

8 November 2013

CORPORATE AND BUSINESS UPDATE

HOLISTA COLLTECH LIMITED – FOOD INGREDIENTS

In view of the proposed private placement and warrants worth up to \$700,000 and \$1.4million respectively, the Board of directors of Holista Colltech Limited are pleased to provide the following business update.

Backdrop of Operating Environment

The group reported a net loss of \$1,700,700 for the financial year ended 30th June 2013 which includes onetime impairment of plant and machinery of \$724,504.

Food Ingredient Business

The company has been pioneering three core patented technologies:

- ***low sodium salt***

Using a patented blend of a natural emulsifier and starch, we are able to reduce sodium (bad for the heart) by 25% and increase potassium (good for the heart) by 15% without affecting taste and mouth feel outcomes. These has been validated by an independent study conducted in the University of Western Australia

- ***low Glycemic Index (GI) pre-mix for baked goods***

Using a patented blend of well known natural Asian foods (such as okra, mung bean and fenugreek), we are able to reduce the GI of a white bun from a leading Australian fast food chain from 85 to 50 with no change to its original taste, aroma or mouth feel. This was based by a study done in the University of Sydney. A GI reading of 50 earning the Group a “low GI Bread” rank.

Glycemic Index is a measure of how quickly your blood sugar will rise following a meal. Rapid rise in blood sugar following a meal has been linked to diabetes, increases in blood cholesterol and weight gain.

- ***low fat chip***

Using a 2 stage soak, we are able to reduce the 'fat pull' into the fry during the frying process by 20%. Again, all the ingredients are natural and there is no change in taste, look, mouth feel and aroma.

Apart from the above, the Group has acquired rights for two sugar alternatives:

- ***sugar-based sweet alternative***

Using cane sugar in combination with sucralose (an approved zero calorie sweetener derived from sugar), the company have rights to a sweetener equal to sugar in sweetness. It is also able to replace sugar in all its applications – a key advantage to other sweeteners. It has 80% lesser calories and costs lesser than sugar

- ***stevia-based sugar alternative***

Stevia is a well known zero calorie sugar alternative but has a lingering bitter after taste. We have exclusive rights to a version of stevia that has no after taste.

Rationale for Private Placement

In view of the need to expand and at the same not impinge on existing operations, the board has proposed a private placement of \$700,000 that would be utilised for developing the Group's marketing activities:

- In the United States : \$500,000 will be allocated for Lite Food Inc, that would tap into the fast food business in America
- In Asia : \$200,000 will be allocated to a fully owned subsidiary (soon to be incorporated) in Hong Kong that would tap into China and Japan market

Lite Food Inc

We now set our sights on the United States which is well known as the ground zero of the global fast food industry in almost all aspects such as business volume, regulation and innovation. This has attracted the Group to set up Lite Food Inc in United States.

It is a 74% subsidiary of Holista Colltech Limited. The company is incorporated in Delaware and having a registered office in the Washington. For more details of Lite Food Inc, please refer to our ASX announcement dated 14 October 2013.

The proposed capital raising exercise is motivated by the huge opportunities in the United States. While part of the \$500,000 raised will go to validation in the testing laboratories of leading fast food players and possibly, US based Universities, the bulk of the capital is to move in business to business marketing in the United States.

This will be done in traditional routes such as:

- industry symposium and exhibition
- advertisements in industry publication

However, non-traditional routes will also be employed such as:

- social media
- internet based marketing
- public relations

The Group plan to hire high caliber sales personnel who have familiarity with the industry. We will try to co-opt to our board high caliber people who can assist in opening doors in the industry at the regulatory and business level.

Hong Kong Subsidiary

\$200,000 will be invested into to a soon to be incorporated Hong Kong based fully owned subsidiary. This will look at introducing:

- food ingredients
- dietary supplement business that are either unique or have an exclusive rights for.

This will be by way of a business to business (B2B) marketing model where we will be approach multi-level marketing companies and Chain stores in China and Japan.

Australian Business

Collagen

The collagen business has two aspects to it:

- cosmetic collagen

We have just made a soft launch of our collagen liposomes that now pass the human skin and significantly improve hydration. The launch was done in the Cosmetics Exhibition in Bangkok. The clinical trials proving efficacy are due by mid January 2014.

We also are in the midst of developing a version of acetic acid free cosmetic intact collagen (odorless) at the request of customers in China. This will improve our collagen sales in Asia.

- food grade collagen

We have made much progress. The product will be ready for commercial sampling in January 2014. The main market is going to be China.

Food Ingredients

We are in the final phase of commercialization with a large Australian fast food group. The low sodium salt had been tested to equal the standard salt in sensory trial in the University of Western Australia. The low GI bread mix was also tested in the University of Sydney to quality for a "Low GI" grade with a score of 50. The low fat chips are pending a final fat testing with a large potato fries manufacturer. Once this is done, all 3 products will be commercialized in the 2nd half of 2014.

Outlook

The group is aggressively targeting profitability at the end of FY14 that ends on 30th June 2014. With these initiatives and others that we are initiating in the collagen and dietary supplement businesses, we expect the Group's performance to improve as compared to FY13.

Jay Stephenson

COMPANY SECRETARY