recent genuine offers received.
- We consider that the valuation methodologies proposed by RG 111 are represented in the three generally accepted valuation approaches described below.

Market approach

- 7.2 Under the market approach, the fair market value is estimated by considering the market value of a company's securities or inferred through the observed market value of trading or transactions in comparable companies. Market methods include:
- the quoted price for listed securities; and
 - capitalisation of future maintainable earnings.
 - industry specific methods.
- 7.3 The recent quoted price for listed securities method provides evidence of the fair market value of a company's securities where they are publicly traded in an informed and liquid market.
- 7.4 The capitalisation of future maintainable earnings methodology is generally considered a short form DCF, where an estimation of the Future Maintainable Earnings ("FME") of the business, rather than a stream of cash flows is capitalised based on an appropriate capitalisation multiple. Multiples are derived from the analysis of transactions involving comparable companies and the trading multiples of comparable companies.
- 7.5 Industry specific methods usually involve the use of industry rules of thumb to estimate the fair market value of a company and its securities. Generally rules of thumb provide less persuasive evidence of the fair market value of a company than other market based valuation methods because they may not account for company specific risks and factors.

Income approach

- 7.6 The income approach is used to estimate value by calculating the present value of a company's estimated future stream of earnings or cash flows. The discounted cash flow methods (DCF) is the most commonly used method of application of the income approach.
- 7.7 The DCF technique has a strong theoretical basis, valuing a business on the net present value of its future cash flows. It requires an analysis of future cash flows, the capital structure and costs of capital and an assessment of the residual value or the terminal value of the company's cash flows at the end of the forecast period. This method of valuation is appropriate when valuing companies where future cash flow projections can be made with a reasonable degree of confidence.

Asset approach

- 7.8 Asset based valuation approaches estimate the fair market value of an asset or a company's securities based on the realisable value of its underlying net assets. Asset based methods include:
- orderly realisation of assets method;
 - liquidation of assets method; and
 - net tangible assets on a going concern basis.
- 7.9 The value achievable in an orderly realisation of assets is estimated by determining the net realisable value of the assets of a company which would be distributed to security holders after payment of all liabilities, including realisation costs and taxation charges that arise, assuming the company is wound up in an orderly manner. This

technique is particularly appropriate for businesses with relatively high asset values compared to earnings and cash flows.

- 7.10 The liquidation of assets method is similar to the orderly realisation of assets method except the liquidation method assumes that the assets are sold in a shorter time frame, reflecting a distressed liquidation value. The liquidation of assets method will result in a value that is lower than the orderly realisation of assets method, and is appropriate for companies in financial distress or when a company is not valued on a going concern basis.
- 7.11 The net tangible assets on a going concern method estimates the market values of the net tangible assets of a company but unlike the orderly realisation of assets method, it does not take into account realisation costs. Asset based methods are appropriate when companies are not profitable, a significant proportion of the company's assets are liquid, or for asset holding purposes.

Selection of valuation approach

Valuation of Kollakorn prior to the proposed transaction

- 7.12 We have considered the value of Kollakorn prior to the proposed transaction under two approaches as set out below:

Net assets on a going concern basis

- 7.13 In valuing a share in Kollakorn prior to the proposed transaction, we have considered the net assets on a going concern methodology for the following reasons:
- Kollakorn has been, and is expected to be, loss making from existing operations;
 - while Kollakorn has a number of projects on foot, as at the date of this report, no material contracts which will have a positive impact of profitability have been entered into; and
 - the investment in Kollakorn Thailand is significant and has historically been carried at cost and may not be at fair value. For the purposes of our valuation we have estimated the fair value of Kollakorn Thailand, and Kollakorn's pro-rata share of Kollakorn Thailand based on the information provided.

Quoted price of listed Kollakorn securities

- 7.14 As a second method of valuing a Kollakorn share prior to the proposed transaction, we have considered the quoted price for listed securities methodology.
- 7.15 Prices at which a company's securities have been traded on the ASX can, in the absence of low liquidity or unusual circumstances, provide an objective measure of the value of the company, excluding a premium for control.
- 7.16 We have also considered the price at which investors have participated in funding rounds for Isity prior to the valuation date.

Valuation of Kollakorn immediately following the proposed transaction

- 7.17 Our assessment of the value of a share in Kollakorn immediately following the proposed transactions is our pre transaction valuation as adjusted for the pro forma terms of the proposed transactions, set out in section 3 of this report.
- 7.18 As discussed, the proposed acquisition of Isity and share placement are co-dependent. Accordingly, when estimating the value of Kollakorn post the proposed transactions, we have considered the impact assuming both transactions are completed.
- 7.19 Accordingly, we have considered:
- the value of Kollakorn prior to the proposed transaction;
 - the acquisition of 100% of Isity for shares and Performance Shares; and
 - the share placement to raise \$1.5 million from sophisticated investors.
- 7.20 We have not considered the impact of the Performance Shares vesting in our analysis as, in our opinion, the vesting conditions are such that Kollakorn will be in a materially different financial position from that at the time of the proposed transactions, should the vesting conditions be met. Accordingly we have not ascribed a value to the issue of the Performance Shares, nor have we allowed for the dilutive impact of their vesting in our fairness analysis.

Valuation of Isity

7.21 As Isity is a relatively new entity and yet to earn revenue from operations, we have not utilised revenue or profit based approaches in our valuation. Accordingly, we have valued the shares in Isity on two bases:

Net assets on a going concern basis

7.22 In valuing a share in Isity we have considered the net assets on a going concern methodology for the following reasons:

- Isity has not earned revenue or profits since inception; and
- Isity is working towards the winning the Changchun project, however, to date final documentation has not been executed.

Recent capital raisings

7.23 As Isity is an early stage entity, we have considered the price paid by arm's length investors in capital raising rounds undertaken by Isity.

7.24 In the absence of other evidence, we consider the price paid on the above basis to be indicative of the market value of the Isity shares.

8. Valuation of Kollakorn prior to the proposed transaction

- 8.1 The basis of our evaluation of “fairness” is to compare the fair value of a Kollakorn share prior to, and immediately after the proposed transaction.
- 8.2 In assessing the fair value of a Kollakorn share prior to the proposed transaction we have considered the reviewed balance sheet of Kollakorn as at 31 December 2016 (as adjusted) and the quoted price of listed securities as discussed below.

Valuation summary

- 8.3 Our assessment of the fair value of a Kollakorn share prior to the proposed transactions is in the range set out in the table below.

\$	Low	High
Value indicated under the net asset approach (minority, pre transaction)	nil	nil
Value indicated under the quoted price approach (minority, pre transaction)	0.0500	0.0554

Source: RSM analysis

Table 12: Fair value of a Kollakorn share prior to the proposed transaction

Valuation of Kollakorn (pre transaction) – net assets on a going concern basis

- 8.4 In valuing a share in Kollakorn prior to the proposed transaction, we have utilised the net assets on a going concern methodology as our primary methodology. The reasons for adopting this approach are:
- Kollakorn has historically had volatile earnings and consistent operating losses. The profit recorded in FY2015 was due to forgiveness of debt rather than operational profitability;
 - while Kollakorn continues to develop its products and technology and has a number of projects on foot, as at the date of this report, no material projects which will have an impact on profitability have been finalised; and
 - the investment in Kollakorn Thailand is significant and has historically been carried at cost, which may not be fair value. For the purposes of our valuation we have estimated the fair value of Kollakorn Thailand, and Kollakorn's pro-rata share, based on the information provided.
- 8.5 Accordingly, our valuation of Kollakorn prior to the transaction indicates negative net assets in the range of (\$1.8 million) to (\$1.6 million). The basis for our valuation is summarised in the table below.

\$	Ref	Low	High
Kollakorn net assets as at 31 December 2016		2,065,279	2,065,279
Less: Investment in Kollakorn Thailand (carrying value)	8.7	(4,818,631)	(4,818,631)
Add: Investment in Kollakorn Thailand (fair value)	8.14	440,000	440,000
Fair value of Kollakorn net assets		(2,313,352)	(2,313,352)
Add: Value of listed shell	8.15 – 8.16	500,000	750,000
Fair value of 100% of Kollakorn issued capital based on net assets		(1,813,352)	(1,563,352)
Rounded		(1,800,000)	(1,600,000)

Source: Company estimates, Kollakorn reviewed financial statements & RSM analysis

Table 13: Valuation of Kollakorn prior to the proposed transaction – net assets on a going concern basis

- 8.6 The basis for any adjustments made in our valuation are set out in the following paragraphs. For the purposes of our analysis, we have assumed all other assets and liabilities of Kollakorn are carried at their fair values.

Investment in Kollakorn Thailand

- 8.7 As mentioned above, the investment in Kollakorn Thailand has historically been carried in the financial statements at cost. For the purposes of our analysis, we have valued the investment based on the information available and adjusted the Kollakorn net asset position accordingly.
- 8.8 In arriving at the fair value of the Kollakorn holding in Kollakorn Thailand we have had regard to:
- Kollakorn Thailand's audited financial statements for the year ended 31 December 2015 together with the unaudited summarised management accounts of Kollakorn Thailand for the periods ending 30 June 2016 and 31 December 2016;
 - the fair value of Kollakorn Thailand's investment in Kollakorn. Based on the financial statements of Kollakorn at 30 June 2016, we understand Kollakorn Thailand holds 8.4% of the issued capital of Kollakorn; and

- discussions with Mr Richard Sealy, a director of Kollakorn Thailand.

8.9 In light of the above, we have assessed the fair value of the issued capital of Kollakorn Thailand to be in the range of \$1.63 million to \$1.65 million as set out in the table below.

Kollakorn Thailand	Currency	Note	Low	High
Kollakorn Thailand book value of net assets	Baht		57,740,590	57,740,590
Less: Investment in Kollakorn (book value)	Baht		(11,470,462)	(11,470,462)
Fair value of Kollakorn net assets (ex KKL)	Baht		46,270,128	46,270,128
Exchange rate - AUD:BHT at 31 December 2016 (per RBA)			25.93	25.93
Fair value of Kollakorn Thailand net assets - ex KKL	AUD		1,784,425	1,784,425
Less: Value of investment in KKL	AUD		(149,772)	(133,131)
Fair value of Kollakorn Thailand issued capital	AUD		1,634,652	1,651,294

Source: Kollakorn Thailand financial statements, RBA & RSM analysis

Table 14: Fair value of Kollakorn Thailand

8.10 We are advised that Kollakorn Thailand has a number of projects on foot from which that company expects to derive cash flow in the 2017 calendar year. We understand none of these potential projects have contracts in place as at the date of this report, however, the directors of Kollakorn Thailand are of the view that they may be executed in the short to medium term and have represented that each project has a significant probability of execution.

8.11 The identified projects are:

- to supply RFID tags to track vehicles moving across various Malaysian borders with neighbouring countries;
- to supply equipment for an Advanced Passenger Processing system (APPS) to the government of Lao; and
- to supply equipment for an APPS to two other countries.

8.12 We have also been advised that additional projects are being sought, however the certainty of execution varies between approximately 50% and 90% depending on the individual project.

8.13 We have not considered the impact of the projects in our analysis due to the uncertainty of execution and the inability to assess the potential financial impact of the projects.

8.14 Accordingly, we have assessed the value of Kollakorn's 26.67% of the issued capital of Kollakorn Thailand to be approximately \$440,000 as set out in the table below. For the purposes of our analysis we have assumed a pro rata share of the value of 100% of the issued capital.

AUD	Interest	Low	High
Fair value of the issued capital in Kollakorn Thailand		1,634,652	1,651,294
Fair value of Kollakorn's pro rata share of Kollakorn Thailand	26.67%	435,962	440,400
Rounded		440,000	440,000

Source: RSM analysis

Table 15: Fair value of Kollakorn's investment in Kollakorn Thailand

Value of the listed shell

8.15 Kollakorn is an ASX listed entity which owns technology and has a limited cash balance but with no significant profitable operating business. Based on discussions with analysts and our review of other transactions involving similar ASX listed entities with limited operations, we understand the value of such an entity is in the range of \$500,000 to \$1,000,000. This represents the value the market places on the listing, the existing spread and other factors such as the avoidance of the time and expense involved in an initial public offer (IPO) process.

8.16 As a cross check, we have considered the likely costs of an IPO which are avoided by an entity coming to the market using other means (such as being acquired by a listed entity). In our experience, the avoided costs of an IPO for a company of similar size to Kollakorn (post the proposed transaction) would not be dissimilar to the range presented above. Accordingly, we have adopted a range of \$500,000 to \$750,000 for the value of the ASX listed entity.

Quoted price of listed securities

- 8.17 We have utilised the quoted price of listed securities methodology as our secondary methodology in our assessment of the value of a Kollakorn share prior to the proposed transaction. The assessment only reflects trading prior to the announcement of the proposed transaction in order to avoid the influence of any movement in share price that occurred as a result of the announcement.
- 8.18 The table below sets out a summary of Kollakorn's VWAP for the 1, 5, 10, 30, 60, 90, and 180 calendar days prior to the announcement of the proposed transaction on 22 December 2016.

Period	\$	Shares traded	% of total	Trading days
180 day	0.0088	421,539,630	39%	67
90 day	0.0059	65,871,035	6%	48
60 Day	0.0058	34,466,246	3%	26
30 day	0.0055	7,586,137	1%	8
10 day	0.0050	2,024,210	0%	1
5 day	0.0050	2,024,210	0%	1
Close	0.0050	2,024,210	0%	1

Source: ASX & S&P Capital IQ

Table 16: Kollakorn VWAP – 22 December 2016

- 8.19 As shown in the table above, the VWAP of Kollakorn's shares ranged from \$0.0050 to \$0.0088 over the 180 trading days prior to 22 December 2016.
- 8.20 We note shares were traded on only 67 days of the 180 trading day period and comprised 39% of the weighted shares outstanding over the period. In the 90 day period prior to the announcement, shares traded on 28 days and 3% of the issued capital traded, with around 1% trading in the 30 days prior at a VWAP of \$0.0055.
- 8.21 Notwithstanding the recent low liquidity of the Kollakorn shares traded, the Company complies with the full disclosure regime required by the ASX. As a result, the market is deemed fully informed about the performance of Kollakorn.
- 8.22 We note, however the spike in trading and share price in Kollakorn's shares over the period from June 2016 to August 2016 occurred at a time when Kollakorn had released no market sensitive information other than a management restructure. The company responded to an ASX price query over that period (22 June 2016) confirming that the directors were not aware of any information which could have caused abnormal trading in Kollakorn shares.
- 8.23 ASIC RG 111.69 indicates that for the quoted market share price methodology to represent a reliable indicator of fair value, there needs to be an active and liquid market for the securities.
- 8.24 The following characteristics may be considered to be representative of a liquid and active market:
- regular trading in the company's securities;
 - approximately 1% of a company's securities are traded on a weekly basis;
 - the bid/ask spread of a company's shares must not be so great that a single minority trade can significantly affect the market capitalisation of the company; and
 - there are no significant but unexplained movements in the share price.
- 8.25 It is evident that, other than the period around June to August 2016, Kollakorn shares have been relatively thinly traded with relatively small trades being made on around one third of available trading days over each of the above VWAP periods.
- 8.26 We note the traded share price over the period was significantly in excess of the net assets per share of Kollakorn. In addition, based on discussion with directors, we understand Kollakorn had limited ability to derive a commercial return from its technology and operating assets over the period. Accordingly we consider this difference (share price over net asset value per share) may arise from historical trading and market expectations of future creation of value in Kollakorn.
- 8.27 Notwithstanding the above, we have undertaken a limited analysis based on the traded share price and used the 10 and 30 day VWAPs as the basis of our estimates.

8.28 The table below sets out our assessment of the value of a Kollakorn share utilising the quoted price of listed securities methodology.

AUD	Low	High
10 & 30 day VWAP (trading, pre consolidation)	0.0050	0.0055
10 & 30 day VWAP (minority, post consolidation)	0.0500	0.0554

Source: ASX, S&P capital IQ & RSM analysis

Table 17: Kollakorn value based on share price

9. Valuation of a Kollakorn share immediately after the proposed transaction

9.1 In order to assess the fair value of a Kollakorn share immediately after the proposed transaction (and prior to the associated transactions, we have had regard to:

- the net asset value of Kollakorn prior to the proposed transaction;
- our assessed value of a Kollakorn share prior to the proposed transaction, calculated using both the net assets on a going concern basis and the quoted price of listed securities;
- the proposed transaction (and the fair value of Isity); and
- the value impact of the proposed share placement which is co-dependent upon approval of the proposed transaction.

Valuation summary

9.2 Our assessment of the fair value of a Kollakorn share immediately after the proposed transaction is in the range set out in the table below.

AUD	Low	High
Value indicated under the net asset approach (minority, post transaction)	nil	nil
Value indicated under the quoted price approach (minority, post transaction)	0.0532	0.0714

Source: RSM analysis

Table 18: Fair value of a Kollakorn share post the proposed transaction

Valuation of Kollakorn – net assets on a going concern basis

9.3 Using the net assets on a going concern basis we have assessed the fair value of all of the issued capital in Kollakorn immediately after the proposed transaction (and prior to the associated transactions) to be negative and in the range (\$300,000) to (\$100,000) as set out in the table below.

9.4 As the valuation has been undertaken on a net asset on a going concern basis and includes the value of all of the issued capital of Isity, the value presented below is on a control basis

AUD	Res'n	Low	High
Fair value of Kollakorn (net asset basis, pre transaction)		(1,800,000)	(1,600,000)
Value of all of the issued capital of Isity (net assets basis)	1	-	-
Proceeds from share placement	3	1,500,000	1,500,000
Value of Kollakorn (post transaction, net assets basis, control)		(300,000)	(100,000)

Source: RSM analysis

Table 19: Fair value of a Kollakorn share (control, post transaction) – net assets on a going concern

9.5 The basis for any adjustments made in our valuation using the net assets on a going concern method are set out the following paragraphs. For the purposes of our analysis, we have assumed all other assets and liabilities of Kollakorn are carried at their fair values.

Valuation of Isity – net assets on a going concern basis

9.6 As at the date of this report Isity was loss making. While we understand the Isity directors consider the prospects of Isity to be positive, particularly in relation to the Changchun and other similar projects. To date Isity has won a number of relatively small consulting projects (undertaken by Isity China), but not a major contract (with revenue in excess of \$500,000).

9.7 Whilst the project pipeline for Isity includes a number of high value projects which could generate significant revenue, most remain at a relatively early stage and the certainty of winning these projects is unverifiable. As a result, we have not included these projects in our valuation of Isity.

9.8 As at 31 December 2016, Isity had negative net assets of around (\$357,000). Isity has, to date, relied upon the consulting project income and capital raisings to pay its debts as they become due.

9.9 Accordingly, we have assessed the fair value of all the issued capital in Isity (using the net assets on a going concern basis) to be nil.

Value per share using net assets on a going concern basis

- 9.10 We have arrived at a value per Kollakorn share, by considering the post transaction value of Kollakorn and the number of Kollakorn shares which will be on issue should the proposed transaction and share placement be approved.
- 9.11 The shares on issue post the proposed transaction and share placement have been calculated as set out in the table below.

Kollakorn shares on issue - 31 December 2016	1,078,310,077
Kollakorn shares on issue (post consolidation)	107,831,008
Issued to Isity vendors	31,250,000
Issued under the share placement	18,750,000
Shares on issue post transaction (post consolidation)	157,831,008

Source: RSM analysis

Table 20: Kollakorn shares on issue immediately post the proposed transaction

- 9.12 In light of the above, and as the fair value of the Kollakorn net assets post the proposed transactions is negative, we have calculated the fair value of a Kollakorn share post the proposed transactions using the net assets on a going concern basis to be nil as set out in the table below.

AUD	Low	High
Value of all of the issued capital of Kollakorn (control, post transaction)	(300,000)	(100,000)
Shares on issue (post transaction, post consolidation)	157,831,008	157,831,008
Value of a Kollakorn share (post transaction, post consolidation)	nil	nil

Source: RSM analysis

Table 21: Kollakorn value per share using net assets on a going concern basis (minority, post transaction)

Valuation of Kollakorn – quoted price of listed securities

- 9.13 As discussed above, we have assessed the fair value of all of the issued capital in Kollakorn immediately after the proposed transaction (and prior to the associated transactions) using the quoted price of listed securities method, to be in the range \$8.39 million to \$11.27 million as set out in the table below.

AUD	Res'n	Low	High
Fair value of Kollakorn (minority, pre transaction)		5,391,550	5,973,192
Value of all of the issued capital of Isity	1	1,500,000	3,800,000
Proceeds from share placement	3	1,500,000	1,500,000
Value of KKL – minority, post transaction		8,391,550	11,273,192
Rounded		8,390,000	11,270,000

Source: RSM analysis

Table 22: Fair value of a Kollakorn share (control, post transaction) – quoted price of listed securities

- 9.14 The basis for any adjustments made in our valuation using the quoted price of listed securities are set out the following paragraphs. For the purposes of our analysis, we have assumed all other assets and liabilities of Kollakorn are carried at their fair values.

Valuation of Isity – recent equity transactions

- 9.15 As at the date of this report Isity was loss making and the only revenue generated had been from a number of smaller consulting projects (undertaken by Isity China). Isity has relied upon this revenue, together with capital raisings to pay its debts as they become due.
- 9.16 We understand Isity has undertaken a number of capital raisings since its inception, the summary details of which are outlined in the table below.

	Price per share (SGD)	Price per share (AUD)	No. of shares issued	Amount raised (AUD)	Date
Initial capitalisation	1.00	0.96	2	2	Q2 – 2016
First round	0.25	0.24	945,002	225,752	Q2/Q3 – 2016
Second round	1.00	0.96	50,000	47,778	Q4 – 2016
Third round	0.74	0.71	275,000	194,458	Q4 – 2016
Fourth round	3.00	2.87	71,429	204,765	Q1 – 2017
Total			1,341,433	672,756	

Source: Isity management & RBA

Table 23: Isity capital raisings to March 2017

9.17 Based on our discussion with Isity management, we understand the first round funding was from seed investors at the time of establishment. Accordingly, in preparing our valuation we have considered the more recent funding rounds as we consider they are more reflective of the value placed on the Isity equity by third parties.

9.18 Accordingly, we have assessed the fair value of all the issued capital in Isity to be in the range of \$1.5 million to \$3.8 million as set out in the table below.

AUD	Low	High
Weighted average price – rounds 2, 3 & 4	1.13	-
Price – round 4	-	2.87
Shares on issue – March 2017	1,341,433	1,341,433
Implied value of 100% of Isity	1,512,560	3,845,484
Rounded	1,500,000	3,800,000

Source: RSM analysis

Table 24: Fair value of Isity

Value per share using quoted price of listed securities

9.19 We have arrived at a value per Kollakorn share, by considering the post transaction value of Kollakorn and the number of Kollakorn shares which will be on issue should the proposed transaction and share placement be approved and completed.

9.20 As calculated above, the number of shares on issue post the proposed transaction and share placement is 157,831,008.

9.21 In light of the above, we have calculated the fair value of a Kollakorn share post the proposed transaction using the quoted price of listed securities to be in the range of \$0.0532 to \$0.0714 (minority basis) as set out in the table below.

AUD	Low	High
Value of all of the issued capital of Kollakorn (minority, post transaction)	8,390,000	11,270,000
Shares on issue (post transaction, post consolidation)	157,831,008	157,831,008
Value of a Kollakorn share (minority, post transaction)	0.0532	0.0714

Source: RSM analysis

Table 25: Kollakorn value per share using quoted price of listed securities (post transaction)

10. Is the proposed transaction fair?

10.1 As both Kollakorn and Isity are loss making, we are not able to assess value (fairness) using an earnings or income based valuation approach. Accordingly, in assessing the fairness of the proposed transaction, we have valued a share in Kollakorn immediately prior to and immediately after the proposed transaction to determine whether a non-associated shareholder would be better or worse off should the proposed transactions be approved, on two bases as follows:

- the net assets as a going concern approach; and
- the price at which the securities of both entities have recently traded.

10.2 Our assessed value of a share in Kollakorn immediately prior to, and immediately after, the proposed transaction using net assets on a going concern approach is shown in the table below.

AUD	Low	High
Value of a Kollakorn share prior to the proposed transaction (minority)	nil	nil
Value of a Kollakorn share immediately after the proposed transaction (minority)	nil	nil

Source: RSM analysis

Table 26: Fairness evaluation using net assets as a going concern basis

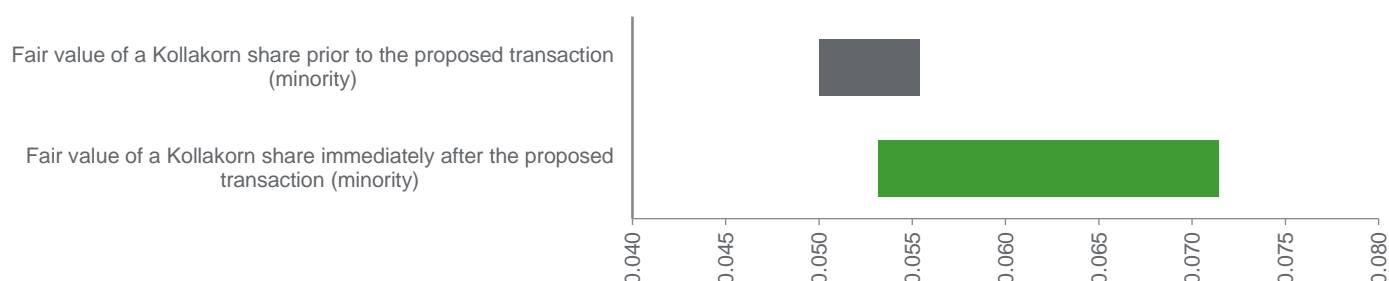
10.3 We have also valued a share in Kollakorn prior to and immediately after the proposed transaction using the quoted price of listed securities method in determining whether a non-associated shareholder would be better or worse off should the proposed transaction be approved. Our assessed values using this method are summarised in the table below.

AUD	Low	High
Value of a Kollakorn share prior to the proposed transaction (minority)	0.0500	0.0554
Value of a Kollakorn share immediately after the proposed transaction (minority)	0.0532	0.0714

Source: RSM analysis

Table 27: Fairness evaluation using the quoted price of listed securities

10.4 The results of our analysis using the quoted price of listed securities are shown graphically in the figure below.



Source: RSM analysis

Figure 4: Graphical representation of valuation summary (quoted price of listed securities method)

10.5 As the assessed fair value of a Kollakorn share immediately after the proposed transaction is greater than or equal to the assessed fair value prior to the proposed transaction using both the net assets as a going concern and quoted price of listed securities methods, and in the absence of any other relevant information, in our opinion, the proposed transaction is fair to the non-associated shareholders of Kollakorn.

11. Other factors taken into consideration in forming our opinion (reasonableness)

- 11.1 RG 111 establishes that an offer is reasonable if it is fair. Accordingly, in our opinion the proposed transaction is also reasonable to the proposed shareholders.
- 11.2 It might also be reasonable if, despite not being fair, there are sufficient reasons for the security holders to accept the offer in the absence of a higher bid. In our assessment of the proposed transaction, we have also considered the following:
- the future operations of Kollakorn if the proposed transaction does not proceed; and
 - other commercial advantages and disadvantages to the non-associated shareholders as a consequence of the proposed transaction proceeding.

Future operations of Kollakorn if the proposed transaction does not proceed

- 11.3 Should the proposed transaction not proceed, the directors have stated that they will continue to assess the ability of Kollakorn to fund its current operations through additional funding, and to seek other viable cash flow positive opportunities.
- 11.4 The directors also stated they continue to see great opportunity for Kollakorn in its traditional product areas, especially in South East Asia, however do not see the impetus required to move the business forward (including the potential development of Certain ID) at speed, without the pull through effect of the Isity transaction on sales, revenue and investment.

Advantages and disadvantages

- 11.5 In assessing whether the non-associated shareholders are likely to be better off if the proposed transaction proceeds than if it does not, we have compared various advantages and disadvantages that are likely to accrue to the non-associated shareholders.

Advantages

- 11.6 In our opinion, the key advantages of the proposed transaction are:
- Kollakorn Shareholders will obtain a direct exposure to the Isity projects and expertise;
 - if Isity is successful in executing its plans, the proposed transaction could provide a sustainable business which can grow revenue and profits over the medium term;
 - Kollakorn will add management team members with expertise in the Isity business and whose skills may be extended to Kollakorn's existing businesses;
 - Isity's potential access to cash flow from projects such as the Changchun project may allow further development and commercialisation of Kollakorn's technology;
 - Kollakorn may have opportunities to expose Isity's contacts and clients to Kollakorn's existing technologies, some of which such as RFID, can be used in Isity's building sustainability business;
 - the addition of the Isity business may encourage additional liquidity in Kollakorn shares; and
 - if the proposed transaction is approved, shareholders have the opportunity to approve other resolutions (in relation to conversion of existing debt and convertible notes to shares) which will have the effect of strengthening Kollakorn's balance sheet.

Disadvantages

- 11.7 In our opinion, the key disadvantages of the proposed transaction are:
- in the absence of any other transactions, Kollakorn shareholders will be diluted from 100% to 68.3% immediately after the proposed transaction and 46.3% should the Performance Shares vest (and not including the effect of the associated transactions);
 - should the shareholders approve the associated transactions, they will be further diluted to 57.0% immediately after the proposed and associated transactions and 40.8% should the Performance Shares vest; and

- Kollakorn shareholders may not want exposure to the potential risks and benefits of the Isity business. Should this be the case, those shareholders may be able to exit Kollakorn by trading their shares on the ASX.

Response of the market to the announcement of the proposed transaction

11.8 We have also considered the Volume Weighted Average Price (VWAP) of Kollakorn's share price and volume traded in the period prior to, and after the announcement of the proposed transaction on 22 December 2016 in our assessment of the market's response to the announcement.

11.9 The table below sets out the VWAP of Kollakorn's share price and volumes traded in the 30 days and 5 days prior to the announcement of the proposed transaction, and the period after the announcement to 21 February 2017.

	\$	Shares	% of total
30 Day	0.0055	7,586,137	0.7%
5 day	0.0050	2,024,210	0.2%
Announcement to 21 February 2017	0.0070	69,241,567	6.5%

Source: RSM analysis

Table 28: Kollakorn VWAP post announcement

11.10 The VWAP of \$0.007 in the period after the announcement to 21 February 2017, is 27% and 40% higher (respectively) than the VWAP of \$0.0055 and \$0.0050 observed for the 30 days and 5 days prior to the announcement of the proposed transaction.

11.11 Notwithstanding the low liquidity of Kollakorn shares, we consider that the market has reacted favourably to the announcement of Kollakorn's proposed transaction with Isity. We note that the proposed transaction is part of a series of transactions contemplated by Kollakorn as set out in the NoM, and it is likely that any market reaction is to the suite of proposed corporate actions announced.

Alternative proposals

11.12 We are not aware of any alternative proposals available to Kollakorn at this time that would offer the non-associated shareholders a premium over the terms offered by the proposed transaction.

Conclusion on Reasonableness

11.13 In our opinion, the position of the non-associated shareholders if the proposed transaction is approved is more advantageous than the position if it is not approved. Therefore, in the absence of any other relevant information and/or a superior offer, we consider that the proposed transaction is reasonable for the non-associated shareholders of Kollakorn.

11.14 An individual shareholder's decision in relation to the proposed transaction may be influenced by his or her individual circumstances. If in doubt, shareholders should consult an independent advisor.

Yours faithfully




RSM Corporate Australia Pty Ltd

Ian Douglas
Director

Andy Gilmour
Director



APPENDICES

APPENDIX 1 – DECLARATIONS AND DISCLOSURES

Declarations and disclosures

RSM Corporate Australia Pty Ltd holds Australian Financial Services Licence 255847 issued by ASIC pursuant to which they are licensed to prepare reports for the purpose of advising clients in relation to proposed or actual mergers, acquisitions, takeovers, corporate reconstructions or share issues.

Qualifications

Our report has been prepared in accordance with professional standard APES 225 - Valuation Services' issued by the Accounting Professional & Ethical Standards Board.

RSM Corporate Australia Pty Ltd is beneficially owned by the partners of RSM Australia Pty Ltd (RSM Australia) a large national firm of chartered accountants and business advisors.

Mr Ian Douglas and Mr Andy Gilmour are directors of RSM Corporate Australia Pty Ltd. Mr Douglas and Mr Gilmour are Chartered Accountants with extensive experience in the field of corporate valuations and the provision of independent expert's reports for transactions involving publicly listed and unlisted companies in Australia.

Reliance on this Report

This report has been prepared solely for the purpose of assisting the non-associated shareholders of Kollakorn in considering the proposed transaction. We do not assume any responsibility or liability to any party as a result of reliance on this report for any other purpose.

Reliance on Information

Statements and opinions contained in this report are given in good faith. In the preparation of this report, we have relied upon information provided by the Directors and Management of Kollakorn and Isity and we have no reason to believe that this information was inaccurate, misleading or incomplete. However, we have not endeavoured to seek any independent confirmation in relation to its accuracy, reliability or completeness. RSM Corporate Australia Pty Ltd does not imply, nor should it be construed that it has carried out any form of audit or verification on the information and records supplied to us.

The opinion of RSM Corporate Australia Pty Ltd is based on economic, market and other conditions prevailing at the date of this report. Such conditions can change significantly over relatively short periods of time.

In addition, we have considered publicly available information which we believe to be reliable. We have not, however, sought to independently verify any of the publicly available information which we have utilised for the purposes of this report.

We assume no responsibility or liability for any loss suffered by any party as a result of our reliance on information supplied to us.

Disclosure of Interest

At the date of this report, none of RSM Corporate Australia Pty Ltd, RSM, Ian Douglas, Andy Gilmour nor any other member, director, partner or employee of RSM Corporate Australia Pty Ltd and RSM Australia has any interest in the outcome of the proposed transaction, except that RSM Corporate Australia Pty Ltd are expected to receive a fee of approximately \$40,000 based on time occupied at normal professional rates for the preparation of this report. The fees are payable regardless of whether Kollakorn receives shareholder approval for the proposed transaction, or otherwise.

Consents

RSM Corporate Australia Pty Ltd consents to the inclusion of this report in the form and context in which it is included with the NoM to be issued to Shareholders. Other than this report, none of RSM Corporate Australia Pty Ltd, RSM Australia or RSM Australia Partners has been involved in the preparation of the Notice of General Meeting and Explanatory Statement. Accordingly, we take no responsibility for the content of the Notice of Meeting and Explanatory Statement as a whole.

APPENDIX 2 – SOURCES OF INFORMATION

In preparing this Report we have relied upon the following principal sources of information:

- Draft and final copies of the Notice of Meeting;
- Kollakorn Corporation Limited audited financial statements for the years ended 30 June 2014, 30 June 2015 and 30 June 2016;
- Kollakorn Corporation Limited reviewed financial statements for the six months ended 31 December 2016;
- Kollakorn Co., Ltd audited financial statements for the year ended 31 December 2015;
- Kollakorn Co., Ltd unreviewed financial statements for the year ended 31 December 2016;
- Kollakorn Thailand unaudited summarised financial statements for the six months ended 30 June 2016 and year ended 31 December 2016;
- Isity Global Pte Ltd audited financial statements for the years ended 31 December 2015 and 31 December 2016;
- Isity Global (Shanghai) Co., Ltd. audited financial statements for the year ended 31 December 2016;
- Share register of Kollakorn Corporation Limited as at 22 December 2016;
- Share register of Isity Global Pte Ltd as at 31 December 2016;
- ASX announcements of Kollakorn Corporation Limited;
- Discussions with the following Directors and management of Kollakorn Corporation Limited:
 - Nicholas Aston;
 - David Matthews; and
 - Richard Sealy.
- Discussions with Directors and management of Isity Global Pte Ltd:
 - Charles Hunting; and
 - Paul Beddie.
- Publically available information on Kollakorn Corporation Limited, Kollakorn Thailand and Isity Global Pte Ltd;
- IBISWorld; and
- S&P Capital IQ.

APPENDIX 3 – GLOSSARY OF TERMS AND ABBREVIATIONS

Term	Definition
Act or Corporations Act	Corporations Act 2001
ASIC	Australian Securities & Investments Commission
ASX	Australian Securities Exchange Limited
AVI	Automatic Vehicle Identification
Cash flow	Cash that is generated over a period of time by an asset, group of assets, or business enterprise. It may be used in a general sense to encompass various levels of specifically defined cash flows. When the term is used, it should be supplemented by a qualifier (for example, "discretionary" or "operating") and a specific definition in the given valuation context
Company	Kollakorn Corporation Limited
Control	The power to direct the management and policies of a business enterprise
Control premium or premium for control	An amount or a percentage by which the pro rata value of a controlling interest exceeds the pro rata value of a non-controlling interest in a business enterprise, to reflect the power of control
Directors	The directors of Kollakorn
Discounted cash flow method or DCF	A method within the income approach whereby the present value of future expected net cash flows is calculated using a discount rate
EBIT	Earnings before interest and tax
EBITDA	Earnings before interest, tax, depreciation and amortisation
Equity	The owner's interest in property after deduction of all liabilities
EVR	Electronic Vehicle Registration
Fair value	The amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction
FME	Future maintainable earnings
FOS	Financial Ombudsman Service
FSG	Financial Services Guide
Going concern	An ongoing operating business enterprise
Isity	Isity Global Pte Limited
Isity China	Isity Global (Shanghai) Co., Ltd.

Term	Definition
Isity management	Management of Isity
Kollakorn	Kollakorn Corporation Limited
Kollakorn management	Management of Kollakorn
Kollakorn Thailand	Kollakorn Co., Ltd.
NoM	Notice of General Meeting and Explanatory Statement to shareholders for the General Meeting of Kollakorn to be held in June 2017.
Non-associated shareholders or shareholders	The shareholders of Kollakorn not associated with Isity and its associates
Non-controlling interest or minority interest	An assessment of the fair value on an equity interest, which assumes the holder or holders do not have control of the entity in which the equity is held
Proposed transaction	The transaction to be considered by shareholders pursuant to Resolution 1 as set out in the NOM
Related resolutions	The balance of coo-dependent resolutions to be voted on by the non-associated shareholders
Report or IER	This Independent Expert's Report
RG 111	ASIC Regulatory Guide 111 Content of Expert Reports
RG 112	ASIC Regulatory Guide 112 Independence of Experts
RMB	Chinese Renminbi
RSM	RSM Corporate Australia Pty Ltd
\$ or AUD	Australian dollars
SGD	Singapore dollars
Share	A fully paid ordinary share in Kollakorn Corporation Limited
USD	United States dollars
VWAP	Volume weighted average price