
**HILLCREST LITIGATION SERVICES LIMITED
(TO BE RENAMED “BUBS AUSTRALIA LIMITED”)
ACN 060 094 742**

NOTICE OF ANNUAL GENERAL MEETING

Notice is given that the Meeting will be held at:

TIME: 11:00am WST

DATE: 8 December 2016

PLACE: Barringtons House
283 Rokeby Road
Subiaco WA 6008

The business of the Meeting affects your shareholding and your vote is important.

This Notice of Meeting should be read in its entirety. If Shareholders are in doubt as to how they should vote, they should seek advice from their professional advisers prior to voting.

The Directors have determined pursuant to Regulation 7.11.37 of the Corporations Regulations 2001 (Cth) that the persons eligible to vote at the Meeting are those who are registered Shareholders at 4:00pm (WST) on 6 December 2016.

BUSINESS OF THE MEETING

AGENDA

1. FINANCIAL STATEMENTS AND REPORTS

To receive and consider the annual financial report of the Company for the financial year ended 30 June 2016 together with the declaration of the directors, the directors' report, the Remuneration Report and the auditor's report.

2. RESOLUTION 1 – ADOPTION OF REMUNERATION REPORT

To consider and, if thought fit, to pass, with or without amendment, the following resolution as a **non-binding resolution**:

“That, for the purposes of section 250R(2) of the Corporations Act and for all other purposes, approval is given for the adoption of the Remuneration Report as contained in the Company's annual financial report for the financial year ended 30 June 2016.”

Note: the vote on this Resolution is advisory only and does not bind the Directors or the Company.

Voting Prohibition Statement:

A vote on this Resolution must not be cast (in any capacity) by or on behalf of either of the following persons:

- (a) a member of the Key Management Personnel, details of whose remuneration are included in the Remuneration Report; or
- (b) a Closely Related Party of such a member.

However, a person (the **voter**) described above may cast a vote on this Resolution as a proxy if the vote is not cast on behalf of a person described above and either:

- (a) the voter is appointed as a proxy by writing that specifies the way the proxy is to vote on this Resolution; or
- (b) the voter is the Chair and the appointment of the Chair as proxy:
 - (i) does not specify the way the proxy is to vote on this Resolution; and
 - (ii) expressly authorises the Chair to exercise the proxy even though this Resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel.

3. RESOLUTION 2 – RE-ELECTION OF DIRECTOR – MR ALAN VAN NOORT

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

“That, for the purpose of clause 13.2 of the Constitution and for all other purposes, Mr Alan van Noort, a Director, retires by rotation, and being eligible, is re-elected as a Director.”

4. RESOLUTION 3 – CHANGE TO NATURE AND SCALE OF ACTIVITIES

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

“That, subject to and conditional upon the passing of the Essential Resolutions, for the purpose of ASX Listing Rule 11.1.2 and for all other purposes, approval is given for the Company:

- (a) *to make a significant change in the nature and scale of its activities as described in the Explanatory Statement;*
- (b) *to issue Shares at an issue price of \$0.10 per Share;*
- (c) *to have Options on issue upon Settlement with an exercise price of not less than \$0.10 per Option."*

Short Explanation: The Company has entered into a share sale agreement with The Infant Food Holding Co. Pty Limited (**BUBS**) and its existing shareholders, pursuant to which the Company has agreed to acquire 100% of the issued shares in BUBS (**Acquisition**). If successful, the Acquisition will result in the Company changing the nature and scale of its activities. ASX Listing Rule 11.1.2 requires the Company to seek Shareholder approval where it proposes to make a significant change to the nature and scale of its activities. ASX has also advised the Company that it will be required to re-comply with the requirements of Chapters 1 and 2 of the ASX Listing Rules in accordance with ASX Listing Rule 11.1.3. Please refer to the Explanatory Statement for details.

Voting Exclusion: The Company will disregard any votes cast on this Resolution by any person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the resolution is passed and any associates of those persons. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

5. RESOLUTION 4 – DISPOSAL OF MAIN UNDERTAKING

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

"That, subject to and conditional upon the passing of the Essential Resolutions, for the purposes of ASX Listing Rule 10.1, ASX Listing Rule 11.2 and for all other purposes, approval is given for the Company to complete the Disposal on the terms and conditions set out in the Explanatory Statement."

Voting Exclusion: The Company will disregard any votes cast on this Resolution by a party to the transaction and any associate of that party (or those parties). The Company will also disregard any votes cast on this Resolution by Lit-One Pty Ltd (and its nominee) and any of their associates and Alan van Noort (and his nominee) and any of their associates. However, the Company need not disregard a vote if it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, if it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

Independent Expert's Report: Shareholders should carefully consider the report prepared by Pendragon Capital Limited for the purpose of the Shareholder approval required under ASX Listing Rule 10.1. The Independent Expert's Report comments on the fairness and reasonableness of the transaction the subject of this Resolution to the non-associated Shareholders. The Independent Expert has determined the Disposal is **not fair but reasonable** to the non-associated Shareholders in the Company.

6. RESOLUTION 5 – CONSOLIDATION OF CAPITAL

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

"That, subject to and conditional upon the passing of all the Essential Resolutions, pursuant to section 254H of the Corporations Act and for all other purposes, the issued capital of the Company be consolidated on the basis that every 16.6666667 Shares be consolidated into one (1) Share and, where this Consolidation results in a fraction of a Share or an Option being held, the Company be authorised to round that fraction up to the nearest whole Share or Option (as the case may be)."

7. RESOLUTION 6 – ISSUE OF CONSIDERATION SHARES TO BUBS SHAREHOLDERS

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

"That, subject to and conditional upon the passing of all the Essential Resolutions, for the purposes of ASX Listing Rule 7.1 and for all other purposes, approval is given for the Company to issue 163,400,000 post-Consolidation Shares to the BUBS Shareholders (or their nominees) on the terms and conditions set out in the Explanatory Statement."

Short Explanation: As part of the terms of the Acquisition, the Company has agreed, subject to, amongst other terms and conditions, Shareholder approval, to issue the Shares the subject of this Resolution to the BUBS Shareholders (or their nominees). The Company seeks shareholder approval for the issue of the Shares in accordance with ASX Listing Rule 7.1.

Voting Exclusion: The Company will disregard any votes cast on this Resolution by any person who may participate in the proposed issue and a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the Resolution is passed and any associates of those persons. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

8. RESOLUTION 7 – ISSUE OF SHARES – CAPITAL RAISING

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

"That, subject to and conditional upon the passing of the Essential Resolutions, for the purpose of ASX Listing Rule 7.1 and for all other purposes, approval is given for the Company to issue 51,500,000 post-Consolidation Shares at \$0.10 per Share to raise \$5,150,000 on the terms and conditions set out in the Explanatory Statement."

Short Explanation: The Company must issue a Prospectus in order to satisfy the requirements of Chapters 1 and 2 of the ASX Listing Rules and as a condition of the Company's securities recommencing trading on the ASX following the Acquisition. Please refer to the Explanatory Statement for details.

Voting Exclusion: The Company will disregard any votes cast on this Resolution by any person who may participate in the proposed issue and a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the Resolution is passed and any associates of those persons. However, the Company need

not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

9. RESOLUTION 8 – ISSUE OF OPTIONS TO PAC PARTNERS PTY LTD

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

“That, subject to and conditional upon the passing of the Essential Resolutions, for the purposes of ASX Listing Rule 7.1 and for all other purposes, approval is given for the Company to issue 5,844,242 post-Consolidation Options to PAC Partners Pty Ltd (or its nominees) on the terms and conditions set out in the Explanatory Statement.”

Voting Exclusion: The Company will disregard any votes cast on this Resolution by any person who may participate in the proposed issue and a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the Resolution is passed and any associates of those persons. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

10. RESOLUTION 9 – ISSUE OF OPTIONS TO NICHOLAS SIMMS

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

“That, subject to and conditional upon the passing of the Essential Resolutions, for the purposes of ASX Listing Rule 7.1 and for all other purposes, approval is given for the Company to issue 3,578,108 post-Consolidation Options to Nicholas Simms (or his nominees) on the terms and conditions set out in the Explanatory Statement.”

Voting Exclusion: The Company will disregard any votes cast on this Resolution by any person who may participate in the proposed issue and a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the Resolution is passed and any associates of those persons. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

11. RESOLUTION 10 – ISSUE OF SHARES TO RELATED PARTY – ANGUS MIDDLETON

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

“That, subject to and conditional upon the passing of the Essential Resolutions, for the purposes of ASX Listing Rule 10.11, section 195(4) of the Corporations Act and for all other purposes, approval is given for the Company to issue 492,750 post-Consolidation Shares to Angus Middleton (or his nominees) on the terms and conditions set out in the Explanatory Statement.”

Voting Exclusion: The Company will disregard any votes cast on this Resolution by Angus Middleton (or his nominees) and any of their associates. However, the Company need

not disregard a vote if it is cast by a **person** as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

Voting Prohibition Statement:

A person appointed as a proxy must not vote, on the basis of that appointment, on this Resolution if:

- (a) the proxy is either:
 - (i) a member of the Key Management Personnel; or
 - (ii) a Closely Related Party of such a member; and
- (b) the appointment does not specify the way the proxy is to vote on this Resolution.

However, the above prohibition does not apply if:

- (a) the proxy is the Chair; and
- (b) the appointment expressly authorises the Chair to exercise the proxy even though this Resolution is connected directly or indirectly with remuneration of a member of the Key Management Personnel.

12. RESOLUTION 11 – ISSUE OF SHARES TO RELATED PARTY – JAY STEPHENSON

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

“That, subject to and conditional upon the passing of the Essential Resolutions, for the purposes of ASX Listing Rule 10.11, section 195(4) of the Corporations Act and for all other purposes, approval is given for the Company to issue 410,625 post-Consolidation Shares to Jay Stephenson (or his nominees) on the terms and conditions set out in the Explanatory Statement.”

Voting Exclusion: The Company will disregard any votes cast on this Resolution by Jay Stephenson (or his nominees) and any of their associates. However, the Company need not disregard a vote if it is cast by a **person** as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

Voting Prohibition Statement:

A person appointed as a proxy must not vote, on the basis of that appointment, on this Resolution if:

- (a) the proxy is either:
 - (iii) a member of the Key Management Personnel; or
 - (iv) a Closely Related Party of such a member; and
- (b) the appointment does not specify the way the proxy is to vote on this Resolution.

However, the above prohibition does not apply if:

- (a) the proxy is the Chair; and
- (b) the appointment expressly authorises the Chair to exercise the proxy even though this Resolution is connected directly or indirectly with remuneration of a member of the Key Management Personnel.

13. RESOLUTION 12 – ISSUE OF SHARES TO IAN ALLEN

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

“That, subject to and conditional upon the passing of the Essential Resolutions, for the purposes of ASX Listing Rule 7.1 and for all other purposes, approval is given for the Company to issue 136,875 post-

Consolidation Shares to Ian Allen (or his nominees) on the terms and conditions set out in the Explanatory Statement."

Voting Exclusion: The Company will disregard any votes cast on this Resolution by any person who may participate in the proposed issue and a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the Resolution is passed and any associates of those persons. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

14. RESOLUTION 13 – ISSUE OF SHARES TO WOLFSTAR GROUP PTY LTD

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

"That, subject to and conditional upon the passing of the Essential Resolutions, for the purposes of ASX Listing Rule 7.1 and for all other purposes, approval is given for the Company to issue 330,000 post-Consolidation Shares to Wolfstar Group Pty Ltd (or its nominees) on the terms and conditions set out in the Explanatory Statement."

Voting Exclusion: The Company will disregard any votes cast on this Resolution by any person who may participate in the proposed issue and a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the Resolution is passed and any associates of those persons. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

15. RESOLUTION 14 – ELECTION OF DIRECTOR – MS KRISTY-LEE NEWLAND CARR

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

"That, subject to and conditional upon the passing of all the Essential Resolutions and for all purposes, Ms Kristy-Lee Newland Carr, having been nominated and given her consent to act, be elected as a director of the Company with effect from Settlement of the Acquisition."

16. RESOLUTION 15 – ELECTION OF DIRECTOR – MR MATTHEW REYNOLDS

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

"That, subject to and conditional upon the passing of the Essential Resolutions and for all purposes, Mr Matthew Reynolds, having been nominated and given his consent to act, be elected as a director of the Company with effect from Settlement of the Acquisition."

17. RESOLUTION 16 – ELECTION OF DIRECTOR – MR DENNIS LIN

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

“That, subject to and conditional upon the passing of the Essential Resolutions and for all purposes, Mr Dennis Lin, having been nominated and given his consent to act, be elected as a director of the Company with effect from Settlement of the Acquisition.”

18. RESOLUTION 17 – CHANGE OF COMPANY NAME

To consider and, if thought fit, to pass the following resolution as a **special resolution**:

“That, subject to and conditional upon the passing of the Essential Resolutions, for the purposes of section 157(1)(a) of the Corporations Act and for all other purposes, approval is given for the name of the Company to be changed to “Bubs Australia Limited”.”

19. RESOLUTION 18 – REPLACEMENT OF CONSTITUTION

To consider and, if thought fit, to pass the following resolution as a **special resolution**:

“That for the purposes of section 136(2) of the Corporations Act and for all other purposes, approval is given for the Company to repeal its existing Constitution and adopt a new constitution in its place in the form as signed by the chairman of the Meeting for identification purposes.”

20. RESOLUTION 19 – PARTICIPATION IN CAPITAL RAISING - KRISTY-LEE NEWLAND CARR

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

“That, for the purposes of ASX Listing Rule 10.11 and for all other purposes, approval is given for the Company to issue up to 2,000,000 Shares to Ms Kristy-Lee Newland Carr (or her nominee) on the terms and conditions set out in the Explanatory Statement.”

Voting Exclusion Statement: The Company will disregard any votes cast on this Resolution by Kristy-Lee Newland Carr (and her nominee) and any of their associates. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

Dated: 8 November 2016

By order of the Board

JAY STEPHENSON
Director / Company Secretary

Voting in person

To vote in person, attend the Meeting at the time, date and place set out above.

Voting by proxy

To vote by proxy, please complete and sign the enclosed Proxy Form and return by the time and in accordance with the instructions set out on the Proxy Form.

In accordance with section 249L of the Corporations Act, Shareholders are advised that:

- each Shareholder has a right to appoint a proxy;
- the proxy need not be a Shareholder of the Company; and
- a Shareholder who is entitled to cast 2 or more votes may appoint 2 proxies and may specify the proportion or number of votes each proxy is appointed to exercise. If the member appoints 2 proxies and the appointment does not specify the proportion or number of the member's votes, then in accordance with section 249X(3) of the Corporations Act, each proxy may exercise one-half of the votes.

Shareholders and their proxies should be aware that changes to the Corporations Act made in 2011 mean that:

- if proxy holders vote, they must cast all directed proxies as directed; and
- any directed proxies which are not voted will automatically default to the Chair, who must vote the proxies as directed.

Should you wish to discuss the matters in this Notice of Meeting please do not hesitate to contact the Company Secretary on +61 8 9324 3266.

EXPLANATORY STATEMENT

This Explanatory Statement has been prepared to provide information which the Directors believe to be material to Shareholders in deciding whether or not to pass the Resolutions.

1. FINANCIAL STATEMENTS AND REPORTS

In accordance with the Constitution, the business of the Meeting will include receipt and consideration of the annual financial report of the Company for the financial year ended 30 June 2016 together with the declaration of the directors, the directors' report, the Remuneration Report and the auditor's report.

The Company will not provide a hard copy of the Company's annual financial report to Shareholders unless specifically requested to do so. The Company's annual financial report is available on its website at www.hillcrestlitigation.com.au.

2. RESOLUTION 1 – ADOPTION OF REMUNERATION REPORT

2.1 General

The Corporations Act requires that at a listed company's annual general meeting, a resolution that the remuneration report be adopted must be put to the shareholders. However, such a resolution is advisory only and does not bind the company or the directors of the company.

The remuneration report sets out the company's remuneration arrangements for the directors and senior management of the company. The remuneration report is part of the directors' report contained in the annual financial report of the company for a financial year.

The chair of the meeting must allow a reasonable opportunity for its shareholders to ask questions about or make comments on the remuneration report at the annual general meeting.

2.2 Voting consequences

A company is required to put to its shareholders a resolution proposing the calling of another meeting of shareholders to consider the appointment of directors of the company (**Spill Resolution**) if, at consecutive annual general meetings, at least 25% of the votes cast on a remuneration report resolution are voted against adoption of the remuneration report and at the first of those annual general meetings a Spill Resolution was not put to vote. If required, the Spill Resolution must be put to vote at the second of those annual general meetings.

If more than 50% of votes cast are in favour of the Spill Resolution, the company must convene a shareholder meeting (**Spill Meeting**) within 90 days of the second annual general meeting.

All of the directors of the company who were in office when the directors' report (as included in the company's annual financial report for the most recent financial year) was approved, other than the managing director of the company, will cease to hold office immediately before the end of the Spill Meeting but may stand for re-election at the Spill Meeting.

Following the Spill Meeting those persons whose election or re-election as directors of the company is approved will be the directors of the company.

2.3 Previous voting results

At the Company's previous annual general meeting the votes cast against the remuneration report considered at that annual general meeting were less than 25%. Accordingly, the Spill Resolution is not relevant for this Annual General Meeting.

3. RESOLUTION 2 – RE-ELECTION OF DIRECTOR – MR ALAN VAN NOORT

3.1 General

The Constitution sets out the requirements for determining which Directors are to retire by rotation at an annual general meeting.

Mr Alan van Noort, who has served as a director since 16 October 1998, and was last re-elected on 26 November 2014, retires by rotation and seeks re-election.

3.2 Qualifications and other material directorships

Mr Alan Van Noort (appointed 1998) is a Barrister and Solicitor who was admitted to practice in the Supreme Court of Western Australia in 1979. From 1979 to 1991, Mr Van Noort practised law in Perth, Western Australia, specialising in the areas of mining law, public company law, mergers and acquisitions and shareholders' rights. Since 1991, Mr Van Noort has been involved in the management and administration of publicly listed companies.

Mr Van Noort has not held any other directorships in publicly listed companies in the last 3 years.

3.3 Independence

If elected the Board does not consider Mr van Noort will be an independent director.

3.4 Board recommendation

The Board supports the re-election of 2 and recommends that Shareholders vote in favour of Resolution 2.

4. BACKGROUND TO PROPOSED ACQUISITION OF THE INFANT FOOD HOLDING CO. PTY LIMITED

4.1 Existing Activities of Hillcrest Litigation Services Limited

Hillcrest Litigation Services Limited is a public company listed on the official list of ASX (ASX code: HLS) with its principal focus being management of the Company's litigation funding business. The Company was incorporated on 28 May 1993 and was admitted to the official list of the ASX on 5 October 1993.

In addition to its principal business activities, the Company has been actively seeking to identify and evaluate new opportunities in related or non-related industries that may increase Shareholder value.

4.2 Change in the Nature and Scale of Activities

As announced on 6 October 2016, the Company has entered into a share sale agreement with The Infant Food Holding Co. Pty Limited (ACN 164 764 676) (**BUBS**) and the shareholders of BUBS for the Company to acquire 100% of the issued shares in BUBS.

BUBS is engaged in the business of production and sale of organic infant food and goat milk infant formula (**BUBS Business**). As this is not in the same business as the existing business operations of the Company, Resolution 3 seeks approval from Shareholders for a change in the nature and scale of the activities of the Company.

The Company intends to divest of its existing assets prior to Settlement (pursuant to Resolution 4) and to then focus on the development of the BUBS Business.

4.3 About The Infant Food Holding Co. Pty Ltd

(a) Background on BUBS

BUBS was founded in 2005 by Kristy-Lee Newland Carr and Anthony Gualdi who wanted to offer a quality organic alternative to conventional baby food. Based in Sydney, BUBS has partnered with leading Australian manufacturers and a team of industry experts to continually innovate and launch infant food products that sit side by side with established multinational brands.

BUBS produces Australian-made, certified organic infant food products under the BUBS brand. The award-winning range includes first and second stage fruit and vegetable purees, protein meals, cereals and healthy toddler snacks. The recipes are based on organic ingredients, such as blueberries, banana and pumpkin, with an allergy-friendly menu including gluten-free ancient grains, such as quinoa and amaranth, to cater to the rise in food intolerances in children.

BUBS also produces BUBS ADVANCED PLUS+ Goat Milk formula, which is made in Australia and available in 3 stages from infant to toddler. It blends goat whey protein with a balanced daily intake of essential fatty acids, vitamins, amino acids and prebiotics, including Omega-3 DHA & Omega-6 ARA, and Prebiotics GOS & FOS.

BUBS products are now sold Australia-wide in over a thousand retail outlets, including major and independent supermarkets, department stores, organic and health food stores and pharmacies. The products are also sold on leading Chinese e-commerce platforms including JD.com, Tmall, VIP and Kaola.com, and are exported to South-East Asia and Middle East markets; including Singapore, Hong Kong and the United Arab Emirates.

In the 2016 financial year, sales of BUBS products outside of Australia represented less than 40% of total sales.

(b) Industry in which BUBS operates

BUBS operates in the fast-moving consumer goods industry, focusing on the baby food and formula markets. Industry reports note that the global baby food and formula market is worth over \$70 billion and is expected to grow particularly rapidly in Asia¹.

Globally, infant milk formula accounts for almost 67% of the baby food and formula category by sales value, over half of which comes from the Asia Pacific region¹. The growth in the global industry is driven by demand from the rapidly developing countries in south east Asia, mainly thanks to socio-demographic factors and high rates of female participation in the workforce².

¹ Allied Market Research (2015), "World Baby Food - Market Opportunities and Forecasts, 2014 - 2020"

² Zenith International (2014), "7% growth for [US]\$50 Billion global infant nutrition market"

Brand loyalty and a willingness to pay a premium for trusted foreign brands are understood as consequences of repeated contamination scares from local Chinese products and the reliable supply of goods through ubiquitous sales channels².

In the prepared infant food segment, the industry's global pouch sales increased 28% by value between 2013 and 2014³, primarily supported by richer, developed markets where declining birth rates and older mothers demand and can afford more premium food products for their children⁴. Over time, the Company considers that the growth trend may affect developing markets too as levels of disposable income increase.

An important sub-segment of the premium baby food category is the organic sector, which has also experienced strong growth in the global market. The industry's global sales value increased 26% over the past two years, while non-organic products declined 6% as consumer awareness grew about the health benefits of reduced pesticide residues in food products⁴.

(c) **The future of BUBS**

Whilst retaining an Australian focus, BUBS is implementing a number of strategic priorities to increase penetration in the Australian domestic and Asian markets, broadening its availability. BUBS intends to leverage the demand for Australian provenance foodstuffs and dedicate resources to grow international sales. A significant sales channel which BUBS will seek to exploit is the growing e-commerce category purchases throughout Northern and South East Asia.

Funds will be deployed towards the increased working capital anticipated to enable sustainable growth. BUBS is upgrading and simplifying its finance and IT infrastructure to enable it to compete more effectively with local and global brands in the industry. This process includes building upon existing supply chain capabilities to increase competitiveness, and focusing marketing investment to support BUBS' growth ambitions by securing market engagement.

The opportunity for BUBS rests on four key factors that are critical to delivering the future growth of the business:

(i) Increasing market penetration

BUBS products are widely available throughout Australia and select international markets. Distribution opportunities to grow the products' accessibility at key retail touch points, in supermarkets, pharmacy, specialty outlets as well as e-commerce channel are being explored.

Furthermore, BUBS will seek to optimise the brand's promotional effectiveness to build the rate of sale and purchase value. BUBS will also play an active role championing the benefits of "organic" in the baby category, and intends to broaden its availability in organic & health food stores.

(ii) Brand awareness and impact at point of purchase

³ Nielsen (2015), "Nielsen Global Baby Care Survey"

⁴ Technavio Research (2016), "Global Organic Baby Food Market 2016-2020"

BUBS will seek to undertake a brand refresh to drive consumer awareness and re-establish its core brand credentials. This may assist in gaining increased brand awareness of the products and BUBS brand proposition, assisting with driving consumer demand in targeted markets.

BUBS will invest in the development of marketing communications and content that will further resonate with consumers. To date marketing has been driven by word-of-mouth, with encouraging peer referral. BUBS will seek to engage existing and new consumers via social and broader peer referral strategies.

The new marketing investment will support BUBS' growth ambitions and aim to secure both consumer and retailer engagement with the brand, the existing product suite, and new product development.

(iii) Innovation and product development

BUBS will look to expand the baby category through innovation and product development. The brand will drive growth by looking to participate in higher value category segments and seeking to disrupt the existing categories.

BUBS will continue to develop infant and toddler products for every stage of a baby's development, ensuring that it is commercially agile to identify and exploit new opportunities in the industry.

BUBS has over a decade of organic supply chain experience and relationships. BUBS will seek to leverage the trust and experience it has built to increase relevance in both domestic and international markets. Taking advantage of strong existing partnerships assists BUBS to gain potentially rapid market penetration.

(iv) An enhanced Asian focus

There is a significant and widely-recognised demand internationally for organic and Australian baby food and formula. Current international sales in China, South East Asia and the United Arab Emirates grew from BUBS' Australian provenance and can be further expanded with resources dedicated towards growth. Enhancing the China business strategy capabilities will be a focus of BUBS following Settlement.

BUBS already has strong relationships with leading retail and e-commerce operators such as Tmall and JD.com. By scaling up operations, these channels may provide potentially significant growth opportunities and ready access to new markets beyond China's largest cities.

(d) **Business model**

BUBS baby food and goat milk infant formula is all Australian-made to the highest quality assurance standards and certified by the following organisations:

(i) AUSBUY: 'Made in Australia';

- (ii) Australian Certified Organic (**ACO**): Organic accreditation for prepared food pouch range;
- (iii) Member of Infant Nutrition Council (**MAIF**) and signatory of MAIF agreement;
- (iv) Kosher Australia (**KA**): Kosher accreditation for the prepared food pouch range; and
- (v) AFIC: Halal accreditation for the prepared food pouch range.

BUBS has secured manufacturing associates that allow an asset-lean business model to respond quickly and flexibly to market changes. In the prepared food pouch segment, BUBS works strategically with a network of organically-certified farmers, suppliers and operators who each have decades of experience in the field.

For the production of goat milk infant formula, BUBS has multiple key relationships that ensure the product is Australian-made and in compliance with Australia's FSANZ code.

BUBS sells its products in both the Australian and international markets. The diversity of BUBS customer base reduces the financial risks to BUBS in the event of a delisting by any particular distributor. BUBS is focused on expanding its distribution footprint to further mitigate this risk, as well as to benefit from margins accretive opportunities available outside Australia.

(e) **Regulatory environment**

While different standards apply to different products within the BUBS range (particularly with regards to infant milk formula), BUBS' manufacturing complies with the appropriate standards, conforming to the Australian ordinances, requirements, laws, by-laws, and regulations for the sale of food products, food processing, and packaging.

The premises from which the products are manufactured and the equipment used in the manufacture of the products are maintained in a clean and hygienic condition in accordance with Australian Good Manufacturing Practice (GMP), including supporting programs such as pest control and environmental pathogen surveillance.

BUBS' manufacturing quality management systems are compliant to ISO 9001 or higher standards, certified on site product safety program (HACCP) with maintenance of the appropriate dairy manufacturing licences and regulations through Dairy Food Safety Victoria and the Australian Quarantine and Inspection Service.

BUBS goat milk infant formula is manufactured in Australia and sold in domestic and international markets. BUBS complies with and conforms to the Food Standards Australia New Zealand (**FSANZ**) code of manufacturing as summarised below.

FSANZ code

- (i) Although breastfeeding is the recommended way to feed a baby, the Australian National Health and Medical Research Council and the New Zealand Ministry of Health both recommend that

commercial infant formulas should be used as a substitute for babies who are not breastfed;

- (ii) BUBS infant milk formula products are regulated under Standard 2.9.1 – Infant Formula Products in Australia and New Zealand Food Standard Code;
- (iii) BUBS complies with and will continue to comply with the composition and safety requirements outlined in the FSANZ code;
- (iv) Standard 2.9.1 specifies the mandatory nutrient content for BUBS infant formula and follow-on formula to ensure the nutrition requirements of infants aged to 12 months are met;
- (v) Standard 2.9.1 also includes labelling requirements for BUBS infant formula products and specifically prohibits some types of claims, images, and symbols on product labels.

(f) **Key personnel**

Kristy-Lee Newland Carr *(Co-founder and Managing Director)*

Ms Carr has an in-depth knowledge of all facets of the baby category, and she oversees the company's business development, marketing, and retail industry relations. Prior to co-founding the BUBS brand of products, Ms Carr was International Communications Strategist for Cathay Pacific in Hong Kong. Having lived in Asia and travelled extensively throughout China for over a decade, she has a deep understanding of BUBS' target market in Asia. As a mother of three, Ms Carr has first-hand experience when it comes to new product development and mum-to-mum insight.

Anthony Gualdi *(Co-founder and Operations Director)*

Prior to co-founding BUBS, Mr Gualdi founded Shakespeare's Pies, which he grew from one store to an international portfolio of 80 stores. Mr Gualdi's experience in the infant food business comes with over 25 years in the industry, and studies in Natural Medicine and Nutrition. Mr Gualdi is focused on continuing to provide healthy, nutritious, and convenient food for children, working closely with food technologists, nutritionists, and other industry experts in order to ensure the best quality products under the BUBS brand.

Nicholas Simms *(Commercial Director – Infant Milk Formula)*

Mr Simms is an FMCG specialist with a proven record in strategically applying insights, consumer technology, innovative thinking, financial rigour and strong communication. Mr Simms was previously the General Manager International at PZ Cussons following its acquisition of Five:am Organics, the market leading producer of organic yoghurt and cereals. He brings over two decades of experience in management positions within leading Australian FMCG companies including Mars Inc, Golden Circle and HJ Heinz. Mr Simms has been honoured with multiple awards in the food industry, both as an advisor and for product innovation.

4.4 Key terms of the Share Sale Agreement

In accordance with the terms of the Share Sale Agreement, the Company will acquire the BUBS Shares as set out below, conditional upon Settlement occurring in accordance with the Share Sale Agreement.

The key terms of the Share Sale Agreement are as follows:

(a) **Conditions Precedent**

Settlement of the Acquisition is subject to the satisfaction or waiver by the parties of the following outstanding conditions:

- (i) Hillcrest completing a non-renounceable entitlement issue of 61,861,827 Shares at an issue price of \$0.005 per Share (on a pre-Consolidation basis) to raise \$309,309.14, to be fully underwritten by PAC Partners Pty Ltd (**Entitlement Issue**). The Company released the offer document (pursuant to which the Entitlement Issue is being made) on its ASX announcements platform on 6 October 2016;
- (ii) no one or more events, occurrences or matters which individually or when aggregated would be likely to have a material adverse effect on the business properties, financial condition, results or operations of BUBS taken as a whole occurring prior to the date that each other Condition is satisfied or waived;
- (iii) no one or more events, occurrences or matters which individually or when aggregated would be likely to have a material adverse effect on the business properties, financial condition, results or operations of Hillcrest taken as a whole occurring prior to the date that each other Condition is satisfied or waived;
- (iv) Hillcrest preparing and lodging a prospectus with the ASIC (**Prospectus**) and receiving valid applications for a fixed amount of \$5,150,000 in Shares (**Capital Raising**);
- (v) termination of, and release of all claims and liabilities relating to, the agreement between BUBS and each of the BUBS Shareholders (as defined below) dated 26 June 2015; and
- (vi) Hillcrest obtaining all necessary shareholder approvals required by the Corporations Act and the ASX Listing Rules in relation to the Acquisition (the **Conditions**).

If the Conditions are not satisfied or waived on or before 5:00pm (Western Australian standard time) on 5 February 2017, (or such later date as Hillcrest and BUBS may agree), either Hillcrest or BUBS may terminate the Agreement by written notice to the other parties.

(b) **Consideration**

The consideration to be issued for the transfer of the aggregate of all of the BUBS Shares will be the issue of 163,400,000 Shares (on a post-Consolidation basis) (**Consideration Shares**) amongst the BUBS Shareholders.

(c) **Issue of PAC Partners and Nicholas Simms**

Subject to obtaining shareholder approval, the Company has agreed to issue the following Options:

- (i) 5,844,242 Options with an exercise price of \$0.10 each (on a post-Consolidation basis), subject to the vesting condition (the Share price equalling \$0.125) being met, and expiring 3 years from grant to PAC Partners Pty Ltd ((or its nominees) under the Prospectus in consideration for PAC Partners' facilitation of the Acquisition; and
- (ii) 3,578,108 Options with an exercise price of \$0.10 each (on a post-Consolidation basis) to Nicholas Simms (or his nominees) and expiring on the earlier of the date which is 3 years after the date of issue and the date Nicholas Simms ceases to be an employee of The Infant Food Co Pty Limited ACN 164 765 360 as a result of being terminated in certain adverse circumstances.

(d) **Board of directors of the Company**

Upon Settlement, all of the Directors (other than Alan van Noort) will resign and the following nominees will join the Board, subject to Shareholder approval, Kristy-Lee Newland Carr, Matthew Reynolds, Dennis Lin. Pursuant to the Share Sale Agreement, one further director may be identified by BUBS to join the Board.

4.5 Pro forma balance sheet

A pro forma balance sheet of the Company following completion of the Acquisition contemplated by this Notice of Meeting is set out in Schedule 1.

4.6 Pro forma capital structure

Set out below is the pro forma capital structure of the Company following completion of the Acquisition and associated Capital Raising.

	Shares	Options
Current issued capital	309,309,136	Nil
Shares to be issued pursuant to Entitlement Issue	61,861,827	Nil
Issued capital following Consolidation (Resolution 5)	22,270,258	Nil
Sub Total	22,270,258	Nil
Issue of Shares under Capital Raising (assuming subscription of \$5,150,000 is raised) (Resolution 7)	51,500,000	Nil
Consideration Shares to be issued to BUBS Shareholders (Resolution 6)	163,400,000	Nil
Shares to be issued to creditors of the Company ¹ (Resolutions 10 to	1,370,250	Nil

14)		
Options to be issued to PAC Partners Pty Ltd (or its nominees) ² (Resolution 8)	Nil	5,844,242
Options to be issued to Nicholas Simms (or his nominees) ³ (Resolution 9)	Nil	3,578,108
Total	238,540,508	9,422,350

Notes:

1. Assumes liabilities of \$137,025 are extinguished via the issue of Shares at \$0.10 per Share.
2. Post-Consolidation unquoted options exercisable at \$0.10 on or before that date which is three (3) years after their date of issue, subject to the vesting condition (the Share price equalling \$0.125) being met and otherwise on the terms and conditions set out in Schedule 3.
3. Post-Consolidation unquoted options exercisable at \$0.10 on or before the earlier of:
 - a. the date which is 3 years after their date of issue; and
 - b. the date Nicholas Simms ceases to be an employee of The Infant Food Co Pty Limited ACN 164 765 360 as a result of being terminated in certain adverse circumstances, and otherwise on the terms and conditions set out in Schedule 4.

4.7 Proposed Budget

The Company has current cash reserves of approximately \$330,000 (assuming completion of the Entitlement Issue) as at the date of this Notice of Meeting.

The Company intends to apply the current cash reserves as follows over the next 24 months, when combined with the proposed Capital Raising funds, which when aggregated with existing cash reserves respectively would give a total of \$5,480,000 funds available.

Item	Maximum Proposed Capital Raising (\$5,150,000) plus oversubscriptions and existing cash
Existing cash reserves ¹	\$330,000
Funds raised under Capital Raising	\$5,150,000
Total	\$5,480,000
Estimated cost of the matters proposed in Resolutions 3 to 17 and the Capital Raising	\$300,000
Payments of amounts owing to existing creditors of the Company ²	\$202,000
Marketing and brand development costs ³	\$1,137,000
Business development and expansion ⁴	\$850,000
Trading partner costs ⁵	\$800,000
Working capital and corporate	\$2,191,000

administration ⁶	
TOTAL	\$5,480,000

Notes:

1. This figure represents the Company's approximate cash reserves assuming completion of the Entitlement Issue.
2. This amount is payable to Alan Van Noort, Director, for unpaid salary and superannuation.
3. This amount will cover the costs anticipated for BUBS to implement its market penetration strategies, including advertising, consumer research and new product development.
4. This expenditure is to be applied towards expanding BUBS from an Australian-focused local brand to an Asian-focused global brand, including setting up new infrastructure and resources in China, Hong Kong and elsewhere in south east Asia.
5. This amount is to cover upfront and ongoing expenditure as BUBS broadens and deepens its retail distribution channels, cementing key partnerships in the pharmacy network and upgrading its online presence.
6. Working capital expenditure is to be applied towards meeting the funding needs of a growing business, particularly inventory costs, and towards administration costs associated with BUBS. These costs include costs for head office, occupancy charges, professional consultant's fees, compliance and reporting costs associated with running an ASX listed company, as well as other typical administration costs.

The above table is a statement of current intentions as at the date of this Notice. Intervening events may alter the way funds are ultimately applied by the Company.

4.8 Anticipated timetable for the key business the subject of the Resolutions

Event	Indicative Timing*
Lodgement of Prospectus and Prospectus offers anticipated to open	11 November 2016
General Meeting of Shareholders ASX notified whether Shareholders' approval has been granted for the Resolutions	8 December 2016
Prospectus offer closes	8 December 2016
Subject to Directors' satisfaction that the conditions precedent in Share Sale Agreement are satisfied (or waived), Settlement, including issue of all Shares and Options contemplated by this Notice.	15 December 2016
Commencement of trading of Shares on ASX (subject to the Company re-complying with Chapters 1 and 2 of the ASX Listing Rules and subject to ASX agreeing to reinstate the Company's Shares to quotation)	23 December 2016

* The Directors reserve the right to change the above indicative timetable without requiring any disclosure to Shareholders or Option holders.

4.9 Board intentions if Settlement occurs

In the event that Settlement occurs, the funds raised from the Capital Raising, together with the Company's existing cash reserves will be used as detailed in Section 4.7.

The Company has entered into a deed of novation and variation to divest its remaining assets prior to Settlement to focus on the development and commercialisation of the BUBS Business. Refer to Resolution 4 and Section 6 for further details.

4.10 Advantages of the proposals in the Resolutions

The Directors are of the view that the following non-exhaustive list of advantages may be relevant to a Shareholder's decision on how to vote on each Essential Resolution:

- (a) the Acquisition represents a significant opportunity for the Company to increase the scale of its activities which should increase the number and size of the investor pool that may invest in Shares;
- (b) the Acquisition provides an opportunity for the Company to diversify its interests to include BUBS which is in the business of production and sale of organic infant food and goat milk infant formula;
- (c) the Acquisition provides Hillcrest with the opportunity to potentially increase the value of the Company; and
- (d) the Company may be able to raise further funds at higher prices by way of share equity as a result of the Acquisition which may aid in the development of the BUBS Business.

4.11 Disadvantages of the proposals in the Resolutions

The Directors are of the view that the following non-exhaustive list of disadvantages may be relevant to a Shareholder's decision on how to vote on each Resolution:

- (a) the Company will be changing the nature and scale of its activities to become a company focused on the production and sale of organic infant food and goat milk infant formula, as referred to above, which may not be consistent with the objectives of all Shareholders;
- (b) the Acquisition and the Capital Raising will result in the issue of Shares to the BUBS Shareholders and new investors, which will have a dilutionary effect on the holdings of Shareholders; and
- (c) there are inherent risks associated with the change in nature of the Company's activities. Some of these risks are summarised in Section 4.13 below.

4.12 Composition of the Board of Directors

The Company's Board of Directors currently comprises:

- (a) Mr Alan van Noort (Chairman);
- (b) Mr Jay Stephenson (Non-Executive Director); and
- (c) Mr Angus Middleton (Non-Executive Director).

It is intended that Mr van Noort will remain on the Board as a Non-Executive Director following Settlement and Messrs Stephenson and Middleton intend to resign upon Settlement.

Kristy-Lee Newland Carr, Matthew Reynolds and Dennis Lin will join the Board at Settlement in the roles set out below.

- (a) Ms Kristy-Lee Newland Carr will fulfil the role of Managing Director;
- (b) Mr Matthew Reynolds will fulfil the role of Non-Executive Director; and
- (c) Mr Dennis Lin will fulfil the role of Non-Executive Director.

Please refer to Section 14 below for further information on Kristy-Lee Newland Carr, Matthew Reynolds and Dennis Lin.

4.13 Risk factors

Shareholders should be aware that if the proposed Acquisition is approved, the Company will be changing the nature and scale of its activities. Based on the information available, a non-exhaustive list of risk factors are as follows:

Risks relating to the Change in Nature and Scale of Activities

(a) Re-Quotation of Shares on ASX

The acquisition of BUBS constitutes a significant change in the nature and scale of the Company's activities and the Company needs to re-comply with Chapters 1 and 2 of the ASX Listing Rules as if it were seeking admission to the official list of ASX.

There is a risk that the Company may not be able to meet the requirements of the ASX for re-quotation of its Shares on the ASX. Should this occur, the Shares will not be able to be traded on the ASX until such time as those requirements can be met, if at all. Shareholders may be prevented from trading their Shares should the Company be suspended until such time as it does re-comply with the ASX Listing Rules.

(b) Dilution Risk

Upon completion of the Entitlement Issue, the Company will have 371,170,963 pre-Consolidation Shares on issue. On completion of the Consolidation the Company will have 22,270,258 Shares on issue. On completion of the Consolidation and Settlement, the Company proposes to issue the 163,400,000 Consideration Shares, 51,500,000 Shares at \$0.10 per Share to raise \$5,150,000 as part of the Capital Raising and 1,370,250 to creditors of the Company. On Settlement, the existing Shareholders will retain approximately 9.34% of the issued capital of the Company, with the BUBS Shareholders holding 68.50%, the investors under the Capital Raising holding 21.59% and the creditors of the Company holding 0.57% of the issued capital of the Company respectively.

There is also a risk that the interests of Shareholders will be further diluted as a result of future capital raisings required in order to fund the development of the BUBS Business.

(c) Liquidity Risk

On Settlement, the Company proposes to issue 163,400,000 Consideration Shares to the BUBS Shareholders. These securities will be subject to escrow restrictions in accordance with Chapter 9 of the ASX Listing Rules, subject to any escrow relief obtained from the ASX by the Company. Based on the post-offer capital structure (and assuming no further Shares are issued), the Shares will equate to approximately 68.50% of the post-Acquisition issued Share capital. This could be considered an increased liquidity risk as a large portion of issued capital may not be able to be traded freely for a period of time.

(d) **Contractual Risk**

Pursuant to the Share Sale Agreement (summarised above) the Company has agreed to acquire 100% of the issued share capital of BUBS subject to the fulfilment of certain conditions precedent.

The ability of the Company to achieve its stated objectives will depend on the performance by the parties of their obligations under the Share Sale Agreement. If any party defaults in the performance of their obligations, it may be necessary for the Company to approach a court to seek a legal remedy, which can be costly.

Risks specific to the Company

(a) **Acquisition of BUBS**

There are a number of specific risks involved for the Company, and consequently its Shareholders, in the acquisition of BUBS, including risks specific to the business and assets of BUBS, which include the following non-exhaustive list:

(i) **Brand and reputation**

BUBS' key business assets include brand names and related intellectual property of the business. A number of factors may adversely affect these key business assets, including:

- (A) potential disputes or litigation with suppliers, customers, employees or other third parties;
- (B) adverse media coverage (including social media);
- (C) failure to deliver products which meet customer expectations; and
- (D) other risks to BUBS brand names and intellectual property which are beyond BUBS' control.

These factors can erode BUBS' public reputation and adversely affect BUBS' supply streams by decreasing demand for BUBS' products and causing interference with key supply relationships, distributors and employees. Cumulatively this could detrimentally effect to the value associated with BUBS' key business assets.

(ii) **Change in regulation**

There is a continuing risk for BUBS that local laws and/or regulations in jurisdictions in which BUBS conducts business could unpredictably and radically change.

As BUBS conducts business across multiple jurisdictions and sources its ingredients internationally, there is a risk that changes to the regulatory environment may materially detrimentally affect the manner in which BUBS currently operates (including obligations altering the manufacturing processes, ingredients, shelf life, marketing and export/import processes).

The potential detrimental flow on effects from these regulatory changes could most significantly affect the sale or production of BUBS' products. The causes of which could stem from:

- (A) regulatory changes which restrict or entirely prevent access to particular markets (amendments to importation or exportation regulations),
- (B) regulatory changes which change the product packaging requirements and disclosure obligations (including labelling requirements containing minimum dietary disclosures), or
- (C) the introduction of taxation measures which specifically reference food items.

In addition to the above, BUBS subscribes to various voluntary codes of conduct, including those relating to being certified "organic", "kosher" and "halal". The standards of these codes are independently regulated by those bodies which provide the certification and can be overlaid by local laws. Changes to these codes could significantly alter BUBS market and therefore affects its revenues and/or costs.

BUBS is not aware of any current issues or any impending regulatory changes in relevant markets which may affect its supply, manufacture and distribution networks. However, there is a continuing residual risk from potential regulatory changes which may materially alter BUBS' revenues and/or increase its costs which could diminish BUBS' financial performance.

(iii) **Competition**

BUBS' future financial performance and overall success in the market will rest upon the successful implementation of strategies to compete with highly competitive global businesses. These global competitors have advantageous access to capital and resources, as well as competitors who are subsidiaries of, or are in relationships with large scale supermarket chains. Those competitors are given both financial and marketing assistance due to their relations.

BUBS' strategies may be adversely impacted by the number and size of its competitors who may participate in the market with a more aggressive pricing structure, innovative technologies and/or agile supply and distribution networks more adapt then those of BUBS.

(iv) **Manufacturing**

BUBS' utilises a number of manufacturers across the product range.

Risks in respect of manufacturing hinges upon BUBS' reliance on a concentration of manufacturers, with one provider, Blend and Pack, in relation to baby formula production.

A disruption to this supply chain or if this manufacturer chooses to discontinue baby formula production, would materially adversely affect BUBS' ability to meet consumer needs and ultimately be of detriment to the business's financial performance and future prospects.

(v) **Certified organic risks**

The 'organic' certification is a key factor in BUBS' success. Gaining the certification relies upon the raw materials and product ingredients meeting the requirements specified by the relevant certifying bodies. Should quality control issues arise in respect of raw materials and product ingredients which result in the finished products falling short of the requirements for organic certification, this could have a materially adverse effect on the BUBS brand and consequently BUBS' financial performance and its future prospects.

(vi) **Failure to grow**

The success and potential growth of BUBS is dependent on its ability to produce and offer a range of new products to the market. If BUBS is unable to do so, the result could be a reduced or negative rate of growth.

There is a secondary risk of unprofitability stemming from BUBS' new products incurring operating costs earlier or greater than forecast, greater waste operating costs than anticipated and/or impacts on existing product profitability due to the release of new products. BUBS may also fail to grow as a result of inadequate marketing or insufficient consumer interest.

(vii) **Reliance on key personnel**

BUBS' success depends to a significant extent on its key personnel, in particular Kristy-Lee Newland Carr, Anthony Gualdi and Nicholas Simms. They have extensive experience in, and knowledge of, BUBS' business and the market in which they operate. Any losses to key management personnel, or any delay in their replacement could have a significant adverse effect on the management of BUBS, and intern have negative ramifications on its financial performance and future prospects.

(viii) **Product contamination and recall**

Being a producer of food products, BUBS is subject to a risk of product contamination and/or product recall that could have a material adverse effect on the BUBS brand and thereby its financial performance and future prospects.

(b) **Additional requirements for capital**

The funds raised under the Capital Raising are considered sufficient to meet the immediate BUBS Business objectives of BUBS and the Company.

Additional funding may be required in the event costs exceed the Company's estimates and to effectively implement its business and operations plans in the future (particularly in relation to BUBS) to take advantage of opportunities for acquisitions, joint ventures or other business opportunities, and to meet any unanticipated liabilities or expenses which the Company may incur.

The Company may seek to raise further funds through equity or debt financing, joint ventures, licensing arrangements, production sharing arrangements or other means. Failure to obtain sufficient financing for the Company's activities and future projects may result in delay and indefinite postponement of their activities and potential research and development programmes. There can be no assurance that additional finance will be available when needed or, if available, the terms of the financing might not be favourable to the Company and might involve substantial dilution to Shareholders.

(c) **Reinstatement to ASX's official list**

The Company's Shares have been suspended since announcement of the Acquisition on 6 October 2016. In the event the Essential Resolutions are approved at the Meeting, it is anticipated that the Company's securities will remain suspended until Settlement and completion of the Capital Raising, re-compliance by the Company with Chapters 1 and 2 of the ASX Listing Rules and compliance with any further conditions ASX imposes on such reinstatement. There is a risk that the Company will not be able to satisfy one or more of those requirements and that its listed Securities may consequently remain suspended from quotation.

(d) **Unforeseen expenditure risk**

Expenditure may need to be incurred that has not been taken into account in the estimates summarised in Section 4.7 above. Although the Company is not aware of any such additional expenditure requirements, if such expenditure is subsequently incurred, this may adversely affect the expenditure proposals of the Company.

General risks

(a) **Economic**

General economic conditions, introduction of tax reform, new legislation, movements in interest and inflation rates and currency exchange rates may have an adverse effect on the Company's and the Entities' business activities and potential research and development programmes, as well as on their ability to fund those activities.

(b) **Force majeure**

The Company's projects now or in the future may be adversely affected by risks outside the control of the Company, including labour unrest, civil disorder, war, subversive activities or sabotage, fires, floods, explosions or other catastrophes, epidemics or quarantine restrictions.

(c) **Dependence on outside parties**

The Company may pursue a strategy that forms strategic business relationships with other organisations in relation to potential products and services. There can be no assurance that the Company will be able to attract such prospective organisations and to negotiate appropriate terms and conditions with these organisations or that any potential agreements with such organisations will be complied with.

(d) **Market conditions**

Share market conditions may affect the value of the Company's quoted Shares regardless of the Company's operating performance. Share market conditions are affected by many factors such as:

- (i) general economic outlook;
- (ii) introduction of tax reform or other new legislation;
- (iii) interest rates and inflation rates;
- (iv) changes in investor sentiment toward particular market sectors;
- (v) the demand for, and supply of, capital; and
- (vi) terrorism or other hostilities.

The market price of securities can fall as well as rise and may be subject to varied and unpredictable influences on the market for equities in general. Neither the Company nor the Directors warrant the future performance of the Company or any return to Shareholders arising from the transactions the subject of this Notice or otherwise.

4.14 Taxation

The Acquisition and/or the passing of the Essential Resolutions may give rise to income tax implications for the Company and Shareholders.

Existing Shareholders are advised to seek their own taxation advice on the effect of the Essential Resolutions on their personal position and neither the Company, nor any existing Director or advisor to the Company accepts any responsibility for any individual Shareholder's taxation consequences on any aspect of the Acquisition or the Resolutions.

4.15 Plans for the Company if the Essential Resolutions are not passed

If Resolutions 3 to 17 are not passed and the Acquisition is not completed, the Company will continue to develop its existing activities and look for potential projects in order to continue to take the Company forward.

4.16 Directors' interests in the Share Sale Agreement

Other than as set out in Section 6.10, none of the Company's Directors have any interest in the proposed Acquisition pursuant to the Share Sale Agreement.

4.17 BUBS Shareholders

An entity controlled by Proposed Director Ms Kristy-Lee Newland Carr (the Carr Family Pty Limited ACN 120 287 854 aff Carr Family Trust) is a BUBS Shareholder. Refer to Section 8.2 for further information.

None of the BUBS Shareholders have an existing interest in the Company's Securities separate from that detailed in the Essential Resolutions and the Share Sale Agreement.

4.18 Conditional Resolutions

Resolutions 3 to 17 are inter-conditional, meaning that each of them will only take effect if all of them are approved by the requisite majority of Shareholders' votes at the Meeting. If any one of those Resolutions is not approved at the Meeting, none of them will take effect and the Share Sale Agreement and other matters contemplated by Resolutions 3 to 17 will not be completed pursuant to this Notice.

4.19 Directors' Recommendation

The Directors of the Company unanimously recommend the Acquisition (and the change in nature and scale of the Company's activities) and that Shareholders vote in favour of the Resolutions.

5. RESOLUTION 3 – CHANGE TO NATURE AND SCALE OF ACTIVITIES

5.1 General

Resolution 3 seeks the approval of Shareholders for a change in the nature and scale of the Company's activities via the acquisition of the BUBS Shares.

A detailed description of the proposed Acquisition is outlined in Section 4 above.

5.2 ASX Listing Rule 11.1

ASX Listing Rule 11.1 provides that where an entity proposes to make a significant change, either directly or indirectly, to the nature and scale of its activities, it must provide full details to ASX as soon as practicable and comply with the following:

- (a) provide to ASX information regarding the change and its effect on future potential earnings, and any information that ASX asks for;
- (b) if ASX requires, obtain the approval of holders of its shares and any requirements of ASX in relation to the notice of meeting; and
- (c) if ASX requires, meet the requirements of Chapters 1 and 2 of the ASX Listing Rules as if the company were applying for admission to the official list of ASX.

ASX has confirmed to the Company that given the significant change in the nature and scale of the activities of the Company upon completion of the Acquisition, it requires the Company to:

- (d) obtain the approval of its Shareholders for the proposed change of activities; and
- (e) re-comply with the admission requirements set out in Chapters 1 and 2 of the ASX Listing Rules.

For this reason, the Company is seeking Shareholder approval for the Company to change the nature and scale of its activities under ASX Listing Rule 11.1.2 and re-compliance with Chapters 1 and 2 of the ASX Listing Rules pursuant to ASX Listing Rule 11.1.3.

Details of the assets to be acquired by the Company and the proposed changes to the structure and operations of the Company are set out throughout this Explanatory Statement.

5.3 Guidance Note 12

Recent changes to Guidance Note 12 alter ASX's policy in relation to the application of the "20 cent rule" to re-compliance listings. Previously a company had to re-comply to the Official List of the ASX at an issue price of 20 cents per share as part of compliance with Chapters 1 and 2 of the ASX Listing Rules. Guidance Note 12 states that this issue price can now be below 20 cents when an entity's securities have been trading on ASX at less than 20 cents. ASX will consider a request not to apply the 20 cent rule provided the issue price, sale price or exercise price for any securities being issued or sold as part of, or in conjunction with, the transaction:

- (a) is not less than two cents each; and
- (b) is specifically approved by security holders as part of the approval obtained under Listing Rule 11.1.2; and
- (c) ASX is otherwise satisfied that the entity's proposed capital structure after the transaction will satisfy Listing Rules 1.1 condition 1 and 12.5 (appropriate structure for a listed entity).

The Company has received a waiver from ASX from:

- (d) ASX Listing Rule 2.1 condition 2 to the extent necessary for the issue price of the Shares to be issued pursuant to the Capital Raising not to be at least 20 cents; and
- (e) ASX Listing Rule 1.1 condition 11 to the extent necessary for the exercise price of the Options to be issued pursuant to Resolutions 8 and 9 not to be at least 20 cents.

For this reason, the Company is seeking Shareholder approval for the Company to:

- (a) issue Shares at an issue price of \$0.10 per Share; and
- (b) to have Options on issue upon Settlement with an exercise price of not less than \$0.10 per Option,

as part of the approvals sought under ASX Listing Rule 11.1.2.

5.4 Directors' recommendation

The Directors of the Company unanimously recommend that Shareholders vote in favour of Resolution 3.

6. RESOLUTION 4 – DISPOSAL OF MAIN UNDERTAKING

6.1 Background

As announced on 6 October 2016, the Company has entered into the Share Sale Agreement with BUBS and the BUBS Shareholders. One of the conditions to Settlement is the Company entering into a binding agreement to transfer and novate all of its rights and obligations associated with its Current Assets to a third party.

The Company has entered into a deed of novation and variation with Lit-One Pty Ltd (**Lit-One**), Mervyn John Kitay as Liquidator of Computer Accounting & Tax Pty Ltd (In Liquidation) and Computer Accounting & Tax Pty Ltd (In Liquidation) (**Deed**) for the transfer and novation of its Current Assets (the **Disposal**).

A summary of the material terms of the Deed is set out in Section 6.6 below.

6.2 ASX Listing Rule 11.2

ASX Listing Rule 11.2 provides that where a company proposes to make a significant change in the nature or scale of its activities which involves the disposal of its main undertaking, it must first obtain the approval of its shareholders.

The Company's interest in the Current Asset is its main undertaking.

Resolution 4 seeks Shareholder approval for the disposal of the Company's main undertaking on the terms of the Deed.

6.3 ASX Listing Rule 10.1

ASX Listing Rule 10.1 provides that an entity must ensure that neither it, nor any of its child entities, acquires a substantial asset from, or disposes of a substantial asset to, amongst other persons, a substantial holder in the entity, without the prior approval of holders of the entity's ordinary shareholders.

Substantial asset

For the purposes of ASX Listing Rule 10.1, an asset is substantial if its value, or the value of the consideration for it is, or in ASX's opinion is, 5% or more of the equity interests of the entity as set out in the latest accounts given to ASX under the ASX Listing Rules.

The equity interests of the Company as set out in the latest accounts given to ASX under the ASX Listing Rules (being for the year ended 30 June 2016) were \$54,550.

As the value of the Current Assets is more than 5% of the equity interests of the Company as set out in the latest accounts given to ASX under the ASX Listing Rules, the Disposal will result in the disposal of a substantial asset.

Substantial holder

For the purposes of ASX Listing Rule 10.1 a substantial holder is a person who has a relevant interest (either directly or through its associates), or had at any time in the 6 months before the transaction, in at least 10% of the total votes attaching to the voting securities.

Lit-One Pty Ltd is a substantial holder of the Company by virtue of its controller, Lanzerac Nominees Pty Ltd, controlling 34,646,720 pre-Consolidation and pre-Entitlement Issue Shares, which equates to 11.20% voting power in the Company prior to completion of the Entitlement Issue and the Consolidation.

As a result of the above conclusions, the completion of the Disposal will result in the disposal of a substantial asset to a substantial shareholder of the Company and the Company is required to seek Shareholder approval under ASX Listing Rule 10.1.

6.4 Independent Expert's Report

ASX Listing Rule 10.10.2 requires a notice of meeting containing a resolution under ASX Listing Rule 10.1 to include a report on the transaction from an independent expert.

The Independent Expert's Report included in Annexure A sets out a detailed independent examination of the proposed Disposal to enable non-associated Shareholders to assess the merits and decide whether to approve the Disposal.

The Independent Expert's Report concludes that the Disposal is **not fair but reasonable** to the non-associated Shareholders.

Shareholders are urged to carefully read the Independent Expert's Report to understand its scope, the methodology of the valuation and the sources of information and assumptions made.

6.5 Indicative timetable

Subject to the requirements of the ASX Listing Rules, the Company anticipates completion of the Disposal will be in accordance with the following timetable:

Event	Date
Notice of Meeting despatched to Shareholders	9 November 2016
Annual General Meeting to approve Disposal	8 December 2016
Completion of Deed*	14 December 2016

* These dates are indicative only and subject to change.

6.6 Summary of the Deed

The material terms of the Deed are as follows:

- (a) **(Novation)**: On and from the date that the last of the conditions set out below is satisfied or waived (**Effective Date**):
- (i) the Company will transfer all of its rights and obligations under the litigation funding agreement in relation to the Current Assets (**Principal Agreement**) (as amended under the Deed) to Lit-One.
 - (ii) Lit-One will enjoy all of the rights and benefits of the Company under the Principal Agreement (as amended under the Deed).
 - (iii) Lit-One will perform the Principal Agreement (as amended under the Deed) and will assume all of the obligations and liabilities of the Company under the Principal Agreement arising on or before the Effective Date and those arising thereafter.
- (b) **(Consideration and payments)**: The following payments will be made pursuant to the Deed:
- (i) in consideration for the assigned rights, title, interest and benefits under the Principal Agreement, Lit-One will pay the amount of \$264,776.54 to the Company. Lit-One will also arrange the replacement of the security deposit of \$100,000 held by the court and the repayment of the existing security deposit to the Company;
 - (ii) in consideration for Lit-One assuming the Company's obligations to meet any adverse costs orders pursuant to the Principal Agreement, the Company will pay the Assignee \$250,000.
- (c) **(Conditions to completion)**: Completion of the Deed is subject to

- (i) the Company obtaining shareholder approval for the Disposal pursuant to ASX Listing Rule 10.1 and ASX Listing Rule 11.2; and
- (ii) if required, the approval of the Supreme Court of Western Australia pursuant to section 477(2B) of the Corporations Act,

by 31 December 2016.

6.7 Impact on the Company

The impact of the Disposal on the Company's balance sheet is set out in the pro-forma balance sheet.

The cash consideration payable to the Company under the Deed will be used by the Company towards developing the BUBS Business (refer to Section 4.7 for further details).

The Disposal will not have any impact on the capital structure of the Company.

6.8 Advantages and Disadvantages of the Disposal

Advantages

The Directors believe that the following non-exhaustive list of advantages may be relevant to a Shareholder's decision on how to vote on the proposed Disposal:

- (a) the Disposal is a Condition to settlement of the Acquisition, which the Company considers to be advantageous to Shareholders;
- (b) the Disposal and, subsequently, the Acquisition provides an opportunity for the Company to diversify its interests to include BUBS;
- (c) the Disposal will allow the Company to exit its ongoing expenditure obligations related to the Current Assets;
- (d) the Disposal will enable the Company to focus on the BUBS Business, further details of which are set out in Sections 4.3 and 4.9; and
- (e) the Disposal will contribute to the Company's ability to progress the BUBS Business, which may in turn increase Shareholder value.

Disadvantages

The Directors believe that the following non-exhaustive list of disadvantages may be relevant to a Shareholder's decision on how to vote on the proposed Disposal:

- (a) the primary consequence of the Disposal is that the Company will novate its interest in the Current Assets and therefore will not be able to benefit from any success in relation to the Current Assets. This may not be consistent with all Shareholders' investment objectives when they elected to invest in the Company;
- (b) the Company will be changing the nature and scale of its, which may not be consistent with the investment objectives of all Shareholders; and
- (c) there are inherent risks associated with the change in nature of the Company's activities. Some of these risks are summarised in Section 4.13.

6.9 Future activities and direction post-Disposal

The Company will be focusing on the development of the BUBS Business. Refer to Section 4.9 for further details on the proposed direction and focus of the Company following Settlement and the Disposal.

Following the completion of the Disposal and the Capital Raising, the Company will be in a sufficient financial position to progress the development of the BUBS Business.

6.10 Director interests and recommendations

Angus Middleton and Jay Stephenson do not have any material interest in the outcome of the Resolution other than as a result of their interest arising solely in the capacity as Shareholders.

Following completion of the Acquisition, Alan van Noort intends to acquire an interest in Lit-One. No agreement has been entered into at this time and the quantum of Mr van Noort's proposed interest in Lit-One has not been agreed.

In relation to Chapter 2E of the Corporations Act (a summary of which is set out in Section 8.2 below), the Directors (other than Alan van Noort) consider that Shareholder approval pursuant to Chapter 2E of the Corporations Act is not required in respect of the Disposal because the terms of the Deed have been negotiated on an arm's length basis.

The Directors have a relevant interest (held directly and indirectly) in Shares as set out in the following table (on a pre-Consolidation and pre-Entitlement Issue basis):

Director	Shares
Alan van Noort	83,475,471
Angus Middleton	10,903,880
Jay Stephenson	15,000

The Board has approved the proposal to put Resolution 4 to Shareholders.

Having regard to the advantages and disadvantages of the Disposal as detailed in Section 6.8, Angus Middleton and Jay Stephenson intend to vote all of their Shares in favour of Resolution 4. Mr van Noort will be excluded from voting on Resolution 4 given his intention to acquire an interest in Lit-One following settlement of the Acquisition.

Based on the information available, Angus Middleton and Jay Stephenson consider that the proposed Disposal is in the best interests of the Company and recommend that Shareholders vote in favour of Resolution 4. Given his material personal interest in the Disposal, Alan van Noort does not provide a recommendation in relation to Resolution 4.

7. RESOLUTION 5 – CONSOLIDATION OF CAPITAL

7.1 Background

If Resolution 5 is passed and excluding any Securities issued pursuant to the Essential Resolutions, the number of Shares on issue (assuming completion of the Entitlement Issue) will be reduced from 371,170,963 to 22,270,258 subject to rounding).

7.2 Legal requirements

Section 254H of the Corporations Act provides that a company may, by resolution passed in a general meeting, convert all or any of its shares into a larger or smaller number.

7.3 Fractional entitlements

Not all Shareholders will hold that number of Shares which can be evenly divided by 16.6666667. Where a fractional entitlement occurs, the Company will round that fraction up to the nearest whole Share.

7.4 Taxation

It is not considered that any taxation implications will exist for Security holders arising from the Consolidation. However, Security holders are advised to seek their own tax advice on the effect of the Consolidation and neither the Company, nor its advisers, accept any responsibility for the individual taxation implications arising from the Consolidation.

7.5 Holding statements

From the date two Business Days after the Consolidation is approved by Shareholders, all holding statements for Securities will cease to have any effect, except as evidence of entitlement to a certain number of Securities on a post-Consolidation basis.

After the Consolidation becomes effective, the Company will arrange for new holding statements for Securities to be issued to holders of those Securities.

It is the responsibility of each Security Holder to check the number of Securities held prior to disposal or exercise (as the case may be).

7.6 Effect on capital structure

The effect which the Consolidation will have on the Company's capital structure is set out in the table below.

Capital Structure	Shares	Unlisted Options¹
Pre-Consolidation Securities ²	371,170,963	Nil
<i>Sub-total</i>	371,170,963	Nil
Post-Consolidation of Securities (Resolution 5)	22,270,258	Nil
Issue of Consideration Shares to BUBS Shareholders (Resolution 6)	163,400,000	Nil
Issue of Shares pursuant to Capital Raising (Resolution 7)	51,500,000	Nil
Issue of PAC Options to PAC Partners (Resolution 8)	Nil	5,844,242
Issue of Employee Options to Nicholas Simms (Resolution 9)	Nil	3,578,108
Issue of Shares to creditors of the Company (Resolutions 10 to 13)	1,370,250	Nil
Completion of all Essential Resolutions	238,540,508	9,422,350

1. The terms of these Options are set out in the table below.
2. Assumes completion of the Entitlement Issue, pursuant to which 61,861,827 Shares will be issued on or about 4 November 2016.

The effect the Consolidation will have on the terms of the Options is as set out in the tables below:

Options – Pre Consolidation

Terms	Number
Nil	Nil
Total	Nil

Options – Post Consolidation

Terms	Number
PAC Options exercisable at \$0.10 by that date which is three (3) years after their date of issue	5,844,242
Employee Options exercisable at \$0.10 by the Expiry Date as defined in Schedule 4	3,578,108
Total	9,422,350

7.7 Indicative timetable*

If Resolution 5 is passed, the reduction of capital will take effect in accordance with the following timetable (as set out in Appendix 7A (paragraph 8) of the ASX Listing Rules):

Action	Date
Company announces Consolidation and sends out Notice of Meeting.	9 November 2016
Company tells ASX that Shareholders have approved the Consolidation.	8 December 2016
Last day for pre-Consolidation trading.	9 December 2016
Post-Consolidation trading starts on a deferred settlement basis.	12 December 2016
Last day for Company to register transfers on a pre-Consolidation basis.	13 December 2016
First day for Company to send notice to each holder of the change in their details of holdings.	14 December 2016
First day for the Company to register Shares on a post-Consolidation basis and first day for issue of holding statements.	14 December 2016
Change of details of holdings date. Deferred settlement market ends.	20 December 2016
Last day for Securities to be entered into holders' Share holdings.	20 December 2016
Last day for the Company to send notice to each holder of the change in their details of holdings.	20 December 2016

* Due to the requirement that the Company's securities must be suspended from trading from the date of announcement of the Acquisition until the ASX approves the

Company's re-compliance with the admission requirements of Chapters 1 and 2 of the ASX Listing Rules, many of the events set out above (for example, deferred settlement trading) will not be applicable.

8. RESOLUTION 6 – ISSUE OF CONSIDERATION SHARES TO BUBS SHAREHOLDERS

8.1 General

Resolution 6 seeks Shareholder approval for the issue of 163,400,000 post-Consolidation Shares in consideration for the Company's acquisition of the BUBS Shares from the BUBS Shareholders.

A summary of the key terms of the Share Sale Agreement pursuant to which the Acquisition will take place is set out in Section 4.4 above.

ASX Listing Rule 7.1 provides that a company must not, subject to specified exceptions, issue or agree to issue more equity securities during any 12 month period than that amount which represents 15% of the number of fully paid ordinary securities on issue at the commencement of that 12 month period.

The effect of Resolution 6 will be to allow the Company to issue the 163,400,000 Shares during the period of 3 months after the Meeting (or a longer period, if allowed by ASX), without using the Company's 15% annual placement capacity.

8.2 Chapter 2E of the Corporations Act and Listing Rule 10.11 – Kristy-Lee Newland Carr

For a public company, or an entity that the public company controls, to give a financial benefit to a related party of the public company, the public company or entity must:

- (a) obtain the approval of the public company's members in the manner set out in sections 217 to 227 of the Corporations Act; and
- (b) give the benefit within 15 months following such approval,

unless the giving of the financial benefit falls within an exception set out in sections 210 to 216 of the Corporations Act.

The Directors consider that Shareholder approval pursuant to Chapter 2E of the Corporations Act is not required in respect of the issue of Consideration Shares to the Carr Family Pty Limited at Carr Family Trust, an entity controlled by Kristy-Lee Newland Carr (a Proposed Director of the Company) because the agreement to grant the Consideration Shares reached as part of the Share Sale Agreement is considered reasonable consideration for the Acquisition and was negotiated on an arm's length basis.

In addition, ASX Listing Rule 10.11 also requires shareholder approval to be obtained where an entity issues, or agrees to issue, securities to a related party, or a person whose relationship with the entity or a related party is, in ASX's opinion, such that approval should be obtained unless an exception in ASX Listing Rule 10.12 applies.

The Directors consider that Listing Rule 10.12 exception 6 applies to the proposed issue of the Consideration Shares to Carr Family Pty Limited at Carr Family Trust, an entity controlled by Kristy-Lee Newland Carr, as the entity is a related party by reason only of the transaction which is the reason for the issue of the Consideration Shares, and consequently Shareholders' approval is not sought under Listing Rule 10.11.

8.3 Technical information required by ASX Listing Rule 7.1

Pursuant to and in accordance with ASX Listing Rule 7.3, the following information is provided in relation to Resolution 6:

- (a) the maximum number of Shares to be issued is 163,400,000;
- (b) the Shares will be issued no later than 3 months after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the ASX Listing Rules) and it is intended that issue of the Shares will occur on the same date;
- (c) the Shares will be issued for nil cash consideration as they are being issued as consideration for the acquisition of the BUBS Shares from the BUBS Shareholders;
- (d) the Shares will be issued to the BUBS Shareholders in the amounts set out in Schedule 2;
- (e) the Shares issued will be fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares; and
- (f) no funds will be raised from the issue of the Shares as the Shares are being issued in consideration for the Acquisition.

9. RESOLUTION 7 – ISSUE OF SHARES – CAPITAL RAISING

9.1 General

Resolution 7 seeks Shareholder approval for the issue of 51,500,000 post-Consolidation Shares at \$0.10 per Share to raise \$5,150,000 pursuant to the Capital Raising.

A summary of ASX Listing Rule 7.1 is set out in Section 8.1 above.

The effect of Resolution 7 will be to allow the Company to issue the Shares pursuant to the Capital Raising during the period of 3 months after the Meeting (or a longer period, if allowed by ASX), without using the Company's 15% annual placement capacity.

9.2 Technical information required by ASX Listing Rule 7.1

Pursuant to and in accordance with ASX Listing Rule 7.3, the following information is provided in relation to the Capital Raising:

- (a) the maximum number of Shares to be issued is 51,500,000;
- (b) the Shares will be issued no later than 3 months after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the ASX Listing Rules) and it is intended that issue of all the Shares pursuant to the Capital Raising will occur on the same date;
- (c) the issue price of the Shares will be \$0.10 per Share;
- (d) the Shares are proposed to be issued pursuant to a public offer by way of the Prospectus for the purpose of ASX Listing Rule 1.1 condition 3. None of the subscribers for the Capital Raising will be related parties of the Company;

- (e) the Shares proposed to be issued will be fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares; and
- (f) the Company intends to use the funds raised from the Capital Raising towards the budgeted expenditure described at Section 4.7.

10. RESOLUTION 8 – ISSUE OF OPTIONS TO PAC PARTNERS PTY LTD

10.1 General

Resolution 8 seeks Shareholder approval for the issue of 5,844,242 post-Consolidation Options issued on the terms and conditions in Schedule 3 (**PAC Options**) to PAC Partners Pty Ltd (or its nominee) in consideration for PAC Partners' facilitation of the Acquisition.

A summary of ASX Listing Rule 7.1 is set out in Section 8.1 above.

The effect of Resolution 8 will be to allow the Company to issue the PAC Options during the period of 3 months after the Meeting (or a longer period, if allowed by ASX), without using the Company's 15% annual placement capacity.

10.2 Technical information required by ASX Listing Rule 7.1

Pursuant to and in accordance with ASX Listing Rule 7.3, the following information is provided in relation to Resolution 8:

- (a) the maximum number of PAC Options to be issued is 5,844,242;
- (b) the PAC Options will be issued no later than 3 months after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the ASX Listing Rules) and it is intended that issue of the PAC Options will occur on the same date;
- (c) the PAC Options will be issued for nil cash consideration in consideration for PAC Partners' facilitating the Acquisition;
- (d) the PAC Options will be issued to PAC Partners Pty Ltd (or its nominee), who is not a related party of the Company;
- (e) the PAC Options will be issued on the terms and conditions set out in Schedule 3; and
- (f) no funds will be raised from the issue of the PAC Options as the PAC Options are being issued in consideration for PAC Partners facilitating the Acquisition.

11. RESOLUTION 9 – ISSUE OF OPTIONS TO NICHOLAS SIMMS

11.1 General

Resolution 9 seeks Shareholder approval for the issue of 3,578,108 post-Consolidation Options on the terms and conditions in Schedule 4 (**Employee Options**) to Nicholas Simms (or his nominee) in consideration for services to be provided by Mr Simms pursuant to the terms of his employment agreement.

A summary of ASX Listing Rule 7.1 is set out in Section 8.1 above.

The effect of Resolution 9 will be to allow the Company to issue the Employee Options during the period of 3 months after the Meeting (or a longer period, if allowed by ASX), without using the Company's 15% annual placement capacity.

11.2 Technical information required by ASX Listing Rule 7.1

Pursuant to and in accordance with ASX Listing Rule 7.3, the following information is provided in relation to Resolution 9:

- (a) the maximum number of Employee Options to be issued is 3,578,108;
- (b) the Employee Options will be issued no later than 3 months after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the ASX Listing Rules) and it is intended that issue of the Employee Options will occur on the same date;
- (c) the Employee Options will be issued for nil cash consideration in consideration for services to be provided by Nicholas Simms pursuant to the terms of his employment agreement;
- (d) the Employee Options will be issued to Nicholas Simms (or his nominee), who is not a related party of the Company;
- (e) the Employee Options will be issued on the terms and conditions set out in Schedule 4; and
- (f) no funds will be raised from the issue of the Employee Options as the Employee Options are being issued in consideration for services to be provided by Nicholas Simms pursuant to the terms of his employment agreement.

12. RESOLUTIONS 10 AND 11 – ISSUE OF SHARES TO RELATED PARTIES – ANGUS MIDDLETON AND JAY STEPHENSON

12.1 General

Angus Middleton and Jay Stephenson have not drawn any cash from the Company for payment of director's fees and superannuation owing to them (or entities controlled by them) since 30 June 2015 in order to preserve the cash reserves of the Company. Subject to Shareholder approval, it is proposed that the outstanding director's fees and superannuation owed to Messrs Middleton and Stephenson, being \$49,275 owing to Angus Middleton and \$41,062.50 owing to Jay Stephenson as at 31 December 2016, be paid to the Directors in the form of Shares issued at a deemed issue price of \$0.10 per Share.

The Company has agreed, subject to obtaining Shareholder approval, to issue:

- (a) 492,750 post-Consolidation Shares to Angus Middleton (or his nominee); and
- (b) 410,625 post-Consolidation Shares to Jay Stephenson (or his nominee),

on the terms and conditions set out below (**Related Party Shares**).

Resolutions 10 and 11 seek Shareholder approval for the issue of the Related Party Shares to Angus Middleton (or his nominee) and Jay Stephenson (or his nominee) respectively.

12.2 Chapter 2E of the Corporations Act

A summary of Chapter 2E of the Corporations Act is set out in Section 8.2 above.

The issue of the Related Party Shares constitutes giving a financial benefit and each of Angus Middleton and Jay Stephenson are related parties of the Company by virtue of being Directors.

The Directors (other than Angus Middleton in relation to Resolution 10 and Jay Stephenson in relation to Resolution 11) consider that Shareholder approval pursuant to Chapter 2E of the Corporations Act is not required in respect of the issue of the Related Party Shares because the issue of the Related Party Shares in satisfaction of directors' fees and superannuation is considered reasonable remuneration in the circumstances and was negotiated on an arm's length basis as part of the terms of the Share Sale Agreement.

12.3 ASX Listing Rule 10.11

A summary of ASX Listing Rule 10.11 is set out in Section 8.2 above.

As the issue of the Related Party Shares involves the issue of securities to related parties of the Company, Shareholder approval pursuant to ASX Listing Rule 10.11 is required unless an exception applies. It is the view of the Directors that the exceptions set out in ASX Listing Rule 10.12 do not apply in the current circumstances.

12.4 Technical Information required by ASX Listing Rule 10.13

Pursuant to and in accordance with ASX Listing Rule 10.13, the following information is provided in relation to Resolutions 10 and 11:

- (a) the Related Party Shares will be issued to Angus Middleton (or his nominee) and Jay Stephenson (or his nominee);
- (b) the number of Related Party Shares to be issued is:
 - (i) 492,750 Shares to Angus Middleton (or his nominee); and
 - (ii) 410,625 Shares to Jay Stephenson (or his nominee);
- (c) the Related Party Shares will be issued no later than 1 month after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the ASX Listing Rules) and it is intended that the issue of the Related Party Shares will occur on the same date;
- (d) the Related Party Shares will be issued for nil cash consideration, accordingly no funds will be raised; and
- (e) the Related Party Shares issued will be fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares.

Approval pursuant to ASX Listing Rule 7.1 is not required for the issue of the Related Party Shares as approval is being obtained under ASX Listing Rule 10.11. Accordingly, the issue of the Related Party Shares to Angus Middleton (or his nominee) and Jay Stephenson (or his nominee) will not be included in the use of the Company's 15% annual placement capacity pursuant to ASX Listing Rule 7.1.

13. RESOLUTIONS 12 AND 13 – ISSUE OF SHARES TO IAN ALLEN AND WOLFSTAR GROUP PTY LTD

13.1 General

Resolution 12 seeks Shareholder approval for the issue of 136,875 Shares in consideration for director's fees and superannuation which remain owing to a past director of the Company, Ian Allen. Mr Allen resigned as a director of the Company on 1 September 2015.

Resolution 13 seeks Shareholder approval for the issue of 330,000 Shares in consideration for company secretarial services provided by Wolfstar Group Pty Ltd to the Company.

A summary of ASX Listing Rule 7.1 is set out in Section 8.1 above.

The effect of Resolutions 12 and 13 will be to allow the Company to issue the Shares during the period of 3 months after the Meeting (or a longer period, if allowed by ASX), without using the Company's 15% annual placement capacity.

13.2 Technical information required by ASX Listing Rule 7.1

Pursuant to and in accordance with ASX Listing Rule 7.3, the following information is provided in relation to the Placement:

- (a) the maximum number of Shares to be issued is:
 - (i) 136,875 Shares to Mr Allen pursuant to Resolution 12;
 - (ii) 330,000 Shares to Wolfstar Group Pty Ltd pursuant to Resolution 13;
- (b) the Shares the subject of Resolutions 12 and 13 will be issued no later than 3 months after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the ASX Listing Rules) and it is intended that issue of the Shares will occur on the same date;
- (c) the Shares will be issued for nil cash consideration in satisfaction of:
 - (i) in relation to Resolution 12, director's fees and superannuation owing to former director Ian Allen;
 - (ii) in relation to Resolution 13, company secretarial services provided by Wolfstar Group Pty Ltd to the Company;
- (d) the Shares the subject of Resolution 12 will be issued to Ian Allen (or his nominee), who is not a related party of the Company;
- (e) the Shares the subject of Resolution 13 will be issued to Wolfstar Group Pty Ltd (or its nominee), which is not a related party of the Company;
- (f) the Shares issued will be fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares; and
- (g) no funds will be raised from the issue of the Shares the subject of Resolutions 12 and 13 as they are being issued in lieu of director's fees and superannuation owing to former director Ian Allen (in relation to Resolution 12)

and company secretarial services provided by Wolfstar Group Pty Ltd to the Company (in relation to Resolution 13).

14. RESOLUTIONS 14, 15, AND 16 – ELECTION OF DIRECTORS – MS KRISTY-LEE NEWLAND CARR, MR MATTHEW REYNOLDS AND MR DENNIS LIN

In accordance with clause 13.3 of the current Constitution, the Company may elect a person as a director by resolution passed at a general meeting.

Pursuant to the Share Sale Agreement, at Settlement it is proposed that Kristy-Lee Newland Carr, Matthew Reynolds and Dennis Lin each be appointed as a director of the Company. Their appointments will take effect on and from Settlement.

For Ms Carr and Messrs Reynolds and Lin to be eligible for election, Ms Carr and Messrs Reynolds and Lin, or a Shareholder intending to propose their nomination, must leave at the Company's registered office at least 30 Business Days before the Meeting, a written notice from Ms Carr and Messrs Reynolds and Lin consenting to their nomination and signifying their candidature for the office, or a written notice from a Shareholder signifying their intention to nominate Ms Carr and Messrs Reynolds and Lin.

A letter of nomination from a Shareholder nominating Ms Carr and Messrs Reynolds and Lin as directors of the Company on and from Settlement is set out in Schedule 5.

Resolution 14 seeks approval for the election of Kristy-Lee Newland Carr as a director of the Company on and from Settlement subject to and conditional upon approval of the Essential Resolutions.

Resolution 15 seeks approval for the election of Matthew Reynolds as a director of the Company on and from Settlement subject to and conditional upon approval of the Essential Resolutions.

Resolution 16 seeks approval for the election of Dennis Lin as a director of the Company on and from Settlement subject to and conditional upon approval of the Essential Resolutions.

Kristy-Lee Newland Carr

Ms Newland Carr is currently the co-CEO and Managing Director of BUBS, has a Bachelor of Business Degree (Queensland University of Technology) and was co-founder of the BUBS brand and product range. Her passion is creating and developing business opportunities that not only make a difference in the world, but closely align with the growing trends in consumer behaviour, such as her development of a "Kids Learn Mandarin" children's educational digital business.

During the 1990s Ms Newland Carr worked in brand communications across a number of leading advertising agencies on high-profile FMCG food and children brands, including Johnson & Johnson and Nestle. Prior to co-founding the BUBS brand, she worked at Cathay Pacific, Hong Kong in the role of International Communications Strategist. As the co-CEO and Managing Director of BUBS, she now has an in-depth knowledge of all facets of the baby category, and she oversees the company's business development, national and international sales & marketing, and retail industry relations in both the online and offline sectors

The Board has considered Ms Newland Carr's independence and considers that she will not be an independent Director.

The Directors support the election of Ms Newland Carr and recommend that Shareholders vote in favour of Resolution 14.

Matthew Reynolds

Mr Reynolds is a Partner at HWL Ebsworth lawyers who specialises in capital markets (retail and wholesale), debt capital markets (wholesale) and mergers and acquisitions (public and private) including private equity. He holds a Bachelor of Political Science & Economics (Hons) and a Bachelor of Laws (Hons) and is a member of both the Queensland Law Society and Company Law Committee, Queensland Law Society.

Mr Reynolds is currently a director on the ASX listed G8 Education Limited (ASX:GEM), as well as directorships in unlisted companies including local subsidiaries of Thai-listed Minor International PLC, Ignite Energy Limited.

The Board has considered Mr Reynolds' independence and considers that he will be an independent Director.

The Directors support the election of Mr Reynolds and recommend that Shareholders vote in favour of Resolution 15.

Dennis Lin

Mr Lin is a Partner of BDO in Australia and the firm's China Advisory Services national leader. He advises on commercial aspects of transactions and act as the lead advisor to foreign entrepreneurial investors on merger and acquisition and capital markets activities, with particular interests in food and agribusiness, and technology sectors. His focus is in facilitating the growth of businesses as they become public particularly in relation to corporate level reporting and governance.

Mr Lin was previously a specialist tax practitioner for over 10 years with Mallesons, PricewaterhouseCoopers and Deloitte. He speaks fluent Chinese Mandarin, and is a Chartered Accountant and Solicitor of the Supreme Court of Queensland and remains a current practitioner of both professions. He is a director of BDO (Qld) Pty Ltd.

The Board has considered Mr Lin's independence and considers that he will be an independent Director.

The Directors support the election of Mr Lin and recommend that Shareholders vote in favour of Resolution 16.

15. RESOLUTION 17 – CHANGE OF COMPANY NAME

Section 157(1)(a) of the Corporations Act provides that a company may change its name if the company passes a special resolution adopting a new name.

Resolution 17 seeks the approval of Shareholders for the Company to change its name to "Bubs Australia Limited".

If Resolution 17 is passed the change of name will take effect when ASIC alters the details of the Company's registration.

If Resolution 18 is passed (along with all other Resolutions), on Settlement:

- (a) Bubs Australia Pty Ltd, a wholly owned subsidiary of BUBS, will lodge a copy of the special resolution with ASIC to change its name and thereby allow the Company to be re-named "Bubs Australia Limited"; and

- (b) the Company will lodge a copy of the special resolution with ASIC in order change its name to "Bubs Australia Limited".

The Board proposes this change of name on the basis that it more accurately reflects the proposed future operations of the Company.

Resolution 17 is subject to the approval of the Essential Resolutions and subsequent Settlement.

16. RESOLUTION 18 – REPLACEMENT OF CONSTITUTION

16.1 General

A company may modify or repeal its constitution or a provision of its constitution by special resolution of Shareholders.

Resolution 18 is a special resolution which will enable the Company to repeal its existing Constitution and adopt a new constitution (**Proposed Constitution**) which is of the type required for a listed public company limited by shares updated to ensure it reflects the current provisions of the Corporations Act and ASX Listing Rules.

This will incorporate amendments to the Corporations Act and ASX Listing Rules since the current Constitution was adopted in 2006.

The Directors believe that it is preferable in the circumstances to replace the existing Constitution with the Proposed Constitution rather than to amend a multitude of specific provisions.

The Proposed Constitution is broadly consistent with the provisions of the existing Constitution. Many of the proposed changes are administrative or minor in nature including but not limited to:

- If all of the Essential Resolutions are approved by Shareholders, updating the name of the Company to "Bubs Australia Limited" as proposed by Resolution 17;
- updating references to bodies or legislation which have been renamed (e.g. references to the Australian Settlement and Transfer Corporation Pty Ltd, ASTC Settlement Rules and ASTC Transfer); and
- expressly providing for statutory rights by mirroring these rights in provisions of the Proposed Constitution.

The Directors believe these amendments are not material nor will they have any significant impact on Shareholders. It is not practicable to list all of the changes to the Constitution in detail in this Explanatory Statement, however, a summary of the proposed material changes is set out below.

A copy of the Proposed Constitution is available for review by Shareholders at the Company's website www.hillcrestlitigation.com.au and at the office of the Company. A copy of the Proposed Constitution can also be sent to Shareholders upon request to the Company Secretary (+61 8 9324 3266). Shareholders are invited to contact the Company if they have any queries or concerns.

16.2 Summary of material proposed changes

Minimum Shareholding (clause 3)

Clause 3 of the Constitution outlines how the Company can manage shareholdings which represent an "unmarketable parcel" of shares, being a shareholding that is less than \$500 based on the closing price of the Company's Shares on ASX as at the relevant time.

The Proposed Constitution is in line with the requirements for dealing with "unmarketable parcels" outlined in the Corporations Act such that where the Company elects to undertake a sale of unmarketable parcels, the Company is only required to give one notice to holders of an unmarketable parcel to elect to retain their shareholding before the unmarketable parcel can be dealt with by the Company, saving time and administrative costs incurred by otherwise having to send out additional notices.

Clause 3 of the Proposed Constitution continues to outline in detail the process that the Company must follow for dealing with unmarketable parcels.

Fee for registration of off market transfers (clause 8.4(c))

On 24 January 2011, ASX amended ASX Listing Rule 8.14 with the effect that the Company may now charge a "reasonable fee" for registering paper-based transfers, sometimes referred to "off-market transfers".

Clause 8.4 of the Proposed Constitution is being made to enable the Company to charge a reasonable fee when it is required to register off-market transfers from Shareholders. The fee is intended to represent the cost incurred by the Company in upgrading its fraud detection practices specific to off-market transfers.

Before charging any fee, the Company is required to notify ASX of the fee to be charged and provide sufficient information to enable ASX to assess the reasonableness of the proposed amount.

Dividends (clause 22)

Section 254T of the Corporations Act was amended effective 28 June 2010.

There is now a three-tiered test that a company will need to satisfy before paying a dividend replacing the previous test that dividends may only be paid out of profits.

The amended requirements provide that a company must not pay a dividend unless:

- (a) the company's assets exceed its liabilities immediately before the dividend is declared and the excess is sufficient for the payment of the dividend;
- (b) the payment of the dividend is fair and reasonable to the company's shareholders as a whole; and
- (c) the payment of the dividend does not materially prejudice the company's ability to pay its creditors.

The existing Constitution reflects the former profits test and restricts the dividends to be paid only out of the profits of the Company. The Proposed Constitution is updated to reflect the new requirements of the Corporations Act. The Directors consider it appropriate to update the Constitution for this amendment to allow more flexibility in

the payment of dividends in the future should the Company be in a position to pay dividends.

Partial (proportional) takeover provisions (new clause 36)

A proportional takeover bid is a takeover bid where the offer made to each shareholder is only for a proportion of that shareholder's shares.

Pursuant to section 648G of the Corporations Act, the Company has included in the Proposed Constitution a provision whereby a proportional takeover bid for Shares may only proceed after the bid has been approved by a meeting of Shareholders held in accordance with the terms set out in the Corporations Act.

This clause of the Proposed Constitution will cease to have effect on the third anniversary of the date of the adoption of last renewal of the clause.

Information required by section 648G of the Corporations Act

Effect of proposed proportional takeover provisions

Where offers have been made under a proportional off-market bid in respect of a class of securities in a company, the registration of a transfer giving effect to a contract resulting from the acceptance of an offer made under such a proportional off-market bid is prohibited unless and until a resolution to approve the proportional off-market bid is passed.

Reasons for proportional takeover provisions

A proportional takeover bid may result in control of the Company changing without Shareholders having the opportunity to dispose of all their Shares. By making a partial bid, a bidder can obtain practical control of the Company by acquiring less than a majority interest. Shareholders are exposed to the risk of being left as a minority in the Company and the risk of the bidder being able to acquire control of the Company without payment of an adequate control premium. These amended provisions allow Shareholders to decide whether a proportional takeover bid is acceptable in principle, and assist in ensuring that any partial bid is appropriately priced.

Knowledge of any acquisition proposals

As at the date of this Notice of Meeting, no Director is aware of any proposal by any person to acquire, or to increase the extent of, a substantial interest in the Company.

Potential advantages and disadvantages of proportional takeover provisions

The Directors consider that the proportional takeover provisions have no potential advantages or disadvantages for them and that they remain free to make a recommendation on whether an offer under a proportional takeover bid should be accepted.

The potential advantages of the proportional takeover provisions for Shareholders include:

- (a) the right to decide by majority vote whether an offer under a proportional takeover bid should proceed;
- (b) assisting in preventing Shareholders from being locked in as a minority;

- (d) increasing the bargaining power of Shareholders which may assist in ensuring that any proportional takeover bid is adequately priced; and
- (e) each individual Shareholder may better assess the likely outcome of the proportional takeover bid by knowing the view of the majority of Shareholders which may assist in deciding whether to accept or reject an offer under the takeover bid.

The potential disadvantages of the proportional takeover provisions for Shareholders include:

- (a) proportional takeover bids may be discouraged;
- (b) lost opportunity to sell a portion of their Shares at a premium; and
- (c) the likelihood of a proportional takeover bid succeeding may be reduced.

Recommendation of the Board

The Directors do not believe the potential disadvantages outweigh the potential advantages of adopting the proportional takeover provisions and as a result consider that the proportional takeover provision in the Proposed Constitution is in the interest of Shareholders and unanimously recommend that Shareholders vote in favour of Resolution 18.

17. RESOLUTION 19 – PARTICIPATION IN CAPITAL RAISING - KRISTY-LEE NEWLAND CARR

17.1 General

Pursuant to Resolution 7 the Company is seeking Shareholder approval for the issue of 51,500,000 post-Consolidation Shares at an issue price of \$0.10 per Share to raise \$5,150,000 (**Capital Raising**).

Kristy-Lee Newland Carr, one of the Proposed Directors, wishes to participate in the Capital Raising.

Resolution 19 seeks Shareholder approval for the in the issue of up to 2,000,000 Shares to Kristy-Lee Newland Carr (or her nominee) arising from the participation by Ms Carr in the Capital Raising (**Participation**).

17.2 Chapter 2E of the Corporations Act

A summary of Chapter 2E of the Corporations Act is set out in Section 8.2.

The Participation will result in the issue of Shares which constitutes giving a financial benefit and Ms Carr is a related party of the Company by virtue of being a Proposed Director.

The Directors consider that Shareholder approval pursuant to Chapter 2E of the Corporations Act is not required in respect of the Participation because the Shares will be issued to Ms Newland Carr (or her nominee) on the same terms as Shares issued to non-related party participants in the Capital Raising and as such the giving of the financial benefit is on arm's length terms.

17.3 ASX Listing Rule 10.11

A summary of ASX Listing Rule 10.11 is set out in Section 8.2 above.

As the Participation involves the issue of Shares to a related party of the Company, Shareholder approval pursuant to ASX Listing Rule 10.11 is required unless an exception applies. It is the view of the Directors that the exceptions set out in ASX Listing Rule 10.12 do not apply in the current circumstances.

17.4 Technical Information required by ASX Listing Rule 10.13

Pursuant to and in accordance with ASX Listing Rule 10.13, the following information is provided in relation to the Participation:

- (a) the Shares will be issued to Kristy-Lee Newland Carr (or her nominee);
- (b) the maximum number of Shares to be issued is 2,000,000;
- (c) the Shares will be issued no later than 1 month after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the ASX Listing Rules);
- (d) the issue price will be \$0.10 per Share, being the same as all other Shares issued under the Capital Raising;
- (e) the Shares issued will be fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares; and
- (f) the funds raised will be used for the same purposes as all other funds raised under the Capital Raising as set out in Section 4.7.

Approval pursuant to ASX Listing Rule 7.1 is not required for the Participation as approval is being obtained under ASX Listing Rule 10.11. Accordingly, the issue of Shares to Kristy-Lee Newland Carr (or her nominee) will not be included in the use of the Company's 15% annual placement capacity pursuant to ASX Listing Rule 7.1.

GLOSSARY

\$ means Australian dollars.

Acquisition means the acquisition of the BUB Shares from the BUBS Shareholders in accordance with the terms and conditions set out in the Share Sale Agreement.

Annual General Meeting or **Meeting** means the meeting convened by the Notice.

ASIC means the Australian Securities & Investments Commission.

ASX means ASX Limited (ACN 008 624 691) or the financial market operated by ASX Limited, as the context requires.

ASX Listing Rules means the Listing Rules of ASX.

Board means the current board of directors of the Company.

Business Day means Monday to Friday inclusive, except New Year's Day, Good Friday, Easter Monday, Christmas Day, Boxing Day, and any other day that ASX declares is not a business day.

BUBS means The Infant Food Holding Co. Pty Limited (ACN 164 764 676).

BUBS Business has the meaning given in Section 4.2.

BUBS Shareholders means the holders of the BUBS Shares, as set out in Schedule 2.

Capital Raising has the meaning given in Section 4.4(a)(iv).

Chair means the chair of the Meeting.

Closely Related Party of a member of the Key Management Personnel means:

- (a) a spouse or child of the member;
- (b) a child of the member's spouse;
- (c) a dependent of the member or the member's spouse;
- (d) 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;
- (e) a company the member controls; or
- (f) a person prescribed by the Corporations Regulations 2001 (Cth) for the purposes of the definition of 'closely related party' in the Corporations Act.

Company or **Hillcrest** means Hillcrest Litigation Services Limited (ACN 060 094 742).

Consideration Shares means 163,400,000 post-Consolidation Shares to be issued amongst the BUBS Shareholders as set out in Schedule 2.

Conditions has the meaning given in Section 4.4(a).

Consolidation means the consolidation of the Company's issued capital at a ratio of 16.6666667:1(50:3).

Constitution means the Company's constitution.

Corporations Act means the *Corporations Act 2001* (Cth).

Current Assets means the funding agreement in the case of *Frigger v CAT Pty Ltd CIV 2765 of 2010*.

Deed has the meaning given in Section 6.1.

Directors means the current directors of the Company.

Disposal has the meaning given in Section 6.1.

Employee Option means an Option to be issued with the terms and conditions set out in Schedule 4.

Entitlement Issue has the meaning given in Section 4.4(a)(i).

Essential Resolutions means Resolutions 3 to 17 (inclusive).

Explanatory Statement means the explanatory statement accompanying the Notice.

Key Management Personnel has the same meaning as in the accounting standards issued by the Australian Accounting Standards Board and means those persons having authority and responsibility for planning, directing and controlling the activities of the Company, or if the Company is part of a consolidated entity, of the consolidated entity, directly or indirectly, including any director (whether executive or otherwise) of the Company, or if the Company is part of a consolidated entity, of an entity within the consolidated group.

Notice or **Notice of Meeting** means this notice of meeting including the Explanatory Statement and the Proxy Form.

Option means an option to acquire a Share.

Optionholder means a holder of an Option.

PAC Option means an Option to be issued with the terms and conditions set out in Schedule 3.

PAC Partners means PAC Partners Pty Ltd (ACN 165 738 438).

Proposed Constitution has the meaning given in Section 16.1.

Proposed Directors means Kristy-Lee Newland Carr, Matthew Reynolds and Dennis Lin.

Prospectus has the meaning given in Section 4.4(a)(iv).

Proxy Form means the proxy form accompanying the Notice.

Remuneration Report means the remuneration report set out in the directors' report section of the Company's annual financial report for the year ended 30 June 2016.

Resolutions means the resolutions set out in the Notice, or any one of them, as the context requires.

Schedule means a schedule to this Notice.

Section means a section of the Explanatory Statement.

Securities has the meaning provided in section 92 of the Corporations Act.

Settlement means settlement of the Acquisition in accordance with the terms and conditions of the Share Sale Agreement.

Share means a fully paid ordinary share in the capital of the Company.

Share Sale Agreement means the share sale agreement between the Company, BUBS and the BUBS Shareholders dated 5 October 2016.

Shareholder means a registered holder of a Share.

WST means Western Standard Time as observed in Perth, Western Australia.

SCHEDULE 1 – PRO FORMA BALANCE SHEET

	Notes	Actual		Unaudited Pro-
		(Audited) 30 June 2016 BUBS \$	(Audited) 30 June 2016 Hillcrest \$	forma Group Merged BUBS / Hillcrest \$
Current assets				
Cash and cash equivalents	(2)	2,081,606	21,419	7,073,060
Security deposits	(3)	-	100,000	-
Trade and other receivables		753,342	2,591	755,933
Inventories		2,467,174	-	2,467,174
Litigation contracts	(4)	-	264,777	-
Other assets		-	249	249
Total current assets		5,302,122	389,036	10,296,416
Non-current assets				
Property, plant and equipment		89,475	3,131	92,606
Intangible assets		1,349,067	-	1,349,067
Total non-current assets		1,438,542	3,131	1,441,673
Total assets		6,740,664	392,167	11,738,089
Current liabilities				
Trade and other payables	(5)	1,120,238	277,746	1,120,238
Borrowings		3,557	-	3,557
Provisions	(6)(a)	12,006	56,221	12,006
Total current liabilities		1,135,801	333,967	1,135,801
Non-current liabilities				
Borrowings		35,958	-	35,958
Provisions	(6)(b)	11,740	3,650	11,740
Deferred tax liabilities		218,146	-	218,146
Total non-current liabilities		265,844	3,650	265,844
Total liabilities		1,401,645	337,617	1,401,645
Net assets		5,339,019	54,550	10,336,444
Equity				
Issued capital	(8)	8,400,000	21,066,220	15,914,073
Reserves	(9)	-	-	201,095
Accumulated losses	(10)	(3,060,981)	(21,011,670)	(3,262,076)
Less: Corporate transaction accounting expense	(7)	-	-	(2,516,648)
Total equity		5,339,019	54,550	10,336,444

(1) Pro-forma Adjustments

(a) Acquisition of The Infant Food Holding Co. Pty Limited (BUBS)

In accordance with a Share Sale Agreement to acquire 100% of the issued share capital of BUBS, the Company will issue the following consideration 163,400,000 ordinary shares in the Company, issued on a post-Consolidation (proposed) basis, and based upon a value of \$0.10, to the vendors of BUBS.

(b) Placement and Capital Raise:

- (i) On 16 August 2016 the Company announced it completed a placement of 40,000,000 at a price of \$0.005 per share to raise \$200,000;

- (ii) As a condition precedent to the acquisition the Company will undertake a non-renounceable entitlement issue of 61,861,827 Shares at an issue price of \$0.005 per Share (on a pre-Consolidation basis) to raise \$309,309 (before estimated costs of \$28,560), to be fully underwritten by PAC Partners Pty Ltd (**PAC**).
- (c) For accounting purposes, the acquirer has been identified as BUBS and the business combination referred to as a reverse acquisition. Accordingly, the pro-forma Group incorporates the assets and liabilities of the Company and of BUBS as if the Group was headed by BUBS. At acquisition date the assets and liabilities of BUBS (being the acquirer for accounting purposes) are recorded at their book value and the assets and liabilities of the Company (being the acquiree for accounting purposes) are recorded at fair value.
- Components of equity (other than issued capital), including retained earnings (or accumulated losses) and other reserves, reflect the balances of the accounting acquirer, BUBS.
- (d) **Capital Raising:** In accordance the Share Sale Agreement the Company will issue a prospectus to raise \$5,150,000 through issue of 51,500,000 Shares at \$0.10, before estimated costs of \$515,000.
- (e) **Costs associated with the acquisition of BUBS:** For the purposes of the pro-forma, the costs of acquisition for due diligence, preparation of the explanatory memorandum, etc. are assumed to have been incurred and expensed.
- (f) **Consolidation:** The equity components of the Company have been adjusted for the proposed consolidation of the Company's securities on a 100 for 6 basis.
- (g) **Settlement of creditors and provisions:**
- (i) The Company estimates an additional \$59,899 in trade creditors have been incurred subsequent to year end of which \$58,744 will be settled in cash.
- (ii) The Company intends to settle \$278,901 in related party creditors and \$59,871 in provisions through the issue of 1,370,250 shares on a post-consolidation basis (being \$0.10 per share) and payment of \$201,747 in cash.
- (h) **Disposal of assets:** Hillcrest proposes to enter into an agreement to sell all of its rights and obligations to its litigation assets (being the one funding agreement it currently has in place) to a third party. In respect to this proposed sale, the Company will receive \$100,000 in respect to the Security Deposit (Note (3)) and net proceeds of \$14,777 in respect to the Litigation Contract (Note (4)). The effect of this proposed disposal has been applied to the assessment of the fair value of the Company's assets, as described in Notes (7) and 0.
- (i) No pro forma adjustment has been made for any capital raised as a result of the exercise of any options.
- (j) **Issue of options:** The Company intends to issue 5,844,242 options to PAC and 3,578,108 options to Nicholas Simms valued at \$328,455 and \$201,095 respectively using the Black-Scholes method.

(2) Cash and cash equivalents

The movement in cash and cash equivalents as reflected in the unaudited pro-forma balance sheet at 30 June 2016 is shown as follows:

	Notes	\$
Cash and cash equivalents at 30 June 2016 – Actual		2,103,025
<i>Pro-forma adjustments</i>		
- Net proceeds from Prospectus	(1)(d)	4,635,000
- Proceeds from the issue of shares as part of Placement	(1)(b)(i)	200,000
- Issue of shares as part of Entitlement Issue, net of costs	(1)(b)(ii)	280,749
- Net cash received in respect to the sale of litigation assets to a third-party	(1)(h)	114,777
- Payment of remaining trade creditors after year end	(1)(g)(i)	(58,744)
- Payment of creditors and creditor share issue – cash component	(1)(g)(ii)	(201,747)
		<u>7,073,060</u>

(3) Security deposits

The movement in security deposits as reflected in the unaudited pro-forma balance sheet at 30 June 2016 is shown as follows:

	Notes	\$
Security deposits at 30 June 2016 – Actual		100,000
<i>Pro-forma adjustments</i>		
- Sale of litigation assets to a third-party	(1)(h)	<u>(100,000)</u>
		<u>-</u>

(4) Litigation contracts

The movement in litigation contracts as reflected in the unaudited pro-forma balance sheet at 30 June 2016 is shown as follows:

	Notes	\$
Litigation contracts at 30 June 2016 – Actual		264,777
<i>Pro-forma adjustments</i>		
- Sale of litigation assets to a third-party	(1)(h)	<u>(264,777)</u>
		<u>-</u>

(5) Trade and other payables

The movement in trade and other payables as reflected in the unaudited pro-forma balance sheet at 30 June 2016 is shown as follows:

	Notes	\$
Trade and other payables at 30 June 2016 – Actual		1,397,984
<i>Pro-forma adjustments</i>		
- Additional creditors incurred subsequent to year end	(1)(g)(i)	59,899
- Payment of remaining trade creditors after year end	(1)(g)(i)	(58,744)
- Payment of creditors and creditor share issue	(1)(g)	<u>(278,901)</u>
		<u>1,120,238</u>

(6) Provisions

The movement in provisions as reflected in the unaudited pro-forma balance sheet at 30 June 2016 is shown as follows:

	Notes	\$
(a) Current		
Provisions at 30 June 2016 – Actual		68,227
<i>Pro-forma adjustments</i>		
- Settlement of provisions	(1)(g)(ii)	<u>(56,221)</u>
		<u>12,006</u>
(b) Non-current		
Provisions at 30 June 2016 – Actual		15,390
<i>Pro-forma adjustments</i>		
- Settlement of provisions	(1)(g)(ii)	<u>(3,650)</u>
		<u>11,740</u>

(7) Corporate transaction accounting expense

Corporate transaction accounting expense represents the excess of consideration over the fair value of the Company's net assets as follows:

	Notes	\$
<i>Pro-forma adjustment: Reverse Acquisition of Hillcrest</i>		
Market value of Company shares on issue, immediately prior to the reverse acquisition at a deemed \$0.10 per share	(8)(d)	7,377,048
Less: Fair value of the Company's net assets (including cash raised in note (2) and disposal of assets in (1)(h))	(8)(d)	(4,860,400)
Corporate transaction accounting expense	(8)(d)	2,516,648

(8) Issued Capital

(a) The movement in issued capital as reflected in the pro forma balance sheets at 30 June 2016 is shown below:

	Notes	Issued ordinary shares No.	Merged BUBS / Hillcrest \$
Hillcrest 30 June 2016– Actual	(8)(b)	269,309,136	21,066,220
<i>Merged Hillcrest / BUBS Issued Capital</i>			
Opening: BUBS 30 June 2016– Actual		25,000	8,400,000
- Elimination of existing shares of BUBS (number)	(8)(c)	(25,000)	-
- Issue of shares as part of Placement	(1)(b)(i)	40,000,000	200,000
- Issue of shares as part of Entitlement Issue, net of costs	(1)(b)(ii)	61,861,827	280,749
- Existing Company shares	(8)(b)	371,170,963	-
- Less effect of the proposed Consolidation at 100:6	(1)(f)	(348,900,705)	-
- Issued as part Prospectus Issue, net of costs	(1)(d)	51,500,000	4,635,000
- Issued as part of reverse acquisition	(1)(a)	163,400,000	16,340,000
- Shares to be issued to related party creditors	(1)(g)	1,370,250	137,025
- Elimination of existing shares of Hillcrest (value)	(8)(d)	-	(35,144,921)
		238,540,508	15,914,073

- (b) **Company Issued Capital:** As at 30 June 2016, Hillcrest had on issue 269,309,136 fully paid ordinary shares.
- (c) **Reverse Acquisition – BUBS:** The number of shares on issue is adjusted to reflect only the listed entity's (Hillcrest Litigation Services Limited) issued capital.
- (d) **Reverse Acquisition – Hillcrest Litigation Services Limited:** The pro-forma adjustment reflects the deemed issue of shares to acquire the Company. Consideration Shares have been issued on a post-Consolidation basis (refer (1)(c)).

The fair value, as determined by the Board, of the Company's net assets at 30 June 2016, per the balance sheet was (\$255,349) plus the net cash raised in note (2) of \$5,115,749, being \$4,860,400. The fair value of the deemed consideration was assessed at a minimum of \$7,377,028, being the sum of the issued capital at 30 June 2016, subject to consolidation, plus (1)(b)(i) and (1)(b)(ii) above at \$0.005 and (1)(c) at \$0.10. The difference between the deemed purchase price and fair value of net assets acquired represents a corporate transaction accounting expense of \$2,516,648.

(e) **Reverse Acquisition – BUBS:** As part of the reverse acquisition, see (1)(c), the issued capital includes the following adjustments (in value only):

	Notes	\$
Elimination of existing capital in Hillcrest	(8)(b)	(21,066,220)
Elimination of net Prospectus shares (treated as pre-acquisition equity)	(1)(d)	(4,635,000)
Elimination of Placement (treated as pre-acquisition equity)	(1)(b)(i)	(200,000)
Elimination of Entitlement Issue (treated as pre-acquisition equity)	(1)(b)(ii)	(280,749)
Elimination of acquisition value of BUBS	(8)(c)	(16,340,000)
Add deemed reverse acquisition value of Hillcrest	(7),(8)(d)	7,377,048
		<u>(35,144,921)</u>

(9) **Reserves**

The movement in reserves as reflected in the unaudited pro-forma balance sheet at 30 June 2016 is shown as follows:

	Notes	\$
Reserves at 30 June 2016 – Actual		-
<i>Pro-forma adjustments</i>		
- Issue 5,844,242 PAC Options - Black Scholes Valuation	(1)(j)	328,455
- Issue 3,578,108 Employee Options - Black Scholes Valuation	(1)(j)	201,095
- Elimination of pre-reverse acquisition options	(1)(c)	<u>(328,455)</u>
		<u>201,095</u>

(10) **Retained Earnings / (Accumulated losses)**

The movement in retained earnings / (accumulated losses) as reflected in the unaudited pro-forma balance sheet at 30 June 2016 is shown as follows:

	Notes	\$
Accumulated losses at 30 June 2016 – Actual		(24,072,651)
<i>Pro-forma adjustments</i>		
- Loss on disposal of sale of litigation assets	(1)(h)	(250,000)
- Issue 5,844,242 PAC Options - Black Scholes Valuation	(1)(j)	(328,455)
- Issue 3,578,108 Employee Options - Black Scholes Valuation	(1)(j)	(201,095)
- Additional creditors incurred subsequent to year end	(1)(g)(i)	(59,899)
- Elimination of pre-reverse acquisition accumulated losses	(1)(c)	<u>21,650,024</u>
		<u>(3,262,076)</u>

SCHEDULE 2 – BUBS SHAREHOLDERS AND ALLOCATION OF CONSIDERATION SECURITIES

Name	BUBS Shares	Consideration Shares	% post Acquisition
Infant Food Business Pty Limited ACN 164 761 442 atf Bubs Australia Trust	3,100	20,261,600	8.5%
Carr Family Pty Limited ACN 120 287 854 atf Carr Family Trust	3,100	20,261,600	8.5%
WF Investment Holdings Pty Ltd ACN 606 658 511 atf WF Investment Trust	3,040	19,869,440	8.3%
Berne No.132 Nominees Pty Limited ACN 010 413 591	760	4,967,360	2.1%
Magic Home Limited	1,200	7,843,200	3.3%
Next Step Global Limited	6,300	41,176,800	17.3%
Ellerston Capital Limited ACN 110 397 674 atf Ellerston Special Opportunities Platform	5,000	32,680,000	13.7%
Shining Way Holdings Limited	1,250	8,170,000	3.4%
King Novel Limited	625	4,085,000	1.7%
Inspiring Future Limited	500	3,268,000	1.4%
DNA Norway Pty Ltd ACN 611 057 973 atf DNA Norway Trust	125	817,000	0.3%
TOTAL	25,000	163,400,000	68.5%

SCHEDULE 3 – TERMS AND CONDITIONS OF PAC OPTIONS

(a) **Entitlement**

Each PAC Option entitles the holder to subscribe for one Hillcrest Share upon exercise of the PAC Option.

(b) **Exercise Price**

Subject to paragraph (k), the amount payable upon exercise of each PAC Option will be \$0.10 (**Exercise Price**)

(c) **Vesting**

The PAC Options will not vest until such time as the Hillcrest share price is \$0.125c.

(d) **Expiry Date**

Each PAC Option will expire at 5:00 pm (WST) on that date which is three (3) years after their date of issue (**Expiry Date**). A PAC Option not exercised before the Expiry Date will automatically lapse on the Expiry Date.

(e) **Exercise Period**

Subject to the PAC Options having vested in accordance with paragraph (c), the PAC Options are exercisable at any time on and from 28 days after the Hillcrest Shares are re-admitted to the Official List until the Expiry Date (**Exercise Period**).

(f) **Notice of Exercise**

The PAC Options may be exercised during the Exercise Period by notice in writing to Hillcrest in the manner specified on the PAC Option certificate (**Notice of Exercise**) and payment of the Exercise Price for each PAC Option being exercised in Australian currency by electronic funds transfer or other means of payment acceptable to Hillcrest.

(g) **Exercise Date**

A Notice of Exercise is only effective on and from the later of the date of receipt of the Notice of Exercise and the date of receipt of the payment of the Exercise Price for each PAC Option being exercised in cleared funds (**Exercise Date**).

(h) **Timing of issue of Shares on exercise**

Within 15 Business Days after the Exercise Date, Hillcrest will:

- (i) allot and issue the number of Shares required under these terms and conditions in respect of the number of PAC Options specified in the Notice of Exercise and for which cleared funds have been received by Hillcrest;
- (ii) if required, give ASX a notice that complies with section 708A(5)(e) of the Corporations Act, or, if Hillcrest is unable to issue such a notice, lodge with ASIC a prospectus prepared in accordance with the Corporations Act and do all such things necessary to satisfy section

708A(11) of the Corporations Act to ensure that an offer for sale of the Shares does not require disclosure to investors; and

- (iii) if admitted to the official list of ASX at the time, apply for official quotation on ASX of Shares issued pursuant to the exercise of the PAC Options.

If a notice delivered under (h)(ii) for any reason is not effective to ensure that an offer for sale of the Shares does not require disclosure to investors, Hillcrest must, no later than 20 Business Days after becoming aware of such notice being ineffective, lodge with ASIC a prospectus prepared in accordance with the Corporations Act and do all such things necessary to satisfy section 708A(11) of the Corporations Act to ensure that an offer for sale of the Shares does not require disclosure to investors.

(i) **Shares issued on exercise**

Shares issued on exercise of the PAC Options rank equally with the then issued shares of Hillcrest.

(j) **Quotation of Shares issued on exercise**

If admitted to the official list of ASX at the time, application will be made by the Hillcrest to ASX for quotation of the Shares issued upon the exercise of the Options.

(k) **Reconstruction of capital**

If at any time the issued capital of Hillcrest is reconstructed, all rights of an Optionholder are to be changed in a manner consistent with the Corporations Act and the ASX Listing Rules at the time of the reconstruction.

(l) **Participation in new issues**

There are no participation rights or entitlements inherent in the PAC Options and holders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the PAC Options without exercising the PAC Options.

(m) **Change in exercise price**

A PAC Option does not confer the right to a change in Exercise Price or a change in the number of underlying securities over which the PAC Option can be exercised.

(n) **Unquoted**

Hillcrest will not apply for quotation of the PAC Options on ASX.

(o) **Transferability**

The PAC Options are transferable subject to any restriction or escrow arrangements imposed by ASX or under applicable Australian securities laws.

SCHEDULE 4 – TERMS AND CONDITIONS OF EMPLOYEE OPTIONS

(a) **Entitlement**

Each Employee Option entitles the holder to subscribe for one Hillcrest Share upon exercise of the Employee Option.

(b) **Exercise Price**

Subject to paragraph (k), the amount payable upon exercise of each Employee Option will be \$0.10 (**Exercise Price**)

(c) **Expiry Date**

(i) Each Employee Option will expire at 5:00 pm (WST) on the earlier of:

(A) the date which is 3 years after their date of issue; and

(B) the date Nicholas Simms ceases to be an employee of The Infant Food Co Pty Limited ACN 164 765 360 as a result of being terminated by way of 'summary dismissal'

(**Expiry Date**).

(ii) An Employee Option not exercised before the Expiry Date will automatically lapse on the Expiry Date.

(d) **Exercise Period**

The Employee Options are exercisable at any time on and from 90 days after the Hillcrest Shares are re-admitted to the Official List until the Expiry Date (**Exercise Period**).

(e) **Notice of Exercise**

The Employee Options may be exercised during the Exercise Period by notice in writing to Hillcrest in the manner specified on the Employee Option certificate (**Notice of Exercise**) and payment of the Exercise Price for each Employee Option being exercised in Australian currency by electronic funds transfer or other means of payment acceptable to Hillcrest.

(f) **Exercise Date**

A Notice of Exercise is only effective on and from the later of the date of receipt of the Notice of Exercise and the date of receipt of the payment of the Exercise Price for each Employee Option being exercised in cleared funds (**Exercise Date**).

(g) **Timing of issue of Shares on exercise**

Within 15 Business Days after the Exercise Date, Hillcrest will:

(i) allot and issue the number of Shares required under these terms and conditions in respect of the number of Employee Options specified in the Notice of Exercise and for which cleared funds have been received by Hillcrest;

- (ii) if required, give ASX a notice that complies with section 708A(5)(e) of the Corporations Act, or, if Hillcrest is unable to issue such a notice, lodge with ASIC a prospectus prepared in accordance with the Corporations Act and do all such things necessary to satisfy section 708A(11) of the Corporations Act to ensure that an offer for sale of the Shares does not require disclosure to investors; and
- (iii) if admitted to the official list of ASX at the time, apply for official quotation on ASX of Shares issued pursuant to the exercise of the Employee Options.

If a notice delivered under (h)(h)(ii) for any reason is not effective to ensure that an offer for sale of the Shares does not require disclosure to investors, Hillcrest must, no later than 20 Business Days after becoming aware of such notice being ineffective, lodge with ASIC a prospectus prepared in accordance with the Corporations Act and do all such things necessary to satisfy section 708A(11) of the Corporations Act to ensure that an offer for sale of the Shares does not require disclosure to investors.

(h) **Shares issued on exercise**

Shares issued on exercise of the Employee Options rank equally with the then issued shares of Hillcrest.

(i) **Quotation of Shares issued on exercise**

If admitted to the official list of ASX at the time, application will be made by the Hillcrest to ASX for quotation of the Shares issued upon the exercise of the Employee Options.

(j) **Reconstruction of capital**

If at any time the issued capital of Hillcrest is reconstructed, all rights of an Optionholder are to be changed in a manner consistent with the Corporations Act and the ASX Listing Rules at the time of the reconstruction.

(k) **Participation in new issues**

There are no participation rights or entitlements inherent in the Employee Options and holders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Employee Options without exercising the Employee Options.

(l) **Change in exercise price**

An Employee Option does not confer the right to a change in Exercise Price or a change in the number of underlying securities over which the Employee Option can be exercised.

(m) **Unquoted**

Hillcrest will not apply for quotation of the Employee Options on ASX.

(n) **Transferability**

The Employee Options are transferable only with the approval of Hillcrest and subject to any restriction or escrow arrangements imposed by ASX or under applicable Australian securities laws.

SCHEDULE 5 - NOMINATION OF DIRECTORS

19 October 2016

Board of Directors
Hillcrest Litigation Services Limited
1 Colin Street
West Perth WA 6005

Dear Sirs

NOTICE OF NOMINATION OF DIRECTORS – HILLCREST LITIGATION SERVICES LIMITED

Lomp Pty Ltd being a member of Hillcrest Litigation Services Limited (ACN 060 094 742) (**Company**), proposes, pursuant to clause 13.3 of the Company's constitution, that Ms Kristy-Lee Newland Carr, Mr Matthew Reynolds and Mr Dennis Lin each be nominated for election as directors on and from the date that the Company completes the proposed acquisition of The Infant Food Holding Co. Pty Limited (ACN 164 764 676).

Yours faithfully

Alan van Noort
Director
Lomp Pty Ltd



Australian Financial Services
Licence Number 237 549

21 October 2016

The Directors
Hillcrest Litigation Services Limited
Attn: Jay Stephenson
PO Box 587
West Perth WA 6872

Dear Sirs

Independent Expert’s Report to Shareholders of Hillcrest Litigation Services Limited

1. Introduction

You have requested Pendragon Capital Limited (“Pendragon”) to prepare an Independent Expert’s Report (“Report”) to advise the Shareholders in Hillcrest Litigation Services Limited (“Hillcrest” or “Company”) whether, for the purpose of ASX Listing Rule 10.1, the proposed novation of the sole litigation asset held by Hillcrest to Lit-One Pty Ltd (“Lit-One”) is fair and reasonable to non-associated Shareholders.

Terms and phrases used in this Report have the same meaning given to them in the Notice of Annual General Meeting, unless separately defined.

Hillcrest is a public company listed on the Australian Securities Exchange (“ASX”). The principal activity undertaken by the Company is the management of the Company’s litigation funding business.

On 28 January 2012, Hillcrest entered into a litigation funding agreement between the Company and Mervyn Jonathan Kitay as liquidator of Computer Accounting & Tax Pty Ltd (In Liquidation) (“Litigation Asset” or “Principal Agreement”).

Under the Principal Agreement Hillcrest has agreed to provide funding to enable Mervyn Jonathan Kitay (“Litigant”) as liquidator of Computer Accounting & Tax Pty Ltd (In Liquidation) to fund the Supreme Court of Western Australia Action No CIV 2765 of 2010 between the Litigant and Computer Accounting & Tax Pty Ltd (In Liquidation) on the one hand and Angela Frigger and Hartmut Frigger and the Frigger Superannuation Fund on the other hand (“Proceedings”).

On 5 October 2016, Hillcrest entered into a Share Sale Agreement with the Infant Food Holding Co Pty Ltd (“BUBS”) to acquire 100% of the issued shares of BUBS.

The Share Sale Agreement includes the following conditions precedent:

- Hillcrest must enter into a binding agreement to transfer and novate all of its rights and obligations associated with the Hillcrest Litigation Asset to a third party without further costs being incurred by Hillcrest.
- Shareholder approval for the sale of Hillcrest's main undertaking (Including the Hillcrest Litigation Asset) under ASX Listing Rules 10.1 and 11.2 and Chapter 2E of the Corporations Act (if applicable).

On 19 October 2016, Hillcrest executed a Deed of Novation and Variation ("Deed") between Hillcrest, Lit-One, Mervyn Jonathan Kitay as liquidator of Computer Accounting & Tax Pty Ltd (In Liquidation) and Computer Accounting & Tax Pty Ltd (In Liquidation) to assign the rights, benefits and obligations of the Litigation Asset on the terms set out in this report ("Proposed Transaction").

Lit-One is a company associated with Ian Douglas Allen who is a former director of Hillcrest and who has a controlling interest in Lanzerac Nominees Pty Ltd. Lanzerac Nominees Pty Ltd is the owner of 34,646,720 shares of Hillcrest. He is therefore treated as a related party and substantial holder in Hillcrest for the purposes of Listing Rule 10.1.

This report has been prepared for the benefit of the non-associated Shareholders of Hillcrest to determine whether the proposed novation of the Litigation Asset to Lit-One is fair and reasonable for non-associated Shareholders.

2. Proposed Transaction – Deed of Novation and Variation

2.1 Summary of Proposed Transaction

Hillcrest ("Assignor") has entered into a Deed of Novation and variation ("Deed") in order to assign the Company's interest in the Principle Agreement to Lit-One ("Assignee") in consideration for payments listed in 2.3 below.

2.2 Definitions

Definitions in the Deed required in understanding the Proposed Transaction:

Assigned Interest means all of the Assignor's rights, title, interest, benefit, obligations and liabilities in and to the Principal Agreement.

Adverse Costs Order has the meaning given to that term in the Principal Agreement.

Budgeted Costs has the meaning currently given to that term in the Principal Agreement, being "costs in the amount of \$300,000 plus GST".

Principal Agreement means the agreement entitled *Litigation Funding Agreement dated 18 January 2012, as amended and varied by written agreement on 26 July 2013.*

Definitions in the Principal Agreement required in understanding the Proposed Transaction:

Adverse Costs Order – any costs order made against the Litigant in the Proceedings in respect to costs incurred from the date of this Agreement including any GST.

Budgeted Costs – costs in the amount of \$300,000, plus GST.

Funding Costs – the amount of the Budgeted Costs paid by Hillcrest and all other costs paid by Hillcrest under this agreement.

Net Resolution Sum – the amount obtained by deducting the Funding Costs from the Resolution Sum.

Proceedings – Supreme Court of Western Australian Action No. CIV 2765 of 2010 between the Litigant and Computer Accounting & Tax Pty Ltd (In Liquidation) on the one hand and Angela Frigger and Hartmut Frigger and the Frigger Superannuation Fund on the other hand.

Resolution – when the Litigant receives all or some of the settlement sum or judgement sum in respect of the Proceedings and which is not subject to a current appeal.

Resolution Sum – any real property and any amount or amounts received by way of settlement, judgement or order (including costs) in the Proceedings.

2.3 Consideration

The Deed details, in clause 7, the consideration payments that shall be made as follows:

- The Assignee will pay to the Assignor the amount of \$264,766.54 (“Book Value”) in consideration for the assigned rights, title, interest and benefits under the Principal Agreement;
- The Assignor will pay to the Assignee the amount of \$250,000 in consideration for the Assignee assuming the Assignor’s obligations to meet any Adverse Costs Order under clause 3 of the Principal Agreement; and
- The Assignee will arrange the replacement of the security deposit of \$100,000 held by the court and the repayment of the existing security deposit to Hillcrest.

2.4 Conditions

The completion of the Proposed Transaction is subject to a number of conditions, detailed below:

- The Assignor obtaining shareholder approval for the transaction contemplated by this Deed pursuant to ASX Listing Rule 10.1 and 11.2; and

- If required the approval of the Supreme Court of Western Australia pursuant to section 477(2B) of the Corporations Act 2001 (Cth).

2.5 *Related Party Transaction*

Ian Douglas Allen is a former director and a current shareholder of Hillcrest and is currently the sole director of Lit-One, the proposed Assignee of the Litigation Asset.

Following completion of the Proposed Transaction, Alan van Noort intends to acquire an interest in Lit-One. No agreement has been entered into at this time and the quantum of Alan van Noort's proposed interest in Lit-One has not been agreed.

Lit-One is owned 100% by Lanzerac Nominees Pty Ltd, a substantial shareholder of Hillcrest. Lanzerac Nominees Pty Ltd is an associate of Ian Douglas Allen.

3. **Summary and Opinion**

This section is a summary of our opinion and does not substitute for a complete reading of this Report.

We recommend that Shareholders carefully read all relevant documentation including any explanatory notes, contact their own professional advisors and consider their own specific circumstances before voting for or against the Proposed Transaction.

There are benefits and risks associated with implementing or not implementing the Proposed Transaction, the outcomes of which may not suit all Shareholders.

Based on our analysis as outlined further in this Report, we have concluded that the Proposed Transaction is not fair but reasonable for Shareholders not associated with the Assignee.

4. **Purpose of the Report**

4.1 *Scope*

An independent expert must, in certain circumstances, be appointed to meet the requirements of the Corporations Act 2001 ("the Act"), the ASX Listing Rules and the regulatory guides published by the Australian Securities and Investments Commission ("ASIC").

The matters to be considered at the Annual General Meeting and additional information regarding those matters are set out in details in the Notice of Annual General Meeting. These documents are important and should be read in conjunction with this Report and any other information provided to the Shareholders by Hillcrest regarding the Proposed Transaction.

This Report is general financial product advice only and has been prepared without taking into account the objectives, risk profile, financial situation or needs of each individual Shareholder. Before acting in relation to their investment, Shareholders should consider the appropriateness of the advice having regard to their own objectives, financial situation or needs.

Approval or rejection of the Proposed Transaction is a matter for individual Shareholders. Shareholders who are in doubt as to the action they should take in relation to the Proposed Transaction should consult their own professional advisor.

4.2 *Purpose*

The sole purpose of this Report is to express Pendragon's opinion as to whether the Proposed Transaction is fair and reasonable to the non-associated Shareholders of Hillcrest. This Report cannot be used by any other person for any other reason or for any other purpose. A copy of this Report will accompany the Notice of Annual General Meeting to be sent to the Shareholders.

The directors of the Company have engaged Pendragon to prepare an Independent Expert's Report, in relation to Resolution 4 of the Notice of Annual General Meeting, to assess whether the Proposed Transaction is fair and reasonable to non-associated Shareholders of the Company based on the ASX Listing Rules, ASIC Regulatory Guidelines and as a matter of good practice.

Pursuant to ASX Listing Rule 10.1, a company is required to seek shareholder approval before acquiring or disposing of a substantial asset to a substantial shareholder. We understand that Lit-One is a substantial shareholder by virtue of the fact that it is controlled by Lanzerac Nominees Pty Ltd, which controls 34,646,720 shares of the Company (pre-Entitlement Issue and pre-Consolidation), which equates to 11.20% voting power in the Company prior to completion of the Entitlement Issue and Consolidation.

For the purpose of ASX Listing Rule 10.1, an asset is substantial if its value or the value of the consideration for it is, or in ASX's opinion is, 5% or more of the equity interests of the entity as set out in the latest accounts given to ASX under the ASX Listing Rules.

The equity interests of the Company as defined by ASX Listing Rules and as set out in the latest accounts given to ASX under the ASX Listing Rules (being the financial year ended 30 June 2016) were \$54,550: 5% of this amount is \$2,728. The Proposed Transaction is in relation to the novation of the Litigation Asset which has a book value in the latest accounts at \$264,777 and is therefore is a substantial asset of Hillcrest.

As a result of the above conclusions, the completion of the Proposed Transaction will result in the disposal of a substantial asset to a substantial shareholder of the Company and the Company is therefore required to seek Shareholder approval under ASX Listing Rule 10.1.

ASX Listing Rule 10.10.2 requires a Notice of Annual General Meeting concerning a resolution under ASX Listing Rule 10.1 to include a report on the transaction from an independent expert.

4.3 *Regulatory Guidance*

In determining whether the transaction is “fair and reasonable”, we have considered ASIC’s Regulatory Guide 111 – Content of Expert Reports, which sets out how experts should analyse a proposed transaction, the different valuation methodologies used by experts and the treatment of assumptions. These guidelines have been reviewed with particular attention to the expectations of non-associated Shareholders in Hillcrest.

RG111 suggests that where the transaction is a control transaction, the expert should focus on the substance of the control transaction rather than the legal mechanism to effect it. RG111 suggests that where a transaction is a control transaction, it should be analysed on a basis consistent with a takeover bid.

In our opinion, the Proposed Transaction is not a control transaction as defined by RG 111 and we have therefore assessed the Proposed Transaction as a non control transaction to consider whether, in our opinion, it is fair and reasonable to non-associated Shareholders.

4.4 *Fair and Reasonable*

The term fair and reasonable does not have a legal definition. However the ASIC Regulatory Guide 111 establishes certain guidelines in respect of the preparation of experts’ reports.

What is fair and reasonable for non-associated Shareholders should be judged in all circumstances of the proposal. The report must compare the likely advantages and disadvantages for non-associated Shareholders if the proposal is agreed to and if it is not.

An offer is fair if the value of the financial benefit to be provided by the entity to the related party is equal to or less than the value of the consideration being provided to the entity. This comparison should be made assuming the knowledgeable and willing, but not anxious, buyer and a knowledgeable and willing, but not anxious, seller acting at arm’s length.

By definition, an offer is reasonable if it is fair. However, where an offer is not fair, it can be reasonable if, after considering other significant factors, the interests of the Shareholders are reasonably balanced.

5. Background to Hillcrest Litigation Services Limited

5.1 *Corporate History*

Hillcrest listed on the ASX on 5 October 1993.

Hillcrest changed its name from Hillcrest Resources Limited on 14 December 2004.

Since 2005, Hillcrest operated as a litigation funding business. The essential nature of a litigation funding business is that the litigation funder provides funds to enable a party to meet the costs of pursuing a legal claim and, in return for assuming the funding obligations, the litigation funder becomes entitled to receive a percentage of the amount ultimately recovered under the claim, whether by way of court judgement or an earlier agreed settlement.

Former names of the company:

Names	From	To
Hillcrest Litigation Services Limited	14/12/2004	
Hillcrest Resources Limited	15/11/2000	14/12/2004
Hillcrest Resources NL	02/12/1996	15/11/2000
Aurifex Minerals NL	05/10/1993	02/12/1996

The key asset of Hillcrest consists of the following litigation asset:

- Computer Accounting & Tax Pty Ltd (In Liquidation)

In 2012, Hillcrest agreed to fund the liquidator of the company in proceedings in the Supreme Court of Western Australia between the company and its former directors in relation to the entitlement to certain real property and certain monetary amounts (Supreme Court of Western Australia Action No CIV 2765 of 2010).

On 6 October 2016, the Company announced that it had entered into a Share Sale Agreement pursuant to which it has conditionally agreed to acquire 100% of the issued capital of Infant Food Holding Co Pty Limited. On settlement of the Share Sale Agreement Hillcrest Litigation Services Limited has agreed to change its name to Bubs Australia Limited.

Infant Food Holding Co Pty Limited (“BUBS”) is an Australian superfood specialist in the baby food category. The business of BUBS is the production and sale of organic infant food and goat infant milk formula.

The proposed acquisition of BUBS will constitute a change in the nature and scale of the Company’s activities from a litigation funding business to an infant food and milk formula business.

The proposed acquisition is conditional upon the disposal to a third party of the Litigation Asset currently held by Hillcrest

On 6 October 2016, an ASX Market Release announced that the securities of Hillcrest Litigation Services Limited are suspended from official quotation following receipt of an announcement regarding its proposed change of activities. The Company’s securities will remain suspended until the Company has complied with Chapter 1 and 2 of the Listing Rules in accordance with Listing Rule 11.1.3.

On 6 October 2016, the company lodged an Offer Document to undertake a 1:5 pro rata non-renounceable entitlement issue of approximately 61,861,827 fully paid ordinary shares to raise approximately \$309,309. The price of New Shares under the Offer is \$0.005 each.

The non-renounceable Entitlement Issue has been underwritten by PAC Partners Pty Ltd.

5.2 *Company Directors*

5.2.1 Alan R van Noort (Chairman and Executive Director)

Mr Alan van Noort (appointed 1998) is a Barrister and Solicitor who was admitted to practice in the Supreme Court of Western Australia in 1979. From 1979 to 1991, Mr van Noort practised law in Perth, Western Australia, specialising in the areas of mining law, public company law, merger and acquisitions and shareholder rights. Since 1991, Mr van Noort has been involved in the management and administration of publicly listed companies.

5.2.2 Jay R Stephenson (Non-Executive Director and Company Secretary)

Mr Jay Stephenson (appointed 2015) holds a Masters of Business Administration, is a Fellow Certified Practising Accountant, a Chartered Professional Accountant (Canada), Certified Management Accountant (Canada), a Fellow of the Governance Institute of Australia and a Member of the Australian Institute of Company Directors.

5.2.3 Angus J L Middleton (Non-Executive Director)

Mr Angus Middleton (appointed 2010) is fund manager and former stockbroker who has extensive experience in the capital markets sector in Australia. He is currently a director of SA Capital Pty Ltd, a corporate advisory firm specialising in equity raisings and underwriting, and the managing director of SA Capital Funds Management Limited, an Adelaide based investment fund that has been involved in advising and raising equity for corporations in the form of venture capital, seed capital, private equity, pre-initial public offerings and initial public offerings.

5.3 *Historical Balance Sheet – Hillcrest*

Statement of Financial Position	AUDITED 30 June 2016 \$
Current Assets	
Cash and cash equivalents	21,419
Security deposits	100,000
Trade and other receivables	2,591
Prepayments	249
Litigation contracts	264,777
Total Current Assets	389,036
Non-Current Assets	
Plant and equipment	3,131
Total Non-Current Assets	3,131
Total Assets	392,167
Current Liabilities	
Trade and other payables	277,746
Provisions	56,221
Total Current Liabilities	333,967
Non-Current Liabilities	
Provisions	3,650
Total Non-Current Liabilities	3,650
Total Liabilities	337,617
Net (liabilities) / assets	54,550
Equity	
Issued Capital	21,066,220
Accumulated losses	(21,011,670)
Total (deficiency) / surplus equity	54,550

5.4 *Equity Structure of Hillcrest*

As at the date of this Report, Hillcrest has:

- 309,309,136 Fully Paid Ordinary Shares.
- Nil Options

5.5 *Associated share holdings*

Associates	Current Shares
A R van Noort	83,475,471
J R Stephenson	15,000
A J L Middleton	10,903,880
I D Allen	34,646,720
Total	129,041,071

6. Background to Litigation Asset

6.1 Background

The Litigation Asset held in Hillcrest is in relation to the Principal Agreement dated 18 January 2012 between Hillcrest Litigation Services Limited and Mervyn Jonathan Kitay, as liquidator of Computer Accounting & Tax Pty Ltd (In Liquidation).

Under the terms of the Principal Agreement Hillcrest has agreed to fund the Litigant in proceedings in the Supreme Court of Western Australian between Computer Accounting & Tax Pty Ltd (In Liquidation) and its former directors in relation to the legal ownership of certain real property and certain monetary amounts.

The proceedings are the Supreme Court of Western Australia Action No CIV 2765 of 2010 between the Litigant and Computer Accounting & Tax Pty Ltd (In Liquidation) on the one hand and Angela Frigger and Hartmut Frigger and the Frigger Superannuation Fund on the other hand ("Proceeding").

6.2 Summary of Principal Agreement

Hillcrest has agreed under the Principal Agreement to:

- Pay the Budgeted Costs in the amount of \$300,000 plus GST
- Pay any taxed costs payable by the Litigant to any other party whether arising upon the dismissal or discontinuance of the Proceedings or otherwise, but only to the extent that those costs were incurred during the term of the agreement
- Provide any security for costs ordered by the court in the Proceedings during the term of the agreement.
- Indemnify and keep indemnified the Litigant and Computer Accounting & Tax Pty Ltd (In Liquidation) in respect of any Adverse Costs Order. Adverse Costs Order is defined as any costs order made against the Litigant in the Proceedings in respect to costs incurred from the date of the agreement including any GST.

In consideration for entering into this Principal Agreement, Hillcrest is entitled to the following:

- 40% of the Net Resolution Sum
- Net Resolution Sum is defined as the amount obtained by deducting the Funding Costs from the Resolution Sum.
- Resolution Sum is defined as any real property and any amount or amounts received by way of settlement, judgement or order in the Proceedings.
- Funding Costs is defined as the amount of the Budgeted Costs paid by Hillcrest and all other costs paid by Hillcrest under the Principal Agreement.

6.3 *Resolution Sum*

The Proceedings are in relation to the court determining legal ownership of the following assets:

- The property and the service station business at the address 269 South West Highway, Armadale (“Armadale Property”)
- The property at the address 140 Edwards Street, East Perth (“East Perth Property”)

The Resolution Sum is based on the success of the Proceedings. We make no comment on the likelihood of success. Based on the information provided to us we have valued the Litigation Asset based on a best case and worst case scenario for the Company from the resolution of the Proceedings.

The best case scenario would be for the court to determine the Litigant as liquidator of Computer Accounting & Tax Pty Ltd (In Liquidation) was the legal owner of the assets detailed above and to award costs relating to the Proceedings.

The worst case scenario is the court determining that the Defendant is the legal owner of the above assets and issuing an Adverse Costs Order. As with any litigation there is a range of outcomes between these scenarios which may occur.

6.4 *Status of Proceedings*

The Proceedings began on or around 3 November 2010 and Hillcrest entered into a Principal Agreement on 18 January 2012. Information relevant to the Proceedings is confidential therefore we include no information in this report other than information which is on the public record.

7. **Share Sale Agreement – The Infant Food Holding Co Pty Limited**

The board of Hillcrest has entered into a Share Sale Agreement to which it has agreed, subject to satisfaction of certain conditions precedent, to acquire 100% of the shares of BUBS (“Acquisition”).

A summary of the key terms of the Share Sale Agreement are as follows:

- **Consideration Shares**

Subject to satisfaction or waiver of conditions precedent to the Acquisition in consideration for acquiring 100% of BUBS shares, Hillcrest has agreed to issue 163,400,000 fully paid ordinary shares in the capital of the Company, on a post-consolation basis, to the vendors of BUBS.

- Conditions Precedent

Settlement of the Acquisition is subject to a number of conditions precedent including but not limited to:

- Completion of Entitlement Issue: Hillcrest completing a non-renounceable entitlement issue of 61,861,827 Shares at an issue price of \$0.005 per Share (on a pre-consolidation basis) to raise \$309,309, to be fully underwritten by PAC Partners Pty Ltd.
- Shareholder and regulatory approval: Hillcrest obtaining all necessary shareholder and regulatory approvals required in relation to the Acquisition and other matters contemplated by the Share Sale Agreement (which includes receipt of ASX's conditional approval to reinstate the Company's shares).
- Disposal of assets: Hillcrest entering into an agreement to transfer and novate all of its rights and obligations associated with its Litigation Assets (being the only funding agreement it currently has in place) to a third party without further costs being incurred by Hillcrest.
- Re-Compliance Capital Raising: Hillcrest lodging a prospectus with the ASIC for the purpose of ASX reinstatement requirements and to raise \$5,150,000 under that prospectus by the offer, subject to Shareholders approval, of at least 51,500,000 Shares at an issue price of \$0.10 per Share (on a post-consolidation basis).
- Escrow Agreements: Any party to whom Consideration Shares are issued entering into a restriction agreement in relation to some or all of those Consideration Shares if and to the extent required by the ASX in accordance with the ASX Listing Rules.

- Issue of Options to PAC Partners Pty Ltd and Nicholas Simms

It is a term of the Share Sale Agreement that, subject to obtaining Shareholder approval, the Company will offer the following:

- 5,844,242 PAC Options with an exercise price of \$0.10 each (on a post-consolidation basis) and expiring 3 years from grant to PAC Partners Pty Ltd (or its nominees) under the Prospectus in consideration for PAC Partners Pty Ltd facilitating of the Acquisition.
- 3,578,108 Employee Options with an exercise price of \$0.10 each (on a post-consolidation basis) to Nicholas Simms (or his nominees) and expiring on the earlier of 3 years from grant or the date Nicholas Simms ceases being employed by BUBS by way of 'summary dismissal'..

8. Background to The Infant Food Holding Co Pty Limited

BUBS was founded in 2005 by Kristy Carr and Anthony Gualdi who wanted to offer a quality organic alternative to conventional baby food. Additional details of its operations are included in Section 4.3 of the Explanatory Statement in the Notice of Annual General Meeting.

9. Valuation Methodology

9.1 Available Valuation Methodologies

To estimate the fair market value of the Litigation Asset and BUBS we have considered common market practice and the valuation methodologies recommended in RG 111. There are a number of methods that can be used to value an asset and business including:

9.1.1 Discounted Cash Flow Method

This method values a business by discounting the future net cash flows to their present day value using an appropriate discount rate. The discount rate is representative of the opportunity cost of capital being the expected rate of return that could be obtained by investing in equivalent risk investments. This method is generally appropriate where future cash flows can be projected with a reasonable degree of confidence.

9.1.2 Market Based Methods

- Capitalisation of Maintainable Earnings
 - This method places a value on the business by estimating the likely future maintainable earnings capitalised at a rate which reflects business outlook, business risk, investor expectations, future growth prospects and other factors specific to the entity. Use of this method relies on the availability and analysis of comparable market data.
- Industry Specific Methods
 - Uses industry specific assumptions and comparisons to form a valuation.
- Availability of Alternative Offers
 - Where there are other similar offers, a comparison between offers can be used to determine the market value of the Company
- Quoted Market Price Basis (Market Value)
 - Where there is a ready market for securities through which shares are traded, such as the Australian Stock Exchange (“ASX”), recent prices at which shares are bought and sold can be taken as the market value of a security. Such market value includes all factors and influences that impact upon the ASX. The use of ASX pricing is more relevant where a share displays regular trading, in a liquid market.
 - This method relies on the efficient market hypothesis which states in general terms that the market price at any point in time should fully reflect available information given willing buyers and willing sellers.

9.1.3 Asset Based Methods

- Liquidation of Assets Method
 - This method values a company based on the net value of its assets should they be sold in a distressed scenario.
- Orderly Realisation of Assets Method
 - This method values a company based on the net value of its assets should the assets be put to market and held out for a fair value sale price given the market and condition of the assets.
- Net Tangible Asset Value on a Going Concern Basis (“NTA”)
 - NTA is appropriate where the majority of assets consist of cash or passive investments. The combined market value of the entity’s assets and liabilities is used to value the entity.

Each of these methods is appropriate in certain circumstances and often more than one approach is applied. Per RG 111, an expert should, when possible, use more than one valuation methodology.

The choice of methods depends on factors such as the nature of the business being valued, the return on the assets employed in the business, the valuation methodologies usually applied to value such businesses and the availability of the required information.

9.2 *Selection of Valuation Methodology – Litigation Asset*

In selecting an appropriate valuation methodology to value the Litigation Asset we have considered the following factors:

- The Litigation Asset is not a business and does not have any reliable forecasted cashflows that can be used.
- The Litigation Asset being the Principal Agreement will be valued based on the percentage of the Net Resolution Sum that can be expected to be received by Hillcrest if the Proceedings are successfully resolved.
- The Proceedings are in relation to a dispute over real property and if the Litigant is successful the Resolution Sum will be based on any real property and any amounts received by way of settlement, judgement or order (including costs) in the Proceedings
- The main assets in dispute under the Proceedings are real properties and a business that will be, or have been, sold in order to determine the Resolution Sum.
- One of the properties and business has already been sold therefore the value of the Litigation Asset if the Proceedings are successful has a significant cash proportion.

Based on the above factors, we believe that the appropriate valuation method to use is an asset based methodology.

9.3 Selection of Valuation Methodologies – BUBS

In selecting an appropriate valuation methodology to value BUBS we have considered the following factors:

- BUBS has been trading since 2005.
- BUBS has been a start up business and has not yet achieved profitable operations.
- The directors expect BUBS to continue to experience significant growth in the scale and geographical diversity of sales.
- Accurate projections of future cash flows are not possible, therefore the discounted cash flow methodology is not an appropriate valuation method.
- The net assets of BUBS do not reflect the value of the goodwill inherent in the business, consequently an asset based methodology is not the most appropriate valuation methodology for BUBS

We believe that a market based method is appropriate to assess a value for BUBS.

10. Valuation of the Litigation Asset

10.1 Asset based methodology

The asset based methodology estimates the market value of an entity's asset based on the realisable value of its asset. Asset based methods include the following:

- Liquidation of asset method
- Orderly realisation of assets method
- Net assets on a going concern method

The asset based method that we believe is appropriate to value the Litigation Asset is liquidation of asset method. While the disposal is not a "stressed sale" as usually understood, it is a condition precedent of the Share Sale Agreement. As such it is subject to strict time requirements which preclude an orderly marketing of the Litigation Asset.

Given the specialised nature of the Litigation Asset and the potential liabilities associated with it, there is no guarantee that a broad and extended effort to find a party willing to acquire the asset on commercially better terms than those in the Deed would be successful.

The Litigation Asset is the Principal Agreement between Hillcrest and the Litigant. The Principal Agreement determines that the consideration payable to Hillcrest from a successful outcome for the Proceedings will be based on 40% of the Net Resolution Sum.

Net Resolution Sum is the amount obtained by deducting the Funding Costs from the Resolution Sum.

The Resolution Sum is the proceeds from any real property and any amount or amounts received by way of settlement, judgement or order (including costs) in the Proceedings.

Funding Costs is the amount of the Budgeted Costs paid by Hillcrest and all other costs paid by Hillcrest under the Principal Agreement.

The Budgeted Costs is the amount of \$300,000 plus GST.

In order to value the Resolution Sum we have utilised the asset based methodology as the Proceedings are in relation to determining the ownership of the following assets:

- The property and the service station business at the address 269 South West Highway, Armadale; and
- The property at the address 140 Edwards Street, East Perth.

The Resolution Sum is based on the success of the Proceedings. We make no comment on the likelihood of success. Based on the information we have been provided we have valued the Litigation Asset based on the best and worst case scenarios of the Proceedings.

The best case scenario would be the Litigant receiving an outcome to the value of the assets detailed above and awarded a reimbursement of the costs relating to the Proceedings. The worst case scenario is the courts determining that the ownership of the above assets is with the Defendants and the Litigant receiving an Adverse Costs Order.

10.2 Litigation Asset Valuation

10.2.1 Calculation of Resolution Sum

The best case scenario below is based on the Litigant receiving an outcome based on the value of the assets detailed above and awarded a reimbursement for the costs incurred by the Litigant during the Proceedings.

The worst case scenario below is based on the court ordering in favour of the Defendant and the Litigant being required to pay the cost of the Defendant under an Adverse Cost Order.

Resolution Sum		Best Case	Worst Case
<i>Armadale Property sold on 8 February 2016</i>			
Sale Proceeds Received			
Land	Note 1	\$1,070,970	-
Business	Note 1	\$1,330,000	-
<i>East Perth Property</i>			
Land value assessment	Note 2	\$1,500,000	-
Cost award	Note 3	\$300,000	-
Total Resolution Sum		\$4,200,970	Nil

Note 1: The value of the Land and Building has been sourced from the Affidavit dated 12 August 2016 lodged by Angela Frigger with the Supreme Court of West Australia for the Action No CACA 45 of 2016.

Note 2: The value of the Land has been based on an indicative market value assessment range between \$1,300,000 to \$1,500,000 provided in a Restricted Assessment prepared by Herron Todd White Commercial. We have chosen to use the higher value to properly reflect the best case scenario. While this is not a formal valuation, it is considered sufficient for the purposes of this report.

Note 3: This amount would be determined by the court but for the purposes of the valuation has been estimated to be equal to the Company's Budgeted Costs.

10.2.2 Calculation of Net Resolution Sum

The Net Resolution Sum is the amount obtained by deducting the Funding Costs from the Resolution Sum. This can be calculated as follows:

Net Resolution Sum		Best Case	Worst Case
Resolution Sum (as per 10.2.1)		\$4,200,970	-
<i>Less:</i>			
Funding Costs	Note 1	(\$300,000)	-
Total Net Resolution Sum		\$3,900,970	Nil

Note 1: We have assumed that the full Budgeted Costs of \$300,000 will be payable under the Principal Agreement. In the worst case scenario the funding costs will not be recovered by Hillcrest as no Resolution Sum is available to offset.

10.2.3 Consideration Assigned

In consideration of Hillcrest entering into the Principal Agreement the Litigant assigned to Hillcrest 40% of the Net Resolution Sum.

Consideration Assigned	Best Case	Worst Case
Net Resolution Sum (as per 10.2.2)	\$3,900,970	-
40% of Net Resolution Sum	\$1,560,388	Nil

In the worst case scenario no amount is available to be assigned as consideration to Hillcrest as no Resolution Sum is received by the Litigant.

10.2.4 Adverse Costs Order

Additionally under the Principal Agreement if the Litigant receives an Adverse Costs Order, Hillcrest is required to cover this cost if it is in relation to the Proceedings.

		Best Case	Worst Case
Adverse Cost Order	Note 1	-	\$300,000

Note 1: This would be determined by the court but for the purpose of the valuation has been estimated to be equal to the Company's Budgeted Costs.

10.2.5 Valuation

The valuation of the Litigation Asset would be as follows:

		Best Case	Worst Case
40% of Net Resolution Sum (as per 10.2.3)		\$1,560,388	-
Funding Costs	Note 1	-	(\$300,000)
Adverse Cost Order (as per 10.2.4)		-	(\$300,000)
Total Value		\$1,560,388	(\$600,000)

Note 1: In the worst case scenario the Funding Costs will not be recovered by Hillcrest as there is no Resolution Sum available to offset

We have assessed the value of the Litigation Asset for the best case scenario at \$1,560,388 if the Litigant was to receive a Resolution Sum to the value of the assets in dispute and be awarded a reimbursement of costs.

We have assessed the value of the worst case scenario as a liability of \$600,000 but with the caveat that we have no information on which to base an assessment of any future Adverse Costs Order.

10.2.6 Summary of Valuations

In determining the value of the Litigation Asset we have undertaken the above analysis of different outcomes of the Proceedings. Based on this analysis we have come to a range of values as detailed below:

Outcome	Litigation Asset Value
Worst Case Scenario	(\$600,000)
Best Case Scenario	\$1,560,388

We consider the valuation of the Litigation Asset to be in a range between (\$600,000) to \$1,560,388 based on the outcome of the Proceedings, with a midpoint of \$480,194.

The Litigation Asset would result in earnings per share as follows:

Outcome	Earnings per share*
Worst Case Scenario	(\$0.002)
Best Case Scenario	\$0.005

*The earnings per share is based on the current shares on issue in Hillcrest of 309,309,136

Hillcrest had a share price of \$0.004 just before the suspension on the ASX stock market on 6 October 2016.

11. Litigation Risks

The valuation of the Litigation Asset is subject to the outcome of the Proceedings. No assurance can be given by the directors or the Litigant that the Proceedings will be successful or unsuccessful or that a full or partial settlement sum will be received.

The Proceedings started on or around 3 November 2010 and have not yet progressed to trial.

Directors have advised that they expect the trial to take place within the next 12 months but, given the history of the Proceedings to date, future delays may occur.

If the Proceedings are not successful, and the Litigation Asset is not assigned, it is likely the Company will also have to pay an Adverse Costs Order.

12. Valuation of The Infant Food Holding Co Pty Limited

12.1 Market Value Methodology

Market value is influenced by the market's perception of many factors including the value of assets, profitability, the industry within which BUBS operates, managerial skills within BUBS and future expectations for BUBS. These market perceptions can change significantly over a short period of time.

Under the Share Sale Agreement BUBS has an agreed market value of \$15,866,555. This value has been negotiated by the parties on an arms-length basis.

The transaction between Hillcrest and BUBS under the Share Sale Agreement is conditional on the following:

- Hillcrest completing a non-renounceable Entitlement Issue of 61,861,827 Hillcrest Shares at an issue price of \$0.005 per Hillcrest Share to raise \$309,309.14 on a pre-Consolidation basis which is to be fully underwritten by PAC Partners Pty Ltd.
- Consolidation of Hillcrest Shares post Entitlement Issue placement on the basis of 3 new shares for each 50 existing Hillcrest shares. The shares issued under the Entitlement Issue will have a cost post-Consolidation of \$0.083.
- Hillcrest raising via a prospectus a minimum of \$5,150,000 at an issue price of \$0.10 per share.

- Shareholder approvals for the following:
 - Consolidation of shares
 - Approval for the change in nature and scale of Hillcrest's activities
 - Approval for the issue of Consideration Shares to BUBS
 - Approval of the Issue of Creditor Shares to any Hillcrest Directors
 - Approval of the issue of the PAC Options
 - Approval of the issue of the Employee Options
 - Approval for the sale of Hillcrest's main undertaking (including the Hillcrest Litigation Asset)
 - Approval of the appointment of the Proposed Directors of Hillcrest
 - Approval for the change of Hillcrest's name to BUBS Australia Limited

Following the completion of the Share Sale Agreement the shares on issue will be:

	Hillcrest Shares	PAC Options and Employee Options
Current	309,309,136	
Completion of Entitlement Issue	61,861,827	
Completion of Consolidation	(348,900,480)	
Completion of Capital Raising	51,500,000	
Consideration Shares to BUBS Shareholders	163,400,000	
Creditor Shares to Creditors	1,370,025	
PAC Options to be issued to PAC Partners Pty Ltd		5,844,242
Employee Options to be issued to Nicholas Simms		3,578,108
Total	238,540,508	9,422,350

We have not been able to obtain sufficient information on the BUBS business and its growth prospects which would enable us to value Hillcrest post completion of the transaction.

However, we note that the number of shares on issue (post consolidation) will be 238,540,508 giving an implied market value of \$23,854,051 based on the prospectus issue price of \$0.10 per share. Based on a material minimum subscription for the prospectus offer of 51,500,000 shares to raise \$5,150,000, we believe that the issue price of \$0.10 per Consolidated Share is an appropriate basis for the valuation of the entity.

The value of the Consideration Shares to be issued for 100% of the issued Shares of BUBS is \$16,340,000.

12.2 Net Asset Valuation of BUBS

The net asset value methodology estimates the market value of an entity's securities based on the realisable value of its identifiable net assets. There are three net asset value methods:

- Liquidation of assets method
- Orderly realisation of assets method
- Net Assets on a going concern method

The asset based method that we believe is appropriate to assess the net asset value of BUBS is the net assets on a going concern method. This is in order to provide a reference check for the market based method. The asset and liabilities valued at market value form the basis for the entity's valuation.

The asset based method ignores the possibility that the entity's value could exceed the realisable value of its assets as it does not recognise value of intangible assets. We do not believe this method is the most appropriate method to value BUBS as the entity has been operating since 2005, has revenue of \$4.3 million and has a number of client relationships and contracts. It also has had a substantial period of product and market development which is continuing. Sales are increasing and management expects that operations will become profitable in the next 12 months. Therefore the BUBS valuation should include an aspect of goodwill in the value of the entity.

The value of the BUBS's assets on a going concern basis is reflected below:

30 June 2016	
Audited	
The Infant Food Holding Co Pty Ltd	
\$	
Assets	
Current Assets	
Cash and Cash Equivalents	2,081,606
Trade and Other Receivables	753,342
Inventory	2,467,174
Total Current Assets	5,302,122
Non-Current Assets	
Plant & Equipment	89,475
Total Non-Current Assets	89,475
Total Assets	6,740,664
Liabilities	
Current Liabilities	
Trade and Other Payables	1,120,238
Borrowings	3,557
Provisions	12,006
Total Current Liabilities	1,135,801
Non-Current Liabilities	
Borrowings	35,958
Provisions	11,740
Deferred Tax Liabilities	218,146
Total Non-Current Liabilities	265,844
Total Liabilities	1,401,645
Net (Liabilities)/Assets	5,339,019
Adjustment for Intangibles	
Intangible Assets	(1,349,067)
Deferred Tax Liabilities	218,146
Net Tangible Assets	4,208,098

The value obtained under the net asset valuation methodology is \$4,208,098.

12.3 Conclusion as to the value of BUBS

Based on the value determined under the market value approach, we conclude that the valuation of BUBS for the purpose of this report is \$15,866,555, being the value negotiated on an arms length basis by the parties.

13. Valuation of the Consideration for the Proposed Transaction

The consideration to be transferred to/from Hillcrest for the Litigation Asset as detailed in the Deed is as follows:

Consideration Transferred	Ref	\$
Book Value of Litigation Asset	2.4	264,777
Less:		
Payment of Assignor's obligation to meet Adverse Costs Order	2.4	(250,000)
Net Consideration Transferred		14,777

The value of the novation of the Litigation Asset is \$14,777 as detailed in the Deed. Additionally Hillcrest will have the certainty that the security deposit of \$100,000 currently on deposit as security for an Adverse Costs Order will be returned.

The total Net Funds to be received are therefore \$114,777.

14. Assumptions as to Fairness

In assessing whether the Proposed Transaction is fair, we believe it is appropriate to consider the valuation of the Litigation Asset compared to the consideration transferred under the Proposed Transaction. We have assessed the following:

- Valuation of the Litigation Asset.
- Consideration for the novation of the Litigation Asset.
- Reduction in potential liabilities resulting from the novation.
- Requirement to fund an Adverse Costs Order if necessary.

The Litigation Asset being assigned to Lit-One under the Deed is valued in a range between (\$600,000) and \$1,560,388, with a midpoint of \$480,194 while the net consideration under the Proposed Transaction is \$14,777.

The midpoint valuation of the Litigation Asset exceeds the value of the Proposed Transaction. Therefore we have assessed that the Proposed Transaction is not fair to non-associated Shareholders.

While considering the values above it is important for the non-associated Shareholders to consider the Share Sale Agreement for the acquisition of BUBS. The acquisition of BUBS is conditional on the novation of the Litigation Asset. Therefore it is important to take into account the effect on Shareholders if the Proposed Transaction does not go ahead.

15. Conclusion as to Fairness of the Proposed Transactions

We have assessed the terms of the Proposed Transaction to be not fair, in accordance with the Regulatory Guide 111.

16. Assessment as to Reasonableness

By definition in the Regulation Guide 111 if a transaction is fair it is also reasonable. However a transaction which is not fair may be reasonable after consideration of all relevant factors. As the Proposed Transaction has been assessed as not fair we need to assess if it is reasonable for non-associated Shareholders.

15.1 Advantages

The main advantages of the Proposed Transaction to non-associated Shareholders are:

- If the Litigation Asset is assigned to a third party Hillcrest can progress with the Share Sale Agreement which will result in it acquiring 100% of BUBS which is a business that has been valued at \$15,866,555 under the Share Sale Agreement
- BUBS have an established business and growing income streams. The additional support of the capital raising will allow the established business to grow at a quicker rate than otherwise possible.
- Hillcrest is not actively developing any business and Hillcrest does not have capital to enable the litigation funding business to grow. In the absence of further capital raising, there is doubt it will continue as a going concern.
- The market price of Hillcrest Shares is at a substantial premium to the net asset value per share. Without business developments, it is probable over time that the market price would move significantly towards the net asset value per share.
- The value of the Principal Agreement is reliant on the Proceedings' successful outcome in favour of the Litigant. If the Proceedings are not successful Hillcrest will be liable for the Budgeted Costs and any Adverse Costs Order.
- The Proceedings started in 2010 and have yet to reach trial. There is no guarantee that this will occur in the next twelve months.
- If the Proceedings are not successful, and the BUBS acquisition did not proceed, Hillcrest would have a negative net asset position and would need to raise funds to meet its commitments.

15.2 Disadvantages

The main disadvantages of the Proposed Transactions to Hillcrest shareholders are:

- The Proceedings could result in an outcome in the favour of the Litigant resulting in consideration being transferred to Hillcrest under the Principal Agreement which would not likely be significantly greater than the amount received as consideration under the Proposed Transaction.
- On completion of the share consolidation and share issues which are condition present to the Acquisition, existing Hillcrest Shareholders will have their interest in the Company diluted from 100% to 7.78%.

- The interests of Hillcrest Shareholders may be further diluted if the PAC Options and the Employee Options are exercised. It is noted, however, that the exercise price in each case is \$0.10 per share and that the PAC Options only vest when the Hillcrest share price reaches \$0.125.
- There are risks in acquiring the BUBS business. Some of these are summaries in section 4.13 of the Explanatory Statement in the Notice of Annual General Meeting.
- The change in the nature and scale of the Company's activities may not be consistent with the objectives of all Shareholders.

Based on the above advantages and disadvantages and noting that there are no other alternatives which the directors are current considering, we have assessed the transaction to be reasonable for non-associated Shareholders.

17. Sources of Information

This Report has been based on the following information:

- Draft Notice of Annual General Meeting.
- Annual Report for Hillcrest for the year ended 30 June 2016
- ASX Announcements for Hillcrest.
- ASX data and related information on Hillcrest's shares.
- Discussions and correspondence with Directors of Hillcrest.
- Share Sale Agreement
- Litigation Funding Agreement
- Deed of Novation and Variation
- Public court documents in relation to the Litigation Funding Agreement Proceedings
- The Infant Food Holding Co Pty Limited audited Annual Report for the year ended 30 June 2016

In preparing this Report, we have reviewed the information described above as well as other published and unpublished information.

We have relied upon information provided by the directors of Hillcrest. We have not independently verified the information supplied to us, nor have we conducted anything similar to an audit.

18. Independence

Regulation Guide 112.25 lists the circumstances where an expert should seriously consider declining an engagement. One of the items listed in the Guide is when the expert, a director or a senior employee who is involved in preparing the expert report has substantial interest in or is a substantial creditor of the commissioning party or has other material financial interest in the relevant transaction. Pendragon has assessed its Independence with regard to its relationship with Wolfstar Group Pty Ltd ("Wolfstar"). Wolfstar (in which an entity controlled by Pendragon holds a 50% interest) does not hold a substantial interest in Hillcrest. Wolfstar has a current shareholding of 75,000 Hillcrest shares which equates to approximately 0.024% of the issued shares of Hillcrest.

Additionally Wolfstar is a creditor of Hillcrest and, pursuant to the Share Sale Agreement, will receive 330,000 Hillcrest shares (on a post-consolidated basis at a deemed issue price of \$0.10 per share) in settlement of a \$33,000 creditor liability owed to Wolfstar by Hillcrest. We do not consider that Wolfstar would be considered a substantial creditor of Hillcrest for these purposes.

19. Disclosure of Interests

Pendragon is entitled to receive a fee for preparing this Report. Pendragon will be paid a fee estimated to be \$17,500 (plus GST) based upon normal change out rates for professional time incurred in the preparation and compilation of this Report.

If all Essential Resolutions that are subject of the Notice of Annual General Meeting are passed (which includes the resolution relating to the disposal of Hillcrest's litigation assets) and settlement of the transaction occurs, Wolfstar (in which Pendragon holds 50% of the issued shares via a trust arrangement) will receive 330,000 shares in Hillcrest at a deemed issue price of \$0.10 per share in repayment of a creditor liability owed to Wolfstar.

Except for the financial interests above, Pendragon, and their directors, employees and associates, have not received and will not receive any other benefit whether direct or indirect in connection with the preparation of this Report.

20. Indemnity

Pendragon has been provided with an indemnity from Hillcrest in the following form:

“Hillcrest indemnifies Pendragon and any employees or associates from any claims arising out of any omission or any misstatement in relation to any material provided (or which, being relevant, is not provided) by Hillcrest”.

21. Qualifications

Pendragon holds Australian Financial Services Licence number 237549 issued by ASIC. Pendragon has experience in the provision of corporate finance advice. Mr Rick Hopkins, the director responsible for and signing this Report, is a Fellow of the Institute of Chartered Accountants and a Fellow of the Financial Services Institute of Australasia and has many years experience in company valuations and reports.

The Financial Services Guide from Pendragon is available to investors upon request.

22. Disclaimers and Consents

This Report has been prepared at the request of Hillcrest for inclusion in its Notice of Annual General Meeting for Shareholders to be forwarded to Shareholders in relation to the Proposed Transaction.

Pendragon hereby consents to this Report accompanying the Notice of Annual General Meeting for Hillcrest Shareholders. Pendragon takes no responsibility for the contents of the Notice of Annual General Meeting other than this Report. This Report has been prepared for the directors of Hillcrest to forward to Shareholders and, apart from such use, neither the whole nor any part of this Report may be used for any other purpose.

In providing our opinion, we have relied on information provided by Directors of Hillcrest. Where financial forecasts have been provided, it should be noted that there are likely to be differences to actual results due to various and unpredictable commercial and external factors.

Pendragon has not independently verified the information supplied to us and it has not conducted anything in the nature of an audit of Hillcrest. Pendragon has no reason to believe that any information relied on by us is incorrect or incomplete. The opinions and statements in this Report are given in good faith and in the reasonable belief they are not false, misleading or incomplete.

Yours sincerely

A handwritten signature in black ink, appearing to read "Rick Hopkins", with a horizontal line extending to the right.

Rick Hopkins
Director

PROXY FORM

HILLCREST LITIGATION SERVICES LIMITED
(TO BE RENAMED "BUBS AUSTRALIA LIMITED")
ACN 060 094 742

ANNUAL GENERAL MEETING

I/We

of:

being a Shareholder entitled to attend and vote at the Meeting, hereby appoint:

Name:

OR: the Chair of the Meeting as my/our proxy.

or failing the person so named or, if no person is named, the Chair, or the Chair's nominee, to vote in accordance with the following directions, or, if no directions have been given, and subject to the relevant laws as the proxy sees fit, at the Meeting to be held at 11:00am WST, on 8 December 2016 at Barringtons House, 283 Rokeby Road Subiaco WA 6008, and at any adjournment thereof.

AUTHORITY FOR CHAIR TO VOTE UNDIRECTED PROXIES ON REMUNERATION RELATED RESOLUTIONS

Where I/we have appointed the Chair as my/our proxy (or where the Chair becomes my/our proxy by default), I/we expressly authorise the Chair to exercise my/our proxy on Resolutions 1, 10 and 11 (except where I/we have indicated a different voting intention below) even though Resolutions 1, 10 and 11 are connected directly or indirectly with the remuneration of a member of the Key Management Personnel, which includes the Chair.

CHAIR'S VOTING INTENTION IN RELATION TO UNDIRECTED PROXIES

The Chair intends to vote undirected proxies in favour of all Resolutions. In exceptional circumstances the Chair may change his/her voting intention on any Resolution. In the event this occurs an ASX announcement will be made immediately disclosing the reasons for the change.

Voting on business of the Meeting		FOR	AGAINST	ABSTAIN
Resolution 1	Adoption of Remuneration Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 2	Re-Election of Director – Mr Alan van Noort	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 3	Change to Nature and Scale of Activities	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 4	Disposal of Main Undertaking	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 5	Consolidation of Capital	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 6	Issue of Consideration Shares to BUBS Shareholders	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 7	Issue of Shares – Capital Raising	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 8	Issue of Options to PAC Partners Pty Ltd	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 9	Issue of Options to Nicholas Simms	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 10	Issue of Shares to Related Party – Angus Middleton	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 11	Issue of Shares to Related Party – Jay Stephenson	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 12	Issue of Shares to Ian Allen	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 13	Issue of Shares to Wolfstar Group Pty Ltd	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 14	Election of Director – Ms Kristy-Lee Newland Carr	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 15	Election of Director – Mr Matthew Reynolds	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 16	Election of Director – Mr Dennis Lin	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 17	Change of Company Name	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 18	Replacement of Constitution	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 19	Participation in Capital Raising – Kristy-Lee Newland Carr	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Please note: If you mark the abstain box for a particular Resolution, you are directing your proxy not to vote on that Resolution on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

If two proxies are being appointed, the proportion of voting rights this proxy represents is: _____ %

Signature of Shareholder(s):

Individual or Shareholder 1

Sole Director/Company Secretary

Shareholder 2

Director

Shareholder 3

Director/Company Secretary

Date: _____

Contact name: _____

Contact ph (daytime): _____

E-mail address: _____

**Consent for contact by e-mail
in relation to this Proxy Form:** YES NO

Instructions for completing Proxy Form

1. **(Appointing a proxy):** A Shareholder entitled to attend and cast a vote at the Meeting is entitled to appoint a proxy to attend and vote on their behalf at the Meeting. If a Shareholder is entitled to cast 2 or more votes at the Meeting, the Shareholder may appoint a second proxy to attend and vote on their behalf at the Meeting. However, where both proxies attend the Meeting, voting may only be exercised on a poll. The appointment of a second proxy must be done on a separate copy of the Proxy Form. A Shareholder who appoints 2 proxies may specify the proportion or number of votes each proxy is appointed to exercise. If a Shareholder appoints 2 proxies and the appointments do not specify the proportion or number of the Shareholder's votes each proxy is appointed to exercise, each proxy may exercise one-half of the votes. Any fractions of votes resulting from the application of these principles will be disregarded. A duly appointed proxy need not be a Shareholder.
2. **(Direction to vote):** A Shareholder may direct a proxy how to vote by marking one of the boxes opposite each item of business. The direction may specify the proportion or number of votes that the proxy may exercise by writing the percentage or number of Shares next to the box marked for the relevant item of business. Where a box is not marked the proxy may vote as they choose subject to the relevant laws. Where more than one box is marked on an item the vote will be invalid on that item.
3. **(Signing instructions):**
 - **(Individual):** Where the holding is in one name, the Shareholder must sign.
 - **(Joint holding):** Where the holding is in more than one name, all of the Shareholders should sign.
 - **(Power of attorney):** If you have not already provided the power of attorney with the registry, please attach a certified photocopy of the power of attorney to this Proxy Form when you return it.
 - **(Companies):** Where the company has a sole director who is also the sole company secretary, that person must sign. Where the company (pursuant to Section 204A of the Corporations Act) does not have a company secretary, a sole director can also sign alone. Otherwise, a director jointly with either another director or a company secretary must sign. Please sign in the appropriate place to indicate the office held. In addition, if a representative of a company is appointed pursuant to Section 250D of the Corporations Act to attend the Meeting, the documentation evidencing such appointment should be produced prior to admission to the Meeting. A form of a certificate evidencing the appointment may be obtained from the Company.
4. **(Attending the Meeting):** Completion of a Proxy Form will not prevent individual Shareholders from attending the Meeting in person if they wish. Where a Shareholder completes and lodges a valid Proxy Form and attends the Meeting in person, then the proxy's authority to speak and vote for that Shareholder is suspended while the Shareholder is present at the Meeting.
5. **(Return of Proxy Form):** To vote by proxy, please complete and sign the enclosed Proxy Form and return by:
 - (a) post to Hillcrest Litigation Services Limited, PO Box 587, West Perth, Western Australia 6872; or
 - (b) facsimile to the Company on facsimile number +61 8 9324 3277.so that it is received not less than 48 hours prior to commencement of the Meeting.

Proxy Forms received later than this time will be invalid.

