

HOLISTA COLLTECH LIMITED

ACN 094 515 992

NOTICE OF ANNUAL GENERAL MEETING

The Annual General Meeting of the Company will be held at
Stantons International, Level 2, 1 Walker Avenue, West Perth WA 6005, Western Australia
on Monday, 9 January 2017 at 10:00am (WST).

Pendragon Capital Limited has prepared an independent expert's report on the proposed Warrant Exercise the subject of Resolution 2 and has concluded that the proposed Warrant Exercise is NOT FAIR BUT REASONABLE to the existing Shareholders. Refer to Section 3.9 for further information.

This Notice of Annual General Meeting should be read in its entirety. If Shareholders are in doubt as to how they should vote, they should seek advice from their accountant, solicitor or other professional adviser prior to voting.

Should you wish to discuss any matter please do not hesitate to contact the Company by telephone on +61 8 6141 3500.

HOLISTA COLLTECH LIMITED

ACN 094 515 992

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that an annual general meeting of Shareholders of Holista Colltech (**Company**) will be held at Stantons International, Level 2, 1 Walker Avenue, West Perth WA 6005, Western Australia on Monday, 9 January 2017 at 10:00am (WST) (**Meeting**).

The Explanatory Memorandum to this Notice provides additional information on matters to be considered at the Meeting. The Explanatory Memorandum and the Proxy Form form part of this Notice.

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 as Shareholders on Saturday, 7 January 2017 at 10.00am (WST).

Terms and abbreviations used in this Notice and Explanatory Memorandum are defined in Schedule 1.

AGENDA

1. Annual Report

To table and consider the Annual Report of the Company and its controlled entities for the year ended 30 June 2016, which includes the Financial Report, the Directors' 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 an **ordinary resolution**:

"That for the purpose of section 250R(2) of the Corporations Act and for all other purposes, the 2016 Remuneration Report be adopted by the Shareholders on the terms and conditions in the Explanatory Memorandum."

Note: The vote on Resolution 1 will be an advisory vote of Shareholders only, and will not bind the Directors or the Company.

Voting Prohibition: In accordance with section 250R of the Corporations Act, a vote on this Resolution 1 must not be cast (in any capacity) by, or on behalf of:

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

However, a person described above may cast a vote on Resolution 1 if the vote is not cast on behalf of a person described in subparagraphs (a) or (b) above and either:

- (c) the person does so as a proxy appointed in writing that specifies how the proxy is to vote on Resolution 1; or
- (d) the person is the Chairman voting an undirected proxy which expressly authorises the Chairman to vote the proxy on a resolution connected directly or indirectly with the remuneration of a member of the Key Management Personnel.

3. Resolution 2 - Approval for acquisition of Shares by Mr Chan Heng Fai

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

"That for the purposes of Section 611 (Item 7) of the Corporations Act and for all other purposes, Shareholders approve the acquisition of a relevant interest in issued voting shares in the Company by Mr Chan Heng Fai and his Associates, on the terms and conditions set out in the Explanatory Statement accompanying this Notice."

Expert's Report: Shareholders should carefully consider the report prepared by the Independent Expert for the purposes of the Shareholder approval required under Section 611 (Item 7) of the Corporations Act. The Independent Expert's Report comments on the fairness and reasonableness of the transactions the subject of this Resolution to the non-associated Shareholders in the Company.

Voting Exclusion: The Company will disregard any votes cast on this Resolution by Mr Chan Heng Fai (and any associate of Mr Chan Heng Fai).

4. Resolution 3 - Ratification of Prior Issue of Securities

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 7.4 and for all other purposes, Shareholders ratify the issue of 3,954,205 Shares and 11,862,616 Options, 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 person who participated in the issue 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 – Re-election of Director – Mr Chan Heng Fai

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

"That Chan Heng Fai who retires in accordance with clause 13.2 of the Constitution and, being eligible, offers himself for re-election, be re-elected as a Director."

6. Resolution 5 - Approval of Performance Rights Plan

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

"That, for the purpose of ASX Listing Rule 7.2 (Exception 9) and for all other purposes, approval is given to adopt the Holista CollTech Limited Performance Rights Plan and to issue securities under that plan on the terms and conditions summarised in the Explanatory Statement."

Voting Exclusion: The Company will disregard any votes cast on this Resolution by a Director of the Company (except one who is ineligible to participate in any employee incentive plan in relation to the Company) and any associate of that person. 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 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 vote on this Resolution must not be cast (in any capacity) by or on behalf of any 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 described above may vote on this Resolution if:

- (c) the person does so as a proxy appointed by writing that specifies how the proxy is to vote on the Resolution; and
 - (d) the vote is not cast on behalf of a person described in sub-paragraphs (a) or (b) above.
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7. Resolution 6 - Issue of performance rights to Dr Rajen Marnickavasagar

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

“That, subject to the passing of Resolution 5, for the purposes of ASX Listing Rule 10.14, Section 208 of the Corporations Act and for all other purposes, approval is given for the Directors to grant 9,000,000 Performance Rights to Dr Rajen Marnickavasagar (or his nominee) 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 Director (except those who are ineligible to participate in any employee incentive scheme in relation to the Company) 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.

Voting Prohibition Statement: A vote on this Resolution must not be cast (in any capacity) by or on behalf of any 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 described above may vote on this Resolution if:

- (c) the person does so as a proxy appointed by writing that specifies how the proxy is to vote on the Resolution; and
 - (d) the vote is not cast on behalf of a person described in sub-paragraphs (a) or (b) above.
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Dated 1 December 2016

BY ORDER OF THE BOARD

Jay Stephenson
Company Secretary

EXPLANATORY MEMORANDUM

1. Introduction

1.1 General

This Explanatory Memorandum has been prepared for the information of Shareholders in connection with the business to be conducted at the Meeting to be held at Stantons International, Level 2, 1 Walker Avenue, West Perth WA 6005, Western Australia on Monday, 9 January 2017 at 10:00am (WST).

This Explanatory Memorandum should be read in conjunction with and forms part of the accompanying Notice. Shareholders should read the Notice and this Explanatory Memorandum carefully before deciding how to vote on the Resolutions.

1.2 Proxies

A Proxy Form is attached to the Notice. This is to be used by Shareholders if they wish to appoint a representative (a 'proxy') to vote in their place. All Shareholders are invited and encouraged to attend the Meeting or, if they are unable to attend in person, sign and return the Proxy Form to the Company in accordance with the instructions thereon. Lodgment of a Proxy Form will not preclude a Shareholder from attending and voting at the Meeting in person.

Please note that:

- (a) a member of the Company entitled to attend and vote at the Meeting is entitled to appoint a proxy;
- (b) a proxy need not be a member of the Company; and
- (c) a member of the Company entitled to cast two or more votes may appoint two proxies and may specify the proportion or number of votes each proxy is appointed to exercise, but where the proportion or number is not specified, each proxy may exercise half of the votes.

The enclosed Proxy Form provides further details on appointing proxies and lodging Proxy Forms.

1.3 Annual Report

Shareholders will be offered the opportunity to discuss the Annual Report at the Meeting. Copies of the report can be found on the Company's website www.holistaco.com or by contacting the Company on +61 8 6141 3500.

There is no requirement for Shareholders to approve the Annual Report.

Shareholders will be offered the following opportunities:

- (a) discuss the Annual Report for the financial year ended 30 June 2016;
- (b) ask questions or make comment on the management of the Company;
- (c) ask the auditor questions about the conduct of the audit and the preparation and content of the Auditor's Report.

In addition to taking questions at the Meeting, written questions to the Chairman about the management of the Company, or to the Company's auditor about:

- (a) the preparation and the content of the Auditor's Report;
- (b) the conduct of the audit;

- (c) accounting policies adopted by the Company in relation to the preparation of the financial statements; and
 - (d) the independence of the auditor in relation to the conduct of the audit,
- may be submitted no later than 5 business days before the Meeting to the Company Secretary at the Company's registered office.
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2. Resolution 1 – Adoption of Remuneration Report

The Corporations Act provides that the Company is required to put the Remuneration Report to the vote of Shareholders. The Directors' Report contains a Remuneration Report which sets out the remuneration policy for the Company and reports the remuneration arrangements in place for the executive and non-executive directors.

The Chairman will allow a reasonable opportunity for Shareholders as a whole to ask about, or make comments on, the Remuneration Report.

The vote on Resolution 1 is advisory only and does not bind the Company or its directors. However, the Board will actively consider the outcome of the vote and comments made by Shareholders on the Remuneration Report when reviewing the Company's future remuneration policies and practices.

3. Resolution 2 – Approval for acquisition of Shares by Chan Heng Fai

3.1 Background

The Company obtained Shareholder approval at its 2013 Annual General Meeting for a share placement to Mr Chan Heng Fai (**Mr Fai**) (or his nominee) to raise a total of \$720,000 (**2013 Share Placement**). As part of the 2013 Share Placement, two attaching warrants were issued for each placement Share (**Warrants**). Each Warrant has an exercise price of \$0.06 and expires on 17 December 2018. The Warrants are held by Hengfai Business Pte Ltd (**Hengfai Business**), a company controlled by Mr Fai.

Mr Fai currently owns 32,514,935 Shares through his related entity Global Ehealth Limited (**Global EHealth**), representing approximately 18.94% of the issued capital of the Company. In addition to the 15,830,166 Warrants, Hengfai Business also holds 300,000 Shares.

Mr Fai wishes to exercise 15,830,166 Warrants (**Warrant Exercise**). Exercising the Warrants would result in the shareholding of Mr Fai and his Associates moving from less than 20% to more than 20% of the issued capital of Holista. It is therefore necessary for the exercise of the warrants to be approved by Shareholders in accordance with Section 611(Item 7) of the Corporations Act.

For the avoidance of doubt, Global EHealth and Hengfai Business are deemed to be Associates of Mr Fai.

As at 20 October 2016 Holista has 171,708,921 shares on issue.

The effect of the Warrant Exercise will be that Mr Fai (together with his Associates) will increase his registered holding in the Company from approximately 19.11% (being 32,814,935 Shares) to approximately 25.94% (48,645,101 Shares).

3.2 About Mr Chan Heng Fai.

Mr Fai is currently a non executive director of the Company. Mr Fai has restructured over 35 companies in different industries and countries in the past 40 years.

In 1987, Mr Fai acquired American Pacific Bank, a full service U.S. commercial bank, out of bankruptcy. He recapitalised, refocused and grew the bank's operations. Under his guidance, American Pacific Bank became a U.S. NASDAQ high asset quality bank, with zero loan losses for over 5 consecutive years before it was ultimately bought and merged into Riverview Bancorp Inc. Prior to its merger with Riverview Bancorp Inc., in June 2004, American Pacific Bank was ranked #13 by the Seattle Times "Annual Northwest's Top 100 Public Companies" for the year 2003, and ranked #6 in the Oregon state for the year 2003, which ranked ahead of names such as Nike, Microsoft, Costco, AT&T Wireless and Amazon.com.

In 1997, Mr Fai acquired and ran a regional investment banking and securities broking-dealing business headquartered in Denver, with 12 offices throughout USA.

Global EHealth and Hengfai Business are companies controlled by Mr Fai and are deemed to be Associates of Mr Fai.

3.3 Effect of the Warrant Exercise on the Company

(a) Capital Structure

There are 15,830,166 existing Warrants being exercised pursuant to the Warrant Exercise. On completion of the Warrant Exercise, the Company will issue 15,830,166 new Shares (**New Shares**) and there will be no additional Warrants on issue.

The total Shares on issue in the Company will increase from 171,708,921 to 187,539,087 (an increase of approximately 9.22%).

The Company currently has a total of 13,862,616 unlisted Options on issue. There will be no changes to the number of these Options as a result of the Warrant Exercise and no additional Options will be issued.

(b) Voting Power of Mr Fai and his Associates

As noted above, the acquirer of the proposed New Shares is Mr Fai (through his related entity, Hengfai Business).

At the date of the Notice, Mr Fai (and his Associates) hold the following Shares in the Company. If Resolution 2 is passed by Shareholders, Mr Fai and his Associates will own shares in the Company with a combined voting power of 25.94%.

Entity	Present Number of Shares	Present % of issued share capital	Number of Shares if Resolution is approved	% of issued share capital if Resolution is approved
Mr Fai (and his Associates)	32,814,935	19.11%	48,645,101	25.94%
Total	32,814,935	19.11%	48,645,101	25.94%

(c) Increase or Decrease in Voting Power

The voting power of Mr Fai and his Associates in the Company may change as follows:

(i) Increase in voting power:

- (A) Acquisition of Shares by Mr Fai or his Associates on and off market. Mr Fai (and his Associates) could increase his Shareholding under Section 611 (Item 9) of the Corporations Act allowing him to acquire 3% every 6 months.
- (B) Cancellation of Shares held by Shareholders other than Mr Fai and his Associates.
- (ii) **Decrease in voting power:**
 - (A) Disposal of Shares held by Mr Fai or his Associates.
 - (B) Issue of Shares by the Company to Shareholders other than Mr Fai or his Associates.
 - (C) Exercise of Options by any Option holders.

The Corporations Act and ASIC Regulatory Guide 74 set out a number of regulatory requirements which must be satisfied. These are summarised below.

3.4 Item 7 of Section 611 of the Corporations Act

- (a) Section 606 of the Corporations Act prohibits a person acquiring a relevant interest in the issued voting shares of the Company if, because of the Warrant Exercise, that person's or another person's voting power in the Company increases from:
 - (i) 20% or below to more than 20%; or
 - (ii) a starting point that is above 20% and below 90%.
- (b) The voting power of a person in the Company is determined by reference to section 610 of the Corporations Act. A person's voting power in the Company is the total of the votes attaching to the Shares in the Company in which that person and that person's associates (within the meaning of the Corporations Act) have a relevant interest.
- (c) Under section 608 of the Corporations Act, a person will have a relevant interest in Shares if:
 - (i) the person is the registered holder of the Shares;
 - (ii) the person has the power to exercise or control the exercise of votes or disposal of the Shares; or
 - (iii) the person has over 20% of the voting power in a company that has a relevant interest in Shares, then the person has a relevant interest in said Shares.
- (d) For the purpose of determining who is an associate you need to consider section 12 of the Corporations Act. Any reference in chapters 6 to 6C of the Corporations Act to an associate is as that term is defined in section 12. The definition of 'associate' in section 12 is exclusive. If a person is an associate under section 11, 13 or 15 of the Corporations Act then it does not apply to chapters 6 to 6C. A person is only an associate for the purpose of chapters 6 to 6C if he is an associate under section 12.
- (e) A person (second person) will be an associate of the other person (first person) if:
 - (i) the first person is a body corporate and the second person is:

- (A) A body corporate the first person controls;
 - (B) A body corporate that controls the first person: or
 - (C) A body corporate that is controlled by an entity that controls the first person;
 - (ii) the second person has entered, or proposes to enter, into a relevant agreement with the first person for the purpose of controlling or influencing the composition of the board of a body corporate or the conduct of the affairs of a body corporate; or
 - (iii) the second person is a person with whom the first person is acting, or proposes to act, in concert in relation to the affairs of a body corporate.
- (f) The Corporations Act defines 'control' and 'relevant agreement' very broadly as follows:
- (i) Under section 50AA of the Corporations Act control means the capacity to determine the outcome of decisions about the financial and operating policies of a company. In determining the capacity you need to take into account the practical influence a person can exert and any practice or pattern of behaviour affecting the financial or operating policies of a company.
 - (ii) Under section 9 of the Corporations Act relevant agreement means an agreement, arrangement or understanding:
 - (A) whether formal or informal or partly formal and partly informal;
 - (B) whether written or oral or partly written and partly oral; and
 - (C) whether or not having legal or equitable force and whether or not based on legal or equitable rights.
- (g) Associates are determined as a matter of fact. For example where a person controls or influences the Board or the conduct of a company's business affairs, or acts in concert with a person in relation to the entity's business affairs.
- (h) Section 611 of the Corporations Act has exceptions to the prohibition in section 606 of the Corporations Act (**Prohibition**). Item 7 of section 611 of the Corporations Act provides a mechanism by which Shareholders may approve an issue of Shares to a person which results in that person's or another person's voting power in the Company increasing from:
- (i) 20% or below to more than 20%; or
 - (ii) a starting point that is above 20% and below 90%.
- (i) To comply with the requirements of the Corporations Act (as contained in ASIC Regulatory Guide 74), the Company provides the information in Section 3.6 of the Explanatory Memorandum to Shareholders in relation to Resolution 2.

3.5 Reason Section 611 Approval is required

Resolution 2 seeks Shareholder approval, for the purpose of Item 7 of Section 611 of the Corporations Act, to allow Mr Fai to acquire a relevant interest in the Company exceeding 20% pursuant to the issue of New Shares as a result of the Warrant Exercise.

Item 7 of Section 611 of the Corporations Act provides an exception to the Prohibition, whereby a person may acquire a relevant interest in a company's voting shares with shareholder approval.

3.6 Specific Information required by Section 611 (Item 7) of the Corporations Act and ASIC Regulatory Guide 74

The following information is required to be provided to Shareholders under the Corporations Act and ASIC Regulatory Guide 74 in respect of obtaining approval for Item 7 of Section 611 of the Corporations Act. Shareholders are also referred to the Independent Expert's Report prepared by Pendragon Capital Limited annexed to this Explanatory Statement.

(a) **The identity of Mr Fai, his Associates and any person who will have a relevant interest in the Shares to be acquired by Mr Fai or his Associates**

Refer to Section 3.2 for further information about Mr Fai and his related entities.

(b) **Full particulars (including the number and percentage) of the shares in the Company to which Mr Fai and his Associates will be entitled immediately before and after the Warrant Exercise**

Also refer to Section 3.3(b) for full particulars (including the number and percentage) of Shares in which Mr Fai (and his Associates) has, or will have, a relevant interest in immediately before and after completion of the Warrant Exercise.

On completion of the Warrant Exercise, Mr Fai and his Associates will have a combined interest of 48,645,101 Shares (25.94% of the Company). The total interest will be made up as follows:

- (i) Hengfai Business will be the registered holder of 15,830,166 New Shares, being those Shares issued the Warrant Exercise and equivalent to a relevant interest of 8.44% in the Company; and
- (ii) Global EHealth will remain the registered holder of 32,514,935 Shares, being a relevant interest of 17.50% in the Company.

(c) **The identity, associations (with the Company, Mr Fai or any of their associates) and qualifications of any person who is intended to become a director if Shareholders agree to the Warrant Exercise**

There will be no change to the Board of the Company as a result of Shareholders approving the Warrant Exercise. Mr Fai is currently a non executive director of the Company.

Shareholders should note that Mr Fai is standing for re-election as a director pursuant to Resolution 4, as required by the Company's Constitution.

(d) **Mr Fai's intentions regarding the future of the Company if Shareholders agree to the Warrant Exercise**

Mr Fai (and his Associates) will continue to be the second largest Shareholder in the Company following completion of the Warrant Exercise and:

- (i) there is no intention to change the business of the Company;
- (ii) there is no intention to inject further capital into the Company (other than as disclosed in this Notice);

- (iii) there is no intention to change the future employment of the present employees of the Company;
- (iv) there is no proposal whereby any property will be transferred between the Company and Mr Fai or and its Associates; and
- (v) there is no intention to otherwise redeploy any of the fixed assets of the Company.

These intentions are based on information concerning the Company, its business and the business environment which is known to Mr Fai at the date of this document.

Mr Fai has confirmed to the Company that he is not aware of any material information other than information set out in this Notice of Meeting that would be reasonably required by Shareholders to allow them to make a decision to vote on Resolution 2.

These present intentions may change as new information becomes available, as circumstances change or in the light of all material information, facts and circumstances necessary to assess the operational, commercial, taxation and financial implications of those decisions at the relevant time.

- (e) **Particulars of the terms of the proposed Warrant Exercise and any contract or proposed contract between Mr Fai and the Company or any of their Associates which is conditional upon, or directly or indirectly dependent on, Shareholders agreement to the Warrant Exercise**

The Warrants have an exercise price of \$0.06 each, on or before 17 December 2018. At completion of the Warrant Exercise, Mr Fai (through his Associate, Hengfai Business) will pay the Company \$949,809.96 to exercise the Warrants.

There are no contracts or proposed contracts between Mr Fai and the Company or any of their associates which are conditional upon, or directly or indirectly dependent on, Shareholders agreement to the Warrant Exercise.

(f) **When the issue of New Shares is to be made**

The New Shares will be issued to Hengfai Business on completion of the Warrant Exercise. Completion is expected to occur shortly after approval of the Warrant Exercise by Shareholders.

(g) **An explanation of the reasons for the proposed issue of New Shares**

As noted above, Mr Fai (through Hengfai Business) is acquiring the New Shares on exercise of the existing Warrants which will result in Mr Fai (and his Associates) holding a 25.94% interest in the Company.

The terms of the Warrants to be exercised provide that Mr Fai shall pay a total of \$949,809.96 to the Company (being 6 cents per Warrant) to exercise his Warrants.

(h) **The interests of the Directors in Resolution 2**

Other than Mr Fai, none of the Directors have an interest in Resolution 2.

(i) **Identity of the Directors who approved or voted against the proposal to put Resolution 2 to Shareholders and the Explanatory Memorandum**

All of the Directors voted in favour of the proposal to put the Warrant Exercise to the approval of Shareholders.

(j) **Any intention of Mr Fai to change significantly the financial or dividend policies of the Company**

Mr Fai does not intend to change significantly the financial or dividend policies of the Company at this time.

(k) **Recommendation or otherwise of each Director as to whether Shareholders should agree to the proposed Warrant Exercise and the reasons for the recommendation or otherwise**

See Section 3.10 of this Explanatory Memorandum.

(l) **An analysis of whether the proposed Warrant Exercise is fair and reasonable when considered in the context of the interests of the Shareholders other than Mr Fai and his Associates.**

See Section 3.9 of this Explanatory Memorandum.

3.7 Advantages of the Warrant Exercise

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 in relation to the Warrant Exercise:

- (a) the Company will receive a cash injection of \$949,809.96 assisting the Company's going concern assumption;
- (b) issue of the Warrants to Mr Fai (or his nominee) was approved by Shareholders at a general meeting on 27 November 2013. Approving the Warrant Exercise completes the contractual arrangement with Mr Fai; and
- (c) the Warrant Exercise results in an increase in the net asset value per share post completion; and

- (d) the strategic direction of the Company remains unchanged.

3.8 Disadvantages of the Warrant Exercise

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 in relation to the Warrant Exercise:

- (a) there is no guarantee of the market value of the Company's shares upon completion of the Warrant Exercise;
- (b) Mr Fai and his Associates will hold an interest of approximately 25.94% in the Company. Therefore, Mr Fai and his Associates will be able to block special resolutions and will be able to have a significant influence over ordinary resolutions;
- (c) after the Warrant Exercise, current non-associated Shareholders ownership will be diluted from 81.06% to 74.22% of the Company; and
- (d) Warrants being exercised at a discount to the market quoted price which may result in the market price of the shares moving lower towards the exercise price.

3.9 Independent Expert's Report

The Independent Expert's Report assesses whether issue of the New Shares to Mr Fai's Associate outlined in Resolution 2 is not fair but reasonable to the Shareholders who are not associated with M Fai.

The Independent Expert's Report also contains an assessment of the advantages and disadvantages of the proposed Warrant Exercise the subject of Resolution 2. This assessment is designed to assist all Shareholders in reaching their voting decision.

The Independent Expert has provided the Independent Expert's Report and has provided an opinion that it believes the proposal as outlined in Resolution 2 IS **NOT FAIR BUT REASONABLE** to the Shareholders of the Company not associated with Mr Fai. It is recommended that all Shareholders read the Independent Expert's Report in full.

The Independent Expert's Report is enclosed with this Notice of Meeting at Annexure 1.

3.10 Interests and Recommendations of Directors

Mr Chan Heng Fai has a material personal interest in the outcome of Resolution 2 and accordingly refrains from making a recommendation on Resolution 2.

The non-associated Directors, Mr Daniel O'Conner and Dr. Rajendran Marnickavasagar, are of the opinion that the Warrant Exercise is in the best interests of Shareholders and, accordingly, recommend that Shareholders vote in favour of Resolution 2. This recommendation is based on the reasons outlined in Section 3.7 above.

The Directors who hold Shares in the Company (or whose associated entities hold Shares) that are entitled to vote intend to vote their Shares in favour of the Warrant Exercise.

The Directors are not aware of any other information other than as set out in this Notice of Meeting that would be reasonably required by Shareholders to allow them to make a decision whether it is in the best interests of the Company to pass Resolution 2.

4. Resolution 3 - Ratification of Prior Issue of Securities

4.1 General

On 11 April 2016, the Company issued 3,954,205 Shares and 11,862,616 Options, to raise \$454,734.

Resolution 3 seeks Shareholder ratification pursuant to ASX Listing Rule 7.4 for the issue of those Shares (**Ratification**).

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.

ASX Listing Rule 7.4 sets out an exception to ASX Listing Rule 7.1. It provides that where a company in general meeting ratifies the previous issue of securities made pursuant to ASX Listing Rule 7.1 (and provided that the previous issue did not breach ASX Listing Rule 7.1) those securities will be deemed to have been made with shareholder approval for the purpose of ASX Listing Rule 7.1.

By ratifying this issue, the Company will retain the flexibility to issue equity securities in the future up to the 15% annual placement capacity set out in ASX Listing Rule 7.1 without the requirement to obtain prior Shareholder approval.

4.2 Technical information required by ASX Listing Rule 7.4

Pursuant to and in accordance with ASX Listing Rule 7.5, the following information is provided in relation to the Ratification:

- (a) 3,954,205 Shares and 11,862,616 Options were issued.
- (b) The issue price was 11.5 cents per Share and the issue price of the Options was nil as they were issued free attaching with the Shares on a basis of three Options for each Share subscribed.
- (c) The Shares issued were all fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares.
- (d) The Options will be issued on the terms and conditions set out in Schedule 2.
- (e) The Shares and Options were issued to Mr Meiert Grootes. None of the subscribers were a related party of the Company.
- (f) The funds raised from this issue were used by the Company for general working capital purposes.
- (g) A voting exclusion statement is included in the Notice.

5. Resolution 4 – Re-election of Director – Chan Heng Fai

Pursuant to Clause 13.2 of the Constitution one-third of the Directors (or the number nearest one-third) must retire at each annual general meeting, provided always that no Director (except the Managing Director) shall hold office for a period in excess of 3 years, or until the third annual general meeting following his or her appointment, whichever is longer, without submitting himself or herself for re-election.

The Directors to retire are those who have been longest in office since their appointment or last re-appointment or, if the Directors have been in office for an equal length of time, those to retire shall be determined by drawing lots unless otherwise agreed.

A Director who retires by rotation under Clause 13.2 of the Constitution is eligible for re-election.

Mr Chan Heng Fai, the Director longest in office since his last election, retires by rotation and seeks re-election.

Mr Chan Heng Fai has restructured over 35 companies in different industries and countries in the past 40 years.

In 1987, Mr Fai acquired American Pacific Bank, a full service U.S. commercial bank, out of bankruptcy. He recapitalised, refocused and grew the bank's operations. Under his guidance, American Pacific Bank became a U.S. NASDAQ high asset quality bank, with zero loan losses for over 5 consecutive years before it was ultimately bought and merged into Riverview Bancorp Inc. Prior to its merger with Riverview Bancorp Inc., in June 2004, American Pacific Bank was ranked #13 by the Seattle Times "Annual Northwest's Top 100 Public Companies" for the year 2003, and ranked #6 in the Oregon state for the year 2003, which ranked ahead of names such as Nike, Microsoft, Costco, AT&T Wireless and Amazon.com.

In 1997, Mr Fai acquired and ran a regional investment banking and securities broking-dealing business headquartered in Denver, with 12 offices throughout USA.

The Board (other than Chan Heng Fai abstaining because of his interest in this Resolution) recommends that Shareholders vote FOR this Resolution.

6. Resolution 5 - Adoption of Performance Rights Plan

6.1 General

Resolution 5 seeks shareholder approval to establish and maintain a Holista Colltech Performance Rights Plan (**Plan**) to provide ongoing incentives to any full time or part time employee, consultant, or any person nominated by the Board (including a director or company secretary of the Company who holds salaried employment with the Company on a full or part time basis) (**Eligible Participants**) of the Company.

On 24 October 2016, the Board adopted the Plan to allow Eligible Participants to be granted Performance Rights to acquire shares in the Company.

The objective of the Plan is to provide the Company with a remuneration mechanism, through the issue of securities in the capital of the Company, to motivate and reward the performance of Eligible Participants in achieving specified performance milestones within a specified performance period. The board will ensure that the performance milestones attached to the securities issued pursuant to the Plan are aligned with the successful growth of the Company's business activities.

The Eligible Participants of the Company have been, and will continue to be, instrumental in the growth of the Company. The directors consider that the Plan is an appropriate method to:

- (a) reward Eligible Participants for their past performance;
- (b) provide long term incentives for participation in the Company's future growth;
- (c) motivate Eligible Participants and generate loyalty from Eligible Participants; and
- (d) assist to retain the services of valuable Eligible Participants.

6.2 ASX Listing Rule 7.1

A summary of ASX Listing Rule 7.1 is set out above at Section 4.1.

One of the exceptions to ASX Listing Rule 7.1 is Listing Rule 7.2 (Exception 9) which provides that ASX Listing Rule 7.1 does not apply to an issue under an employee incentive scheme if, within the 3 years before the date issue, shareholders have approved the issue as an exception to ASX Listing Rule 7.1.

The effect of Resolution 5 will be to allow the directors to grant Performance Rights to Eligible Participants of the Company pursuant to the Plan during the period of 3 years after the meeting (or a longer period, if allowed by ASX), and to issue shares to those Eligible Participants if they achieve the performance and vesting conditions of the Performance Rights, without using the Company's 15% annual placement capacity.

6.3 Terms of the Plan

A summary of the terms of the Plan is provided in Schedule 4 to this explanatory memorandum. A copy of the Plan will be made available free of charge to any shareholder on request.

No Performance Rights have been issued under the Plan as at the date of this Notice.

7. Resolution 6 – Authority to grant Performance Rights to Related Party

7.1 General

The Company has agreed, subject to obtaining Shareholder approval and the passing of Resolution 5, to allot and issue a total of 9,000,000 Performance Rights (**Performance Rights**) to Dr Rajen Marnickavasagar (or his nominee) (**Related Party**) on the terms and conditions set out below.

The Related Party Performance Rights are to be issued to the Related Party to provide further incentive to perform and secure the ongoing commitment of the Related Party to the continued growth of the Company.

It is proposed that the Performance Rights to be issued to the Related Party will have the following performance based milestones:

Class of Performance Right	Performance Condition	Milestone Date	Expiry Date
Class A Performance Rights	Upon the Company signing a binding agreement for the sale, distribution, licensing and/or manufacturing of at least 3 Low GI Products.	30 June 2020	5 years from the date of issue
Class B Performance Rights	Upon the Company securing the patents associated with its Low GI Products.	30 June 2020	5 years from the date of issue
Class C	The Company achieving an EBIT of	30 June 2021	5 years from the

Performance Rights	at least \$2.2m from the sale of Low GI Products.		date of issue
Class D Performance Rights	The Company achieving an EBIT of at least \$4m from the sale of Low GI Products.	30 June 2021	5 years from the date of issue

On achievement of the applicable Performance Condition, each Performance Right will convert into a Share.

If a Performance Condition of a Performance Right is not achieved by the applicable Milestone Date, then the Performance Right will lapse.

The principal terms of the Performance Rights are summarised in Schedule 3. Further terms and conditions of the Performance Rights Plan are set out in the summary of the Performance Rights Plan in Schedule 4.

Shareholder approval is required for the grant of the Performance Rights under the Performance Rights Plan to Dr Marnickavasagar under Listing Rule 10.14 because he is a Director of the Company.

As Shareholder approval is sought under Listing Rule 10.14, approval under Listing Rule 7.1 is not required. Accordingly, the issue of Performance Rights to the Directors will not reduce the Company's 15% capacity for the purposes of Listing Rule 7.1.

Resolution 6 is an ordinary resolution.

7.2 Chapter 2E of the Corporations Act

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 grant of the Performance Rights constitutes giving a financial benefit and Dr Marnickavasagar is a related party of the Company by virtue of being a Director.

7.3 Specific Information required by the Corporations Act and ASX Listing Rules

The following information is provided to satisfy the requirements of the Corporations Act and the ASX Listing Rules:

- (a) The Related Party is Dr Rajen Marnickavasagar by virtue of being a Director of the Company.
- (b) The maximum number of securities to be issued to the Related Party (and/or their nominees) is 9,000,000 Performance Rights, as follows:
 - (i) 3,600,000 Class A Performance Rights;

- (ii) 2,700,000 Class B Performance Rights;
 - (iii) 1,800,000 Class C Performance Rights;
 - (iv) 900,000 Class D Performance Rights.
- (c) The value of the Performance Rights and the pricing methodology is set out in Schedule 5.
- (d) The trading history of the Shares on ASX in the 12 months before the date of this Notice is set out below:

	Price	Date
Highest	34 cents	12 January 2016
Lowest	4.7 cents	30 December 2015
Last	14 cents	24 October 2016

- (e) The Performance Rights will be issued for nil cash consideration as they are being issued as incentive based remuneration. Accordingly, no funds will be raised from the issue of the Performance Rights. Upon conversion of the Performance Rights, Shares will be issued on a one for one basis on the same terms as the Company's existing Shares.
- (f) The Performance Rights will be granted in four classes with the vesting conditions, milestone dates and expiry dates as set out in Section 7.1. The principal terms and conditions of the Performance Rights are set out in Schedule 3. Further terms and conditions of the Performance Rights are set out in the summary of the Performance Rights Plan in Schedule 4. The Shares to be issued upon the vesting of the Performance Rights shall rank pari passu with existing Shares.
- (g) There have not been any Performance Rights granted under the Performance Rights Plan to date.
- (h) Under the Performance Rights Plan, only eligible employees or their nominees (subject to Board approval), are entitled to participate in the Performance Rights Plan. Dr Marnickavasagar is an eligible employee for the purposes of the Performance Rights Plan.
- (i) Each of the Directors is a related party of the Company by virtue of being a Director.
- (j) Voting exclusion statements are included in the Notice.
- (k) The Company will grant the Performance Rights no later than 12 months after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the Listing Rules).
- (l) As at the date of this Notice of Annual General Meeting, the related party of the Company who is entitled to participate in the Plan is Dr Rajen Marnickavasagar.
- (m) Details of any securities issued under the Plan will be published in each annual report of the Company relating to a period in which such securities have been issued, and that approval for the issue of such securities was obtained under ASX Listing Rule 10.14.
- (n) The relevant interest of the Related Parties in securities of the Company are set out below:

Related Party	Shares
Dr Rajen Marnickavasagar	73,914,400

- (o) The remuneration and emoluments from the Company to the Related Party for the previous financial year and the proposed remuneration and emoluments for the current financial year are set out below:

Related Party	Current Financial Year	Previous Financial Year
Dr Rajen Marnickavasagar	231.374	234,162

- (p) If the conditions of the Performance Rights issued to the Related Parties are met, a total of 9,000,000 Shares would be allotted and issued. This will increase the number of Shares on issue from 171,708,921 to 180,708,921 (assuming that no other Options are exercised and no other Shares are issued) with the effect that the shareholding of existing Shareholders would be diluted by an aggregate of 4.98%.
- (q) The Performance Rights will be granted to the Related Party no later than 12 months after the date of the Annual General Meeting (or such later date as permitted by any ASX waiver or modification of the ASX Listing Rules) and it is anticipated the Performance Rights will be issued on one date.
- (r) The primary purpose of the grant of the Performance Rights to the Related Party is to provide further incentive to perform and secure the ongoing commitment of the Related Party to the continued growth of the Company.
- (s) The Board believes that the grant of Performance Rights provides cost effective consideration to the Related Party for his ongoing commitment and contribution to the Company in his role as Director of the Company. Given this purpose, the Board does not consider that there are any opportunity costs to the Company or benefits foregone by the Company in granting the Performance Rights upon the terms proposed. If the Performance Rights are not issued, the Company could remunerate the Related Party for an additional amount. However, the Board considers it reasonable for the remuneration of the Related Party to have a cash component and an equity component to further align the Related Party interests with Shareholders and maintain a strong cash position for the Company.
- (t) Dr Rajen Marnickavasagar declines to make a recommendation to Shareholders in relation to Resolution 6 due to his material personal interest in the outcome of the Resolution on the basis that he is to be granted Performance Rights in the Company should Resolution 6 be passed.
- (u) The Board is not aware of any other information that would be reasonably required by Shareholders to allow them to make a decision whether it is in the best interests of the Company to pass Resolution 6.

Approval pursuant to ASX Listing Rule 7.1 is not required in order to issue the Performance Rights to the Related Parties as approval is being obtained under ASX Listing Rule 10.14. Accordingly, the issue of Performance Rights to the Related Parties will not be included in the 15% calculation of the Company's annual placement capacity pursuant to ASX Listing Rule 7.1.

Schedule 1 - Definitions

Annual Report means the Directors' Report, the Financial Report and Auditor's Report in respect to the financial year ended 30 June 2016.

Article means an article of the Constitution.

ASIC means Australian Securities and Investments Commission.

Associate has the meaning in Section 3.4 and as defined in the Corporations Act.

ASX means ASX Limited (ACN 008 624 691) and, where the context permits, the Australian Securities Exchange operated by ASX.

Auditor's Report means the auditor's report on the Financial Report.

Board means the board of Directors.

Chairman means the chairman of the Meeting.

Closely Related Party has the meaning in section 9 of the Corporations Act.

Company means Holista Colltech ACN 094 515 992.

Constitution means the constitution of the Company.

Corporations Act means the Corporations Act 2001 (Cth).

Director means a director of the Company.

Directors' Report means the annual directors' report prepared under Chapter 2M of the Corporations Act for the Company and its controlled entities.

Equity Securities has the same meaning as in the Listing Rules.

Explanatory Memorandum means the explanatory memorandum attached to the Notice.

Financial Report means the annual financial report prepared under Chapter 2M of the Corporations Act of the Company and its controlled entities.

Independent Expert means Pendragon Capital Limited.

Key Management Personnel means a person having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including any Director (whether executive or otherwise) of the Company.

Listing Rules means the listing rules of ASX.

Low GI Product means a low-Glycemic Index baked product.

Meeting has the meaning in the introductory paragraph of the Notice.

Notice means this notice of meeting.

Option means an option which entitles the holder to subscribe for one Share.

Proxy Form means the proxy form attached to the Notice.

Remuneration Report means the remuneration report of the Company contained in the Directors' Report.

Resolution means a resolution contained in this Notice.

Schedule means a schedule to this Notice.

Section means a section contained in this Explanatory Memorandum.

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

Shareholder means a shareholder of the Company.

Trading Day means a day determined by ASX to be a trading day in accordance with the Listing Rules.

VWAP means volume weighted average price.

WST means Western Standard Time, being the time in Perth, Western Australia.

In this Notice, words importing the singular include the plural and vice versa.

Schedule 2 – Terms and Conditions of Options

(a) **Entitlement**

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

(b) **Exercise Price**

Subject to paragraph (j), the amount payable upon exercise of each Option (**Exercise Price**) and the relevant expiry date (**Expiry Date**) of the Options will be as follows:

Number	Exercise Price	Expiry Date
3,954,205	\$0.20	08/03/2018
3,954,206	\$0.25	08/09/2018
3,954,205	\$0.30	08/03/2019

(**Exercise Price**)

(c) **Expiry Date**

Each Option will expire at 5.00pm (WST) on the Expiry Date. An Option not exercised before the Expiry Date will automatically lapse on the Expiry Date.

(d) **Exercise Period**

The Options are exercisable at any time on or prior to the Expiry Date (**Exercise Period**).

(e) **Notice of Exercise**

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

(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 Option being exercised in cleared funds (**Exercise Date**).

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

Within 15 Business Days after the later of the following:

- (i) the Exercise Date; and
- (ii) when excluded information in respect to the Company (as defined in section 708A(7) of the Corporations Act) (if any) ceases to be excluded information, but in any case no later than 20 Business Days after the Exercise Date, the Company will:
 - (iii) allot and issue the number of Shares required under these terms and conditions in respect of the number of Options specified in the Notice of Exercise and for which cleared funds have been received by the Company;
 - (iv) if required, give ASX a notice that complies with section 708A(5)(e) of the Corporations Act, or, if the Company 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
 - (v) 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 Options.

If a notice delivered under (g)(iv) for any reason is not effective to ensure that an offer for sale of the Shares does not require disclosure to investors, the Company 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 Options rank equally with the then issued shares of the Company.

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

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

(j) Reconstruction of capital

If at any time the issued capital of the Company 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 Options and holders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Options without exercising the Options.

(l) Change in exercise price

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

(m) Unquoted

The Company will not apply for quotation of the Options on ASX.

(n) Transferability

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

Schedule 3 – Terms and Conditions of Performance Rights

The Performance Rights will be granted in four milestone based classes as follows:

Class of Performance Rights	Performance Condition	Milestone Date	Expiry Date
Class A Performance Rights	Upon the Company signing a binding agreement for the sale, distribution, licensing and/or manufacturing of at least 3 Low GI Products.	30 June 2020	5 years from the date of issue
Class B Performance Rights	Upon the Company securing the patents associated with its Low GI Products.	30 June 2020	5 years from the date of issue
Class C Performance Rights	The Company achieving an EBIT of at least \$2.2m from the sale of Low GI Products.	30 June 2021	5 years from the date of issue
Class D Performance Rights	The Company achieving an EBIT of at least \$4m from the sale of Low GI Products.	30 June 2021	5 years from the date of issue

On achievement of the applicable Performance Condition, each Performance Right will convert into a Share.

If a Performance Condition of a Performance Right is not achieved by the Milestone Date, then the Performance Right will lapse.

The achievement of a Performance Condition is to be determined by the Board. Performance Rights will convert as soon as the achievement of a relevant performance condition has been determined. For the avoidance of doubt, this may occur before the applicable Milestone Date.

Other terms

(No Voting rights) A Performance Right does not entitle a Holder to vote on any resolutions proposed at a general meeting of shareholders of the Company.

(No dividend rights) A Performance Right does not entitle a Holder to any dividends.

(Rights on winding up) A Performance Right does not entitle the Holder to participate in the surplus profits or assets of the Company upon winding up of the Company.

(Not transferable) A Performance Right is not transferable.

(Reorganisation of capital) If there is a reorganisation (including, without limitation, consolidation, sub-division, reduction or return) of the issued capital of the Company, the rights of a Holder will be varied (as appropriate) in accordance with the Listing Rules which apply to reorganisation of capital at the time of the reorganisation.

(Quotation of shares on conversion) An application will be made by the Company to ASX for official quotation of the Shares issued upon the conversion of each Performance Right within the time period required by the Listing Rules.

(Participation in entitlements and bonus issues) A Performance Right does not entitle a Holder to participate in new issues of capital offered to holders of Shares, such as bonus issues and entitlement issues.

(No other rights) A Performance Right does not give a Holder any other rights other than those expressly provided by these terms and those provided at law where such rights at law cannot be excluded by these terms.

(Takeover Prohibition) If the conversion of Performance Rights (or part thereof) would result in any person being in contravention of section 606(1) of the Corporations Act then the conversion of each Performance Right that would cause the contravention shall be deferred until such time or times thereafter that the conversion would not result in a contravention of section 606(1).

Schedule 4 – Summary of the Holista Colltech Performance Rights Plan

Summary of the Plan and terms on which offers may be made:

- (a) The Directors, at their discretion, may at any time invite Eligible Employees to participate in the grant of Performance Rights.
- (b) The eligible participants under the Plan are full time and part time Employees (including Directors) of the Company and its related bodies corporate or any other person who is declared by the Board to be eligible to receive a grant of Performance Rights under the Plan (**Eligible Employees**). Subject to Board approval, an Eligible Employee may nominate a nominee to receive the Performance Rights to be granted to the Eligible Employee.

The Company will seek Shareholder approval for Director and related party participation in accordance with Listing Rule 10.14.

- (c) The Plan is administered by the Directors of the Company, who have the power to:
 - (i) determine appropriate procedures for administration of the Plan consistent with its terms;
 - (ii) resolve conclusively all questions of fact or interpretation in connection with the Plan;
 - (iii) delegate the exercise of any of its powers or discretions arising under the Plan to any one or more persons for such period and on such conditions as the Board may determine; and
 - (iv) suspend, amend or terminate the Plan (subject to restrictions on amendments to the Plan which reduce the rights of the Participant in respect of any Performance Rights or Shares already granted).
- (d) Performance Rights will be granted for nil cash consideration, unless the Board determines otherwise (which will be no more than a nominal amount).
- (e) No amount will be payable on the exercise of Performance Rights under the Plan.
- (f) The Plan does not set out a maximum number of Shares that may be made issuable to any one person or company.
- (g) The Company must have reasonable grounds to believe that the number of Shares to be issued on exercise of the Performance Rights when aggregated with the number of Shares issued or that may be issued as a result of offers made at any time during the previous three years under:
 - (i) an employee incentive plan of the Company covered by ASIC Class Order 14/1000; or
 - (ii) an ASIC exempt arrangement of a similar kind to an employee incentive scheme,does not exceed 5% of the total number of issued Shares at the time the invitation to acquire Performance Rights is made (but disregarding any securities issued as the result of an offer that can be disregarded in accordance with ASIC Class Order 14/1000).
- (h) The Shares to be issued following the Performance Rights vesting conditions being satisfied, will be issued on the same terms as the fully paid ordinary shares of the Company and will rank equally with all of the Company's then existing Shares.

- (i) The Performance Rights granted under the Plan will be subject to vesting conditions determined by the Board from time to time and expressed in a written offer made by the Company to the Eligible Employee which is subject to acceptance by the Eligible Employee within a specified period. The vesting conditions may include one or more of (i) service to the Company of a minimum period of time (ii) achievement of specific performance conditions by the Participant and/or by the Company or (iii) such other performance conditions as the Board may determine and set out in the offer. The Board determines whether vesting conditions have been met.
- (j) Performance Rights will have an expiry date as the Board may determine in its absolute discretion and specify in the offer to the Eligible Employee.
- (k) The vesting conditions of Performance Rights will have a milestone date as determined by the Board in its absolute discretion and will be specified in the offer to the Eligible Employee. The Board shall have discretion to extend a milestone date. Performance Rights will not be listed for quotation. However, the Company will make application to ASX for official quotation of all Shares issued on vesting of the Performance Rights within the period required by the Listing Rules.
- (l) The Performance Rights are not transferable unless the Board determines otherwise or the transfer is required by law and provided that the transfer complies with the Corporations Act.
- (m) If a vesting condition of a Performance Right is not achieved by the earlier of the milestone date or the expiry date then the Performance Right will lapse. An unvested Performance Right will also lapse if the Participant ceases to be an Eligible Employee for the purposes of the Plan by reason of resignation, termination for poor performance or termination for cause (unless the Board determines otherwise).
- (n) Under the Plan, if the Participant ceases to be an employee of the Company Group for any reason other than those reasons set out in (m), including (but not limited to) upon the retirement, total and permanent disability, redundancy, death of a Participant or termination by agreement then in respect of those Performance Rights which have not satisfied the vesting condition but have not lapsed, then the Participant shall be permitted to continue to hold those Performance Rights as if the Participant was still an Eligible Employee except that any continuous service condition will be deemed to have been waived (unless the Board determines otherwise).
- (o) If a Participant acts fraudulently or dishonestly, is in breach of his or her obligations to the Company and its related bodies corporate or has done an act which has brought the Company or any of its related bodies corporate into disrepute, or the Company becomes aware of a material misstatement or omission in the financial statements in relation to the Company Group, a Participant is convicted of an offence in connection with the affairs of the Company Group or a Participant has judgment entered against him in any civil proceedings in respect of the contravention of his duties at law in his capacity as an employee or officer of the Company Group, the Board will have the discretion to deem any Performance Rights to have lapsed.
- (p) If in the opinion of the Board, Performance Rights vested as a result of the fraud, dishonesty or breach of obligations of either the Participant or any other person and in the opinion of the Board, the Performance Rights would not have otherwise vested; or the Company is required by, or entitled under, law to reclaim an overpaid bonus or other amount from a Participant, then the Board may determine (subject to applicable law) any treatment in relation to the Performance Rights or Shares to comply with the law or to ensure no unfair benefit is obtained by the Participant.
- (q) Where there is an event that the Board considers may result in a change of control of the Company (**Change of Control Event**), the Board may in its discretion determine that all or a specified number of the Participant's Performance Rights vest or cease to be subject to

restrictions (as applicable) although the Board may specify in an offer to a Participant that a different treatment will apply if a Change of Control Event occurs.

Unless the Board determines otherwise, if a Change of Control Event occurs, any restrictions on dealing imposed on vested Performance Rights will cease to have effect.

- (r) There are no participating rights or entitlements inherent in the Performance Rights and Participants will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Performance Rights.
- (s) If the Company makes an issue of Shares pro rata to existing Shareholders there will be no adjustment to the number of Shares which must be allocated on the exercise of a Performance Right.
- (t) If the Company makes a bonus issue of Shares or other securities to existing Shareholders (other than an issue in lieu or in satisfaction of dividends or by way of dividend reinvestment) the number of Shares which must be allocated on the exercise of a Performance Right will be increased by the number of Shares which the Participant would have received if the Performance Right had vested before the record date for the bonus issue.
- (u) If there is any reorganisation of the issued share capital of the Company, the rights of the Performance Rights holder may be varied to comply with the Listing Rules which apply to a reorganisation of capital at the time of the reorganisation.

Schedule 5 – Valuation of Performance Rights

The Company obtained an independent valuation of the Performance Rights. The valuation of the Performance Rights has been prepared using the following:

- (a) The Company has agreed, subject to obtaining Shareholder approval, that the following performance rights will be issued to Dr Rajen Marnickavasagar (“Dr Marnickavasagar”):
- 3,600,000 Class A Performance Rights
 - 2,700,000 Class B Performance Rights
 - 1,800,000 Class C Performance Rights
 - 900,000 Class D Performance Rights
- (b) Each Performance Right will vest as one Share subject to the satisfaction of certain performance criteria (“Performance Conditions”). The Performance Conditions are summarised in the table below:

Class of Performance Right	Performance Condition	Milestone Date	Expiry Date
Class A Performance Rights	Upon the Company signing a binding agreement for the sale, distribution, licensing and/or manufacturing of at least 3 Low GI Products.	On or before 30-Jun-20	5 years from date of issue
Class B Performance Rights	Upon the Company securing the patents associated with its Low GI Products.	On or before 30-Jun-20	5 years from date of issue
Class C Performance Rights	The Company achieving an EBIT of at least \$2.2m from the sale of Low GI Products.	On or before 30-Jun-21	5 years from date of issue
Class D Performance Rights	The Company achieving an EBIT of at least \$4m from the sale of Low GI Products.	On or before 30-Jun-21	5 years from date of issue

(c) Value of Performance Rights

(i) Undiscounted Value

As the Performance Rights vest on the achievement of non-market based milestones, the initial undiscounted value of the Performance Rights is the value of the underlying share in Holista. The closing share price at 18 October 2016 was \$0.13.

Therefore the undiscounted value of the non market based Performance Right is \$0.13 (“Undiscounted Value”).

(ii) Discounted Value

As the Performance Rights have Performance Conditions attached and will not vest until such conditions are met, there is not 100% certainty as to when, or even if, they will vest. Furthermore, the Performance Rights themselves are not listed and have transfer restrictions upon them.

It is therefore reasonable to apply an appropriate discount to the Undiscounted Value.

(d) **Variables and Assumptions**

As part of the independent valuation, it was determined following enquiry with the Board of the Company that the probability of each Performance Condition being met is as follows:

CLASS	Probability of Performance Condition being met
Class A Performance Rights	20%
Class B Performance Rights	20%
Class C Performance Rights	15%
Class D Performance Rights	10%

The independent valuation did not perform any testing of the basis for these probability estimates and have relied on them based on advice that Directors have assessed the current status of the business in respect to each of the Performance Conditions, prior to estimating the probability that they will be achieved. Shareholders should note that the probability estimates of each Performance Condition being achieved were made by the Directors with regard to their knowledge of the business and the markets in which the Company operates. They are estimates only and are subjective.

In addition to applying the probability of each milestone against the Undiscounted Value, a further 20% discount has been applied to account for the transfer restrictions and unlisted nature of the Performance Rights.

(e) **Valuation**

The estimated value of each Performance Right (based on the undiscounted value of \$0.13) and the estimated cumulative value of Performance Rights issued is summarised below.

CLASS	Number	Undiscounted Value per Performance Right	Total Value of Performance Rights Issued
A	3,600,000	\$0.13	\$468,000.00
B	2,700,000	\$0.13	\$351,000.00
C	1,800,000	\$0.13	\$234,000.00
D	900,000	\$0.13	\$117,000.00
Total	9,000,000		\$1,170,000.00

CLASS	Number	Discount applied for Probability of Performance Condition being met	Discount applied for transfer restrictions	Discounted Value per Performance Right	Total Value of Performance Rights Issued
A	3,600,000	80%	20%	\$0.0208	\$74,880
B	2,700,000	80%	20%	\$0.0208	\$56,160
C	1,800,000	85%	20%	\$0.0156	\$28,080
D	900,000	90%	20%	\$0.0104	\$9,360
Total	9,000,000				\$168,480

31 October 2016

The Directors
Holista CollTech Limited
Suite 12, Level 1
11 Ventnor Avenue
WEST PERTH WA 6005

Dear Sirs

Independent Expert's Report to Shareholders in Holista CollTech Limited

1. Introduction

You have requested Pendragon Capital Limited ("Pendragon") to prepare an Independent Expert's Report ("Report") to advise the Shareholders in Holista CollTech Limited ("Holista", "HCT" or "the Company") whether, for the purpose of Section 611 (Item 7) of the Corporations Act, the proposed acquisition referred to in Resolution 2 detailed in the Notice of Annual General Meeting ("NOM") to be issued to Shareholders in October 2016 is fair and/or reasonable to non-associated Shareholders.

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

Holista is a public company listed on the Australian Securities Exchange ("ASX"). Holista is a biotechnology company, involved in the production and sale of collagen and other biomaterials from animal sources in Australia.

The Company issued warrants to Mr Chan Heng Fai ("Mr Fai"), a director of Holista, on 27 November 2013, and Mr Fai wishes to exercise these warrants. Exercising these warrants would result in Mr Fai's shareholding moving from less than 20% to more than 20% of the issued capital of Holista. It is therefore necessary for the exercise of the warrants to be approved by Shareholders in accordance with Section 611 (Item 7) of the Corporations Act.

2. Proposed Transaction

2.1 Exercise of Warrants

Resolution 2 - Approval for acquisition of Shares by Mr Chan Heng Fai

“That for the purposes of Section 611 (Item 7) of the Corporations Act and for all other purposes, Shareholders approve the acquisition of a relevant interest in issued voting shares in the Company by Mr Chan Heng Fai and his Associates, on the terms and conditions set out in the Explanatory Statement accompanying this Notice.”

Mr Fai, a director of Holista, owns 32,814,935 shares in the Company through his related entities Global Ehealth Limited and Hengfai Business Developments Pte Ltd, representing approximately 19.11% of the issued capital of Holista as at 18 October 2016. In addition Mr Fai owns 15,830,166 warrants in Holista with an exercise price of \$0.06 each exercisable on or before 17 December 2018 (“Warrants”). As at 18 October 2016 Holista has 171,708,921 shares on issue.

2.2 Shareholding prior to exercising Warrants

Prior to the exercise of the warrants, Mr Fai’s ownership of Holista can be summarised as follows:

	Shares	%
Number of HCT Shares on issue	171,708,921	
Number of Shares currently held by Mr Fai and related entities	32,814,935	19.11%

2.3 Shareholding immediately after exercising Warrants

Mr Fai wishes to exercise his Warrants in Holista (“Proposed Transaction”). Resolution 2 in the NOM requests shareholder approval for the acquisition of a relevant interest in issued voting shares in Holista by Mr Fai that will result from the exercise of his Warrants. If Mr Fai exercises his warrants, Mr Fai’s ownership of Holista can be summarised as follows:

	Shares	%
Number of Warrants exercised by Mr Fai	15,830,166	
Number of HCT Shares on issue	187,539,087	
Total Shares post exercise held by Mr Fai and related entities	48,645,101	25.94%

Mr Fai would pay the company \$949,809.96 to exercise his Warrants.

If Mr Fai exercises his warrants in Holista, Mr Fai’s shareholding in Holista would increase by more than 3% (6.83%) in any one six month period and hence, without Shareholder approval, would result in a breach of Section 606 of the Corporations Act.

2.4 Increase in ownership interest

Under Section 606 of the Corporations Act, a person must not acquire a relevant interest in issued voting shares in a listed company if as a result of the transaction, that person's or someone else's voting power in the company increases:

- i. From below 20% to more than 20%
- ii. From a starting point that is above 20% and below 90%

However the person may acquire the relevant interest under one of the exceptions set out in Section 611 of the Corporations Act.

Under Section 611 (Item 7) of the Corporations Act, Section 606 does not apply where an acquisition that would otherwise contravene Section 606, was approved previously by a resolution passed at a general meeting of the company in which the acquisition is made, if no votes are cast in favour of the resolution by the person proposing to make the acquisition and their associates or the persons (if any) from whom the acquisition is to be made and their associates.

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 is reasonable for Shareholders not associated with Mr Fai.

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, 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 Holista 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/or reasonable to the non-associated Shareholders of Holista. 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 Shareholders.

Section 606 (1) of the Corporations Act prohibits an entity from issuing shares to another entity that will result in that entity increasing its voting rights in a company to between 20% and 90%, without requiring the entity receiving the shares to make a full takeover offer to all shareholders of the company. An interest can be acquired which increases the voting rights in a company to between 20% and 90% under the exceptions set out in Section 611 of the Corporations Act.

An exception set out in Section 611 (Item 7) of the Corporations Act permits an allotment or purchase of shares agreed to by shareholders. It recognises that the shareholders of a company may choose to give up one of their basic rights, namely an equal opportunity to participate in any benefits accruing to other shareholders, where the acquisition or allotment may change the control of the company.

A company is required to commission an expert report (or a directors' report to the same standard) to discharge the requirement to disclose all material information on how to vote on the resolution.

Accordingly the Directors of Holista believe that it is appropriate to provide an independent expert's report to Shareholders and to seek Shareholder approval for the Proposed Transaction.

4.3 Regulatory Guidance

In determining whether the transaction is "fair and/or 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 Holista.

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 consideration is equal to or greater than the value of the securities that are subject to the offer.

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 Holista

5.1 Corporate History

Holista was incorporated on 18 September 2000 and listed on the ASX on 26 February 2004

Holista is a biotechnology company, involved in the production and sale of collagen and other biomaterials from animal and plant sources in Australia, Malaysia and USA. Holista has offices in Perth and Malaysia.

Holista has been formerly known as Colltech Australia Limited, Colltech Australia Pty Ltd and St Kilda Clinic 2 Pty Ltd.

5.2 Company Directors

The Company Directors are Dr Marnickavasagar (Manicka) Rajendran (Managing Director, Chief Executive Officer), Mr Daniel O'Connor (Non Executive Director) and Mr Chan Heng Fai (Non Executive Director).

5.3 Company Secretary

The Company Secretary is Mr Jay Richard Stephenson.

5.4 Historical Balance Sheet

Holista CollTech Limited
Statement of financial position
As at 30 June 2016

	5.4A Audited 2016 \$	5.4B Un-Audited Pro Forma \$
Assets		
Current assets		
Cash and cash equivalents	348,434	1,298,244
Trade and other receivables	1,225,334	1,225,334
Inventories	1,021,325	1,021,325
Other current assets	961,677	961,677
Total current assets	3,556,770	4,506,580
Non-current assets		
Property, plant and equipment	1,069,574	1,069,574
Intangible assets	75,728	75,728
Other non-current assets	397,645	397,645
Deferred tax asset	141,381	141,381
Total non-current assets	1,684,328	1,684,328
Total Assets	5,241,098	6,190,908
Liabilities		
Current liabilities		
Trade and other payables	1,272,059	1,272,059
Borrowings	305,611	305,611
Deferred tax liability	-	-
Current tax liability	50,119	50,119
Total current liabilities	1,627,789	1,627,789
Non-current liabilities		
Borrowings	605,283	605,283
Total non-current liabilities	605,283	605,283
Total Liabilities	2,233,072	2,233,072
Net Assets	3,008,026	3,957,836
Equity		
Issued Capital	10,670,515	11,620,325
Reserves	2,081,737	2,081,737
(Accumulated losses)	(9,544,692)	(9,544,692)
Total parent entity interest	3,207,560	3,207,560
Non-controlling interest	(199,534)	(199,534)
Total Equity	3,008,026	3,957,836

We note the following in relation to Holista's recent financial position:

Holista's auditors, through an emphasis of matter, addressed the material uncertainty regarding going concern. The auditor stated in the audited annual financial statements that "at 30 June 2016 the consolidated entity had cash and cash equivalents totalling \$348,343, working capital of \$1,928,981 and has incurred a loss before tax for the year of \$535,214. The ability of the Company and consolidated entity to continue as going concerns is subject to the future profitability of the Company and consolidated entity. In the event that the consolidated entity is not successful in maintaining profitability, the Company and its subsidiaries may not be able to meet their liabilities as and when they fall due and the realisable value of the Company's and its subsidiaries assets may be significantly less than book values."

5.5 Equity Structure of Holista

As at the date of this Report, Holista has on issue:

- 171,708,921 Fully Paid Ordinary Shares.
- 15,830,166 Warrants, Exercise Price of \$0.06, Expiring 17 December 2018
- 2,000,000 Options, Exercise Price 10 cents, Expiring 1 August 2017
- 3,954,206 Options, Exercise Price 20 cents, Expiring 8 March 2018
- 3,954,205 Options, Exercise Price 25 cents, Expiring 8 September 2018
- 3,954,205 Options, Exercise Price 30 cents, Expiring 8 March 2019

5.6 Mr Fai share holdings and warrants

Associates	Shares	Warrants
Mr Fai	32,814,935	15,830,166

5.7 Voting Rights of Existing Shareholders Pre and Post Proposed Transaction

As stated in section 2 of this Report, Mr Fai will seek to exercise 15,830,166 Warrants at \$0.06 each paying Holista \$949,809.96 to receive a further 15,830,166 shares in Holista.

Shares on issue following the Proposed Transaction	
Issued Shares as at date of this Report	171,708,921
Number held by non-associated Shareholders	138,893,986
% holdings by existing non-associated Shareholders pre the Proposed Transaction	80.89%
Shares to be issued on exercise of Warrants	15,830,166
Number of Shares on issue following the Proposed Transaction	187,539,087
% holdings by existing non-associated Shareholders following the Proposed Transaction	74.06%

To avoid doubt, reference in the above table to 'non-associated Shareholders' is a reference to Shareholders who are not associated with the Proposed Transaction.

6. Valuation Methodology

6.1 Available Valuation Methodologies

To estimate the fair market value of Holista before and after the Proposed Transaction 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 a business including:

6.1.1 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.

6.1.2 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 such as the Australian Stock Exchange ("ASX"), through which shares are traded, 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.

6.1.3 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 Value (“NTA”) or “Net Asset Per Share”
 - 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.

6.2 *Selection of Valuation Methodologies*

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

- Holista is an ASX listed company.
- A quoted market basis relies on a regulated and observable market where shares can be traded.
- Holista’s main assets are receivables, inventory and plant and equipment. No value for intangibles such as internally generated goodwill is considered in the balance sheet.
- Holista currently runs an operating business, generating \$6,263,671 in revenue and a net loss of \$545,209 for the year ended 30 June 2016.
- To our knowledge there are no current takeover bids for Holista.

7. **Valuation of Holista prior to the Proposed Transaction**

7.1 *Quoted Market Basis*

The most recent share trading history can normally provide evidence of the fair market value of the shares in a company where it is publically listed. As Holista is listed on the ASX, a possible method for valuation of Holista is the Quoted Market Price Basis of valuation.

Market value is influenced by the market’s perception of many factors including the value of assets, profitability, the industry within which the Company operates, managerial skills within the Company and future expectations for the Company.

These market perceptions can change significantly over a short period of time. A share price is also greatly influenced by the supply and demand for the shares.

To provide further analysis of the market prices for Holista shares, we have considered the volume weighted average market price ("VWAP").

Table 7.1.1 Summary of Share Value and Trade Volume

Days*	Low \$	High \$	Cumulative Volume Traded	As a % of Issued Capital	VWAP \$
30	0.115	0.150	630,500	0.37%	0.1306
60	0.115	0.165	1,819,900	1.06%	0.1387
90	0.115	0.165	2,690,500	1.57%	0.1458
365	0.047	0.340	49,481,000	28.82%	0.1703

* Days are based on calendar days per year not trading days.

7.2 Holista Current Share Price

On 18 October 2016, the company's Share price traded at a high of \$0.13 and a low of \$0.13.

7.3 Control Premium

The quoted market value of a company's shares is reflective of a minority interest. A minority interest is an interest in a company that is not significant enough for the holder to have an individual influence in the operations and value of that company.

Per RG 111.11, when considering the value of a company's shares the expert should consider a premium for control. An acquirer could be expected to pay a premium for control due the advantages they will receive should they obtain 100% control of another company.

A control premium is an amount that a buyer is usually willing to pay over the current market price of a publicly traded company in order to acquire a controlling share in that company.

Control premium is industry-specific and amounts between 10-50% can be applied. It is appropriate to consider all factors when deciding on a control premium that is to be applied.

Under the Corporations Act, control may be deemed to occur when a shareholder or group of associated shareholders control more than 20% of the issued capital of a company.

In our assessment, we should therefore consider whether a premium for control should be applied. Exercising the Warrants will increase Mr Fai's holding to 25.94%. This will not make him the largest shareholder of the Company. Holista's largest shareholder, Dr Rajendran Marnickavasagar and associated entities own 43.05% prior to the transaction and 39.41% post transaction. While Mr Fai is likely to have significant influence, it is unlikely Mr Fai could exercise control on his own. It is also unlikely that the exercise of the Warrants will result in any material change to the level of influence Mr Fai may currently have, except that by virtue of holding 25.94% in the company, Mr Fai and associates will be able to block special resolutions.

7.4 Liquidity of Shares

Table 7.1.1 above indicates that Holista shares display a low level of liquidity, with 0.37% of the Company's current issued capital being traded over a 30 day period between 19 September 2016 to 18 October 2016 and an average 0.55% a week for the last 12 months.

Per RG 111.69, an expert is to consider the quoted market price for listed securities, when there is a deep and liquid market.

We consider the characteristics of a deep and liquid market to be:

- An active market which always has willing buyers when sellers choose to sell;
- Stocks can be sold without materially affecting the market price;
- There is regular trading in a company's securities;
- Approximately 1% of the company's securities are traded on a weekly basis; and
- There are no significant but unexplained movements in share price.

We believe that there is not a deep market for Holista shares, with only an average of 0.55% of the current issued shares being traded per week over the last 12 months.

As such, we believe the quoted market price is not the most appropriate methodology for the valuation of Holista.

7.5 Net Asset Valuation of Holista

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 these include the following:

- 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 value the net assets of Holista is the net assets on a going concern method. This method is best used to value entities where the majority of their assets consist of cash and passive investments. The asset and liabilities are valued at market value and the market value of the net assets forms the basis for the valuation.

The asset based methods ignore the possibility that the entity's value could exceed the realisable value of its assets as they do not recognise value of intangible assets, such as internally generated goodwill, which could be significant in the case of Holista (see section 7.6).

The estimated value of Holista assets on a going concern basis is reflected below:

Holista CollTech Limited
Summarised Statement of financial position*
As at 30 June 2016**

	Audited 2016 \$
Current Assets	3,556,770
Non-current Assets	1,684,328
Total Assets	5,241,098
Current Liabilities	1,627,789
Non-current liabilities	605,283
Total liabilities	2,233,072
Net Assets	3,008,026
Shares on Issue	171,708,921
Value per share	\$0.01752

*A detailed Statement of Financial Position for Holista as at 30 June 2016 is contained in section 5.4.

**We have been advised by the management that no material change has occurred to the balance sheet since 30 June 2016.

No independent valuations have been prepared on the property, plant and equipment and other assets of Holista, and we do not consider it necessary for the purposes of this report.

The value obtained under the net asset value methodology is \$0.01752 per share.

7.6 Conclusion as to the value of Holista Shares

The value obtained under the net asset value methodology is lower than the value obtained under the Quoted Market Price methodology. This is due to the quoted market price being reflective of current market conditions and investors' perceived value of the company.

As discussed in section 7.5, the balance sheet does not include the value of intangible assets such as internally generated goodwill. Holista has developed products, product applications and markets over recent years and this activity is continuing. The value of these activities is reflected in decreasing annual losses and is not recorded in the balance sheet. In the case of Holista, these intangible assets may be substantial and as a result the net asset value per share may understate the actual value of Holista shares.

The quoted market VWAP for the last 30 days, of \$0.1306, is at a premium to the net asset value. That said, the market seems to be including a substantial premium over net assets for the perceived value of future developments of Holista products, product applications and markets. This premium is likely to include the market's valuation of intangible assets.

That said, as discussed in section 7.4, the closing share price and average share price over the last 30 days does not necessarily reflect fair value of the Company's shares. While the market can be considered a reasonable indicator of what shares are worth, as there is not a deep and liquid market for the shares in Holista, we believe that the quoted market price value is not appropriate on its own.

We believe that there is value in the intangibles of Holista not recognised in the balance sheet. However it is not sufficient to rely on the quoted market price alone to determine the value due to a lack of a deep liquid market. It is our opinion that the value of Holista shares is between the Net Asset Value Per Share of \$0.01752 and the 30 day VWAP of the quoted market price of \$0.1306.

8. Value of Proposed Transaction

Mr Fai is paying \$0.06 per share totalling \$949,809.96 for 15,830,166 shares in Holista.

The current value of these shares can be summarised as follows:

Basis of Valuation	Value per share	Cumulative Value
Quoted Market Basis (30 day VWAP)	\$0.1306	\$2,0674,419
Net Asset Value Per Share	\$0.01752	\$277,315
Mid point	\$0.07406	\$1,172,382

As we have determined that the Net Asset Value Per Share does not account for the potentially significant value of intangible assets of Holista and the Quoted Market Value is not reliable on its own due to the lack of a deep liquid market, we have determined that the value of Holista is somewhere between these two points. If we take a mid point value, this provides a value of \$0.07406 per share.

Mr Fai is paying a discount of \$0.01406 per share to the midpoint valuation.

9. Valuation of Holista following the Proposed Transaction

9.1 Dilutionary effect on value

The proposed transaction will result in the issue of 15,830,166 additional Holista shares being issued resulting in a total of 187,539,087 shares on issue. Furthermore the Company will receive \$949,809.96 in cash.

9.2 Valuation of Holista following the Proposed Transaction

Based on the 30 June 2016 balance sheet the Proposed Transaction will have the pro-forma affect of increasing the Net Assets of the Company by \$949,809.96 to \$3,957,836.

The effect on the Net Asset Value Per Share post transaction can be summarised as follows:

	Net Assets	Number of Shares	Net Asset per share
Audited 30 June 2016	\$3,008,026	171,708,921	\$0.01752
Pro-Forma post transaction	\$3,957,836	187,539,087	\$0.02110
Increase in Net Asset Value Per Share			\$0.00358

Following the transaction the Net Asset Value Per Share increases by \$0.00358, which is an increase in value for non-associated Shareholders.

Using the mid point valuation per share, and allowing for the increase in cash of \$949,809.96 from the transaction (assuming that cash has a \$1:\$1 effect on increase in value), the effect on the valuation per share post transaction can be summarised as follows:

	Valuation	Number of Shares	Value per share
Midpoint valuation	\$12,716,763	171,708,921	\$0.0741
Midpoint value plus cash from transaction	\$13,666,573	187,539,087	\$0.0729
Decrease in value per share			\$0.0012

10. Assumptions as to Fairness

Under Regulation Guide 111, an offer is fair if the value of the consideration is equal to or greater than the value of the securities the subject of the offer.

We have determined a mid-point valuation price of \$0.0741 for the shares in Holista prior to the transaction. Mr Fai is paying \$0.06 to exercise each warrant which is less than the mid-point valuation.

Based on the mid-point value of Holista, it is likely that the value of Holista shares exceeds the consideration of \$0.06 for the exercise of the Warrants.

10.1 Conclusion as to Fairness of the Proposed Transactions

We have assessed the terms of the Proposed Transaction in accordance with the Regulatory Guide 111, and have determined that it is not fair to the non-associated Shareholders.

11. Assessment as to Reasonableness

A transaction that is not considered fair may still be considered reasonable if there are sufficient reasons for security holders to accept the offer.

In assessing whether the Proposed Transaction is reasonable, we believe it is appropriate to consider the following factors.

11.1 Advantages

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

- the auditors made an emphasis of matter in the Annual Report regarding the going concern of the business. The exercise of the Warrants would increase the cash holding of the Company by \$949,809.96, which will likely assist the Company's continuation as a going concern.
- the issue of the Warrants to Mr Fai was approved by Shareholders at a general meeting on 27 November 2013.
- the Warrants were subsequently issued to Mr Fai on 17 December 2013.
- approving the exercise completes the contractual arrangement with Mr Fai in relation to the Warrants.
- Increase in the net asset value per share post transaction

11.2 Disadvantages

The main disadvantages of the Proposed Transaction to Holista shareholders are:

- after the Proposed Transaction, current non-associated Shareholders ownership will be diluted from 80.89% to 74.06% of the Company.
- The Warrants being exercised at a discount to the market quoted price which may result in the market price of the shares moving lower.
- Mr Fai and his associate's ownership shall be 25.94% following the Proposed Transaction which means he will be able to block special resolutions.

After consideration of the advantages and disadvantages of the transaction, it is our opinion that the transaction is reasonable to the to non-associated Shareholders.

12. Sources of Information

This Report has been based on the following information:

- Draft Notice of Annual General Meeting.
- Annual Report for Holista for the year ended 30 June 2016.
- Half-Year Report for Holista for 31 December 2013.
- ASX Announcements for Holista.
- ASX data and related information on Holista's shares.
- Discussions and correspondence with Company Secretary of Holista.

In preparing this Report, we have reviewed the information described above.

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

13. Disclosure of Interests

Pendragon is entitled to receive a fee for preparing this Report. Pendragon's fee is \$14,000 plus GST and has been based upon normal change out rates for professional time incurred in the preparation and compilation of this report. Except for this fee, 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.

14. Indemnity

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

"Holista 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 Holista".

15. 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.

16. Disclaimers and Consents

This Report has been prepared at the request of Holista 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 Holista 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 Holista 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 Holista. 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 Holista. 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 small horizontal line at the end.

Rick Hopkins
Director

HOLISTA COLLTECH LIMITED

ACN 094 515 992

PROXY FORM

Step 1 – Appoint a Proxy to Vote on Your Behalf

I/We being member(s) of HOLISTA COLLTECH LIMITED hereby appoint:

The Chairman of the Meeting (mark box)

☐

OR

If you are **NOT appointing the Chairman of the Meeting** as your proxy, please write the name of the person or body corporate you are appointing as your proxy

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chairman of the Meeting, as my/our proxy to act generally at the Meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, and to the extent permitted by law, as the proxy sees fit) at the General Meeting of the Company to be held at Stantons International, Level 2, 1 Walker Avenue, West Perth WA 6005, Western Australia on Monday, 9 January 2017 at 2.00pm (WST) and at any adjournment or postponement of that Meeting.

Chairman authorised to exercise undirected proxies on remuneration related resolutions: Where I/we have appointed the Chairman of the Meeting as my/our proxy (or the Chairman becomes my/our proxy by default), I/we expressly authorise the Chairman to exercise my/our proxy on Resolutions 1, 5 and 6 (except where I/we have indicated a different voting intention below) even though Resolutions 1, 5 and 6 are connected directly or indirectly with the remuneration of a member of Key Management Personnel, which includes the Chairman.

Important Note: If the Chairman of the Meeting is (or becomes) your proxy you can direct the Chairman to vote for or against or abstain from voting on Resolution 1, 5 and 6 by marking the appropriate box in step 2 below. **The Chairman of the Meeting intends to vote undirected proxies in favour of each item of business.** In exceptional circumstances, the Chairman of the Meeting may change his/her voting intention on any resolution, in which case an ASX announcement will be made.

Step 2 – Instructions as to Voting on Resolutions

PLEASE NOTE: If you mark the Abstain box for an item, you are directing your proxy not to vote on your behalf on a show of hands or a poll and your votes will not be counted in computing the required majority.

		FOR	AGAINST	ABSTAIN
Resolution 1	Adoption of Remuneration Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 2	Approval for acquisition of Shares by Mr Chan Heng Fai	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 3	Ratification of Prior Issue of Securities	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 4	Re-election of Director – Mr Chan Heng Fai	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 5	Approval of Performance Rights Plan	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 6	Issue of performance rights to Dr Rajen Marnickavasagar	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Step 3 – Sign

Authorised signature/s

This section **must** be signed in accordance with the instructions below to enable your voting instructions to be implemented.

Individual or Shareholder 1

Sole Director and Sole Company Secretary

Shareholder 2

Director

Shareholder 3

Director/Company Secretary

Contact Name

Contact Daytime Telephone

Date

Proxy Notes:

A Shareholder entitled to attend and vote at the Meeting may appoint a natural person as the Shareholder's proxy to attend and vote for the Shareholder at that Meeting. If the Shareholder is entitled to cast 2 or more votes at the Meeting the Shareholder may appoint not more than 2 proxies. Where the Shareholder appoints more than one proxy the Shareholder may specify the proportion or number of votes each proxy is appointed to exercise. If such proportion or number of votes is not specified each proxy may exercise half of the Shareholder's votes. A proxy may, but need not, be a Shareholder of the Company.

If a Shareholder appoints a body corporate as the Shareholder's proxy to attend and vote for the Shareholder at the Meeting, the representative of the body corporate to attend the Meeting must produce the Certificate of Appointment of Representative prior to admission. A form of the certificate may be obtained from the Company's share registry.

You must sign this form as follows in the spaces provided:

Joint Holding: where the holding is in more than one name all of the holders must sign.

Power of Attorney: if signed under a Power of Attorney, you must have already lodged it with the registry, or alternatively, attach a certified photocopy of the Power of Attorney to this Proxy Form when you return it.

Companies: a Director can sign jointly with another Director or a Company Secretary. A sole Director who is also a sole Company Secretary can also sign. Please indicate the office held by signing in the appropriate space.

If a representative of the corporation is to attend the Meeting the appropriate "Certificate of Appointment of Representative" should be produced prior to admission. A form of the certificate may be obtained from the Company's Share Registry.

Proxy Forms (and the power of attorney or other authority, if any, under which the Proxy Form is signed) or a copy or facsimile which appears on its face to be an authentic copy of the Proxy Form (and the power of attorney or other authority) must be deposited at or received by facsimile transmission at the address below no later than 48 hours prior to the time of commencement of the Meeting.

Lodge your vote:

By hand:

Company Secretary
Holistia Colltech
283 Rokeby Road
SUBIACO WA 6008

By post:

Company Secretary
Holistia Colltech
PO Box 52
West Perth
WA 6872
Australia

By facsimile:

+61 9481 1947