

A close-up photograph of a baby with light skin and blue eyes, wearing a white long-sleeved shirt. The baby is holding a small, colorful globe of the Earth with both hands. The background is a bright, out-of-focus window with white curtains.

# bübs®

## PROSPECTUS

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

**PAC**  
PARTNERS

For an offer of 51,500,000 Shares at an issue price of \$0.10 per Share to raise \$5,150,000 (**Offer**).

Completion of the Offer is conditional upon satisfaction of the Condition, which is detailed further in Sections 2.5 and 6.6 of this Prospectus. No Shares will be issued pursuant to this Prospectus until such time as the Condition is satisfied.

This Prospectus is a re-compliance prospectus for the purposes of satisfying Chapters 1 and 2 of the ASX Listing Rules and to satisfy ASX requirements for re-admission to the Official List following a change in nature and scale of the Company's activities.

Unless stated otherwise, all references to Securities in this Prospectus are made on the basis that the Consolidation for which Shareholder approval will be sought at the Annual General Meeting to be held on 8 December 2016, has taken effect.

### **IMPORTANT INFORMATION**

This is an important document that should be read in its entirety. If you do not understand it you should consult your professional advisers without delay.

The Securities offered by this Prospectus should be considered highly speculative.

### **LEAD MANAGER**



PAC Partners Pty Ltd

ACN 165 738 438

PAC Partners Pty Ltd is a Corporate Authorised Representative of PAC Asset Management Pty Ltd, holder of AFSL 335 374

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**Directors**

Alan van Noort  
*Chairman and Executive Director*

Jay Stephenson<sup>1</sup>  
*Director*

Angus Middleton<sup>1</sup>  
*Non-Executive Director*

**Proposed Directors**

Kristy-Lee Newland Carr<sup>2</sup>  
*Proposed Executive Director and CEO*

Matthew Reynolds<sup>2</sup>  
*Proposed Non-Executive Director*

Dennis Lin<sup>2</sup>  
*Proposed Non-Executive Director*

**Company Secretary**

Jay Stephenson

**Current ASX Code**

HLS

**Proposed ASX Code**

BUB

**Share Registry<sup>3</sup>**

Computershare Investor Services Pty Limited  
Level 11  
172 St George's Terrace  
Perth WA 6000  
Telephone: 1300 850 505

**Registered Office**

Hillcrest Litigation Services Limited  
1 Colin Street  
West Perth WA 6005

Telephone: (08) 9324 3266

Email: avn@hillcrestlitigation.com.au  
Website: www.hillcrestlitigation.com.au

**The Infant Food Holding Co. Pty Limited**

2-4 / 6 Tilley Lane  
Frenchs Forest NSW 2086

Email: info@bubsaustralia.com  
Website: www.bubsaustralia.com

**Investigating Accountant**

Pendragon Capital Limited  
283 Rokeby Road  
Subiaco WA 6008

**Auditor**

Ernst & Young  
11 Mounts Bay Road  
Perth WA 6000

**Solicitors to the Company**

Steinepreis Paganin  
Level 4, The Read Buildings  
16 Milligan Street  
Perth WA 6000

**Lead Manager**

PAC Partners Pty Ltd  
Level 10, 330 Collins Street  
Melbourne VIC 3000

<sup>1</sup> To resign from the Board on Settlement of the Acquisition.

<sup>2</sup> To be appointed, subject to Shareholder approval at the Annual General Meeting, with effect from Settlement of the Acquisition.

<sup>3</sup> This entity has been included for information purposes only. It has not been involved in the preparation of this Prospectus.

### 2.1 Consolidation

Unless stated otherwise, all references to securities of the Company as set out in this Prospectus assume that the Consolidation (for which approval is being sought at the Annual General Meeting to be held on 8 December 2016) has occurred.

### 2.2 Change in nature and scale of activities and re-compliance with Chapters 1 and 2 of the ASX Listing Rules

At the Annual General Meeting to be held on 8 December 2016, the Company is seeking Shareholder approval for a change in nature and scale of its activities.

The Company is required to re-comply with Chapters 1 and 2 of the ASX Listing Rules. This Prospectus is a re-compliance prospectus for the purposes of satisfying Chapters 1 and 2 of the ASX Listing Rules and to satisfy the ASX requirements for re-admission to the Official List following a change in nature and scale of the Company's activities.

Following announcement of the Acquisition on 6 October 2016, the Company's Shares were suspended from trading on ASX and will not be reinstated until satisfaction of the Condition to the Offer and ASX approving the Company's re-compliance with the admission requirements of Chapters 1 and 2 of the ASX Listing Rules.

There is a risk that the Company may not be able to meet the requirements of ASX for re-admission to the Official List. In the event the Condition is not satisfied or the Company does not receive conditional approval for re-admission to the Official List then the Company will not proceed with the Offer and Applicants will be reimbursed their Application monies (without interest).

### 2.3 General

This Prospectus is dated 14 November 2016 and was lodged with the ASIC on that date. The ASIC and its officers take no responsibility for the contents of this Prospectus or the merits of the investment to which this Prospectus relates.

No Securities may be issued on the basis of this Prospectus later than 13 months after the date of this Prospectus.

No person is authorised to give information or to make any representation in connection with this Prospectus, which is not contained in the Prospectus. Any information or representation not so contained may not be relied on as having been authorised by the Company in connection with this Prospectus.

It is important that you read this Prospectus in its entirety and seek professional advice where necessary. The Securities the subject of this Prospectus should be considered highly speculative.

### 2.4 Investment Advice

This Prospectus does not provide investment advice and has been prepared without taking account of your financial objectives, financial situation or particular needs (including financial or taxation issues). You should seek professional investment advice before subscribing for Shares under this Prospectus.

### 2.5 Conditional Offer

The Offer is conditional on the Share Sale Agreement becoming unconditional, save for the condition relating to the Offer (**Condition**).

Accordingly, the Offer under this Prospectus is effectively inter-conditional on the successful completion of each other part of the Acquisition.

In the event that Shareholders do not approve all of the Acquisition Resolutions at the General Meeting, the Offer will not proceed and no Shares will be issued pursuant to this Prospectus. If this occurs, Applicants will be reimbursed their Application monies (without interest).

## 2.6 Website – Electronic Prospectus

A copy of this Prospectus can be downloaded from the website of the Company at [www.hillcrestlitigation.com.au](http://www.hillcrestlitigation.com.au). If you are accessing the electronic version of this Prospectus for the purpose of making an investment in the Company, you must be an Australian resident and must only access this Prospectus from within Australia.

There is no facility for the Offer to be accepted electronically or by applying online. Shares will not be issued under the electronic version of the Prospectus. The Corporations Act prohibits any person passing onto another person an Application Form unless it is attached to a hard copy of this Prospectus or it accompanies the complete and unaltered version of this Prospectus. You may obtain a hard copy of this Prospectus free of charge by contacting the Company.

The Company reserves the right not to accept an Application Form from a person if it has reason to believe that when that person was given access to the electronic Application Form, it was not provided together with the electronic Prospectus and any relevant supplementary or replacement prospectus or any of those documents were incomplete or altered.

No document or information included on our website is incorporated by reference into this Prospectus.

## 2.7 Forwarding-looking statements

This Prospectus contains forward-looking statements which are identified by words such as ‘may’, ‘could’, ‘believes’, ‘estimates’, ‘targets’, ‘expects’, or ‘intends’ and other similar words that involve risks and uncertainties.

These statements are based on an assessment of present economic and operating conditions, and on a number of assumptions regarding future events and actions that, as at the date of this Prospectus, are expected to take place.

Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties, assumptions and other important factors, many of which are beyond the control of the Company, the Directors and our management.

We cannot and do not give any assurance that the results, performance or achievements expressed or implied by the forward-looking statements contained in this Prospectus will actually occur and investors are cautioned not to place undue reliance on these forward-looking statements.

We have no intention to update or revise forward-looking statements, or to publish prospective financial information in the future, regardless of whether new information, future events or any other factors affect the information contained in this Prospectus, except where required by law.

These forward looking statements are subject to various risk factors that could cause our actual results to differ materially from the results expressed or anticipated in these statements. These risk factors are set out in Sections 5D and 9 of this Prospectus.

## 2.8 Photographs and Diagrams

Photographs used in this Prospectus which do not have descriptions are for illustration only and should not be interpreted to mean that any person shown endorses the Prospectus or its contents or that the assets shown in them are owned by the Company. Diagrams used in this Prospectus are illustrative only and may not be drawn to scale.

## 2.9 Defined terms

Unless the contrary intention appears or the context otherwise requires, words and phrases contained in this Prospectus have the same meaning and interpretation as given in the Corporations Act and capitalised terms have the meaning given in the Glossary in Section 16 of this Prospectus.

## 2.10 Time

All references to time in this Prospectus are references to Australian Western Standard Time.

### **2.11 Risks**

You should read this document in its entirety and, if in any doubt, consult your professional advisers before deciding whether to apply for Shares. There are risks associated with an investment in the Company and the Shares offered under this Prospectus must be regarded as a speculative investment. The Shares offered under this Prospectus carry no guarantee with respect to return on capital investment, payment of dividends or the future value of the Shares. Refer to Section 9 for details relating to risk factors.

### **2.12 Enquiries**

If you are in any doubt as to how to deal with any of the matters raised in this Prospectus, you should consult your broker or legal, financial or other professional adviser without delay. Should you have any questions about the Offer or how to accept the Offer, please call the Company Secretary, Jay Stephenson, on 08 6141 3500.

The indicative timetable at the date of this Prospectus is as follows<sup>1</sup>:

|  |                  |
|--|------------------|
| Despatch of Notice of Annual General Meeting                                 | 10 November 2016 |
| Lodgement of Prospectus with the ASIC  | 14 November 2016 |
| Opening Date of the Offer  | 14 November 2016 |
| Annual General Meeting held to approve the Acquisition                       | 8 December 2016  |
| Closing Date for the Offer <sup>2</sup>                                      | 8 December 2016  |
| Issue of Shares under the Offer  | 15 December 2016 |
| Settlement of the Acquisition <sup>3</sup>                                   | 15 December 2016 |
| Re-quotations of Securities (including Shares issued under the Offer) on ASX | 23 December 2016 |

#### **Notes**

1. The above dates are indicative only and may change without notice. The Company reserves the right to extend the Closing Date or close the Offer early without prior notice. The Company also reserves the right not to proceed with any of the Offer at any time before the issue of Shares to Applicants.
2. This Prospectus also includes a cleansing offer (refer to Section 7.2) which will remain open (unless closed earlier at the discretion of the Directors) for a period of 3 months from the date of the Company's re-admission to the Official List.
3. The above stated date for Settlement of the Acquisition is only a good faith estimate by the Directors and may have to be extended.



**Dear Investor**

On behalf of the Board of Directors of Hillcrest Litigation Services Limited (to be renamed "Bubs Australia Limited"), I am pleased to present you with this Prospectus and the opportunity to increase your existing shareholding or to become a new shareholder in the Company as it transitions from its historic focus of litigation funding to the business of production and sale of infant milk formula and organic infant food through its proposed acquisition of The Infant Food Holding Co. Pty Limited (ACN 164 764 676) (**BUBS**).

As announced on 6 October 2016, the Company has entered into the Share Sale Agreement pursuant to which it has conditionally agreed to acquire 100% of the issued shares in BUBS.

Pursuant to the Share Sale Agreement, the Company will issue 163,400,000 Shares to the BUBS Shareholders as consideration for the acquisition of their BUBS Shares. A summary of the Share Sale Agreement and other material agreements to the Acquisition are outlined in Section 13.

Under this Prospectus, the Company is seeking to raise \$5,150,000 through the issue of 51,500,000 Shares at a price of \$0.10 per Share to fund the development of the BUBS brand and business.

The Company will seek Shareholder approval for the acquisition of BUBS (including the resulting change to the nature and scale of the Company's activities and the issue of the Consideration Shares to the BUBS Shareholders), and the issue of Shares under the Offer, at its Annual General Meeting to be held on 8 December 2016.

This Prospectus contains information about the Company, BUBS, the Offer and the proposed Acquisition. I commend the Company and its new direction to you and encourage you to consider the Offer.

Investors should be aware of the potential risks inherent in this investment which are fully detailed in this Prospectus. Before making your decision to invest, I ask that you carefully read this Prospectus and seek professional advice if required.

Yours sincerely



Alan van Noort  
Chairman

This Section is a summary only and is not intended to provide full information for investors intending to apply for Shares offered pursuant to this Prospectus. This Prospectus should be read and considered in its entirety.

| Item  | Summary   | Further information            |
|---|---|--------------------------------|
| <b>A. Company</b>                             |   |                                |
| Who is the issuer of this Prospectus?         | Hillcrest Litigation Services Limited (ACN 060 094 742) (ASX: HLS).   |                                |
| Who is Hillcrest Litigation Services Limited? | <p>Hillcrest Litigation Services Limited listed on the ASX on 5 October 1993 and, since 2004, has operated as a litigation funding business focussed on providing funds to enable a party to meet the cost of pursuing a legal claim. In return the litigation funder receives a percentage of the amount recovered under the claim.</p> <p>For the past 12 months, the Company has also been evaluating alternative corporate opportunities. On 6 October 2016, the Company announced to ASX that it had entered into a conditional agreement to acquire all of the issued shares of The Infant Food Holding Co. Pty Limited.</p>  | Section 6.1                    |
| How will the Acquisition be implemented?      | <p>At the Company's Annual General Meeting, to be held on 8 December 2016, the Company will seek the approval of its Shareholders to the change in focus from its litigation funding business to developing and operating an infant nutrition business.</p> <p>At the Annual General Meeting, Shareholders will consider resolutions relating to the change in the nature and scale of the Company's activities, as well as resolutions required for Settlement of the Acquisition and undertaking the Offer.</p> <p>The Company proposes to change its name to "Bubs Australia Limited" on Settlement of the Acquisition, which in the Board's opinion will be better suited to the Company's new strategic direction.</p> | Sections 6.2, 6.5, 6.6 and 6.7 |
| Who is BUBS?                                  | <p>BUBS is engaged in the business of production and sale of infant milk formula and organic infant food in the infant food category.</p> <p>Based in Sydney, BUBS has partnered with leading manufacturers and a team of industry experts to continually innovate and launch infant food products that sit side by side with established multinational brands.</p>   | Sections 6.4 and 8             |
| <b>B. Business Model</b>                      |   |                                |
| How will BUBS generate income?                | <p>Following Settlement of the Acquisition, the Company will seek to continue to develop the BUBS Business through the operations of BUBS, its wholly owned subsidiary.</p> <p>BUBS has implemented an asset-lean business model to respond quickly and flexibly to market changes. BUBS does not manufacture its own baby food products, instead BUBS and its subsidiaries have relationships with third party manufacturers. In the prepared food sector of the baby food industry, BUBS also has</p>   | Sections 8.6 and 8.7           |

| Item  | Summary  | Further information |
|---|--|---------------------|
|   | <p>arrangements with a network of organically-certified farmers, suppliers and operators.</p> <p>For the production of infant milk formula, BUBS has multiple key relationships that ensure the product is Australia-made and in compliance with the strict regulatory requirements of the Food Standards Australia New Zealand (<b>FSANZ</b>) code.</p> <p>BUBS sells its products in both the Australian and certain international markets. The diversity of BUBS' customer base reduces the financial risks to BUBS in the event of a delisting by any particular distributor. BUBS is focussed on expanding its distribution footprint to further mitigate this risk, as well as to benefit from margin accretive opportunities available outside Australia.</p> |                     |
| <p>What are the key business strategies of BUBS?</p>                  | <p>Upon Settlement of the Acquisition, the Company will further develop the BUBS Business by focussing on its new business strategies.</p> <p>These key business strategies will be to:</p> <ul style="list-style-type: none"> <li>(a) increase market penetration, both within Australia and internationally;</li> <li>(b) build brand awareness and impact at point of purchase;</li> <li>(c) continuous innovation and product development; and</li> <li>(d) develop an enhanced international focus.</li> </ul>  | <p>Section 8.7</p>  |
| <p>What are the key dependencies of the Company's business model?</p> | <p>The key factors that the Company will depend on to meet its objectives are:</p> <ul style="list-style-type: none"> <li>(a) continued safe and stable supply of raw materials and ingredients;</li> <li>(b) production agreements with reliable, qualified industry partners; and</li> <li>(c) ongoing senior management expertise.</li> </ul>   | <p>Section 8.8</p>  |
| <p><b>C. Key Investment Highlights</b></p>                            |  |                     |
| <p>What are the key investment highlights?</p>                        | <p>The Directors and Proposed Directors are of the view that an investment in the Company provides the following non-exhaustive list of key highlights:</p> <ul style="list-style-type: none"> <li>(a) BUBS offers an established brand with growing revenue streams;</li> <li>(b) the infant food category in which BUBS operates is benefitting from increased demand in Australia and Asia;</li> <li>(c) the senior management in BUBS have many years of experience in the infant food industry; and</li> <li>(d) if successful in achieving its business objectives, BUBS may create and deliver significant shareholder value.</li> </ul>  | <p>Section 6.3</p>  |

| Item   | Summary   | Further information   |
|--|---|---|
| <b>D. Key Risks</b>  |   |   |
| <p>What are the key risks of an investment in the Company?</p> | <p>The business, assets and operations of the Company, including after Settlement of the Acquisition, are subject to certain risk factors that have the potential to influence the operating and financial performance of the Company in the future. These risks can impact on the value of an investment in the Securities of the Company.</p> <p>The Board aims to manage these risks by carefully planning its activities and implementing risk mitigation measures. Some of the risks are, however, highly unpredictable and the extent to which the Board can effectively manage them is limited.</p> <p>Based on the information available, a non-exhaustive list of the key risk factors affecting the Company are as follows:</p> <p><b>Risks relating to the Change in Nature and Scale of Activities</b></p> <ul style="list-style-type: none"> <li>(a) The Company may not be able to meet the requirements for re-quotations of Shares on the ASX.</li> <li>(b) There will be dilution effects from the Acquisition, the Offer and the granting of Options, and Shareholders may face further dilution risk in future.</li> <li>(c) Counterparties to the Acquisition may fail to perform as agreed and contractual remedies could be costly.</li> <li>(d) The ASX has placed sale restrictions on the Shares being issued to the BUBS Shareholders, so the Shares risk being illiquid for some time after Settlement.</li> </ul> <p><b>Risks specific to the BUBS Business</b></p> <ul style="list-style-type: none"> <li>(a) BUBS operates in the infant food industry and business-specific risks could impact on its value and performance through brand and reputational damage, regulation, competition, a loss of key personnel or failures by outside parties.</li> <li>(b) If the funds raised are insufficient, BUBS could require additional capital in the form of debt or equity.</li> <li>(c) Unforeseen expenditures relating to the Acquisition or the Offer could affect the financial performance of the Company.</li> <li>(d) Failure to properly manage the implementation of the Company's strategies for further growth.</li> </ul> <p><b>General risks</b></p> <ul style="list-style-type: none"> <li>(a) Regulatory changes to taxes, laws or accounting practice.</li> <li>(b) General market conditions may adversely affect the Company's value.</li> <li>(c) Force majeure, beyond the Company's control, could impact the Company and its projects.</li> </ul> | <p>Section 9</p> <p>Section 9.1</p> <p>Section 9.2</p> <p>Section 9.3</p> |

| Item   | Summary   | Further information |
|--|---|---------------------|
| <b>E. Directors and Key Management Personnel</b>           |   |                     |
| Who are the Directors and Proposed Directors?              | <p>It is proposed that upon Settlement of the Acquisition:</p> <p>(a) Kristy-Lee Newland Carr, Matthew Reynolds and Dennis Lin will be appointed to the Board;</p> <p>(b) Alan van Noort will remain on the Board; and</p> <p>(c) Jay Stephenson and Angus Middleton will resign from the Board.</p> <p>The profiles of each of the Directors and Proposed Directors are set out in Sections 10.2 and 10.3. Details of the personal interests of each of the above individuals are set out in Section 10.6.</p>   | Section 10          |
| <b>F. Financial Information</b>                            |   |                     |
| How has the Company been performing?                       | <p>The Company is currently listed on the ASX and its financial history, including its 2014, 2015 and 2016 annual reports can be found on the Company's ASX announcements platform (ASX: HLS) on <a href="http://www.asx.com.au">www.asx.com.au</a>.</p> <p>The audited statement of financial position for the Company as at 30 June 2016 and the audited financial information for BUBS for financial years 2014, 2015 and 2016 are set out in the Investigating Accountant's Report in Section 11.</p>   | Section 11          |
| What is the financial outlook for the Company?             | The reviewed pro-forma statement of financial position for the Company as at 30 June 2016 (which assumes Settlement of the Acquisition and completion of the Offer) is set out in the Investigating Accountant's Report in Section 11.  | Section 11          |
| Does the Company have sufficient funds for its activities? | The funding for the Company's short to medium term activities will be generated from a combination of the money raised under the Offer and existing cash reserves.  | Section 7.4         |
| <b>G. Offer</b>  |   |                     |
| What is the purpose of the Offer?                          | <p>The purpose of the Offer is to position the Company to seek to achieve the objectives set out below in Section 7.3 and to meet the requirements of the ASX and satisfy Chapters 1 and 2 of the ASX Listing Rules.</p> <p>The satisfaction of Chapters 1 and 2 of the ASX Listing Rules is sought for the purpose of seeking ASX's approval for reinstatement of the Company's Shares to quotation.</p> <p>The purpose of the Offer is also to provide sufficient working capital to meet the Company's objectives stated in this Prospectus.</p> <p>On completion of the Offer, the Board believes the Company will have sufficient working capital to achieve these objectives.</p> <p>The Company intends to apply funds raised from the Offer, together with existing cash reserves, following reinstatement of</p> | Section 7.3         |

| Item   | Summary   | Further information       |
|--|---|---------------------------|
|  | the Company to quotation on the official list of ASX in the manner set out in the table in Section 7.4.   |                           |
| Is the Offer underwritten?   | The Offer is not underwritten.  | Section 7.1(a)            |
| What is being offered and who is entitled to participate in the Offer?                                 | The Company is offering 51,500,000 Shares at an issue price of \$0.10 per Share to raise \$5,150,000.<br><br>Only residents of Australia and New Zealand may participate in the Offer.  | Sections 7, 7.10 and 7.11 |
| What will the Company's capital structure look like after completion of the Offer and the Acquisition? | Refer to Section 8.12 for a pro forma capital structure following Settlement of the Acquisition.  | Section 8.12              |
| Will I be guaranteed a minimum allocation under the Offer?   | No, the Company is not in a position to guarantee a minimum allocation of Shares under the Offer.   | Section 7.7               |
| What are the terms of the Shares offered under the Offer?  | A summary of the material rights and liabilities attaching to the Shares offered under the Offer are set out in Section 14.2.   | Section 14.2              |
| Will any Securities be subject to escrow?  | Subject to the Company re-complying with Chapters 1 and 2 of the ASX Listing Rules and completing the Offer, certain Securities on issue may be classified by ASX as restricted securities and will be required to be held in escrow for up to 24 months from the date of Official Quotation.<br><br>During the period in which these Securities are prohibited from being transferred, trading in Shares may be less liquid which may impact on the ability of a Shareholder to dispose of his or her Shares in a timely manner. | Section 8.14              |
| Will the Shares be quoted?   | Application for quotation of all Shares to be issued under the Offer will be made to ASX no later than 7 days after the date of this Prospectus.  | Section 7.8               |
| What are the key dates of the Offer?   | The key dates of the Offer are set out in the indicative timetable in Section 3.  | Section 3                 |
| What is the minimum investment size under the Offer?   | Applications under the Offer must be for a minimum of \$2000 worth of Shares (20,000 Shares) and thereafter, in multiples of \$100 worth of Shares (1,000 Shares).  | Section 7.1(b)            |
| Are there any conditions to the Offer?   | The Offer is conditional on the Share Sale Agreement becoming unconditional, save for the condition relating to the Offer.<br><br>If the Condition is not satisfied, the Acquisition and the Offer will not proceed.  | Section 2.5               |

| Item  | Summary  | Further information  |
|---|--|----------------------|
| <b>H. Use of proceeds</b>   |  |                      |
| How will the proceeds of the Offer be used?                       | <p>The Offer proceeds will be used to:</p> <ul style="list-style-type: none"> <li>cover expenses of the Offer;</li> <li>repay existing Company creditors, some of whom are Directors of the Company;</li> <li>secure market penetration of domestic and overseas markets with marketing investment that supports the growth ambition;</li> <li>improve operational and financial agility for business growth, finance and information technology infrastructure;</li> <li>build on existing supply chain capabilities to increase competitiveness;</li> <li>recruit and deploy appropriate human resources;</li> <li>manage increased trading partner costs based on top-line growth; and</li> <li>fund working capital and corporate administration expenses of the Company.</li> </ul> <p>A detailed table setting out the proposed use of funds raised under the Offer is set out in Section 7.4.</p> | Section 7.4 and 14.8 |
| <b>I. Additional information</b>                                  |  |                      |
| Is there any brokerage, commission or duty payable by applicants? | No brokerage, commission or duty is payable by Applicants on the acquisition of Shares under the Offer.  |                      |
| What are the tax implications of investing in Shares?             | <p>Holders of Shares may be subject to Australian tax on dividends and possibly capital gains tax on a future disposal of Shares subscribed for under this Prospectus.</p> <p>The tax consequences of any investment in Shares will depend upon an investor's particular circumstances. Applicants should obtain their own tax advice prior to deciding whether to subscribe for Shares offered under this Prospectus.</p>   |                      |
| Where can I find more information?                                | <ul style="list-style-type: none"> <li>By speaking to your sharebroker, solicitor, accountant or other independent professional adviser;</li> <li>By reviewing the Company's public announcements, which are accessible from ASX's website at <a href="http://www.asx.com.au">www.asx.com.au</a> under the ASX code "HLS";</li> <li>By visiting the Company's website at <a href="http://www.hillcrestlitigation.com.au">www.hillcrestlitigation.com.au</a>;</li> <li>By visiting the BUBS website at <a href="http://www.bubsaustralia.com">www.bubsaustralia.com</a>;</li> <li>By contacting Jay Stephenson, the Company Secretary, on (08) 6141 3500; and</li> <li>By contacting the Share Registry on 1300 850 505.</li> </ul>   |                      |

### 6.1 The Company

The Company is an Australian public company listed on the official list of ASX (ASX code: HLS). The Company was incorporated on 28 May 1993 in Western Australia and was admitted to the Official List of the ASX on 5 October 1993.

In addition to its principal business activities, the Company has been actively investigating and assessing new opportunities as announced to the ASX Market Announcements Platform.

Since 2004, the Company has predominantly operated as a litigation funding business focussed on providing funds to enable a party to meet the cost of pursuing a legal claim. In return the litigation funder receives a percentage of the amount recovered under the claim.

Pursuant to its continuous disclosure obligations, the Company has kept the market fully informed and updated in relation to its projects. Details of these projects and the work done to date are available on the Company's ASX announcements platform. Details of the Company's most recent activities in these areas are set out in the Company Annual Report lodged with ASX on 31 August 2016.

### 6.2 The Acquisition

On 6 October 2016, the Company announced to ASX that it had entered into the Share Sale Agreement to acquire 100% of the issued shares of BUBS, an Australian specialist in the infant food and formula categories. Upon successful Settlement of the Acquisition, the Company will focus on developing and operating the BUBS Business.

A more detailed summary of BUBS and the proposed business of the Company following Settlement is set out in Section 8.

### 6.3 Key investment highlights

The Directors and Proposed Directors are of the view that an investment in the Company provides the following non-exhaustive list of key highlights:

- (a) the BUBS brand is an established business with over a decade of history in Australia's FMCG market and with growing revenue streams;
- (b) the BUBS Business is focussed on the infant food category, which is currently benefitting from increased demand both in Australia and internationally;
- (c) BUBS' senior management have many years of experience in the infant food industry to implement the new development strategies and growth plans for the business; and
- (d) if successful, BUBS may create and deliver significant Shareholder value with its branded infant food strategy.

### 6.4 About BUBS

"Organic Bubs" branded products have been sold in Australia since 2006.

Following a restructure, BUBS was incorporated in 2013 (for further details please refer to BUBS Corporate Structure in Section 8.3) as a privately owned business based in Sydney. BUBS' business is the production and sale of infant milk formula and organic infant food in the infant food category.

Please refer to Section 8 for a more detailed summary of BUBS and the Company's proposed business following Settlement of the Acquisition.

### 6.5 Suspension and Re-admission to ASX

As the Company is currently focussed on litigation funding, the Acquisition, if successfully completed, will represent a significant change in the nature and scale of the Company's operations to an infant food company focussed on developing the BUBS Business.



ASX has indicated that this change in the nature and scale of the Company's activities will require:

- (a) the approval of Shareholders; and
- (b) the Company to re-comply with the admission requirements set out in Chapters 1 and 2 of the ASX Listing Rules.

In accordance with ASX guidelines, the Company has been suspended from trading since it announced the Acquisition on 6 October 2016.

If Shareholder approval to the change in nature and scale of the Company's activities as a result of the Acquisition is obtained, then subject to the passing of each other Acquisition Resolution (see Section 6.6 below for further details), the Company will not be reinstated to Official Quotation until the Company has re-complied with Chapters 1 and 2 of the ASX Listing Rules and is re-instated to trading.

Some of the key requirements of Chapters 1 and 2 of the Listing Rules are:

- (a) the Company must satisfy the shareholder spread requirements relating to the minimum number of Shareholders and the minimum value of the shareholdings of those Shareholders; and
- (b) the Company must satisfy the "assets test" as set out in ASX Listing Rule 1.3.  
It is expected that the conduct of the Offer pursuant to this Prospectus will enable the Company to satisfy the above requirements.

Applicants should be aware that ASX will not re-instate the Company to Official Quotation until the Company re-complies with Chapters 1 and 2 of the Listing Rules and is re-admitted by ASX to the Official List. In the event that the Company does not receive conditional approval for re-admission to the Official List, the Company will not proceed with the Offer and will repay all application monies received by it in connection with this Prospectus (without interest).

If Shareholder approval to the change in nature and scale of the Company's activities is not obtained, the trading halt will end after the results of the Annual General Meeting have been announced to the market and trading in Shares will thereupon re-commence.

## 6.6 Shareholder Approval of Acquisition Resolutions

At the Company's Annual General Meeting the Company will seek the approval of Shareholders to a number of resolutions required to implement the Acquisition.

It is a condition to Settlement of the Acquisition, that each of the following resolutions is approved by Shareholders:

- (a) the significant change in the nature or scale of the Company's activities to become an infant food company, for which Shareholder approval is required under ASX Listing Rule 11.1.2;
- (b) the disposal of the Company's Current Assets to Lit-One Pty Ltd, for which Shareholder approval is required under ASX Listing Rules 10.1 and 11.2;
- (c) the consolidation of the Company's capital on a 1:16.666667 basis;
- (d) the issue of 163,400,000 Shares to the BUBS Shareholders;
- (e) the issue of 5,844,242 PAC Options;
- (f) the issue of 3,578,108 Employee Options;
- (g) the issue of 51,500,000 Shares under the Offer;
- (h) the issue of 1,375,000 Shares to creditors of the Company, some of whom are Directors;
- (i) the appointment of Kristy-Lee Newland Carr, Matthew Reynolds and Dennis Lin as Directors of the Company on and from Settlement; and
- (j) the change of the Company's name to "Bubs Australia Limited",

(each, an **Acquisition Resolution**).

If any of the Acquisition Resolutions are not approved by Shareholders the Acquisition (including the Offer under this Prospectus) will not be completed.

#### **6.7 Change of Name**

Subject to Shareholder approval being obtained, the Company will change its name to “Bubs Australia Limited” on Settlement of the Acquisition, which in the Company’s opinion will be better suited to the Company’s new strategic direction.

An overview of the Company’s business following Settlement of the Acquisition is set out in Section 8.

### 7.1 The Offer

Pursuant to this Prospectus, the Company will be offering 51,500,000 Shares at an issue price of \$0.10 per Share to raise \$5,150,000.

The Shares offered under the Offer will rank equally with the existing Shares on issue. Refer to Section 14.2 for a summary of the terms of Shares.

#### (a) Not underwritten

The Offer is not underwritten.

#### (b) Minimum application amount

Applications under the Offer must be for a minimum of \$2,000 worth of Shares (20,000 Shares) and thereafter, in multiples of \$100 worth of Shares (1,000 Shares).

#### (c) Eligible participants

To participate in the Offer you must be a resident of Australia or New Zealand. See Section 7.10 for further details.

Accordingly, the Company is not in a position to guarantee a minimum application of Shares under the Offer.

#### (d) Quotation and trading

Application for quotation of the Shares issued under the Offer will be made to ASX no later than 7 days after the date of this Prospectus. See Section 7.8 for further details.

No Shares issued pursuant to the Offer will be subject to any escrow requirement by the ASX.

### 7.2 Cleansing Offer

This Prospectus also includes an offer of one Share, which shall remain open (unless closed earlier at the discretion of the Directors) for a period of 3 months from the date of the Company's re-admission to the Official List (**Cleansing Offer**).

The Company does not currently intend to issue Shares under the Cleansing Offer and will therefore not provide an Application Form for the Cleansing Offer.

The purpose of the Cleansing Offer is to remove any trading restrictions that may have attached to Shares issued by the Company between the date of this Prospectus and the date that is 3 months after the date of re-admission to the Official List.

### 7.3 Purpose of the Offer

The primary purpose of the Offer is to:

- (a) assist the Company to meet the re-admission requirements of ASX under Chapters 1 and 2 of the ASX Listing Rules (see Section 6.5 for further details); and
- (b) to provide the Company with additional funding to progress the development and marketing of the BUBS Business, to provide the Company with sufficient working capital to enable sustainable growth and to meet its anticipated overhead and administrative expenses as set out in this Prospectus.

The Company intends on applying the funds raised under the Offer along with its current cash reserves in the manner detailed in Section 7.4.

## 7.4 Use of Funds

The Company intends to apply funds raised from the Offer, together with existing cash reserves, following re-admission to the Official List of the ASX (for the purpose of satisfying ASX's requirements for re-listing following a significant change to the nature and scale of the Company's activities) as follows:

|  | Funds to be raised under the Offer (\$5,150,000) | Percentage of Funds |
|--|--|---------------------|
| Existing cash reserves <sup>1</sup>                            | \$330,000  | 6.0%                |
| Funds raised from the Offer                                    | \$5,150,000                                      | 94.0%               |
| <b>TOTAL</b>   | <b>\$5,480,000</b>                               | <b>100%</b>         |
| Expenses of the Offer <sup>2</sup>                             | \$400,000  | 7.3%                |
| Payments of amounts owing to existing creditors of the Company | \$202,000  | 3.7%                |
| Marketing and brand development costs <sup>3</sup>             | \$1,137,000                                      | 20.7%               |
| Business development and expansion <sup>4</sup>                | \$850,000  | 15.5%               |
| Trading partner costs <sup>5</sup>                             | \$800,000  | 14.6%               |
| Working capital and corporate administration <sup>6</sup>      | \$2,091,000                                      | 38.2%               |
| <b>TOTAL</b>   | <b>\$5,480,000</b>                               | <b>100%</b>         |

### Notes:

1. Refer to the Investigating Accountant's Report set out in Section 11 of this Prospectus for further details.
2. Refer to Section 14.8 of this Prospectus for further details in relation to the expenses of the Offer.
3. This amount will cover the costs anticipated for BUBS to implement its market penetration strategies, including marketing, consumer research and new product development.
4. This expenditure is to be applied towards growing domestic sales and expanding BUBS from an Australian-focussed brand to a global brand, including setting up new infrastructure and resources in China, Hong Kong and elsewhere in south east Asia.
5. This amount is to cover upfront and ongoing expenditure as BUBS broadens and deepens its distribution channels, cementing key retail and distribution partnerships, and upgrading its online presence.
6. Working capital expenditure is to be applied towards meeting the funding needs of a growing business, particularly inventory costs, and towards administration costs associated with BUBS. These costs include costs for head office, occupancy charges, professional consultants' fees, compliance and reporting costs associated with running an ASX listed company, as well as other typical administration costs.

The above table is a statement of current intentions as of the date of lodgement of this Prospectus with the ASIC. As with any budget, intervening events and new circumstances have the potential to affect the ultimate way funds will be applied. The Board reserves the right to alter the way funds are applied on this basis.

Actual expenditure may differ significantly from the above estimates due to a change in market conditions, the development of new opportunities and other factors (including the risk factors outlined in Section 9).

The Board believes that the funds raised from the Offer, combined with existing funds, will provide the Company with sufficient working capital at anticipated expenditure levels to achieve its objectives set out in this Prospectus.

## 7.5 Taxation

The acquisition and disposal of Shares will have tax consequences, which will differ depending on the individual financial affairs of each investor.

It is not possible to provide a comprehensive summary of the possible taxation positions of all potential applicants. As such, all potential investors in the Company are urged to obtain independent financial advice about the consequences of acquiring Shares from a taxation viewpoint and generally.

To the maximum extent permitted by law, the Company, its officers and each of their respective advisors accept no liability and responsibility with respect to the taxation consequences of subscribing for Shares under this Prospectus.

## 7.6 Applications

Applications for Shares under the Offer must be made using the relevant Application Form. By completing an Application Form, you will be taken to have declared that all details and statements made by you are complete and accurate and that you have personally received the Application Form together with a complete and unaltered copy of the Prospectus.

Completed Application Forms must be mailed or delivered to the address set out on the Application Form, with sufficient time to be received by or on behalf of the Company by no later than 5.00pm (WST) on the Offer Closing Date, which is currently scheduled to occur on 8 December 2016.

Applications under the Offer must be accompanied by payment in full in Australian currency by cheque in accordance with the instructions set out in the Application Form.

The Company reserves the right to extend the Closing Date or close the Offer early.

If you require assistance in completing an Application Form, please contact the Share Registry on 1300 850 505.

## 7.7 Issue of Shares and Allocation Policy

### (a) General

Subject to the satisfaction of the Condition (see Section 2.5), the issue of Shares offered by this Prospectus will take place as soon as practicable after the Closing Date and in accordance with the timetable set out in Section 3.

### (b) Offer

The allocation of Shares under the Offer will be determined by the Board in its absolute discretion.

There is no guaranteed allocation of Shares under the Offer.

The Board reserves the right to reject any application or to allocate any applicant fewer Shares than the number applied for. Where the number of Shares issued is less than the number applied for, or where no issue is made, surplus application monies will be refunded (without interest) to the Applicant as soon as practicable after the Offer Closing Date.

The Company's decision on the number of Shares to be allocated to an applicant will be final.

### (c) Defects in applications

If an Application Form is not completed correctly or if the accompanying payment is the wrong amount, the Company may, in its discretion, still treat the Application Form to be valid. The Company's decision to treat an application as valid, or how to construe, amend or complete it, will be final.

### (d) Interest

Pending the issue of the Shares or payment of refunds pursuant to this Prospectus, all application monies will be held by the Company in trust for Applicants in a separate bank account as required by the Corporations Act. The Company, however, will be entitled to retain all interest that accrues on the bank account and each applicant waives the right to claim interest.

## 7.8 ASX listing

The Company will apply for Official Quotation of all Shares issued under this Prospectus within 7 days after the date of this Prospectus. However, applicants should be aware that ASX will not commence Official Quotation of any Shares until the Company has re-complied with Chapters 1 and 2 of the ASX Listing Rules and has received the approval of ASX to be re-admitted to the Official List (see Section 6.5). As such, the Shares may not be able to be traded for some time after the close of the Offer.

If the Shares are not admitted to Official Quotation by ASX before the expiration of 3 months after the date of this Prospectus, or such period as varied by the ASIC, or if ASX otherwise rejects the Company's application for re-admission to the Official List (see Section 6.5), the Company will not issue any Shares and will repay all application monies for the Shares within the time prescribed under the Corporations Act, without interest. In those circumstances the Company will not proceed with the Acquisition.

The fact that ASX may grant Official Quotation to the Shares is not to be taken in any way as an indication of the merits of the Company or the Shares now offered for subscription.

## 7.9 Clearing House Electronic Sub-Register System and Issuer Sponsorship

The Company participates in the Clearing House Electronic Sub-register System (CHES). ASX Settlement Pty Ltd, a wholly owned subsidiary of ASX, operates CHES. Investors who do not wish to participate through CHES will be issuer sponsored by the Company.

Electronic sub-registers mean that the Company will not be issuing certificates to investors. Instead, investors will be provided with holding statements (similar to a bank account statement) that set out the number of Shares issued to them under this Prospectus. The holding statements will also advise holders of their Holder Identification Number (if the holder is broker sponsored) or Security Holder Reference Number (if the holder is issuer sponsored) and explain, for future reference, the sale and purchase procedures under CHES and issuer sponsorship.

Electronic sub-registers also mean ownership of Shares can be transferred without having to rely upon paper documentation. Further, monthly statements will be provided to holders if there have been any changes in their security holding in the Company during the preceding month. Shareholders may request a holding statement at any other time, however a charge may be made for such additional statements.

## 7.10 Applicants outside Australia and New Zealand – general information

This Prospectus does not, and is not intended to, constitute an offer of, or invitation to apply for, Shares in any place or jurisdiction, or to any person to whom, it would not be lawful to make such an offer or invitation. The distribution of this Prospectus in jurisdictions outside Australia and New Zealand may be restricted by law and persons who come into possession of this Prospectus should seek advice on and observe any of these restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws.

No action has been taken to register or qualify the Shares or otherwise permit a public offering of the Shares the subject of this Prospectus in any jurisdiction outside Australia and New Zealand. Applicants who are resident in countries other than Australia and New Zealand should consult their professional advisers as to whether any governmental or other consents are required or whether any other formalities need to be considered and followed in order to accept the Offer.

If you are outside Australia and New Zealand, it is your responsibility to ensure compliance with all laws of any country relevant to, and obtain all necessary approvals for, the issue of the Shares pursuant to this Prospectus. The return of a completed Application Form will be taken by the Company to constitute a representation and warranty by you that there has been no breach of any such laws and all relevant approvals have been obtained.

Where this Prospectus has been dispatched to persons in jurisdictions outside of Australia and New Zealand, in which the securities legislation or regulation requires registration or any analogous treatment, this Prospectus is provided for information purposes only. This Prospectus has not been and will not be registered under any such legislation or regulation or in any such jurisdiction.

The Offer does not and will not constitute an offer of Shares in the United States of America (US). Furthermore, no person ordinarily resident in the US is or will become permitted to submit an Application Form. If the Company believes that any Applicant is ordinarily resident in the US, or is acting on behalf of a person or entity that is ordinarily a resident of the US, the Company will reject that applicant's application.

## 7.11 New Zealand

The Offer to New Zealand investors is a regulated offer made under Australian and New Zealand law. In Australia, this is Chapter 8 of the Corporations Act 2001 and Regulations. In New Zealand, this is Part 5 of the Securities Act 1978 and the Securities (Mutual Recognition of Securities Offerings - Australia) Regulations 2008. The Offer and the content of this Prospectus is principally governed by Australian rather than New Zealand law.

In the main, the Corporations Act 2001 and Regulations (Australia) set out how the Offer must be made. There are differences in how securities are regulated under Australian law. For example, the disclosure of fees for collective investment schemes is different under the Australian regime.

The rights, remedies, and compensation arrangements available to New Zealand investors in Australian securities may differ from the rights, remedies, and compensation arrangements for New Zealand securities.

Both the Australian and New Zealand securities regulators have enforcement responsibilities in relation to these Offer. If you need to make a complaint about an Offer, please contact the Financial Markets Authority, Wellington, New Zealand. The Australian and New Zealand regulators will work together to settle your complaint.

The taxation treatment of Australian securities is not the same as for New Zealand securities. If you are uncertain about whether this investment is appropriate for you, you should seek the advice of an appropriately qualified financial adviser.

The Offer may involve a currency exchange risk. The currency for the securities is not New Zealand dollars. The value of the securities will go up or down according to changes in the exchange rate between that currency and New Zealand dollars. These changes may be significant.

If you expect the securities to pay any amounts in a currency that is not New Zealand dollars, you may incur significant fees in having the funds credited to a bank account in New Zealand in New Zealand dollars.

If the securities are able to be traded on a securities market and you wish to trade the securities through that market, you will have to make arrangements for a participant in that market to sell the securities on your behalf. If the securities market does not operate in New Zealand, the way in which the market operates, the regulation of participants in that market, and the information available to you about the securities and trading may differ from securities markets that operate in New Zealand.

## 7.12 Enquiries

If you have any queries in relation to the Offer, please contact Jay Stephenson, the Company Secretary, on (08) 6141 3500.

### 8.1 Business Overview and Future Direction of the Company

As detailed in Section 6.1, the Company has most recently focussed on litigation funding. Further information can be found on the Company's website, [www.hillcrestlitigation.com.au](http://www.hillcrestlitigation.com.au).

As announced on 6 October 2016, the Company has entered into the Share Sale Agreement to acquire 100% of the issued shares of BUBS, an entity engaged in the business of production and sale of infant milk formula and organic infant food in the infant food category (**BUBS Business**).

Upon Settlement of the Acquisition, the Company's focus will shift from managing its litigation funding business to development of the BUBS Business.

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

A summary of the material terms of the Deed of Novation and Variation is set out in Section 13.2.

### 8.2 Background on BUBS

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

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

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

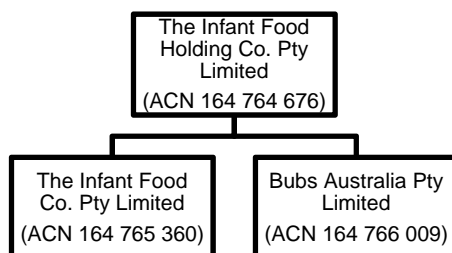
BUBS products are now sold Australia-wide in over a thousand retail outlets, including major and independent supermarkets, department stores, organic and health food stores and pharmacies. The products are also sold on leading Chinese cross-border e-commerce platforms including JD.com, Tmall Global,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

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

Further information on BUBS' business model is set out below.

### 8.3 BUBS Corporate Structure

The corporate structure of BUBS is set out below.



The Infant Food Holding Co. Pty Limited (ACN 164 764 676) (**BUBS**) is a holding company that holds financing for the subsidiary entities and is not involved in trading and operations.



The Infant Food Co. Pty Limited (ACN 164 765 360) is the main trading and operating company in the BUBS group.

Bubs Australia Pty Limited (ACN 164 766 009) holds the group's intellectual property such as registered trademarks. This entity's name will be amended post-Acquisition.

#### 8.4 Industry in which BUBS operates

BUBS operates in the fast-moving consumer goods (FMCG) industry, focussing on the infant food and formula markets. Industry reports note that the global infant food and formula market is worth over \$70 billion and is expected to grow particularly rapidly in Asia.<sup>2</sup>

Globally, infant milk formula accounts for almost 67% of the infant food and formula category by sales value, over half of which comes from the Asia Pacific region.<sup>1</sup> The growth in the global industry is driven by demand from the rapidly developing countries in Asia, mainly thanks to socio-demographic factors and high rates of female participation in the workforce.<sup>2</sup> Brand loyalty and a willingness to pay a premium for trusted foreign brands are understood as consequences of repeated contamination scares from local Chinese products and the reliable supply of goods through ubiquitous sales channels.<sup>2</sup>

In the prepared infant food segment, the industry's global pouch sales increased 28% by value between 2013 and 2014<sup>3</sup>, primarily supported by richer, developed markets where declining birth rates and older mothers demand and can afford more premium food products for their children.<sup>4</sup> Over time, the Company considers that the growth trend may affect developing markets too as levels of disposable income increase.

An important sub-segment of the premium infant food category is the organic sector, which has also experienced strong growth in the global market. The industry's global sales value increased 26% over the past two years, while non-organic products declined 6% as consumer awareness grew about the health benefits of reduced pesticide residues in food products.<sup>4</sup>

#### 8.5 Regulatory environment

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

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

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

BUBS infant milk formula and organic infant food is manufactured in Australia and sold in domestic and international markets. BUBS complies with and conforms to the FSANZ code of manufacturing as summarised below.

##### FSANZ code

- (a) Although breastfeeding is the recommended way to feed a baby, the Australian National Health and Medical Research Council and the New Zealand Ministry of Health both recommend that commercial infant milk formulas should be used as a substitute for babies who are not breastfed.
- (b) BUBS infant milk formula products are regulated under Standard 2.9.1 – Infant Formula Products in Australia and New Zealand Food Standard Code.

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

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

<sup>3</sup> Nielsen (2015), "Nielsen Global Baby Care Survey"

<sup>4</sup> Technavio Research (2016), "Global Organic Baby Food Market 2016-2020"

- (c) BUBS complies with and anticipates that it will continue to comply with the composition and safety requirements outlined in the FSANZ code.
- (d) Standard 2.9.1 specifies the mandatory nutrient content for BUBS infant formula and follow-on formula to ensure the nutrition requirements of infants aged to 12 months are met.
- (e) Standard 2.9.1 also includes labelling requirements for BUBS infant milk formula products and specifically prohibits some types of claims, images, and symbols on product labels.

## 8.6 BUBS Business Model

The BUBS business model is an asset-light, flexible production model that allows it to outsource supply and manufacturing to key partners whose expertise and facilities, management believes, is “best in class”. The brand value, formulations, recipes, specifications and other intellectual property relating to the products allows BUBS to generate revenues from the sale of those products.

BUBS’ key strength is managing the complex relationships between suppliers, manufacturers, distributors and consumers. Senior management are skilled in identifying demand trends for new infant food and products, sourcing appropriately certified raw materials and ingredients, ensuring that partners in the manufacturing and packaging sector produce to exacting specifications, and then selling those products through the appropriate distribution channels to satisfy consumer demand.

### (a) BUBS certifications

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

- (i) ‘Made in Australia’; and
- (ii) Australian Certified Organic (ACO): Organic accreditation for prepared food pouch range.

BUBS is also a Member of the Infant Nutrition Council (INC) and signatory to the Marketing in Australia of Infant Formulas (MAIF) agreement.

### (b) Key partners in manufacturing and supply

BUBS has secured manufacturing associates in Australia that allow a lean business model to respond quickly and flexibly to market changes. BUBS products are produced to BUBS standards and delivered to BUBS as completed goods, ready for sale.

In the prepared food pouch segment, BUBS works strategically with a network of organically-certified farmers, suppliers and operators. For the production of infant milk formula, BUBS has multiple key relationships that ensure the product is Australia-made and in compliance with the strict regulatory requirements of Australia’s FSANZ code. Further detail is provided in Section 8.8 below.

### (c) Retailers and distributors

BUBS sells its products in both the Australian and international markets and generates its revenue from these sales. BUBS is sold in over a thousand retail outlets, including major and independent supermarkets, department stores, organic and health food stores and pharmacies. BUBS also sells on Chinese cross-border e-commerce platforms including JD.com, Tmall Global, VIP and Kaola.com.

The diversity of BUBS customer base reduces the financial risks to BUBS in the event of a delisting by any particular distributor. BUBS is focussed on expanding its distribution footprint to further mitigate this risk, as well as to benefit from margins accretive opportunities available outside Australia. Further detail is provided in Section 8.7 below.

## 8.7 The future of BUBS

Whilst retaining an Australian focus, BUBS is implementing a number of strategic priorities to increase penetration in both the Australian domestic and Asian markets, broadening its availability to consumers.

BUBS intends to leverage the demand for Australian provenance foodstuffs and dedicate resources to grow sales both domestically and internationally. A significant sales channel which BUBS will seek to exploit is the growing e-commerce category purchases throughout Northern and South East Asia.

Funds will be deployed towards the increased working capital anticipated to enable sustainable growth. BUBS is also upgrading and simplifying its finance and information technology infrastructure to allow real-time visibility of the business activities that can assist its decision making and enable it to compete more effectively with local and global brands in the industry. This process includes building upon existing supply chain capabilities to increase competitiveness, and focussing marketing investment to support BUBS' growth ambitions by securing market engagement.

Four key factors are critical to delivering the future growth of the business:

(a) **Increasing market penetration**

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

Furthermore, BUBS will seek to optimise the brand's promotional effectiveness to build the rate of sale, particularly in the infant milk formula market. BUBS also intends to play an active role championing the benefits of "organic" in the infant food category.

(b) **Brand awareness and impact at point of purchase**

BUBS will seek to undertake a brand refresh to re-establish its core brand credentials and drive consumer awareness. This may assist in increased demand for the products and BUBS brand proposition.

To date, BUBS' marketing has been driven by word-of-mouth, with encouraging peer referrals. BUBS will seek to engage existing and new consumers via digital and direct marketing strategies and invest in communications and content that will further resonate with consumers.

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

(c) **Innovation and product development**

BUBS will look to expand its share of the infant category through innovation and product development.

The brand will drive growth by looking to participate in higher value product segments and seeking to disrupt the existing categories.

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

In the infant food category, BUBS has over a decade of organic supply chain experience and relationships. BUBS will seek to leverage the trust and experience it has built to increase relevance in both domestic and international markets. Taking advantage of existing partnerships will assist BUBS to increase market penetration.

(d) **An enhanced international focus**

There is a recognised demand internationally for organic and Australian infant food and formula.

Current sales platforms in China, South East Asia and the United Arab Emirates emerged due to BUBS' Australian provenance and may be enhanced with resources dedicated towards growth. Expanding the international business strategy capabilities will be a focus of BUBS following Settlement.

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

## 8.8 Key Dependencies of the Business Model

The key factors that the Company will depend on to meet its objectives are:

### (a) Raw materials and ingredient supply

Being in the infant food industry means the health and safety of consumers is a prime concern of all at BUBS. To ensure that BUBS' Australian-made products continue to attain the high standards set by FSANZ, Australian Certified Organic, and other bodies as appropriate, BUBS works closely with its suppliers at all stages of production. BUBS' has worked for many years to secure a broad network of trusted suppliers, from large multinationals to small family-owned farms, who reliably source, grow, manufacture, test, pack and deliver our products.

### (b) Production agreements

BUBS' operating model relies on outsourced production to improve operational efficiencies and allow for an asset-light, streamlined business. BUBS develops the necessary intellectual property to produce its products (including the trademarks, artwork, product formulations, recipes and specifications), then works with the key partners to deliver the finished goods to market.

Stable and ongoing production agreements with long-term manufacturers have promoted efficiency and reduced costs, however BUBS regularly investigates the market to review pricing, quality and overall service levels. BUBS manages outsourcing risks by:

- (i) ensuring that counterparties are financially sound with a good reputation;
- (ii) reviewing counterparty proposals for the requisite authorisations and approvals from certifying bodies; and
- (iii) maintaining close working relationships with senior staff and production teams at all stages of the manufacturing process.

### (c) Management expertise

The senior management and directors of BUBS have years of experience in aspects crucial to BUBS' success (see Sections 10.3 and 10.4 for full details). Kristy-Lee Newland Carr and Anthony Galdi, having founded the business over a decade ago, are still active managers in its day-to-day running, managing operations, staffing, branding, supply and sales. Nicholas Simms, Commercial Director of Infant Milk Formula, has over 20 years of FMCG experience in dairy, infant food and related products.

## 8.9 Funding

The funding for the Company for the short to medium term following re-admission to the Official List of ASX will be met by the offer of Shares pursuant to the Offer under this Prospectus and by the Company's existing cash reserves (see Section 7.4 for further details). As and when further funds are required, either for existing or future developments, the Company will consider both raising additional capital from the issue of securities and/or from debt funding.

## 8.10 Financial Information

### (a) Historical financial information

The Investigating Accountant's Report contained in Section 11 of this Prospectus sets out:

- (i) the audited Statement of Financial Position of the Company as at 30 June 2016;
- (ii) the audited Statement of Financial Position of BUBS as at 30 June 2016;
- (iii) the audited financial information for BUBS for financial years ending 30 June 2014 and 30 June 2015; and

- (iv) the reviewed pro-forma Statement of Financial Position of the consolidated entities (after Settlement of the Acquisition and Settlement of the Acquisition) as at 30 June 2016.

Investors are urged to read the Investigating Accountant's Report in full.

The full financial statements for the Company for its financial year ended 30 June 2016, which includes the notes to the financial statements, can be found on the Company's ASX announcements platform (ASX: HLS) on [www.asx.com.au](http://www.asx.com.au).

(b) **Forecast**

The Directors have considered the matters set out in ASIC Regulatory Guide 170 and believe that they do not have a reasonable basis to forecast future earnings on the basis that the operations of BUBS are inherently uncertain. Any forecast or projection information would contain such a broad range of potential outcomes and possibilities that it is not possible to prepare a reliable best estimate forecast or projection.

**8.11 Dividend Policy**

It is anticipated that, post-Settlement of the Acquisition, the Company will focus on the development of the BUBS Business. This will likely require significant funding. Accordingly the Company does not expect to declare any dividends during this period.

Any future determination as to the payment of dividends by the Company will be at the discretion of the Board and will depend on the availability of distributable earnings, the operating results and financial condition of the Company, future capital requirements and general business, and other factors considered relevant by the Board. No assurance in relation to the payment of dividends or franking credits attaching to dividends can be given by the Company.

**8.12 Capital Structure**

The expected capital structure of the Company following completion of the Offer and all related matters (assuming no Options are exercised) will be as follows:

| <b>SHARES</b>   | <b>Number</b>      |
|---|--------------------|
| Shares currently on issue (pre-Consolidation)   | 371,170,963        |
| <b>Post Consolidation Shares on issue</b>   | <b>22,270,258</b>  |
| Consideration Shares to be issued to BUBS Shareholders at settlement of the Acquisition | 163,400,000        |
| Shares to be issued pursuant to the Offer   | 51,500,000         |
| Shares to be issued to creditors, including some Directors, of the Company <sup>1</sup> | 1,370,250          |
| <b>TOTAL SHARES</b>   | <b>238,540,508</b> |

**Notes:**

1. Assumes liabilities of \$137,025 are extinguished via the issue of Shares at \$0.10 per Share.

| <b>OPTIONS</b>  | <b>Number</b>    |
|---|------------------|
| Options currently on issue (pre-Consolidation)                              | Nil              |
| <b>Post Consolidation Options on issue</b>                                  | <b>Nil</b>       |
| Options to be issued to PAC Partners Pty Ltd (or its nominees) <sup>1</sup> | 5,844,242        |
| Options to be issued to Nicholas Simms (or his nominees) <sup>2</sup>       | 3,578,108        |
| <b>TOTAL OPTIONS</b>  | <b>9,422,350</b> |

**Notes:**

1. Post-Consolidation unquoted options exercisable at \$0.10 on or before that date which is three (3) years after their date of issue, subject to the vesting condition (the Share price equalling \$0.125) being met.
2. Post-Consolidation unquoted options exercisable at \$0.10 on or before the earlier of:
  - a. the date which is 3 years after their date of issue; and
  - b. the date Nicholas Simms ceases to be an employee of BUBS as a result of being terminated in certain adverse circumstances.

This is a statement of current intentions as at the date of this Prospectus. Intervening events may alter how the Company funds the Acquisition which may impact the proposed capital structure.

**8.13 Substantial Shareholders**

As at the date of this Prospectus, the following Shareholders hold 5% or more of the total number of Shares on issue:

| Shareholder                                   | Shares     | %     |
|---|------------|-------|
| Lomp Pty Ltd <sup>1</sup>                     | 83,475,471 | 22.5% |
| Mial Enterprises Pty Ltd <Dashian Family A/C> | 37,870,389 | 10.2% |
| Lanzarac Nominees Pty Ltd                     | 31,749,366 | 8.5%  |

**Notes:**

1. Lomp Pty Ltd is an entity controlled by Director Alan van Noort.

On Settlement of the Acquisition and the Offer, the following Shareholders are expected to hold 5% or more of the total number of Shares on issue:

| Shareholder  | Shares     | %     |
|--|------------|-------|
| Next Step Global Limited   | 41,176,800 | 17.3% |
| Ellerston Capital Limited (ACN 110 397 674) atf Ellerston Special Opportunities Platform | 32,680,000 | 13.7% |
| Carr Family Pty Limited (ACN 120 287 854) atf Carr Family Trust <sup>1</sup>             | 20,261,600 | 8.5%  |
| Infant Food Business Pty Limited (ACN 164 761 442) atf Bubs Australia Trust              | 20,261,600 | 8.5%  |
| WF Investment Holdings Pty Ltd (ACN 606 658 511) atf WF Investment Trust                 | 19,869,440 | 8.3%  |

**Notes:**

1. Carr Family Pty Limited (ACN 120 287 854) atf Carr Family Trust is an entity controlled by Proposed Director Kristy-Lee Newland Carr.

**8.14 Restricted Securities**

Subject to the Company re-complying with Chapters 1 and 2 of the ASX Listing Rules and completing the Offer, certain Securities on issue (including a proportion of the Consideration Shares and Options) may be classified by ASX as restricted securities and may be required to be held in escrow for up to 24 months from the date of Official Quotation.

During the period in which these Securities are prohibited from being transferred, trading in Shares may be less liquid which may impact on the ability of a Shareholder to dispose of his or her Shares in a timely manner.

The Company has applied to the ASX for a waiver from certain restriction requirements that might otherwise apply to Consideration Shares on the basis that a majority of the BUBS Shareholders:

- (a) paid cash for their BUBS Shares; and
- (b) have held their BUBS Shares for a substantial period of time prior to the Acquisition of BUBS by the Company.

Subject to this waiver, a proportion of the Consideration Shares may be restricted from trading for a period of up to 24 months after the date of re-admission of the Company to the Official List. The Company will announce to the ASX full details (quantity and duration) of the Securities required to be held in escrow prior to the Company's listed securities being reinstated to trading on ASX (which reinstatement is subject to ASX's discretion and approval).

#### 8.15 Top 20 Shareholders

The Company will announce to the ASX details of its top 20 Shareholders following completion of the Offer and prior to the Securities re-commencing trading on ASX.

The business, assets and operations of the Company, including after completion of the Acquisition, are subject to certain risk factors that have the potential to influence the operating and financial performance of the Company in the future. These risks can impact on the value of an investment in the securities of the Company. The Company's Securities comprise a speculative investment, particularly as it is proposed for the Company's business after the Acquisition to comprise participation in the infant food sector and its associated business.

The Board aims to manage these risks by carefully planning its activities and implementing risk control measures. Some of the risks are, however, highly unpredictable and the extent to which the Board can effectively manage them is limited.

Set out below are specific risks that the Company is exposed to.

Shareholders should be aware that if the Acquisition is approved and completed, the Company will be changing the nature and scale of its activities and will be subject to additional or increased risks arising from BUBS, parties contracted to or associated with BUBS, and the Share Sale Agreement and other agreements, including, but not limited to, those summarised in this Prospectus.

The risks and uncertainties described below are not intended to be exhaustive and this Prospectus does not take into account the personal circumstances, financial position or investment requirements of any particular person. There may be additional risks and uncertainties that the Company is unaware of or that the Company currently considers to be immaterial, which may affect the Company, BUBS and their related entities and consequently Applicants. Based on the information available, a non-exhaustive list of risk factors for the Company associated with the Company's proposal to acquire all BUBS Shares is as follows.

#### 9.1 Risks relating to the Change in Nature and Scale of Activities

##### (a) Re-quotations of Shares on ASX

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

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

##### (b) Dilution risk

The Company has 371,170,963 pre-Consolidation Shares on issue. On completion of the Consolidation the Company will have 22,270,258 Shares on issue. On completion of the Consolidation and Settlement, the Company proposes to issue 163,400,000 Consideration Shares, 51,500,000 Shares at \$0.10 per Share to raise \$5,150,000 as part of the Offer and 1,370,250 Shares to creditors of the Company.

On Settlement, the existing Shareholders will retain approximately 9.34% of the issued capital of the Company, with the BUBS Shareholders holding 68.50%, the investors under the Offer holding 21.59% and the creditors of the Company holding 0.57% of the issued capital of the Company respectively.

In the event the PAC Options and the Employee Options are exercised, 9,442,350 Shares will be issued and Shareholders will be diluted by a further 3.8%. This assumes no additional Shares are issued before such exercise.

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



(c) **Counterparty and contractual risk**

Pursuant to the Share Sale Agreement the Company has agreed to acquire 100% of the issued share capital of BUBS subject to the fulfilment of certain conditions precedent. The ability of the Company to achieve its stated objectives will depend on the performance by the parties of their obligations under the Share Sale Agreement. If any party defaults in the performance of their obligations, it may be necessary for the Company to approach a court to seek a legal remedy, which can be costly.

(d) **Liquidity risk**

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

**9.2 Risks specific to BUBS' business**

(a) **Acquisition of BUBS**

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

(i) **Brand and reputation**

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

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

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

(ii) **Change in regulation**

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

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

The potential detrimental flow on effects from these regulatory changes could significantly affect the sale or production of BUBS' products as a result of:

- (A) regulatory changes which restrict or entirely prevent access to particular markets (amendments to importation or exportation regulations);

- (B) regulatory changes which change the product packaging requirements and disclosure obligations (including labelling requirements containing minimum dietary disclosures); or
- (C) the introduction of taxation measures which specifically reference food items.

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

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

(iii) **Competition**

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

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

(iv) **Manufacturing**

BUBS’ utilises a number of manufacturers across its product range. Risks in respect of manufacturing hinges upon BUBS’ reliance on a concentration of manufacturers, particularly with Blend and Pack Pty Ltd, in relation to infant milk formula production.

A disruption to this supply chain, or if this manufacturer chooses to discontinue production, would adversely affect BUBS’ ability to meet consumer needs and ultimately be of detriment to the business’s financial performance and future prospects. Given that there are a number of alternative manufacturers within Australia that the Company could seek production from, the Company considers that it can mitigate this risk.

(v) **Certified organic risks**

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

(vi) Failure to grow

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

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

(vii) Reliance on key personnel

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

(viii) Dependence on outside parties

BUBS may pursue a strategy that forms strategic business relationships with other organisations in relation to current and potential products, distribution channels and points of sale. There can be no assurance that the Company will be able to attract and retain such organisations and to negotiate appropriate terms and conditions with these organisations or that any potential agreements with such organisations will be complied with.

Given the highly concentrated nature of Australia's FMCG retail market, disruption by any of the major retailers in the Coles-Wesfarmers or Woolworths Group could have a material adverse impact on BUBS' financial performance. The diversity of BUBS customer base reduces the financial risks to BUBS in the event of a delisting by any particular distributor. BUBS is focussed on expanding its distribution footprint to further mitigate this risk, as well as to benefit from margin accretive opportunities available outside Australia.

(ix) Product contamination and recall

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

(b) Additional requirements for capital

The funds raised under the Offer are considered sufficient to meet the immediate BUBS Business objectives. Additional funding may be required in the event costs exceed the Company's estimates and also to effectively implement its business and operations plans in the future (particularly in relation to BUBS), to take advantage of opportunities for acquisitions, joint ventures or other business opportunities and to meet any unanticipated liabilities or expenses which the Company may incur.

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

Loan agreements and other financing rearrangements such as debt facilities, convertible note issues and finance leases (and any related guarantee and security) that may be entered

into by the Company may contain covenants, undertakings and other provisions which, if breached, may entitle lenders to accelerate repayment of loans and there is no assurance that the Company would be able to repay such loans in the event of an acceleration. Enforcement of any security granted by the Company or default under a finance lease could also result in the loss of assets.

(c) **Unforeseen expenditure risk**

Expenditure may need to be incurred that has not been taken into account in the planning of the Acquisition and the Offer. Although the Company is not aware of any such additional expenditure requirements, if such expenditure is subsequently incurred, this may adversely affect the financial performance of the Company.

(d) **Management of growth**

There is a risk that management of the Company will not be able to implement its growth strategy after completion of the Acquisition. The capacity of the Company's management to properly implement the strategic direction of the Group may affect the Company's financial performance.

As part of its business strategy, the Company may make acquisitions of, or significant investments in, additional complementary companies or prospects (although no such acquisitions or investments are currently planned, other than the Acquisition). Any such transactions will be accompanied by risks commonly encountered in making such acquisitions.

### 9.3 **General risks**

(a) **Regulatory risk**

Changes in relevant taxes, legal and administration regimes, accounting practice and government policies may adversely affect the financial performance of the Company.

(b) **Market conditions**

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

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

The market price of securities can fall as well as rise and may be subject to varied and unpredictable influences on the market for equities in general and FMCG stocks in particular. Neither the Company nor the Directors warrant the future performance of the Company or any return on an investment in the Company.

(c) **Force Majeure**

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

#### 9.4 Investment speculative

The above list of risk factors ought not to be taken as exhaustive of the risks faced by the Company or by investors in the Company. The above factors, and others not specifically referred to above may, in the future, materially affect the financial performance of the Company and the value of the Company's securities.

### 10.1 Directors and key personnel of the Company

As at the date of this Prospectus, the Board comprises of:

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

It is proposed that upon Settlement of the Acquisition:

- (a) Ms Kristy-Lee Newland Carr will join the Board as the Executive Director and CEO;
- (b) Mr Matthew Reynolds and Mr Dennis Lin will join the Board as Non-executive, independent Directors;
- (c) Mr Alan van Noort will remain on the Board as a Non-executive Director;
- (d) Mr Jay Stephenson will resign from the Board but will continue his current role as Company Secretary; and
- (e) Mr Angus Middleton will resign.

The Company is aware of the need to have sufficient management to properly manage the BUBS Business and the Board will continually monitor the management roles in the Company. The Board may look to appoint additional management and/or consultants when and where appropriate to ensure proper management of the Company and BUBS.

### 10.2 Current Directors of the Company

The profiles of each of the current Directors are set out below:

#### Mr Alan van Noort – Chairman and Executive Director

Mr Alan van Noort (appointed 1998) is a Barrister and Solicitor who was admitted to practice in the Supreme Court of Western Australia in 1979. From 1979 to 1991, Mr van Noort practised law in Perth, Western Australia, specialising in the areas of mining law, public company law, mergers and acquisitions and shareholders' rights. Since 1991, Mr van Noort has been involved in the management and administration of publicly listed companies. Mr van Noort has not held any other directorships in publicly listed companies in the last 3 years.

#### Mr Angus Middleton – Non-executive Director

Mr Angus Middleton is a fund manager and former stockbroker who has extensive experience in the capital markets sector in Australia. He is currently a director of SA Capital Pty Ltd, a corporate advisory firm specialising in equity raisings and underwriting, and the managing director of SA Capital Funds Management Limited, an Adelaide based investment fund.

#### Mr Jay Stephenson – Non-executive Director and Company Secretary

Mr Stephenson has been involved in business development for over 25 years including approximately 21 years as Director, Chief Financial Officer and Company Secretary for various listed and unlisted entities in resources, IT, manufacturing, wine, hotels and property. He has been involved in business acquisitions, mergers, initial public offerings, capital raisings, business restructuring as well managing all areas of finance for companies.

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

### 10.3 Proposed Directors

The profiles of each of the Proposed Directors are set out below:

#### Ms Kristy-Lee Newland Carr – Proposed Executive Director and CEO

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

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

#### Mr Matthew Reynolds – Proposed Non-Executive Director

Mr Reynolds is a Partner at HWL Ebsworth lawyers who specialises in capital markets (retail and wholesale), debt capital markets (wholesale) and mergers and acquisitions (public and private) including private equity. He holds a Bachelor of Political Science & Economics (Hons) and a Bachelor of Laws (Hons) and is a member of both the Queensland Law Society and Company Law Committee, Queensland Law Society. Mr Reynolds is currently a director on the ASX listed G8 Education Limited (ASX: GEM), and holds directorships in unlisted companies including local subsidiaries of Thai-listed Minor International PLC, Ignite Energy Limited.

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

Mr Reynolds was a director of Folamh Australia Pty Ltd (**Folamh**) from 11 November 2009 to 16 June 2011. In November 2011, external administrators were appointed to Folamh. The Directors have considered the circumstances around Mr Reynolds' involvement as a director of Folamh, including the fact the he was a non-executive director and did not hold any shares in Folamh, and are of the view that his previous involvement with Folamh in no way impacts his ability to conduct himself as a director of the Company following Settlement of the Acquisition.

#### Dennis Lin – Proposed Non-Executive Director

Mr Lin is a Partner of BDO in Australia and the firm's China Advisory Services national leader. He advises on commercial aspects of transactions and acts as the lead advisor to foreign entrepreneurial investors on merger and acquisition and capital markets activities, with particular interests in food and agribusiness, and technology sectors. His focus is in facilitating the growth of businesses as they become public, particularly in relation to corporate level reporting and governance. Mr Lin was previously a specialist tax practitioner for over 10 years with Mallesons, PricewaterhouseCoopers and Deloitte. He speaks fluent Chinese Mandarin, and is a Chartered Accountant and Solicitor of the Supreme Court of Queensland and remains a current practitioner of both professions. He is a director of BDO (Qld) Pty Ltd.

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

### 10.4 BUBS Senior Management

The profiles of the senior management in BUBS who are key personnel are set out below:

#### Mr Anthony Gualdi – Operations Director (BUBS)

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

#### Mr Nicholas Simms – Commercial Director Infant Milk Formula (BUBS)

Mr Simms is an FMCG specialist with a proven record in strategically applying insights, consumer technology, innovative thinking, financial rigour and strong communication. Mr Simms was previously the General Manager International at PZ Cussons following its acquisition of Five:am Organics, the market leading producer of organic

yoghurt and cereals. He brings over two decades of experience in management positions within leading Australian FMCG companies including Mars Inc, Golden Circle and HJ Heinz. Mr Simms has been honoured with multiple awards in the food industry, both as an advisor and for product innovation.

## 10.5 Current Directors of BUBS

### Kristy-Lee Newland Carr – Director and co-CEO

Please refer to Ms Carr’s biography in Section 10.3 above.

### Anthony Gualdi – Director and co-CEO

Please refer to Mr Gualdi’s biography in Section 10.4 above.

### Albert Tse – Director

Mr Tse is a specialist in Chinese outbound investments across many different sectors and the founder of Wattle Hill RHC Funds, a private equity fund investing in Australian and New Zealand companies that benefit from China’s growth. Mr Tse was the former Legal Representative of Macquarie Group in Beijing and led transactions including the historic \$22.1bn Hong Kong and Shanghai IPO of the Agricultural Bank of China in 2010. Mr Tse is a Director of SGSP (Australia) Assets Pty Ltd (Jemena), one of Australia’s largest energy utilities. Prior to working in China, Mr Tse worked in London for Macquarie Capital and at PricewaterhouseCoopers in Australia where he qualified as a Chartered Accountant. Mr Tse also holds admission as a Solicitor of the Supreme Court of Queensland.

### Zetian Zhang – Director

Ms Zhang (also known as Nancy Zhang) is a seasoned investor and the co-founder of Tianqiang Investment Fund in China. Ms Zhang is actively involved in the China Children and Teenagers' Foundation (CCTF) and is an Honorary Director of the JD Charity Foundation. Ms Zhang was born in China and graduated from Tsinghua University with a Bachelor of Arts.

### Hugh Robertson – Director

Mr Robertson is an Associate Director at Bell Potter Securities in Melbourne focussing on capital markets. Prior to that he was a Senior Agribusiness Relationship Manager of the National Australia Bank in Victoria, Tasmania and South Australia. Mr Robertson graduated with a Bachelor of Agricultural Science and a Bachelor of Business with Honours in Agricultural Science from La Trobe University and is currently a director of a number of private companies.

### Lisa Fang – Director

Ms Fang is a Hong Kong based private equity investor, currently a partner at Wattle Hill RHC Funds. Ms Fang has over 10 years of experience in the investment, legal and capital market advisory fields in China and Australia. Prior to joining Wattle Hill RHC Funds, she worked with Goldman Sachs and Freshfields Bruckhaus Deringer in Hong Kong. Ms Fang graduated from the University of New South Wales with a double degree in Commerce and Law. Ms Fang is also a qualified solicitor in Hong Kong and Sydney.

## 10.6 Personal Interests of Directors

Directors are not required under the Company’s Constitution to hold any Shares to be eligible to act as a director.

Details of the Directors’ and Proposed Directors’ remuneration and relevant interest in the Securities of the Company upon completion of the Offer (and on a post-Consolidation basis) and Settlement of the Acquisition are set out in the table below:



| Director                  | Remuneration for year ended 30 June 2016 | Remuneration for year ended 30 June 2015 | Proposed remuneration for current financial year | Shares                  | Options |
|---------------------------|--|--|--|-------------------------|---------|
| <b>Existing Directors</b> |  |  |  |                         |         |
| Alan van Noort            | \$263,963                                | \$341,596                                | \$131,981  | 5,008,528 <sup>1</sup>  | Nil     |
| Angus Middleton           | \$41,313                                 | \$47,223                                 | \$20,656   | 1,277,829 <sup>2</sup>  | Nil     |
| Jay Stephenson            | \$59,428                                 | -  | \$30,000   | 411,525 <sup>3</sup>    | Nil     |
| <b>Proposed Directors</b> |  |  |  |                         |         |
| Kristy-Lee Newland Carr   | -  | -  | \$200,000  | 22,261,600 <sup>4</sup> | Nil     |
| Matthew Reynolds          | -  | -  | \$30,000   | Nil                     | Nil     |
| Dennis Lin                | -  | -  | \$30,000   | Nil                     | Nil     |

**Notes:**

1. Held by Lomp Pty Ltd, a company controlled by Mr van Noort.
2. Held by Tornado Nominees Pty Ltd <Angus Middleton S/F A/C> an entity controlled by Mr Middleton. Mr Middleton will hold 785,079 post-Consolidation Shares. Subject to Shareholder approval at the Annual General Meeting, Mr Middleton will be issued a further 492,750 post-Consolidation Shares in lieu of outstanding director's fees and superannuation owed to Mr Middleton.
3. Jay Stephenson will hold 900 post-Consolidation Shares. Subject to Shareholder approval at the Annual General Meeting, Mr Stephenson will be issued a further 410,625 post-Consolidation Shares in lieu of outstanding director's fees and superannuation owed to Mr Stephenson.
4. Consideration Shares to be issued to Carr Family Pty Limited ACN 120 287 854 as trustee for the Carr Family Trust, a company controlled by Ms Carr. At the Annual General Meeting the Company is also seeking Shareholder approval for Ms Carr (or her nominees) to participate in the Offer by applying for up to 2,000,000 Shares. If Shareholder approval is obtained and Ms Carr takes up the entire 2,000,000 Shares under the Offer, her relevant interest in Securities in the Company upon completion of the Offer (and on a post Consolidation basis) and Settlement of the Acquisition will be 22,261,600.

The Company's Constitution provides that the remuneration of Non-executive Directors will be not more than the aggregate fixed sum determined by a general meeting. The Shareholders have approved the payment of fees to the Non-Executive Directors which in aggregate cannot exceed \$300,000 per annum, although this may be varied by ordinary resolution of the Shareholders in general meeting. The remuneration of any executive director that may be appointed to the Board will be fixed by the Board and may be paid by way of fixed salary or consultancy fee.

#### 10.7 Director participation in the Offer

Other than Kristy-Lee Newland Carr, none of the Directors or Proposed Directors intend on participating in the Offer.

#### 10.8 Agreements with Directors

The agreements the Company has entered into with Directors and Proposed Directors are contained in Section 13.





**Pendragon  
Capital Ltd**

ABN 17 008 963 755

Australian Financial Services  
Licence Number 237 549

14 November 2016

The Directors  
Hillcrest Litigation Services Limited  
C/- Wolfstar Group Pty Ltd  
Suite 12, Level 1  
11 Ventnor Avenue  
WEST PERTH WA 6005

Dear Sirs

**Investigating Accountant's Report – Hillcrest Litigation Services Limited**

**1. Introduction**

This Investigating Accountant's Report ("Report") has been prepared at the request of the directors of Hillcrest Litigation Services Limited ACN 060 094 742 ("Hillcrest", "HLS" or "the Company"). The Report has been prepared based on the historical financial information of the Company and of The Infant Food Holding Co Pty Limited ("BUBS") for inclusion in a Prospectus dated on or around 14 November 2016 inviting participation in the issue of 51,500,000 ordinary shares at an issue price of 10 cents per share to raise \$5,150,000 ("Subscription"). The capital raising is conditional upon the share sale agreement between the Company, BUBS and the shareholders of BUBS ("Share Sale Agreement") becoming unconditional, other than the condition relating to the Subscription.

All amounts are expressed in Australian Dollars unless otherwise stated. Unless otherwise stated, terms have the same meaning as in the Prospectus.

**2. Background**

The Company listed on the ASX on 5 October 1993. Since 2004 Hillcrest has operated as a litigation funding business. The essential nature of a litigation funding business is that the litigation funder provides funds to enable a party to meet the costs of pursuing a legal claim and in return for assuming the funding obligations, the litigation funder becomes entitled to receive a percentage of the amount ultimately recovered under the claim, whether by way of court judgement or an earlier agreed settlement.

Pendragon Capital Ltd

Former names of the company:

| <b>Names</b>                          | <b>From</b> | <b>To</b>  |
|---------------------------------------|-------------|------------|
| Hillcrest Litigation Services Limited | 14/12/2004  |            |
| Hillcrest Resources Limited           | 15/11/2000  | 14/12/2004 |
| Hillcrest Resources NL                | 02/12/1996  | 15/11/2000 |
| Aurifex Minerals NL                   |             | 02/12/1996 |

On 6 October 2016, Hillcrest announced that it had executed a binding and conditional Share Sale Agreement to acquire 100% of the issued share capital in BUBS.

BUBS was founded in 2005. The business of BUBS is the production and sale of infant nutrition products and infant milk formula.

The historical audited financial information for BUBS has been included as follows:

- financial period between 11 July 2013 and 30 June 2014 (Appendix 2); and
- financial year ended 30 June 2015 (Appendix 2).

On 27 August 2013, BUBS entered into a business sale agreement to acquire the business conducted by The Organic Bubs Unit Trust in relation to the manufacture, distribution and sale of organic baby food products. The historical audited financial information for Organic Bubs Unit Trust for the year ended 30 June 2014 has been included at Appendix 3.

For detailed information in respect to BUBS, refer to Section 8 of this Prospectus.

Information on the Hillcrest activities can also be found in this Prospectus.

In consideration for the 100% acquisition of BUBS, Hillcrest will issue to the shareholders of BUBS:

| <b>Share category</b>              | <b>Number of Shares</b> |
|------------------------------------|-------------------------|
| Ordinary shares post-consolidation | <u>163,400,000</u>      |

#### *PAC Options*

The Company has agreed to issue 5,844,242 PAC Options to PAC Partners Pty Ltd in consideration for PAC Partners Pty Ltd facilitation of the acquisition. The PAC Options have the following conditions:

- exercise price of \$0.10
- the PAC Options will not vest until such time as the Hillcrest share price is \$0.125.
- the PAC Options will expire on that date which is three years after their date of issue.

#### *Employee Options*

The Company has agreed to issue 3,578,108 Employee Options to Nicholas Simms a key employee of BUBS. The Employee Options have the following conditions:

- Exercise price of \$0.10
- The Employee Options will expire on the earlier of:
  - the date which is 3 years after their date of issue; and
  - the date Nicholas Simms ceases to be an employee of BUBS.

### 3. Capital Structure

The expected capital structure of the Company following the completion of the capital raising is as follows:

|   | <b>Subscription of<br/>\$5,150,000</b> |
|---|--|
| <b>Shares</b>   |  |
| Existing shares in Hillcrest prior to lodgement of the Prospectus       | 371,170,963                            |
| Less effect of proposed Consolidation at 100:6                          | (348,900,705)                          |
| Issued as consideration for acquisition of 100% of BUBS' issued capital | 163,400,000                            |
| Shares issued to related party creditors of the Company                 | 1,370,250                              |
| Shares pursuant to this Offer – issued at \$0.10                        | 51,500,000                             |
| <b>Total shares</b>   | <b>238,540,508</b>                     |
| <b>Options</b>  |  |
| PAC Options   | 5,844,242                              |
| Employee Options  | 3,578,108                              |
| <b>Total Options</b>  | <b>9,422,350</b>                       |

### 4. Basis of Preparation

This Report has been included in this Prospectus to provide investors and their financial advisors with information on the pro forma financial statements of Hillcrest as set out in Appendix 1. The pro forma financial information is presented in a summarised form and does not reflect all the disclosure requirements of financial statements prepared using Australian Accounting Standards in accordance with the Corporations Act 2001. This report does not address the rights attaching to the shares to be issued in accordance with the Prospectus, nor the risks associated with the investment. Pendragon Capital Limited ("Pendragon") has not been engaged to report on the prospects of Hillcrest, the pricing of shares or the benefits and risks of becoming a shareholder in the Company. Risk factors are set out in Section 9 of the Prospectus. Pendragon bears no responsibility for those matters or for any matter or omission in the Prospectus, other than responsibility for this Report.

### 5. Scope

Pendragon has been requested to prepare a report covering the following financial information:

- Pro forma Unaudited Statement of Financial Position;
- Pro forma Unaudited Statement of Changes in Equity; and
- Notes to and forming part of the pro forma financial statements.

The pro forma unaudited financial information has been derived from historical financial information as at 30 June 2016 after adjusting for the following transactions as if they had occurred at the date of acquisition:

- the consolidation of Hillcrest and BUBS historical financial information;
- for accounting purposes, the acquirer has been identified as BUBS and the business combination referred to as a reverse acquisition. Accordingly, the pro-forma balance sheet incorporates the assets and liabilities of the Company and of BUBS as if the group was headed by BUBS. At acquisition date the assets and liabilities of BUBS are recorded at their book value and assets and liabilities of the Company are recorded at fair value. Components of equity including retained earnings and other reserves reflect the balances of the accounting acquirer, BUBS;
- the issue of 163,400,000 fully paid ordinary shares (“Consideration Shares”) to shareholders of BUBS ;
- the issue of 51,500,000 fully paid ordinary shares at an issue price of \$0.10 each to raise \$5,150,000;
- the issue of 5,844,242 PAC Options valued at \$328,455 using the Black Scholes method;
- the issue of 3,578,108 Employee Options valued at \$201,095 using the Black Scholes method;
- the issue of a total of 330,000 shares to Wolfstar Group Pty Ltd or its nominee, for nil cash consideration, as payment for \$33,000 of an outstanding creditor owed to the entity by the Company;
- the issue of a total of 492,750 shares to A Middleton or his nominee, for nil cash consideration, as payment for \$49,275 of outstanding director fees and superannuation owed to him by the Company;
- the issue of a total of 410,625 shares to J Stephenson or his nominee, for nil cash consideration, as payment for \$41,062.50 of outstanding director fees and superannuation owed to him by the Company;
- the issue of a total of 136,875 shares to I Allen or his nominee, for nil cash consideration, as payment for \$13,687.50 of outstanding director fees and superannuation owed to him by the Company;
- the Creditor Cash Payment to A van Noort of \$201,747.43 for outstanding salary, directors fees and superannuation owed to him by the Company;
- the novation of the litigation funding agreement between Hillcrest and Mervyn Jonathan Kitay as liquidator for Computer Accounting & Tax Pty Ltd (In Liquidation) (“Litigation Asset”) to Lit-One Pty Ltd (“Lit-One”) for the consideration as follows:
  - Hillcrest to pay Lit-One \$250,000 as consideration for Lit-One assuming Hillcrest’s obligations to meet any Adverse Costs Order under the Principal Agreement
  - Lit-One will pay to Hillcrest \$264,776.54 in consideration for the assigned rights, title, interest and benefits under the Principal Agreement.

- The security deposit of \$100,000 will be released to Hillcrest after the novation of the litigation funding agreement.
- the Entitlement Issue – A 1 for 5 non-renounceable entitlement issue of Shares at an issue price of \$0.005, which raised \$309,309. The directors estimated the costs of the Entitlement Issue to be \$28,560 and the estimated costs have been deducted from the Entitlement Issue proceeds of \$309,309; and
- payment of estimated costs of the Offer of \$400,000.

The financial information for Hillcrest is set out in Appendix 1 to this report.

## **6. Review**

Pendragon has conducted an independent review of the financial information listed above as set out in Appendix 1 to this report. The review has been conducted in accordance with auditing and assurance standard ASAE 3450 “Assurance engagement involving corporate fundraisings and/or prospective financial information”.

Our review was limited primarily to the following procedures performed as our professional judgement considered reasonable in the circumstances:

- review of the audited annual report for Hillcrest for the year ended 30 June 2016;
- review of the audited annual report for BUBS for the year ended 30 June 2016;
- review of the Notice of Meeting dated 8 November 2016;
- review of the draft prospectus;
- comparison of consistency in application of accounting standards and policies adopted by the Company; and
- enquiry of Company officeholders and other relevant employees or consultants.

These procedures do not provide all the evidence that would be required in an audit and, therefore, the level of assurance provided is less than that given in an audit. As we have not performed any audit activity, we do not express an audit opinion.

The Directors of Hillcrest are responsible for the preparation and presentation of financial information that has formed the basis of our review.

Pendragon disclaims any responsibility for any reliance on this report or the financial information on which it is based for any purpose other than for which it was prepared.

## **7. Review Statement**

Based on our review, which was not an audit, nothing has come to our attention which causes us to believe that the historical and pro forma financial information set out in Appendix 1 is not presented fairly, in accordance with the measurement and recognition requirements (but not the disclosure requirements) of applicable Accounting Standards and other mandatory professional reporting requirements in Australia and the accounting policies adopted by Hillcrest as disclosed in Note 1 of Appendix 1.

## 8. Subsequent Events

To the best of our knowledge and belief, there have been no other material items, transactions or events outside the Company's ordinary business subsequent to 30 June 2016 that require comment or adjustment to our report or that would cause such information to be misleading or deceptive.

## 9. Declarations and Disclosures

- i) Pendragon is the holder of an Australian Financial Services Licence (number 237 549).
- ii) Pendragon will be paid a fee based upon normal charge out rates for professional time incurred in the preparation and compilation of this Report.
- iii) Pendragon has not been involved in any other aspect of the preparation of the Prospectus. Pendragon has issued its consent to include this report in the Prospectus.
- iv) This Report has been prepared to provide general advice to investors only and does not take into account the specific financial needs, objectives and situation of individual investors. The giving of consent to include this Report in the Prospectus should not be taken as an endorsement by Pendragon of Hillcrest or the offer.
- v) The Financial Services Guide from Pendragon is available to investors upon request.

Yours sincerely



**Rick Hopkins**  
Director



**APPENDIX 1 HILLCREST LITIGATION SERVICES LIMITED  
STATEMENT OF FINANCIAL POSITION**

|  |   | <b>Hillcrest</b>    | <b>BUBS</b>         | <b>Pro Forma</b>  |
|--|---|---------------------|---------------------|-------------------|
|  |   | <b>Audited</b>      | <b>Audited</b>      | <b>Unaudited</b>  |
|  |   | <b>30 June 2016</b> | <b>30 June 2016</b> | <b>(Note 1i)</b>  |
|  |   | <b>\$</b>           | <b>\$</b>           | <b>\$</b>         |
| <b>Current Assets</b>                    |   |                     |                     |                   |
| Cash and cash equivalents                | 2 | 21,419              | 2,081,606           | 7,188,060         |
| Security deposit                         |   | 100,000             | -                   | -                 |
| Trade and other receivables              |   | 2,591               | 753,342             | 755,933           |
| Litigation contracts                     |   | 264,777             | -                   | -                 |
| Inventories                              |   | -                   | 2,467,174           | 2,467,174         |
| Other assets and receivables             |   | 249                 | -                   | 249               |
| <b>Total Current Assets</b>              |   | <b>389,036</b>      | <b>5,302,122</b>    | <b>10,411,416</b> |
| <b>Non-Current Assets</b>                |   |                     |                     |                   |
| Property, plant and equipment            |   | 3,131               | 89,475              | 92,606            |
| Intangible assets                        |   | -                   | 1,349,067           | 1,349,067         |
| <b>Total Non-Current Assets</b>          |   | <b>3,131</b>        | <b>1,438,542</b>    | <b>1,441,673</b>  |
| <b>Total Assets</b>                      |   | <b>392,167</b>      | <b>6,740,664</b>    | <b>11,853,089</b> |
| <b>Current Liabilities</b>               |   |                     |                     |                   |
| Trade and other payables                 |   | 277,746             | 1,120,238           | 1,120,238         |
| Borrowings                               |   | -                   | 3,557               | 3,557             |
| Provisions                               |   | 56,221              | 12,006              | 12,006            |
| <b>Total Current Liabilities</b>         |   | <b>333,967</b>      | <b>1,135,801</b>    | <b>1,135,801</b>  |
| <b>Non-Current Liabilities</b>           |   |                     |                     |                   |
| Borrowings                               |   | -                   | 35,958              | 35,958            |
| Deferred tax liabilities                 |   | -                   | 218,146             | 218,146           |
| Provisions                               |   | 3,650               | 11,740              | 11,740            |
| <b>Total Non-Current Liabilities</b>     |   | <b>3,650</b>        | <b>265,844</b>      | <b>265,844</b>    |
| <b>Total Liabilities</b>                 |   | <b>337,617</b>      | <b>1,401,645</b>    | <b>1,401,645</b>  |
| <b>Net Assets</b>                        |   | <b>54,550</b>       | <b>5,339,019</b>    | <b>10,451,444</b> |
| <b>Equity</b>                            |   |                     |                     |                   |
| Issued capital                           | 4 | 21,066,220          | 8,400,000           | 15,914,051        |
| Reserves                                 | 5 | -                   | -                   | 201,095           |
| Retained profits                         | 7 | (21,011,670)        | (3,060,981)         | (3,262,076)       |
| Corporate transaction accounting expense | 6 | -                   | -                   | (2,401,626)       |
| <b>Total Equity</b>                      |   | <b>54,550</b>       | <b>5,339,019</b>    | <b>10,451,444</b> |

**APPENDIX 1 HILLCREST LITIGATION SERVICES LIMITED  
STATEMENT OF CHANGES IN EQUITY**

|  | Hillcrest                 | BUBS                         | Pro-forma<br>adjustments | Pro forma<br>after issue |
|--|---------------------------|------------------------------|--------------------------|--------------------------|
|  | Audited<br>30 June 2016   | Audited<br>30 June 2016      | (Note 1i)                | (Note 1i)                |
|  | \$                        | \$                           | \$                       | \$                       |
| <b>Balance at 1 July 2015</b>  | <b>462,885</b>            | <b>228,268</b>               | -                        | <b>691,153</b>           |
| Profit/(loss) attributable to members<br>of the Company                                | (514,491)                 | (1,289,249)                  | 20,810,575               | 19,006,835               |
| Other comprehensive income   | -                         | -                            | -                        | -                        |
| <b>Total comprehensive<br/>income/(loss) for the period</b>                            | <b>(514,491)</b>          | <b>(1,289,249)</b>           | <b>20,810,575</b>        | <b>19,006,835</b>        |
| Issue Shares   |                           |                              |                          |                          |
| Movement in reserves   | -                         | -                            | 201,095                  | 201,095                  |
| Corporate transaction accounting<br>expense  | -                         | -                            | (2,401,626)              | (2,401,626)              |
| Transactions with equity holders in<br>their capacity as equity holders (note<br>8(b)) | 106,156                   | 6,400,000                    | (13,552,169)             | (7,046,013)              |
| <b>Balance</b>   | <b>54,550<sup>1</sup></b> | <b>5,339,019<sup>1</sup></b> | <b>5,057,875</b>         | <b>10,451,444</b>        |

<sup>1</sup> Balance as at 30 June 2016.

The Statement of Changes in Equity is to be read in conjunction with the notes set out in this section.

**APPENDIX 1 HILLCREST LITIGATION SERVICES LIMITED  
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The significant policies which have been adopted in the preparation of the historical and pro forma historical financial information (collectively referred to as the “financial statements”) are:

**a) Basis of preparation**

The financial statements are a special purpose financial report which has been prepared in accordance with the recognition and measurement principles prescribed in Australian Accounting Standards, Urgent Issues Group Consensus Views, other authoritative pronouncements of the Australian Standards Board and the Corporations Act 2001.

They have been prepared on the basis of historical costs and do not take into account changing money values, or except when stated, current valuations of non-current assets.

The accounting policies have been consistently applied by the Company unless otherwise stated.

**b) Income tax**

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: initial recognition of goodwill, initial recognition of assets or liabilities that affect neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

**c) Payables**

Trade payables and other accounts payables are recognised when the entity becomes obliged to make future payments resulting from the purchase of goods and services.

**APPENDIX 1 HILLCREST LITIGATION SERVICES LIMITED  
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

**d) Receivables**

Receivables are carried at amounts due. The collectability of debts is assessed throughout the year and a specific provision is made for any doubtful accounts.

**e) Goods and services tax**

Revenues, expenses and assets are recognised net of the amount of goods and services tax ("GST"), except where the amount of GST incurred is not recoverable from the Australian Tax Office ("ATO"). In these circumstances the GST is recognised as part of a cost of acquisition of the asset or as part of an item of the expense.

Receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities, that are recoverable from, or payable to, the ATO, are classified as operating cash flows.

**f) Recoverable amount of non-current assets**

The carrying amounts of all non-current assets other than exploration expenditure are reviewed at least annually to determine whether they are in excess of their recoverable amount. If the carrying amount of a non-current asset exceeds the recoverable amount, the asset is written down to the lower value. In assessing recoverable amounts the relevant cash flows have not been discounted to their present value.

**g) Acquisition of assets**

Assets acquired, other than goodwill, are initially recorded at their costs of acquisition at the date of acquisition, being the fair value of the consideration provided plus the incidental costs directly attributed to the acquisition. When equity instruments comprising share and options are issued as consideration, their market price at the date of acquisition is used to determine a fair value except when the notional price at which they could be placed in the market is a better indication of fair value. Transaction costs arising on the issue of equity instruments are recognised directly in equity subject to the extent of proceeds received unless otherwise expensed.

**h) Determination of fair values**

A number of the Company's accounting policies and disclosures require the determination of fair value for both financial and non-financial assets and liabilities. Fair values for the business combination have been determined for measurement and/or disclosure purposes based on Note 1i. Valuation techniques are applied to determine the fair value for all unlisted securities, including arm's length transactions, reference to similar instruments and option pricing models.

**APPENDIX 1 HILLCREST LITIGATION SERVICES LIMITED  
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

**i) Business combination**

On 6 October 2016, Hillcrest Litigation Services Limited announced it had entered into a Share Sale Agreement to acquire 100% of the issued share capital of The Infant Food Holding Co Pty Limited. Under the principles of AASB 3 Business Combinations, The Infant Food Holding Co Pty Limited is the accounting acquirer in the business combination. Therefore, the transaction is accounted for under AASB 2 Share Based Payments as a reverse acquisition, whereby The Infant Food Holding Co Pty Limited is deemed to have issued shares to Hillcrest Litigation Services Limited in exchange for the net assets held by Hillcrest Litigation Services Limited. Accordingly, the consolidated financial statements of Hillcrest Litigation Services Limited have been prepared as a continuation of the financial statements of The Infant Food Holding Co Pty Limited. The Infant Food Holding Co Pty Limited, as the acquirer, will account for the acquisition of Hillcrest Litigation Services Limited from 30 June 2016.

The consideration in a reverse acquisition is deemed to have been incurred by the legal subsidiary (The Infant Food Holding Co Pty Limited) in the form of equity instruments issued to the shareholders of the legal parent entity (Hillcrest Litigation Services Limited). The acquisition date fair value of the consideration transferred has been determined by reference to the fair value of the issued shares of Hillcrest Litigation Services Limited immediately prior to the business combination. We have deemed this to be \$7,377,026.

The pre-acquisition equity balance of Hillcrest Litigation Services Limited are eliminated against the fair value increase of share capital and the balance is deemed to be the Corporate Transaction Account Expense, which is the amount paid for the ASX listing status of Hillcrest Litigation Services Limited. See Note 10 for additional details on the Corporate Transaction Accounting Expense.

*Purchase consideration*

The share price used to determine the consideration for the purchase of The Infant Food Holding Co Pty Limited (\$0.10) is the offer price of Hillcrest Litigation Services Limited shares disclosed in the Prospectus dated on or about 11 November 2016.

|                               | <b>Shares</b>     | <b>Price</b>  | <b>Consideration</b> |
|-------------------------------|-------------------|---------------|----------------------|
| Post-consolidation shares     | 22,270,258        | \$0.10        | \$2,227,026          |
| Issued pursuant to Prospectus | 51,500,000        | \$0.10        | \$5,150,000          |
| <b>Total</b>                  | <b>73,770,258</b> | <b>\$0.10</b> | <b>\$7,377,026</b>   |

**APPENDIX 1 HILLCREST LITIGATION SERVICES LIMITED  
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

**NOTE 2 – CASH AND CASH EQUIVALENTS**

|   | <b>Hillcrest</b>              | <b>BUBS</b>                   | <b>Unaudited<br/>Pro Forma</b> |
|---|-------------------------------|-------------------------------|--------------------------------|
|   | <b>Audited<br/>30 June 16</b> | <b>Audited<br/>30 June 16</b> |                                |
|   | <b>\$</b>                     | <b>\$</b>                     | <b>\$</b>                      |
| Cash at bank and on hand  | 21,419                        | 2,081,606                     | 2,103,025                      |
| Adjustments to the pro forma cash balance are summarised as follows:        |                               |                               |                                |
| Proceeds from the issue of shares as part of Placement                      |                               |                               | 200,000                        |
| Proceeds from the non-renounceable entitlement issue of shares net of costs |                               |                               | 280,749                        |
| Net cash received in respect to the sale of Litigation Asset to third-party |                               |                               | 14,777                         |
| Security Deposit released after sale of Litigation Asset                    |                               |                               | 100,000                        |
| Payment of estimated capital raising costs                                  |                               |                               | (400,000)                      |
| Proceeds from the issue of 51,500,000 shares at \$0.10                      |                               |                               | 5,150,000                      |
| Payment of remaining trade creditors after year end                         |                               |                               | (58,744)                       |
| Payment of creditors and creditor share issue – cash component              |                               |                               | (201,747)                      |
| Unaudited pro forma cash balance  |                               |                               | <u>7,188,060</u>               |

**NOTE 3 – SECURITY DEPOSITS**

|  |         |   |                  |
|--|---------|---|------------------|
| Balance pre-acquisition                                  | 100,000 | - | 100,000          |
| Security deposit released after sale of Litigation Asset |         |   | <u>(100,000)</u> |
| Total borrowings   |         |   | <u>-</u>         |

**APPENDIX 1 HILLCREST LITIGATION SERVICES LIMITED  
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

**NOTE 4 – LITIGATION CONTRACTS**

|                            | <b>Hillcrest</b>                | <b>BUBS</b>                     | <b>Unaudited<br/>Pro Forma</b> |
|----------------------------|---------------------------------|---------------------------------|--------------------------------|
|                            | <b>Audited<br/>30 June 2016</b> | <b>Audited<br/>30 June 2016</b> |                                |
|                            | <b>\$</b>                       | <b>\$</b>                       | <b>\$</b>                      |
| Balance pre-acquisition    | 264,777                         | -                               | 264,777                        |
| Sale of Litigation Asset   |                                 |                                 | (264,777)                      |
| Total litigation contracts |                                 |                                 | -                              |

**NOTE 5 – TRADE AND OTHER PAYABLES**

|  |         |           |           |
|--|---------|-----------|-----------|
| Balance pre-acquisition                              | 277,746 | 1,120,238 | 1,397,984 |
| Additional creditors incurred subsequent to year end |         |           | 59,899    |
| Payment of creditors and creditors share issue       |         |           | (278,901) |
| Payment of remaining trade creditors after year end  |         |           | (58,744)  |
| Total trade and other payables                       |         |           | 1,120,238 |

**NOTE 6 – PROVISIONS - CURRENT**

|                            |        |        |          |
|----------------------------|--------|--------|----------|
| Balance pre-acquisition    | 56,221 | 12,006 | 68,227   |
| Settlement of provisions   |        |        | (56,221) |
| Total provisions – current |        |        | 12,006   |

**APPENDIX 1 HILLCREST LITIGATION SERVICES LIMITED  
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

**NOTE 7 – PROVISIONS – NON-CURRENT**

|                                | <b>Hillcrest</b>                | <b>BUBS</b>                     | <b>Unaudited<br/>Pro Forma</b> |
|--------------------------------|---------------------------------|---------------------------------|--------------------------------|
|                                | <b>Audited<br/>30 June 2016</b> | <b>Audited<br/>30 June 2016</b> |                                |
|                                | <b>\$</b>                       | <b>\$</b>                       | <b>\$</b>                      |
| Balance pre-acquisition        | 3,650                           | 11,740                          | 15,390                         |
| Settlement of provisions       |                                 |                                 | (3,650)                        |
| Total provisions – non current |                                 |                                 | 11,740                         |

**NOTE 8 – ISSUED CAPITAL** (net of issue costs)

**(a) Reconciliation of contributed equity**

**Historical financial information:**

|  |            |           |              |
|--|------------|-----------|--------------|
| Balance pre-acquisition                      | 21,066,220 | 8,400,000 | 29,466,220   |
| Issued capital                               |            |           |              |
| Issue of Shares as part of placement         |            |           | 200,000      |
| Issue of shares as part of entitlement issue |            |           | 309,309      |
| Settlement of trade creditors                |            |           | 137,025      |
| Purchase consideration for 100% of BUBS      |            |           | 16,340,000   |
| Capital raising                              |            |           | 5,150,000    |
| Capital raising costs                        |            |           |              |
| Entitlement issue                            |            |           | (28,560)     |
| Capital raising costs                        |            |           | (400,000)    |
| Eliminate of existing shares HLS (value)     |            |           | (42,636,969) |
| Fair value of Hillcrest Shares <sup>1</sup>  |            |           | 7,377,026    |
| Total  |            |           | 15,914,051   |

<sup>1</sup>Note 10 provides the calculation of the fair value of the Company shares.



**APPENDIX 1 HILLCREST LITIGATION SERVICES LIMITED  
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

**NOTE 8 – ISSUED CAPITAL** (net of issue costs) (cont'd)

**(b) Transactions with equity holders in their capacity as equity holders**

|  | <b>Hillcrest</b>    | <b>BUBS</b>         | <b>Unaudited<br/>Pro Forma</b> |
|--|---------------------|---------------------|--------------------------------|
|  | <b>Audited</b>      | <b>Audited</b>      |                                |
|  | <b>30 June 2016</b> | <b>30 June 2016</b> |                                |
|  | <b>\$</b>           | <b>\$</b>           | <b>\$</b>                      |
| Balance pre-acquisition                      | 106,156             | 6,400,000           | 6,506,156                      |
| Issued capital                               |                     |                     |                                |
| Issue of Shares as part of placement         |                     |                     | 200,000                        |
| Issue of Shares as part of entitlement issue |                     |                     | 309,309                        |
| Settlement of trade creditors                |                     |                     | 137,025                        |
| Purchase consideration for 100% of BUBS      |                     |                     | 16,340,500                     |
| Capital raising                              |                     |                     | 5,150,000                      |
| Capital raising costs                        |                     |                     |                                |
| Entitlement issue                            |                     |                     | (28,560)                       |
| Capital raising                              |                     |                     | (400,000)                      |
| Elimination of book value HLS shares         |                     |                     | (42,636,969)                   |
| Fair value adjustment for HLS                |                     |                     | 7,377,026                      |
| Total  |                     |                     | <u>(7,046,013)</u>             |

<sup>1</sup>Note 10 provides the calculation of the fair value of the Company shares.

**(c) Number of fully paid shares:**

|   |             |   |                    |
|---|-------------|---|--------------------|
| Original number of fully paid shares in Hillcrest | 269,309,136 | - | 269,309,136        |
| Issued share as part of placement                 |             |   | 40,000,000         |
| Issued share as part of entitlement issue         |             |   | 61,861,827         |
| Consolidation of Shares at 100:6                  |             |   | (348,900,705)      |
| Shares issued to related party creditors          |             |   | 1,370,250          |
| Purchase consideration for 100% of BUBS           |             |   | 163,400,000        |
| Issued pursuant to Prospectus                     |             |   | 51,500,000         |
| Total   |             |   | <u>238,540,508</u> |

**APPENDIX 1 HILLCREST LITIGATION SERVICES LIMITED  
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

**NOTE 9 – OPTION RESERVE**

|  | <b>Hillcrest</b>                | <b>BUBS</b>                     | <b>Unaudited<br/>Pro Forma</b> |
|--|---------------------------------|---------------------------------|--------------------------------|
|  | <b>Audited<br/>30 June 2016</b> | <b>Audited<br/>30 June 2016</b> |                                |
|  | <b>\$</b>                       | <b>\$</b>                       | <b>\$</b>                      |
| Balance pre-acquisition                        | -                               | -                               | -                              |
| Issue of PAC Options <sup>1</sup>              |                                 |                                 | 328,455                        |
| Issue of Employee Options <sup>2</sup>         |                                 |                                 | 201,095                        |
| Elimination of pre-reverse acquisition options |                                 |                                 | (328,455)                      |
| Total  |                                 |                                 | <u>201,095</u>                 |

<sup>1</sup>PAC Options have been valued at \$328,455 using the Black Scholes method

<sup>2</sup>Employee Options have been valued at \$201,095 using the Black Scholes method

**NOTE 10 – CORPORATE TRANSACTION ACCOUNTING EXPENSE**

*Hillcrest net asset position*

|   |        |   |                  |
|---|--------|---|------------------|
| Opening net asset position of HLS                 | 54,550 | - | 54,550           |
| Cash raised from placement                        |        |   | 200,000          |
| Cash raised from entitlement issue (net of costs) |        |   | 280,749          |
| Cash payment for Litigation Asset                 |        |   | (250,000)        |
| Cash payment for trade creditors                  |        |   | (59,899)         |
| Cash received from Prospectus (net of costs)      |        |   | 4,750,000        |
| Total value at transaction date                   |        |   | <u>4,975,400</u> |

*Market value of Hillcrest shares*

|  | <b>Number of<br/>Shares</b> | <b>Number of<br/>Shares</b> | <b>Number of<br/>Shares</b> |
|--|-----------------------------|-----------------------------|-----------------------------|
| Original number of fully paid Hillcrest shares | 269,309,136                 | -                           | 269,309,136                 |
| Shares issued as part of placement             |                             |                             | 40,000,000                  |
| Shares issued as part of entitlement issue     |                             |                             | 61,861,827                  |
| Consolidation of share at 100:6                |                             |                             | (348,900,705)               |
| Issued pursuant to Prospectus                  |                             |                             | 51,500,000                  |
| Total number of shares                         |                             |                             | <u>73,770,258</u>           |

**APPENDIX 1 HILLCREST LITIGATION SERVICES LIMITED  
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

**NOTE 10 – CORPORATE TRANSACTION ACCOUNTING EXPENSE (Cont'd)**

|   | Hillcrest               | BUBS                    | Unaudited<br>Pro Forma |
|---|-------------------------|-------------------------|------------------------|
|   | Audited<br>30 June 2016 | Audited<br>30 June 2016 |                        |
|   | \$                      | \$                      | \$                     |
| Shares valued at Prospectus issue price<br>(\$0.10) |                         |                         | <u>7,377,026</u>       |
| <i>Corporate Transaction Accounting Expense</i>     |                         |                         |                        |
| Shares valued at Prospectus issue price<br>(\$0.10) |                         |                         | 7,377,026              |
| Net asset position of Hillcrest                     |                         |                         | <u>(4,975,400)</u>     |
| Total Corporate transaction accounting<br>expense   |                         |                         | <u>2,401,626</u>       |

**NOTE 11 – RETAINED PROFITS**

|  |                     |                    |                     |
|--|---------------------|--------------------|---------------------|
| Balance at beginning of period                               | <u>(21,011,670)</u> | <u>(3,060,981)</u> | <u>(24,072,651)</u> |
| Sale of Litigation Asset                                     |                     |                    | (250,000)           |
| Issue of PAC Options   |                     |                    | (328,455)           |
| Issue of Employee Options                                    |                     |                    | (201,095)           |
| Creditors incurred subsequent to year end                    |                     |                    | (59,899)            |
| Elimination of pre-reverse acquisition<br>accumulated losses |                     |                    | <u>21,650,024</u>   |
| Total retained profits                                       |                     |                    | <u>(3,262,076)</u>  |

**NOTE 12 – SUBSEQUENT EVENTS**

Subsequent to 30 June 2016, there has not arisen any item or transaction or event of a material and unusual nature likely, in the opinion of the directors of the Company, to affect significantly the operations of the Company, the results of those operations, or the state of affairs of the Company in future financial years other than those disclosed in and considered by these financial statements.

**APPENDIX 1 HILLCREST LITIGATION SERVICES LIMITED  
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

**NOTE 13 - RELATED PARTIES**

**Directors**

The directors in the office at the date of Prospectus are:

|              |  |
|--------------|--|
| A van Noort  | Chairman and Executive                       |
| J Stephenson | Non-Executive Director and Company Secretary |
| A Middleton  | Non-Executive Director                       |

The directors in the office on completion of the acquisition of all of the shares of BUBS are:

|             |  |
|-------------|--|
| K Carr      | Executive Director and Chief Executive Officer |
| M Reynolds  | Non-Executive Director                         |
| D Lin       | Non-Executive Director                         |
| A van Noort | Non-Executive Director                         |

**Directors' interests in shares and options**

The aggregate number of shares and options in the Company held by the current directors and their director related entities as at date of the Prospectus on a post-consolidation basis are:

| <b>Director</b> | <b>Shares</b>    |
|-----------------|------------------|
| A R van Noort   | 5,008,528        |
| J R Stephenson  | 900              |
| AJL Middleton   | 785,079          |
| <b>Total</b>    | <u>5,794,507</u> |

The aggregate number of shares and options in the Company held by the current directors and their director related entities on completion of the acquisition of all of the shares of BUBS are:

| <b>Director</b>            | <b>Shares</b>     | <b>Creditor Shares</b> | <b>Total</b>      |
|----------------------------|-------------------|------------------------|-------------------|
| A R van Noort              | 5,008,528         | -                      | 5,008,528         |
| J R Stephenson             | 900               | 410,625                | 411,525           |
| AJL Middleton              | 785,079           | 492,750                | 1,277,829         |
| K Carr (proposed director) | 22,261,600        | -                      | 22,261,600        |
| <b>Total</b>               | <u>28,056,107</u> | <u>903,375</u>         | <u>28,959,482</u> |

**APPENDIX 2 THE INFANT FOOD HOLDING CO PTY LIMITED  
CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE  
INCOME**

|   | <b>Audited</b>      | <b>Audited</b>      |
|---|---------------------|---------------------|
|   | <b>Year ended</b>   | <b>Period</b>       |
|   | <b>30 June 2015</b> | <b>11 July 2013</b> |
|   |                     | <b>to</b>           |
|   |                     | <b>30 June 2014</b> |
|   | <b>\$</b>           | <b>\$</b>           |
| <b>Revenue from continuing operations</b>             |                     |                     |
| Gross sales   | 2,005,787           | 1,134,091           |
| Trading rebates                                       | (187,017)           | -                   |
| <b>Total Revenue</b>                                  | <u>1,818,770</u>    | <u>1,134,091</u>    |
| Costs of Sales  | (1,449,162)         | (965,628)           |
| <b>Gross Profit</b>                                   | <u>369,608</u>      | <u>168,463</u>      |
| Other income  | 176,590             | 43,281              |
| Distribution and selling costs                        | (225,400)           | (89,761)            |
| Employee costs  | (113,354)           | (235,517)           |
| Marketing and promotion costs                         | (19,878)            | (14,521)            |
| Rent  | (34,036)            | (32,350)            |
| Administrative and other costs                        | (320,680)           | (294,945)           |
| Depreciation, amortisation and impairment             | (81,241)            | (969,096)           |
| <b>Earnings before net interest and tax</b>           | <u>(248,391)</u>    | <u>(1,424,446)</u>  |
| Net interest income                                   | (133,471)           | -                   |
| <b>Loss before tax</b>                                | <u>(381,862)</u>    | <u>(1,424,446)</u>  |
| Income tax expense                                    | 18,808              | 15,768              |
| <b>Loss for the year</b>                              | <u>(363,054)</u>    | <u>(1,408,678)</u>  |
| Other comprehensive income                            | -                   | -                   |
| <b>Total comprehensive income for the year period</b> | <u>(363,054)</u>    | <u>(1,408,678)</u>  |

**APPENDIX 2 THE INFANT FOOD HOLDING CO PTY LIMITED  
STATEMENT OF FINANCIAL POSITION**

|                                      | <b>Audited</b><br><b>30 June 2015</b><br>\$ | <b>Audited</b><br><b>30 June 2014</b><br>\$ |
|--------------------------------------|---|---|
| <b>Current Assets</b>                |   |   |
| Cash and cash equivalents            | 12,032                                      | 21,589                                      |
| Trade and other receivables          | 391,547                                     | 662,634                                     |
| Inventories                          | 611,738                                     | 263,554                                     |
| <b>Total Current Assets</b>          | <u>1,015,317</u>                            | <u>947,777</u>                              |
| <b>Non-Current Assets</b>            |   |   |
| Property, plant and equipment        | 39,445                                      | 49,018                                      |
| Intangible assets                    | 1,369,314                                   | 1,429,778                                   |
| <b>Total Non-Current Assets</b>      | <u>1,408,759</u>                            | <u>1,478,796</u>                            |
| <b>Total Assets</b>                  | <u>2,424,076</u>                            | <u>2,426,573</u>                            |
| <b>Current Liabilities</b>           |   |   |
| Trade and other payables             | 700,621                                     | 637,148                                     |
| Borrowings                           | 1,252,355                                   | 942,339                                     |
| Provisions                           | 1,855                                       | -   |
| <b>Total Current Liabilities</b>     | <u>1,954,831</u>                            | <u>1,579,487</u>                            |
| <b>Non-Current Liabilities</b>       |   |   |
| Provisions                           | 4,021                                       | -   |
| Deferred tax liabilities             | 236,956                                     | 255,764                                     |
| <b>Total Non-Current Liabilities</b> | <u>240,977</u>                              | <u>255,764</u>                              |
| <b>Total Liabilities</b>             | <u>2,195,808</u>                            | <u>1,835,251</u>                            |
| <b>Net Assets</b>                    | <u>228,268</u>                              | <u>591,322</u>                              |
| <b>Equity</b>                        |   |   |
| Issued capital                       | 2,000,000                                   | 2,000,000                                   |
| Accumulated losses                   | (1,771,732)                                 | (1,408,678)                                 |
| <b>Total Equity</b>                  | <u>228,268</u>                              | <u>591,322</u>                              |

**APPENDIX 2 THE INFANT FOOD HOLDING CO PTY LIMITED  
STATEMENT OF CHANGES IN EQUITY**

|   | Share Capital<br>\$ | Accumulated<br>losses<br>\$ | Total Equity<br>\$ |
|---|---------------------|-----------------------------|--------------------|
| <b>Balance at 11 July 2013</b>                        | -                   | -                           | -                  |
| Comprehensive income                                  |                     |                             |                    |
| Loss for the year                                     |                     | (1,408,678)                 | (1,408,678)        |
| <b>Total comprehensive income/(loss) for the year</b> |                     | <b>(1,408,678)</b>          | <b>(1,408,678)</b> |
| Capital contribution                                  | 2,000,000           |                             | 2,000,000          |
| <b>Balance as at 30 June 2014</b>                     | <b>2,000,000</b>    | <b>(1,408,678)</b>          | <b>591,322</b>     |
| <br>  |                     |                             |                    |
| <b>Balance at 1 July 2014</b>                         | <b>2,000,000</b>    | <b>(1,408,678)</b>          | <b>591,322</b>     |
| Comprehensive income                                  |                     |                             |                    |
| Loss for the year                                     | -                   | (363,055)                   | (363,055)          |
| <b>Total comprehensive income/(loss) for the year</b> | <b>-</b>            | <b>(363,055)</b>            | <b>(363,055)</b>   |
| Capital contribution                                  | -                   | -                           | -                  |
| <b>Balance at 30 June 2015</b>                        | <b>2,000,000</b>    | <b>(1,771,732)</b>          | <b>228,268</b>     |

**APPENDIX 3 THE ORGANIC BUBS UNIT TRUST  
STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME**

|   | <b>Audited<br/>Year ended<br/>30 June 2014<br/>\$</b> |
|---|---|
| <b>Revenue from continuing operations</b>             |   |
| Gross sales   | 423,785   |
| Trading rebates                                       | -   |
| <b>Total Revenue</b>                                  | <u>423,785</u>  |
| Costs of Sales  | <u>(327,146)</u>                                      |
| <b>Gross Profit</b>                                   | <u>96,639</u>   |
| Other income  |   |
| Distribution and selling costs                        | 2,108,362   |
| Employee costs  | (9,503)   |
| Marketing and promotion costs                         | (6,399)   |
| Rent  | (904)   |
| Administrative and other costs                        | (5,061)   |
| Depreciation, amortisation and impairment             | (19,189)  |
| <b>Earnings before net interest and tax</b>           | <u>2,162,153</u>                                      |
| Net interest income                                   | <u>(36,528)</u>                                       |
| <b>Loss before tax</b>                                | <u>2,125,625</u>                                      |
| Income tax expense                                    | -   |
| <b>Loss for the year</b>                              | <u>2,125,625</u>                                      |
| Other comprehensive income                            | -   |
| <b>Total comprehensive income for the year period</b> | <u>2,125,625</u>                                      |



**APPENDIX 3 THE ORGANIC BUBS UNIT TRUST  
STATEMENT OF FINANCIAL POSITION**

|                                  | <b>Audited<br/>30 June 2014<br/>\$</b> |
|----------------------------------|--|
| <b>Current Assets</b>            |  |
| Cash and cash equivalents        | 152                                    |
| Trade and other receivables      | 3,864                                  |
| Inventories                      | 0                                      |
| Loans receivable                 | 344,187                                |
| <b>Total Current Assets</b>      | <u>348,203</u>                         |
| <b>Non-Current Assets</b>        |  |
| Property, plant and equipment    | -                                      |
| Intangible assets                | -                                      |
| <b>Total Non-Current Assets</b>  | <u>-</u>                               |
| <b>Total Assets</b>              | <u><u>348,203</u></u>                  |
| <b>Current Liabilities</b>       |  |
| Trade and other payables         | -                                      |
| Borrowings                       | -                                      |
| Unpaid trust distribution        | 347,903                                |
| <b>Total Current Liabilities</b> | <u>347,903</u>                         |
| <b>Total Liabilities</b>         | <u><u>347,903</u></u>                  |
| <b>Net Assets</b>                | <u>300</u>                             |
| <b>Equity</b>                    |  |
| Issued Units                     | 300                                    |
| Accumulated losses               | -                                      |
| <b>Total Equity</b>              | <u><u>300</u></u>                      |

**APPENDIX 3 THE ORGANIC BUBS UNIT TRUST  
STATEMENT OF CHANGES IN EQUITY**

|   | <b>Units<br/>\$</b> | <b>Accumulated<br/>losses<br/>\$</b> | <b>Total Equity<br/>\$</b> |
|---|---------------------|--------------------------------------|----------------------------|
| <b>Balance at 1 July 2013</b>                             | <b>300</b>          | <b>(915,222)</b>                     | <b>(914,822)</b>           |
| Comprehensive income                                      |                     |                                      |                            |
| Profit for the year                                       |                     | 2,125,625                            | 2,125,625                  |
| <b>Total comprehensive income/(loss) for the<br/>year</b> |                     | <b>2,125,625</b>                     | <b>2,125,625</b>           |
| Distribution to unit-holders                              | -                   | (1,210,403)                          | (1,210,403)                |
| <b>Balance as at 30 June 2014</b>                         | <b>300</b>          | <b>-</b>                             | <b>300</b>                 |

### 12.1 ASX Corporate Governance Council Principles and Recommendations

The Company has adopted comprehensive systems of control and accountability as the basis for the administration of corporate governance. The Board is committed to administering the policies and procedures with openness and integrity, pursuing the true spirit of corporate governance commensurate with the Company's needs.

To the extent applicable, commensurate with the Company's size and nature, the Company has adopted The Corporate Governance Principles and Recommendations (3rd Edition) as published by ASX Corporate Governance Council (**Recommendations**). The Board seeks, where appropriate, to provide accountability levels that meet or exceed the Recommendations.

The Company's main corporate governance policies and practices as at the date of this Prospectus are outlined below and further details on the Company's corporate governance procedures, policies and practices can be obtained from the Company website at [www.hillcrestlitigation.com.au](http://www.hillcrestlitigation.com.au).

### 12.2 Board of Directors

The Board is responsible for corporate governance of the Company. The Board develops strategies for the Company, reviews strategic objectives and monitors performance against those objectives. The goals of the corporate governance processes are to:

- (a) maintain and increase Shareholder value;
- (b) ensure a prudential and ethical basis for the Company's conduct and activities; and
- (c) ensure compliance with the Company's legal and regulatory objectives.

Consistent with these goals, the Board assumes the following responsibilities:

- (a) developing initiatives for profit and asset growth;
- (b) reviewing the corporate, commercial and financial performance of the Company on a regular basis;
- (c) acting on behalf of, and being accountable to, the Shareholders; and
- (d) identifying business risks and implementing actions to manage those risks and corporate systems to assure quality.

The Company is committed to the circulation of relevant materials to Directors in a timely manner to facilitate Directors' participation in the Board discussions on a fully-informed basis.

In light of the Company's size and nature, the Board considers that the proposed board is a cost effective and practical method of directing and managing the Company. If the Company's activities develop in size, nature and scope, the size of the Board and the implementation of additional corporate governance policies and structures will be reviewed.

### 12.3 Composition of the Board

Election of Board members is substantially the province of the Shareholders in general meeting. However, subject thereto, the Company is committed to the following principles:

- (a) the Board is to comprise Directors with a blend of skills, experience and attributes appropriate for the Company and its business; and
- (b) the principal criterion for the appointment of new Directors is their ability to add value to the Company and its business.

Following Settlement, the Board is proposed to consist of four members. The Company has adopted a Nominations Committee Charter, but has not formally adopted a nominations committee. The Directors

consider that the Company is currently not of a size, nor are its affairs of such complexity as to justify the formation of a nominations committee. The responsibilities of a Nomination Committee are currently carried out by the Board.

Where a casual vacancy arises during the year, the Board has procedures to select the most suitable candidate with the appropriate experience and expertise to ensure a balanced and effective Board. Any Director appointed during the year to fill a casual vacancy or as an addition to the current Board, holds office until the next general meeting and is then eligible for re-election by the Shareholders.

#### **12.4 Identification and management of risk**

Due to the size of the Company and the number of Directors, no formal risk management committee has been established. The Board recognises that, due to the Company, all Directors have responsibilities to recognise risks, bring them to the attention of the other Directors and actively apply controls to manage risks.

#### **12.5 Ethical standards**

The Board is committed to the establishment and maintenance of appropriate ethical standards.

#### **12.6 Independent professional advice**

Subject to the Chairman's approval (not to be unreasonably withheld), the Directors, at the Company's expense, may obtain independent professional advice on issues arising in the course of their duties.

#### **12.7 Remuneration arrangements**

The total maximum remuneration of Non-Executive Directors is initially set by the Constitution and subsequent variation is by ordinary resolution of Shareholders in general meeting in accordance with the Constitution, the Corporations Act and the ASX Listing Rules, as applicable. The determination of Non-executive Directors' remuneration within that maximum will be made by the Board having regard to the inputs and value to the Company of the respective contributions by each Non-Executive Director. The current amount has been set at an amount not to exceed \$300,000 per annum.

Directors are also entitled to be paid reasonable travelling, hotel and other expenses incurred by them respectively in or about the performance of their duties as Directors.

The Board reviews and approves the remuneration policy to enable the Company to attract and retain Directors who will create value for Shareholders having consideration to the amount considered to be commensurate for a company of its size and level of activity as well as the relevant Directors' time, commitment and responsibility.

#### **12.8 Trading policy**

The Board has adopted a policy that sets out the guidelines on the sale and purchase of securities in the Company by its key management personnel (i.e. Directors and employees). The policy generally provides that Directors and employees should advise the company secretary, or in his absence, a Director, of any purchase or sale of securities in Hillcrest Litigation Services Limited within 2 business days.

#### **12.9 External audit**

The Company in general meetings is responsible for the appointment of the external auditors of the Company, and the Board from time to time will review the scope, performance and fees of those external auditors.

#### **12.10 Audit committee**

Due to the size and structure of the Company, the Company has not established a formal audit committee. The Board, having the ability to seek external independent and individual advice at the Company's expense, believes that this facility provides a sufficient mechanism for a Director to gain assurance of the integrity of the financial statements of the Company and the independence and opinion of the external auditor.

#### **12.11 Diversity Policy**

The Board has adopted a diversity policy which provides a framework for the Company to achieve, amongst other things, a diverse and skilled workforce, a workplace culture characterised by inclusive practices and behaviours for the benefit of all staff, improved employment and career development opportunities for women

and a work environment that values and utilises the contributions of employees with diverse backgrounds, experiences and perspectives.

#### **12.12 Departures from Recommendations**

Following re-admission to the Official List of ASX, the Company will be required to report any departures from the Recommendations in its annual financial report.

### 13.1 Share Sale Agreement

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

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

#### (a) Conditions Precedent

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

- (i) no one or more events, occurrences or matters which individually or when aggregated would be likely to have a material adverse effect on the business properties, financial condition, results or operations of BUBS taken as a whole occurring prior to the date that each other Condition is satisfied or waived;
- (ii) no one or more events, occurrences or matters which individually or when aggregated would be likely to have a material adverse effect on the business properties, financial condition, results or operations of the Company taken as a whole occurring prior to the date that each other Condition is satisfied or waived;
- (iii) Hillcrest preparing and lodging this Prospectus with the ASIC and receiving valid applications for a fixed amount of \$5,150,000 in Shares (the subject of the Offer);
- (iv) termination of, and release of all claims and liabilities relating to, the agreement between BUBS and each of the BUBS Shareholders dated 26 June 2015; and
- (v) the Company obtaining all necessary shareholder approvals required by the Corporations Act and the ASX Listing Rules in relation to the Acquisition,

(the **Conditions**).

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

#### (b) Consideration

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

#### (c) Issue of PAC Options and Employee Options

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

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

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

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

**13.2 Deed of Novation and Variation**

The material terms of the Deed of Novation and Variation are as follows:

(a) **Novation**

On and from the date that the last of the conditions set out in Section 13.2(c) below is satisfied or waived (**Effective Date**):

- (i) the Company will transfer all of its rights and obligations under the litigation funding agreement in relation to the Current Assets (**Principal Agreement**) (as amended under the Deed of Novation and Variation) to Lit-One Pty Ltd (**Lit-One**);
- (ii) Lit-One will enjoy all of the rights and benefits of the Company under the Principal Agreement (as amended under the Deed of Novation and Variation); and
- (iii) Lit-One will perform the Principal Agreement (as amended under the Deed of Novation and Variation) and will assume all of the obligations and liabilities of the Company under the Principal Agreement arising on or before the Effective Date and those arising thereafter.

(b) **Consideration and payments**

The following payments will be made pursuant to the Deed of Novation and Variation:

- (i) in consideration for the assigned rights, title, interest and benefits under the Principal Agreement, Lit-One will pay the amount of \$264,776.54 to the Company. Lit-One will also arrange the replacement of the security deposit of \$100,000 held by the court and the repayment of the existing security deposit to the Company; and
- (ii) in consideration for Lit-One assuming the Company's obligations to meet any adverse costs orders pursuant to the Principal Agreement, the Company will pay Lit-One \$250,000.

(c) **Conditions to completion:**

Completion of the Deed of Novation and Variation is subject to:

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

by 31 December 2016.

**13.3 Lead Manager Mandate**

On 11 November 2016, the Company and PAC Partners Pty Ltd entered into an agreement pursuant to which PAC Partners agreed to lead manage the Offer (**Lead Manager Mandate**). PAC Partners will act as lead manager to the Offer for a selling fee of 3% on monies raised by PAC Partners up to a maximum of \$100,000. A 1% fee will be applied on the remainder of the monies raised outside of PAC Partners.

As set out in the Share Sale Agreement, Hillcrest will also issue PAC Partners 5,844,242 Options with an exercise price of \$0.10 each (on a post-Consolidation basis) in consideration for PAC Partners' facilitation of the Acquisition.

#### 13.4 Executive Services Agreement – Kristy-Lee Newland Carr

The Company has entered into an executive services agreement with Ms Carr which sets out the terms upon which Ms Carr will act as the Chief Executive Officer and Executive Director of the Company. The key terms of the executive services agreement are as follows:

- (a) Term: Ms Carr’s employment with the Company will commence on the date of Settlement of the Acquisition;
- (b) Remuneration: Ms Carr will receive a base salary of \$200,000, an allowance of \$500 per month towards work-related expenses and is eligible to participate in any bonus scheme or employee share option scheme of the Company as may be in place from time to time;
- (c) Restraint of trade: Upon termination of the executive services agreement, Ms Carr will be subject to non-solicitation and non-competition periods of up to 9 months; and
- (d) Termination: Either party may terminate the executive services agreement at any time for any reason or no reason by giving the other party 3 months’ written notice.

#### 13.5 Non-executive letters of appointment

##### (a) Mr Matthew Reynolds

On 10 November 2016, Matthew Reynolds executed a letter of appointment to become a Non-executive Director of the Company effective from Settlement of the Acquisition.

##### (i) Term

Mr Reynold’s service will commence on Settlement of the Acquisition and will cease when he resigns, retires or is removed from office in accordance with the Company’s Constitution or the Corporations Act.

##### (ii) Fee

Mr Reynolds will be paid a fee of \$30,000 per annum for his role as a Non-executive Director of the Company. Any fees paid to Mr Reynolds will in any event be subject to annual review by the Board of the Company and approval by Shareholders (if required). The Company will reimburse Mr Reynolds for all reasonable expenses incurred in performing his duties.

##### (b) Mr Dennis Lin

On 10 November 2016, Dennis Lin executed a letter of appointment to become a Non-executive Director of the Company effective from Settlement of the Acquisition.

##### (i) Term

Mr Lin’s service will commence on Settlement of the Acquisition and will cease when he resigns, retires or is removed from office in accordance with the Company’s Constitution or the Corporations Act.

##### (ii) Fee

Mr Lin will be paid a fee of \$30,000 per annum for his role as a Non-executive Director of the Company. Any fees paid to Mr Lin will in any event be subject to annual review by the Board of the Company and approval by Shareholders (if required). The Company will reimburse Mr Lin for all reasonable expenses incurred in performing his duties.



### 13.6 Services Agreement – Alan van Noort

The Company and current Executive Chairman, Alan van Noort, are parties to a services agreement pursuant to which:

- (a) from 1 April 2015, Mr van Noort's base salary is \$200,000 per annum plus superannuation;
- (b) the Company provides Mr van Noort with insurance cover under directors and officers liability; and
- (c) a period of one month's notice upon termination of the agreement must be provided.

### 13.7 BUBS - Nutritional Powders Supply Agreement

BUBS' wholly-owned subsidiary, The Infant Food Co. Pty Limited (**IFC Pty Ltd**) is party to an agreement with Blend and Pack Pty Ltd (**BAP**) pursuant to which BAP supplies nutritional powder in packaging according to IFC Pty Ltd's specifications in accordance with orders from IFC Pty Ltd (**Nutritional Powders Supply Agreement**).

The Nutritional Powders Supply Agreement commenced on 21 October 2015 and was renewed for a further 12 months on 21 October 2016. The Nutritional Powders Supply Agreement may otherwise be terminated by mutual agreement between the parties.

Products are to conform to the specifications provided by IFC Pty Ltd, with compliance being confirmed in accordance with stipulated sampling and testing procedures.

IFC Pty Ltd may, from time to time, ask BAP to develop new products. If a new product is developed jointly by BAP and IFC Pty Ltd, each party will bear their own reasonable costs in developing the product and will jointly own any intellectual property and intellectual property rights connected with the manufacture and/or sale of the new products.

### 13.8 Deeds of indemnity, insurance and access

The Company is in the process of finalising deeds of indemnity, insurance and access with each of its Proposed Directors and will enter into such deeds with the Proposed Directors following their appointments. Under these deeds, the Company agrees to indemnify each officer to the extent permitted by the Corporations Act against any liability arising as a result of the officer acting as an officer of the Company or a related body corporate (subject to customary exceptions). The Company is also required to maintain insurance policies for the benefit of the relevant officer and must also allow the officers to inspect Board papers and other documents provided to the Board in certain circumstances.

For existing Directors, the Company has entered into deeds of indemnity, insurance and access.

### 14.1 Litigation

As at the date of this Prospectus, neither the Company nor BUBS nor any of their respective subsidiaries are involved in any material legal proceedings and the Directors and Proposed Directors are not aware of any legal proceedings pending or threatened against the Company or BUBS or any of their respective subsidiaries.

### 14.2 Rights and liabilities attaching to Shares (including Shares to be issued under the Offer)

The following is a summary of the more significant rights and liabilities attaching to Shares being offered pursuant to this Prospectus. This summary is not exhaustive and does not constitute a definitive statement of the rights and liabilities of Shareholders. To obtain such a statement, persons should seek independent legal advice.

Full details of the rights and liabilities attaching to Shares are set out in the Constitution, a copy of which is available for inspection at the Company's registered office during normal business hours.

#### (a) General meetings

Shareholders are entitled to be present in person, or by proxy, attorney or representative to attend and vote at general meetings of the Company.

Shareholders may requisition meetings in accordance with section 249D of the Corporations Act and the Constitution of the Company.

#### (b) Voting rights

Subject to any rights or restrictions for the time being attached to any class or classes of shares, at general meetings of Shareholders or classes of shareholders:

- (i) each Shareholder entitled to vote may vote in person or by proxy, attorney or representative;
- (ii) on a show of hands, every person present who is a Shareholder or a proxy, attorney or representative of a Shareholder has one vote; and
- (iii) on a poll, every person present who is a Shareholder or a proxy, attorney or representative of a Shareholder shall, in respect of each fully paid Share held by him, or in respect of which he is appointed a proxy, attorney or representative, have one vote for each Share held, but in respect of partly paid shares shall have such number of votes as bears the same proportion to the total of such Shares registered in the Shareholder's name as the amount paid (not credited) bears to the total amounts paid and payable (excluding amounts credited).

#### (c) Dividend rights

Subject to the rights of any preference Shareholders and to the rights of the holders of any shares created or raised under any special arrangement as to dividend, the Directors may from time to time declare a dividend to be paid to the Shareholders entitled to the dividend which shall be payable on all Shares according to the proportion that the amount paid (not credited) is of the total amounts paid and payable (excluding amounts credited) in respect of such Shares.

The Directors may from time to time pay to the Shareholders any interim dividends as they may determine. No dividend shall carry interest as against the Company. The Directors may set aside out of the profits of the Company any amounts that they may determine as reserves, to be applied at the discretion of the Directors, for any purpose for which the profits of the Company may be properly applied.

Subject to the ASX Listing Rules and the Corporations Act, the Company may, by resolution of the Directors, implement a dividend reinvestment plan on such terms and conditions as the Directors think fit.

(d) **Winding-up**

If the Company is wound up, the liquidator may, with the authority of a special resolution, divide among the shareholders in kind the whole or any part of the property of the Company, and may for that purpose set such value as he considers fair upon any property to be so divided, and may determine how the division is to be carried out as between the Shareholders or different classes of Shareholders.

(e) **Shareholder liability**

As the Shares under the Prospectus are fully paid shares, they will not be subject to any calls for money by the Directors and will therefore not become liable for forfeiture.

(f) **Transfer of Shares**

Generally, Shares in the Company are freely transferable, subject to formal requirements, the registration of the transfer not resulting in a contravention of or failure to observe the provisions of a law of Australia and the transfer not being in breach of the Corporations Act or the ASX Listing Rules.

(g) **Future increase in capital**

The issue of any new Shares is under the control of the Board of the Company as appointed from time to time. Subject to restrictions on the issue or grant of Securities contained in the Constitution and the Corporations Act (and without affecting any special right previously conferred on the holder of an existing Share or class of shares), the Directors may issue Shares and other Securities as they shall, in their absolute discretion, determine.

(h) **Variation of rights**

Under Section 246B of the Corporations Act, the Company may, with the sanction of a special resolution passed at a meeting of Shareholders vary or abrogate the rights attaching to Shares.

If at any time the share capital is divided into different classes of shares, the rights attached to any class (unless otherwise provided by the terms of issue of the shares of that class) may be varied or abrogated with the consent in writing of the holders of three quarters of the issued shares of that class, or if authorised by a special resolution passed at a separate meeting of the holders of the shares of that class.

(i) **Alteration of Constitution**

In accordance with the Corporations Act, the Constitution can only be amended by a special resolution passed by at least three quarters of votes validly cast for Shares at the general meeting. In addition, at least 28 days written notice specifying the intention to propose the resolution as a special resolution must be given.

### 14.3 **Terms of PAC Options**

The terms of the 5,844,242 PAC Options proposed to be issued to PAC Partners are as follows:

(a) **Entitlement**

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

(b) **Exercise Price**

Subject to paragraph 14.3(k), the amount payable upon exercise of each PAC Option will be \$0.10 (**Exercise Price**).

(c) Vesting

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

(d) Expiry Date

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

(e) Exercise Period

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

(f) Notice of Exercise

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

(g) Exercise Date

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

(h) Timing of issue of Shares on exercise

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

- (i) allot and issue the number of Shares required under these terms and conditions in respect of the number of PAC Options specified in the Notice of Exercise and for which cleared funds have been received by the Company;
- (ii) 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
- (iii) if admitted to the official list of ASX at the time, apply for official quotation on ASX of Shares issued pursuant to the exercise of the PAC Options.

If a notice delivered under (h)(ii) for any reason is not effective to ensure that an offer for sale of the Shares does not require disclosure to investors, 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.

(i) Shares issued on exercise

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

(j) 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.

(k) 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.

(l) Participation in new issues

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

(m) Change in exercise price

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

(n) Unquoted

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

(o) Transferability

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

#### 14.4 Terms of Employee Options

The terms of the 3,578,108 Employee Options proposed to be issued to Nicholas Simms are as follows:

(a) Entitlement

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

(b) Exercise Price

Subject to paragraph 14.4(k), the amount payable upon exercise of each Employee Option will be \$0.10 (**Exercise Price**).

(c) Expiry Date

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

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

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

**(Expiry Date)**.

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

(d) Exercise Period

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

(e) **Notice of Exercise**

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

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

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

- (i) allot and issue the number of Shares required under these terms and conditions in respect of the number of Employee Options specified in the Notice of Exercise and for which cleared funds have been received by the Company;
- (ii) 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
- (iii) if admitted to the official list of ASX at the time, apply for official quotation on ASX of Shares issued pursuant to the exercise of the Employee Options.

If a notice delivered under (g)(ii) 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 Employee 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 Employee 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 Employee Options and holders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Employee Options without exercising the Employee Options.

(l) **Change in exercise price**

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

(m) **Unquoted**

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

(n) **Transferability**

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

#### **14.5 Interests of Directors and Proposed Directors**

Other than as set out in this Prospectus, no Director or Proposed Director holds, or has held within the 2 years preceding lodgement of this Prospectus with the ASIC, any interest in:

- (a) the formation or promotion of the Company;
- (b) any property acquired or proposed to be acquired by the Company in connection with:
  - (i) its formation or promotion; or
  - (ii) the Offer; or
- (c) the Offer,

and no amounts have been paid or agreed to be paid and no benefits have been given or agreed to be given to a Director or proposed Director:

- (a) as an inducement to become, or to qualify as, a Director; or
- (b) for services provided in connection with:
  - (i) the formation or promotion of the Company; or
  - (ii) the Offer.

#### **14.6 Interests of Experts and Advisers**

Other than as set out below or elsewhere in this Prospectus, no:

- (a) person named in this Prospectus as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus; or
- (b) promoter of the Company,

holds, or has held within the 2 years preceding lodgement of this Prospectus with the ASIC, any interest in:

- (a) the formation or promotion of the Company;
- (b) any property acquired or proposed to be acquired by the Company in connection with:
  - (i) its formation or promotion; or
  - (ii) the Offer; or
- (c) the Offer,

and no amounts have been paid or agreed to be paid and no benefits have been given or agreed to be given to any of these persons for services provided in connection with:

- (a) the formation or promotion of the Company; or
- (b) the Offer.

Pendragon Capital Limited has acted as Investigating Accountant of the Company and has prepared the Investigating Accountant's Report which is included in Section 11 of this Prospectus. The Company estimates it will pay Pendragon Capital Limited a total of \$15,000 (excluding GST) for these services. During the 24 months preceding lodgement of this Prospectus with the ASIC, Pendragon Capital Limited has received \$15,000 fees from the Company for preparation of the independent expert's report that accompanies the Notice of Meeting.

Steinepreis Paganin has acted as the solicitors to Company in relation to the Offer. The Company expects that it will pay Steinepreis Paganin \$100,000 (excluding GST) for these services. Subsequently, fees will be charged in accordance with normal charge out rates. During the 24 months preceding lodgement of this Prospectus with the ASIC, Steinepreis Paganin has acted for the Company and has received \$67,881 fees (excluding GST and disbursements) from the Company for legal services provided to the Company.

PAC Partners Pty Ltd is acting as Lead Manager of the Offer. The Company estimates it will pay PAC Partners Pty Ltd a total of \$100,000 (excluding GST) for these services. During the 24 months preceding lodgement of this Prospectus with the ASIC, PAC Partners Pty Ltd has received \$12,000 in fees from the Company for brokerage services provided to the Company.

#### 14.7 Consents

Chapter 6D of the Corporations Act imposes a liability regime on the Company (as the offeror of the Securities), the Directors, the persons named in the Prospectus with their consent as Proposed Directors, persons named in the Prospectus with their consent having made a statement in the Prospectus and persons involved in a contravention in relation to the Prospectus, with regard to misleading and deceptive statements made in the Prospectus. Although the Company bears primary responsibility for the Prospectus, the other parties involved in the preparation of the Prospectus can also be responsible for certain statements made in it.

Each of the parties referred to in this Section 14.7:

- (a) does not make, or purport to make, any statement in this Prospectus other than those referred to in this Section;
- (b) in light of the above, only to the maximum extent permitted by law, expressly disclaim and take no responsibility for any part of this Prospectus other than a reference to its name and a statement included in this Prospectus with the consent of that party as specified in this Section.

Pendragon Capital Limited has given its written consent to being named as Investigating Accountant in this Prospectus and to the inclusion of the Investigating Accountant's Report in Section 11 of this Prospectus in the form and context in which the information and report is included. Pendragon Capital Limited has not withdrawn its consent prior to lodgement of this Prospectus with the ASIC.

Steinepreis Paganin has given its written consent to being named as the solicitors to the Company in this Prospectus. Steinepreis Paganin has not withdrawn its consent prior to the lodgement of this Prospectus with the ASIC.

PAC Partners Pty Ltd has given its written consent to being named as Lead Manager of the Offer in this Prospectus. PAC Partners Pty Ltd has not withdrawn its consent prior to the lodgement of this Prospectus with the ASIC.

Ernst & Young has given its written consent to being named as Auditor of the Company in this Prospectus. Ernst & Young has not withdrawn its consent prior to the lodgement of this Prospectus with the ASIC.

The Proposed Directors have each given their written consent to being named as the proposed directors of the Company and to all other information relevant to them in this Prospectus. The Proposed Directors have not withdrawn their consents prior to the lodgement of this Prospectus with the ASIC.



#### 14.8 Expenses of the Offer

The total expenses of the Offer (excluding GST) are estimated to be approximately \$400,000 and are expected to be applied towards the items set out in the table below:

| Item of Expenditure                      | \$5,150,000 raised under the Offer |
|--|------------------------------------|
| ASIC fees                                | \$2,350                            |
| ASX fees                                 | \$78,854                           |
| Legal fees                               | \$100,000                          |
| Prospectus management fee                | \$25,000                           |
| Investigating Accountant's fees          | \$15,000                           |
| Lead manager fees                        | \$100,000                          |
| Printing, Distribution and Miscellaneous | \$78,796                           |
| <b>TOTAL</b>                             | <b>\$400,000</b>                   |

#### 14.9 Continuous disclosure obligations

As the Company is admitted to ASX's Official List, the Company is a "disclosing entity" (as defined in Section 111AC of the Corporations Act) and, as such, will be subject to regular reporting and disclosure obligations. Specifically, like all listed companies, the Company is required to continuously disclose any information it has to the market which a reasonable person would expect to have a material effect on the price or the value of the Company's securities.

Price sensitive information is publicly released through ASX before it is disclosed to shareholders and market participants. Distribution of other information to shareholders and market participants is also managed through disclosure to the ASX. In addition, the Company posts this information on its website after the ASX confirms an announcement has been made, with the aim of making the information readily accessible to the widest audience.

#### 14.10 Electronic Prospectus

If you have received this Prospectus as an electronic Prospectus, please ensure that you have received the entire Prospectus accompanied by the Application Form and fully read those documents. If you have not, please contact the Company and the Company will send you, for free, either a hard copy or a further electronic copy of this Prospectus or both. Alternatively, you may obtain a copy of this Prospectus from the website of the Company at [www.hillcrestlitigation.com.au](http://www.hillcrestlitigation.com.au).

The Corporations Act prohibits any person from passing on to another person the Application Form unless it is attached to or accompanies a hard copy of the Prospectus or a complete and unaltered electronic copy of this Prospectus. The Company reserves the right not to accept an Application Form from a person if it has reason to believe that when that person was given access to the electronic Application Form, it was not provided together with the electronic Prospectus and any relevant supplementary or replacement prospectus or any of those documents were incomplete or altered.

#### 14.11 Governing law

The Offer and the contracts formed on return of an Application Form are governed by the laws applicable in Western Australia, Australia. Each person who applies for Shares pursuant to this Prospectus submits to the non-exclusive jurisdiction of the courts of Western Australia, Australia, and the relevant appellate courts.

This Prospectus is issued by the Company and its issue has been authorised by a resolution of the Directors.

In accordance with Section 720 of the Corporations Act, each Director and each Proposed Director has consented to the lodgement of this Prospectus with the ASIC.



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Mr Alan van Noort  
Chairman  
For and on behalf of  
HILLCREST LITIGATION SERVICES LIMITED

Where the following terms are used in this Prospectus they have the following meanings:

**\$** means an Australian dollar.

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

**Acquisition Resolutions** means those Shareholder resolutions referred to in Section 6.6 of this Prospectus to be considered at the Annual General Meeting, as described in further detail in the Notice of Meeting.

**Annual General Meeting** means the meeting of Shareholders to be held on 8 December 2016 at which the Shareholders will consider and vote on the resolutions outlined in the Notice of Meeting including the Acquisition Resolutions.

**Applicant** means a person or other entity that applies for Shares under this Prospectus.

**Application Form** means an application form attached to or accompanying this Prospectus relating to the Offer.

**ASIC** means Australian Securities & Investments Commission.

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

**ASX Listing Rules** or **Listing Rules** means the official listing rules of ASX.

**Board** means the board of Directors as constituted from time to time.

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

**BUBS Business** has the meaning given in Section 8.1.

**BUBS Shareholders** means:

- (a) Infant Food Business Pty Limited (ACN 164 761) 442 atf Bubs Australia Trust;
- (b) Carr Family Pty Limited (ACN 120 287 854) atf Carr Family Trust;
- (c) WF Investment Holdings Pty Ltd (ACN 606 658 511) atf WF Investment Trust;
- (d) Berne No.132 Nominees Pty Limited (ACN 010 413 591);
- (e) Magic Home Limited;
- (f) Next Step Global Limited;
- (g) Ellerston Capital Limited (ACN 110 397 674) atf Ellerston Special Opportunities Platform;
- (h) Shining Way Holdings Limited;
- (i) King Novel Limited;
- (j) Inspiring Future Limited; and
- (k) DNA Norway Pty Ltd (ACN 611 057 973) atf DNA Norway Trust.

**BUBS Shares** means 100% of the issued shares of BUBS.

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

**Closing Date** means the closing date of the Offer as set out in the indicative timetable in Section 3 of this Prospectus (subject to the Company reserving the right to extend the Closing Date or close the Offer early).

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

**Condition** has the meaning set out in Section 2.5.

**Consideration Shares** means 163,400,000 Shares.

**Consolidation** means the consolidation of the issued securities of the Company existing at the date of the Notice of Meeting on a one (1) for 16.6666667 basis (rounded up to the nearest whole number).

**Constitution** means the constitution of the Company.

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

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

**Directors** means the directors of the Company at the date of this Prospectus.

**Employee Option** means an Option to be issued with the terms and conditions set out in Section 14.4.

**FMCG** means fast-moving consumer goods.

**Notice of Meeting** means the notice of annual general meeting and explanatory statement of the Company released on ASX on 9 November 2016 in relation to the Annual General Meeting.

**Offer** means the offer pursuant to this Prospectus, as set out in Section 7.1 of 51,500,000 Shares at an issue price of \$0.10 per Share to raise \$51,500,000.

**Official List** means the official list of ASX.

**Official Quotation** means official quotation by ASX in accordance with the ASX Listing Rules.

**Option** means an option to acquire a Share.

**Optionholder** means a holder of an Option.

**PAC Option** means an Option to be issued with the terms and conditions set out in Section 14.3.

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

**Proposed Directors** means Kristy-Lee Newland Carr, Matthew Reynolds and Dennis Lin who will be appointed to the Board of the Company upon completion of the Acquisition.

**Prospectus** means this prospectus.

**Section** means a section of this Prospectus.

**Security** means a security issued or to be issued in the capital of the Company, including a Share or an Option.

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

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

**Shareholder** means a holder of Shares.

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

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