

Market Update - Food Grade Collagen

Kuala Lumpur/Perth, 27 June 2011

Holista Colltech Ltd (the "Company") is pleased to provide an update on the development of its Food Grade Sheep Collagen.

In October 2010 the Company announced it had developed the world's first Food Grade Sheep Collagen. Since this time, the Company has continued with ongoing research and development for the creation of "halal" food grade collagen. This has included:

- The development of a "halal" mix of enzymes for the digestion of intact collagen to food grade collagen digestion to create molecules of 3 kilo Daltons collagen,
- A final product that is almost odour and taste free

This ongoing development is now complete and ready for commercial production.

Whilst the Company has previously filed patents on its range of collagen products, all innovations from this exercise will be kept proprietary and no patents will be filed.

In the same October 2010 announcement, the Company announced it was moving ahead with plans to develop an AUD2.7 million facility in Malaysia to produce *Halal* Collagen.

Following that announcement, in December 2010, Nilai Municipal Council granted the Company approval to construct its collagen plant on a 1.5 hectare plot of land, owned outright by the Company in a biotechnology hub near Kuala Lumpur. Following this approval, the Company began finalising the detailed drawings of the collagen plant with its architects and engineers.

However, during this time, the raw ingredients required for the extraction of collagen, namely sheepskins sourced from Australia, began to increase in price from AUD4 to currently stand at AUD25 per skin.

The Company attributes this sharp and rapid increase in sheepskin prices to several factors including:

- A reduction in sheep kills in Australia,
- A recent spike in demand for sheep skin as fashion accessories in China, and
- The strengthening of the Australian Dollar (as we are using skins from "disease free" Australian sheep)

To mitigate the impact of this rapid increase in pricing, the Company has reviewed options for alternative raw material supplies in Australia. This investigation has identified new sources of raw collagen, which can be extracted from alternative sheep products, and present a cheaper alternative to sheepskin.

While the Company investigates this new supply source, it has decided to postpone the construction of its collagen plant in Malaysia until an appropriate economic structure can be achieved.

While making the prudent decision to postpone development of the plant, the Company is still pursuing the development of its collagen business. To this end, the Company is currently in negotiations with one of Malaysia's largest private equity groups on several joint venture possibilities. While these negotiations remain ongoing, the Company continues to examine opportunities to extract collagen from other parts of the sheep at cheaper input prices.

The Company will provide an update on the Collagen business following any further developments in due course.

About Holista CollTech Limited

Holista CollTech Ltd is a merger of Holista Biotech Sdn Bhd and CollTech Australia Ltd focusing on natural ingredients for health supplements and lifestyle products. The company is the only producer of sheep (ovine) collagen using its patented extraction methods and is on track to develop a nano-encapsulated ovine collagen. Holista CollTech leads in research on herbs and food ingredients from Malaysia's rainforest – the oldest in the world. The company's mission is to build a world class company, focus on providing consumers with scientifically enhanced, engineered and tested natural health supplements and consumer products. The company is listed on the Australian Securities Exchange (HCT).

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