

On 3 December 2008, CollTech Australia Limited (“CollTech”, “the Company”) announced to the ASX that it had entered into a non-binding terms sheet to acquire a Malaysian based health care business (the “**Transaction**”).

CollTech provides the following update to the ASX regarding the Transaction and its terms.

1. OVERVIEW OF THE TRANSACTION

The non-binding terms sheet provides for CollTech to purchase all of the shares in Holista Biotech Sdn Bhd (“Holista”) in return for the issue of 770 million fully paid ordinary shares in CollTech. After the Transaction completes, Holista will be a wholly owned subsidiary of CollTech.

CollTech currently has approximately 277 million fully paid shares on issue. Should the Transaction proceed, the current shareholders in Holista (the “Vendors”) will collectively hold between approximately 69.7% and 71.4% of the expanded capital base of CollTech and the largest of the Vendors will hold between approximately 39.7% and 40.7% of CollTech.

CollTech is in the process of finalising a binding sale agreement for the Transaction and anticipates that completion will occur in early May 2009.

The transaction is subject to a number of conditions which are set out below, including CollTech obtaining requisite shareholder and regulatory approvals.

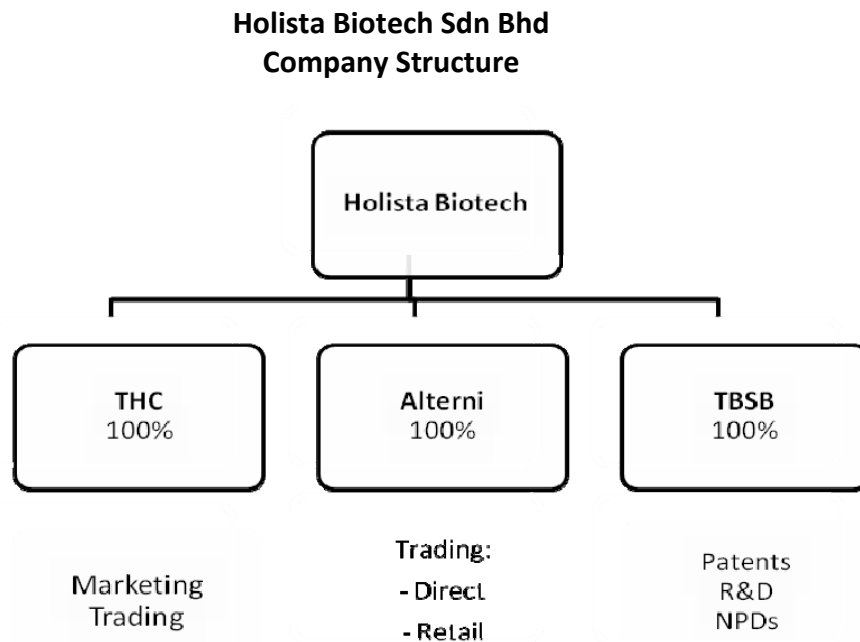
2. DETAILS ON HOLISTA

The Holista group of companies was founded in 1995 with the incorporation of Total Health Concept Sdn Bhd. The current structure was put in place in January 2004 when Holista Biotech Sdn Bhd was established as holding company for the entire group. Based in Kuala Lumpur in Malaysia, Holista was founded by its current CEO Dato’ Dr. M Rajendran. Dato’ Dr Rajendran holds a Bachelor of Pharmacy (hons) from University of Science Malaysia, a Doctorate in Holistic Medicine from the University of La Salle, USA and a MBA from the University of Strathclyde. Dato’ Dr. Rajendran is the longest serving Director of the Malaysian Herbal Corporation, he writes a health column in Malaysia’s second largest newspaper and contributes to a monthly column in Malaysia’s largest business weekly. He is a prominent figure in the Malaysian biotech industry, an industry which receives significant support and encouragement from the Malaysian government.

Holista is involved in the branding, distribution and sale of natural products (some of which include Collagen) including the research, development and commercialisation of its own novel ingredients and formulations. Holista has an established and sophisticated marketing network including direct sales to customers, pharmacy, medical and on-line channels.

Its customer base is primarily Malaysia but sales are made throughout Asia.

The current group structure is:-



Note: NPDs - New Products Development

- **Holista Biotech Sdn Bhd**- holding company, management company and patent holder;
- **Total Health Concept Sdn Bhd**- is involved in the marketing of health supplements through pharmacies in Malaysia. It was the first to sell Malaysian herbs and a Malaysian derived probiotic in Malaysia. Among its best selling products include Pristin, Malaysia's first toxin-free fish oil;
- **Alterni Sdn Bhd**- established in 2001, it is the first and only company in Malaysia involved in the direct sales of health supplements to the public;
- **Tropical Botanics Sdn Bhd**- established in 2000, this undertakes research and development and patent registrations for the group. The Company has an exclusive arrangement with the Regional Research Laboratory ("RRL") of India to provide technological support and expertise. RRL is the oldest and largest research institute in India and is the only organisation approved by the FDA of the US to conduct clinical research on herbs.

Holista currently has some 58 employees and audited group turnover for the year ended 31 December 2008 of MYR 14.59m (\$AUD 6.08m) and EBITDA for the year ended 31 December 2008 was some MYR 3.88m (\$AUD 1.61m) (Exchange rate based on \$AUD1 = MYR 2.4).

Globally, the herbal and natural medicinal market has experienced substantial growth. This growth is partially caused by increasing reports of adverse reactions to pharmaceutical drugs

and synthetic cosmetics. Consumers are increasingly becoming more sophisticated and demanding high quality natural products and traditional and complementary medicines with minimal chemical use in end products and scientifically proven efficacy.

Holista, with its increasing portfolio of branded products, its research and development activities and significant marketing channels that can be expanded into the broader Asia region, is well positioned to capture this increasing demand.

3. DETAILS ON COLLTECH

CollTech was founded in 2004 and was listed on the ASX in February 2004.

Based in Perth, the Company specialises in the development and commercialisation of ovine collagen products and is currently the only company in the world that has manufactured and marketed this type of collagen. It holds a unique extraction technology and process which is under local and international patents in a number of countries.

The Company has manufactured three core products at its purpose built facility at Collie Western Australia, namely:-

Ovicoll[®] | C- Cosmetic grade collagen

Ovicoll[®] | Clear- High grade cosmetic/cosmeceutical grade cosmetic collagen

Ovicoll[®] | R- Sterile research grade collagen for tissue culture and other research purposes

Collagen is a natural protein used in the food industry, cosmetics and medical products. Ovine collagen is recognised by key regulatory authorities as free from Transmissible Spongiform Encephalopathy (TSE) diseases and there is no known cultural group that objects to the use of ovine products. CollTech's ovine collagen carries certified halal status. Its premium qualities are promoted by its intact soluble protein structure, high purity and thermal stability. These factors are considered to provide significant advantage over bovine, porcine, marine and "plant" competitors.

Notwithstanding the significant technical achievements by the Company and a high level of interest by potential customers, the products are yet to achieve commercial success. Given the Company's need to continue funding research and the considerable cost of marketing to an international market-place, the lack of sales revenue, the sudden withdrawal of federal government support and the collapse in equity markets, this has placed considerable financial pressure on the Company.

Given this position, the Company has placed its manufacturing facility on care and maintenance basis, reduced all overheads including reducing its workforce to three full-time employees. The board has been actively pursuing opportunities that will enable the Company

to retain and continue to develop its IP and provide a sustainable future for the Company. The proposed acquisition of Holista has emerged from the board's review of such opportunities.

4. THE MERGED GROUP

The acquisition of Holista provides Colltech with a profitable business that will provide for its ongoing economic survival and the opportunity to successfully maximise the commercialisation of its IP.

Holista are vendors of collagen based products and intend to switch from current suppliers to CollTech's ovine based food grade collagen, once developed, thereby providing a ready made customer base to support the reactivation of the Collie production facility. It is intended that as part of the reactivation of the Collie plant that the development of production facilities for commercial quantities of food grade collagen will be undertaken.

It is likely that the management of CollTech's development activities will be retained in Australia and will work closely with Holista's existing R&D facilities and staff with a view to securing financial support under the various Malaysian government initiatives.

Given Holista's extensive and existing sales and marketing network, the high level of marketing costs incurred by CollTech as a standalone operation will be mitigated. With Holista's strong position in the predominantly Muslim Malaysian market, it is anticipated that CollTech's halal certified products should achieve strong acceptance and that this will pave the way for successful introduction to similar such markets in Asia and the middle east together with Hindu markets such as India.

It is expected that the Holista management team will considerably strengthen CollTech's overall operations and that most administration functions can be incorporated within Holista's current structure.

It is proposed under the term sheet that post Transaction, the board of CollTech will consist of three representatives of the existing board and three representatives of Holista and in addition, an independent Chairman.

5. CAPITAL RAISING

In order to provide ongoing working capital, it is proposed that CollTech will undertake a non-renounceable rights issue to be completed prior to the proposed acquisition. The rights issue will involve existing shareholders in CollTech being entitled to one new share for every five existing shares held. The issue price of the new share will be \$0.01. The rights issue is to be underwritten by Mercatus Capital Pte Ltd, a company that is associated with CollTech director Mr. Ravindran Govindan, to the extent of \$300,000. The full subscription of this rights issue would raise \$554,504 before capital raising costs. Full details of this rights issue will be announced by way of a separate announcement, to be released shortly.

6. FINANCIAL INFORMATION

A pro-forma balance sheet for CollTech detailing the financial information prior to and after the completion of the Transaction is attached at Annexure A. The information is based on the half yearly audit reviewed accounts for CollTech and the audited financial statements for Holista for the year ended 31 December 2008.

CollTech has not finalised its review and cannot verify the financial information provided by Holista. As an integral part of the transaction, CollTech will be conducting extensive due diligence on all aspects of the Holista business including past, present and future financial performance.

Fully detailed financial reports will be provided to shareholders for the purpose of assessing and approving the transaction.

7. CAPITAL STRUCTURE

A pro-forma capital structure for CollTech detailing the issued capital prior to and after the completion of the Transaction is attached as Annexure B.

It is proposed that as part of the Transaction, that subject to shareholder approval, the capital of the Company be consolidated whereby every ten existing shares will be consolidated into one new share upon completion of the Transaction and capital raising.

8. PRE-CONDITIONS

As the proposed transaction involves a change to the nature and scale of activities of CollTech, ASX Listing Rules require that CollTech seek shareholder approval for the transaction.

A detailed explanatory statement to fully explain the transaction will be dispatched to shareholders with a notice of meeting seeking the approval which is anticipated at this stage will be sought in late April 2009.

Shareholder approval under Chapter 6 of the Corporations Act 2001 will also be sought by CollTech as one of the Vendors will gain a relevant interest in greater than 20% of the voting shares in CollTech as a consequence of the Transaction. It is anticipated at this stage that this approval will also be sought at the proposed April meeting of members.

Various other shareholder approvals for CollTech will also be sought at this time including authority to issue the shares to the Vendors under Listing Rule 7.1 and approval for the change in scale of activity under Listing Rule 11.1. At this stage it is not anticipated that CollTech will be required to comply with Listing Rules 1 and 2 as a result of the Transaction.

In addition to shareholder and regulatory approval, the agreement is conditional upon various factors, including:

- (a) execution of formal agreements between the parties;
- (b) completion by both parties to their absolute satisfaction of all necessary due diligence investigations;
- (c) respective board, shareholder, ASIC, ASX and other regulatory approvals in respect of the proposed transaction;
- (d) there being no material adverse change in the financial position or condition of CollTech or Holista;
- (e) ASX approval for quotation of CollTech shares post completion of the Transaction; and
- (f) Completion of a rights issue by CollTech prior to the transaction raising a minimum of \$300,000 before capital raising fees.

9. TIMETABLE

Although subject to change the current timetable for the completion of the Transaction is as follows:

Event	Date
Announcement of Transaction	17 March 2009
Anticipated despatch of notice of meeting	27 March 2009
Lodgement of prospectus for rights issue	30 March 2009
Close of rights issue	24 April 2009
Shareholder meeting to approve the Transaction	29 April 2009
Completion of Transaction	4 May 2009

For further information contact:

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About CollTech

CollTech Australia Limited is an ASX-listed (ASX: CAU) bio-industrial company based in Perth, Western Australia. CollTech specialises in the development and commercialisation of ovine collagen products and is currently the only company in the world manufacturing and marketing this type of collagen. CollTech's OVICOLL® ovine collagen has several advantages over its bovine, porcine, 'plant' and marine competitors including:

- Disease-free – sourced from certified and fully traceable livestock
- Culturally acceptable and Halal certified – there is no known cultural or religious group that objects to the use of ovine products
- High purity and thermal stability – optimises function and reduces impurities

The company currently markets OVICOLL®|C and OVICOLL®|Clear for cosmetic applications and OVICOLL®|R for research applications. OVICOLL®|M for medical purposes is currently under development.

Annexure A
Pro-Forma Statement of Financial Position
as at 31 December 2008

	Note	CollTech \$'000	Holista \$'000	Pro Forma \$'000
Cash	4	784	2,914	3,698
Receivables		34	935	970
Inventories		187	1,092	1,279
Other		16	1,598	1,614
Total Current Assets		1,021	6,539	7,560
Cash		240	-	240
Property, plant & equipment		2,220	2,462	4,682
Fair value arising from the acquisition				393
Intangibles			22	22
Total Non-current Assets		2,460	2,462	5,337
Total Assets		3,481	9,023	12,897
Payables		184	1,403	1,587
Interest bearing liabilities		363	3,427	3,790
Provisions			72	72
Other			666	666
Total Current Liabilities		547	5,568	6,115
Interest bearing liabilities			1,010	1,010
Total Non-Current Liabilities		-	1,010	1,010
Total Liabilities		547	6,578	7,125
Net Assets		2,934	2,445	5,772
Equity				
Capital/contributed equity		13,049	50	3,377
Reserves		911	3,012	3,012
Retained profits/(losses)		(11,026)	(617)	(617)
Equity attributable to members of the parent entity		2,934	2,445	5,772
Total equity		2,934	2,445	5,772

Notes:

1. Proforma based on audit reviewed accounts of CollTech and audited accounts of Holista as at 31 December 2008
2. Assumed market capitalisation of CollTech Australia Limited adopted based on 1.2 cents per share
3. Exchange rate of \$1AUD = 2.4 MYR
4. Assumes minimum underwritten take up of CollTech Australia Limited rights issue of \$300,000 less estimated costs of issue
5. Assumes no material change in operations of both companies post 31/12/2008

Annexure B
Pro-Forma Capital Structure (Pre-consolidation)
As at 17 March 2009

Fully paid ordinary shares	Number	
	Minimum ¹	Maximum ²
Fully paid shares on issue	277,252,333	277,252,333
Fully paid shares to be issued under rights issue	31,500,000	56,950,467
Fully paid shares to be issued under the Transaction	770,000,000	770,000,000
Total	1,078,752,333	1,104,202,800

Options	Number	
	Minimum	Maximum
Listed options expiring 31/10/09	64,313,083	64,313,083
Unlisted options expiring 08/09 and 10/11	19,860,000	19,860,000
Total	84,173,083	84,173,083

Note 1: Assumes minimum underwritten amount take-up of CollTech Australia Ltd rights issue and payment of underwriter's fees by way of shares in the company.

Note 2: Assumes CollTech Australia Ltd rights issue fully subscribed and payment of underwriter's fees by way of shares in the company.