



ALGAE.TEC

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2015 Annual Report

Algae.Tec Limited

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Company Details

Directors

Peter Hatfull	Managing Director
Earl McConchie	Executive Director
Malcolm James	Non-Executive Chairman (<i>Appointed 16 September 2014</i>)

Company Secretary

Peter Hatfull

Principal Registered Office in Australia

Unit 2, 100 Railway Road
Subiaco WA 6008

Share Register

Computershare Investor Services Pty Limited
Level 11, 172 St George's Terrace
Perth WA 6000

Auditors

BDO Audit (WA) Pty Ltd
38 Station Street
Subiaco WA 6008

Bankers

Commonwealth Bank of Australia	Wells Fargo Bank
Business and Private Banking	464 California Street
Level 1, 38 Adelaide Street	San Francisco
Fremantle WA 6160	USA

Securities Exchange

Australian Securities Exchange	Frankfurt Stock Exchange	New York Stock Exchange
ASX	FSE	NYSE
Level 5, 20 Bridge Street	60485 Frankfurt am Maim	11 Wall Street
Sydney NSW 2000	Germany	New York NY 10005
AEB	GZA:GR	ALGXY:US

Directors' Report

For the year ended 30 June 2015

Directors

The Directors of the Group at any time during or since the end of the financial year are:

Peter Ernest Hatfull

Managing Director

Peter has over 30 years' experience in a range of senior executive positions with Australian and international companies. He has an extensive skill-set in the areas of business optimisation, capital raising and Group restructuring.

Prior to becoming Managing Director of Algae.Tec Ltd, Peter held senior financial and board positions in Australia, Africa and the UK. Peter graduated as a Chartered Accountant in the United Kingdom where he worked for Coopers and Lybrand (now PriceWaterhouseCoopers), and subsequently moved to Africa, where he spent 8 years in Malawi.

Peter Hatfull currently holds 10,021,178 ordinary shares in Algae.Tec Ltd and 7,000,000 options.

Peter Hatfull was appointed as Director of Algae.Tec Limited on 18 January 2010.

Peter Hatfull currently holds the position of Company Secretary of Algae.Tec Ltd.

Peter Hatfull has not held any other directorships with any other public entities in the past three years.

Earl McConchie

Executive Director

Earl has over 35 years' experience over a broad field of chemistry and associated technologies. Earl's field experience includes international business management, plant operations, and project engineering in the US, Europe (especially Germany, Holland, Switzerland, UK and CIS), Latin America (Brazil, Argentina and Mexico) and Asia (Korea, China and Australia).

Earl has over 10 years of specific technical and business experience in the biodiesel and glycerin industry sectors. He is the founding director and joint controlling shareholders of Teco.Bio LLC and is based in Atlanta, Georgia where he has coordinated the microalgae development.

Earl has received a BSc (Chem.Eng) from Virginia Polytechnic Institute & State University, and a ME Chemical Engineering from Teas A & M University. He is a registered Professional Engineer, Member of the National society of Professional Engineers, the American Institute of Chemical engineers, and the society of Plastic Engineers.

Earl McConchie was appointed as Director of Algae.Tec Limited on 18 August 2008.

Earl McConchie, controls Dot.Bio Inc which owns 100% of Teco.Bio LLC which now holds 175,000,001 shares in Algae.Tec Limited.

An additional 4,070,000 shares are held by the immediate family of Earl McConchie. Earl McConchie currently holds nil options.

Earl McConchie is also a Director of Dot.Bio Inc and Teco.Bio LLC and he has not held any other directorships with any other public entities in the past three years.

Malcolm James

Non-Executive Chairman

Malcolm James has over 27 years' experience in finance, project development and public company management. During this period Malcolm James has worked in several countries and been involved in over \$2 billion in capital and debt raisings. He is currently the principal of MRJ Advisors, a boutique investment, advisory and project development organisation with offices in Perth and New York, and is the Non-Executive Chairman of Anova Minerals Ltd.

Malcolm James currently holds 100,000 ordinary shares in Algae.Tec Ltd and 7,000,000 options.

Malcolm James was appointed as Non- Executive Chairman of Algae.Tec Limited on 16 September 2014.

Directors' Report

For the year ended 30 June 2015

Roger Stroud

Resigned 16 September 2014

Mr. Stroud has been the Executive Chairman of the Group since inception, and has led the drive to commercialise the Group's unique technology. Having reached the age of 65, Roger has decided to concentrate more on personal matters and reduce any corporate involvement.

Meetings of Directors

The following table sets out the number of directors' meetings held during the financial year and the number of meetings attended by each Director.

Director	Board Meetings	
	Held A	Attended B
<i>Mr Peter Ernest Hatfull</i>	<i>8</i>	<i>8</i>
<i>Mr Garnet Earl McConchie</i>	<i>8</i>	<i>8</i>
<i>Mr Malcolm James</i>	<i>8</i>	<i>8</i>

Principal Activities

The principal activity of the Group during the course of the financial year was the development of the technology for the production of algal oil and algal biomass for sale as feedstock to producers of biodiesel, jet fuel and ethanol. During the year, the Group also focused on commercialising the technology towards the fast growing nutraceutical market.

Overview of the Group

The year to 30 June 2015 has seen Algae.Tec Ltd achieve a number of milestones. The contract entered into the previous year with the Reliance Group of India has seen a strong validation of our technology, and further developments and improvements to our core technology.

Algae.Tec has concentrated its resources during the year on the further development of its technology whilst moving towards the commercialization of its technology with the Reliance Group. The year has seen a number of key deliverables achieved with Reliance culminating in the dispatch of containers housing the initial test plant to Jamnagar, India where they are awaiting final installation by the Reliance and Algae.Tec engineers. This will result in the initial plant being commissioned in the first half of the new financial year.

The Group has continued its approach to forming strong strategic relationships to assist in commercialising our unique technology, with agreements being signed during the year with a Chinese Group and a Group based in the Dominican Republic. These are important steps to introduce our technology into areas in need of clean renewable energy.

The Group's strategic plan of developing markets for its algae products outside of its core energy market has taken significant steps forward during the year, with the commencement of the building of a small scale plant in Cumming, Atlanta to produce algae for the nutraceutical market. This is exciting for the Group as it will develop a number of significant income streams, reducing risk whilst bringing cash flows and profits to account sooner than was planned with the large scale biofuel algae plants.

Directors' Report

For the year ended 30 June 2015

Review of financial position

The consolidated loss of the Group amounted to \$2,718,165 (2014: Loss \$2,179,072) after including a tax refund due for R & D activities in the financial year of \$2,296,663.

Net cash expensed through operating activities for the financial year was \$2,044,272 a 32.1% increase on the \$1,547,499 spent in the prior year.

Revenue derived from the provision of services and equipment is a result of the agreement with the Reliance Group of India for the research and development of algae species and the supply of a pilot plant.

Major events during the year were as follows:

Reliance Industrial Investments and Holdings Limited (RIHL)

On 19 December 2014 the Company announced a further subscription agreement with Reliance Industrial Investments and Holdings Limited (RIHL) to raise \$AUD2.4m. The highlights of the second subscription agreement was to raise \$AUD1.4m via issue of 20m shares at \$0.07 cents and the issue of 14,285,714 options at an exercise price of \$0.07 cents with RIHL exercising half of these options within 5 months and subsequently 10 months to the date of issue. These proceeds provided additional working capital for the fast development of an algae plant in Jamnagar, India, utilizing our technology for the creation of biofuel.

On 25 May 2015 the Company announced the exercise of \$500,000 of options by RIHL at an exercise price of \$0.07 cents.

In May 2015, the first container to Jamnagar province in India was dispatched. This key milestone was part of the contract entered into with Reliance. This first container houses the algae photobioreactor assembly, which will be situated next to the world's largest oil refinery, owned by Reliance.

China Finance Strategies Investment Holdings Ltd (CFS)

On 9 January 2015, the Company announced it had executed an agreement with CFS under which Algae.Tec will issue an initial US\$0.5m convertible bond and, subject to the achievement of certain milestones, will issue US\$5m conditional options to CFS, and CFS will introduce Algae.Tec's unique technology into the greater China region. CFS has great experience of introducing and developing new technologies into China. The two companies will jointly explore commercial scale opportunities for Algae.Tec's technology across Greater China incorporating the People's Republic of China, Taiwan, Hong Kong and Macau. This is an exciting development for Algae.Tec following on from the Company's program with India's Reliance Industries Limited.

Algae for Nutraceutical Products

On 25 March 2015 the Group announced the expansion of its development and manufacturing facilities in Cumming, Georgia USA and the building of an initial small scale plant for the production of algae for the nutraceutical market.

Larimar Energy SRL

On 21 April 2015 the Company announced it had executed a collaboration agreement for the commercialization of its algae production technology with Larimar Energy SRL of the Dominican Republic.

The energy sector for the Dominican Republic relies on fossil fuel for more than 90% of its primary energy. Algae.Tec and Larimar are collaborating on the development of algae production projects in the Dominican Republic and Caribbean regions. This agreement establishes the commercial platform for implementation of Algae.Tec's proprietary technology in industrial-scale facilities with the generation of sustainable biofuels and bioproducts.

Directors' Report

For the year ended 30 June 2015

Environmental regulation

Algae.Tec Ltd will not be subjected to significant environmental regulations under both the Commonwealth and State legislation.

Significant Changes in State of Affairs

There have been no significant changes in the state of affairs of the Group during the financial year.

Dividends

No dividends were paid or recommended by the Directors.

Events subsequent to reporting date

There were no events subsequent to reporting date.

Likely developments

Information regarding the likely developments in the operations of the consolidated entity in future financial years and the expected results of those operations is included in the Review of Operations on pages 5 and 6, which forms part of the Directors' report.

Further information about likely developments in the operations of the Group and the expected results of those operations in future financial years has not been included in this report because disclosure of the information would be likely to result in unreasonable prejudice to the Group.

Directors' interest

The relevant interest of each director in the shares, debentures, interests in registered schemes and rights or options over such instruments issued by the companies within the Group and other related bodies corporate, as notified by directors to the ASX in accordance with S205G(1) of the Corporations Act 2001, at the date of this report are as follows:

	Algae.Tec Limited	
	Ordinary Shares	Options over ordinary shares
Peter Hatfull	10,021,178	7,000,000
Malcolm James	100,000	7,000,000
Earl McConchie	175,000,001	-

1. *By virtue of Section 608(3) of the Corporations Act, as Mr McConchie controls Dot-Bio Inc which holds 100% of Teco.Bio LLC which in turn holds 175 million Shares. Related parties of Mr McConchie together hold 4.07 million Shares.*

Options and Rights Granted

7,000,000 options were issued to Mr Peter Hatfull and 7,000,000 options to Mr Malcolm James during the financial year ended 30 June 2015. All options outstanding at 30 June 2015 are as follows:

Number of options	Issued to	Class
49,584,334	GEM	Options exercisable at \$0.75 on or before 13 January 2016
1,000,000	Advides	Options exercisable at \$1.00 on or before 14 October 2015
28,728,607	The Reliance Group	Options exercisable at \$0.1636 on or before 20 January 2019
7,142,857	The Reliance Group	Options exercisable at \$0.07 on or before 18 December 2019
1,000,000	Cross Border Ventures	Options exercisable at \$0.20 on or before 1 March 2018
16,000,000	Employees/Directors	Options exercisable at \$0.09 on or before 30 June 2019.

Directors' Report

For the year ended 30 June 2015

Indemnification and Insurance of Officers and Executives

Indemnification

The Group has agreed to indemnify the following current directors of the Group, Mr Peter Hatfull, Mr Earl McConchie and Mr Malcolm James against all liabilities to another person (other than the Group or a related body corporate) that may arise from their position as directors of the Group and its controlled entity, except where the liability arises out of conduct involving lack of good faith. The agreement stipulates that the Group will meet the full amount of any such liabilities, including costs and expenses.

The Group has also agreed to indemnify senior executive for all liabilities to another person (other than the Group or related body corporate) that may arise from their position in the Group and its controlled entity, except where the liability arises out of conduct involving lack of good faith. The agreement stipulates that the Group will meet the full amount of any such liabilities.

Insurance premiums

The directors have not included details of the nature of the liabilities covered or the amount of the premium paid in respect of the directors' and officers' liability and legal expenses' insurance contracts, as such disclosure is prohibited under the terms of the contract.

Corporate Governance

The Company's Corporate Governance Statement can be found at:

<http://algaetec.com.au/index.php/about-us/corporate-governance>

Non-Audit services

During the year BDO Audit (WA) Pty Ltd ("BDO"), did not perform any other services in addition to the audit and review of financial statements.

Proceedings on behalf of the Group

There are no proceedings currently being undertaken on behalf of the Group.

Auditor's Independence Declaration

A copy of the auditor's independence declaration as required under section 370C of the Corporations Act 2011 is set out on page 47.

Remuneration Report – *audited*

This Remuneration Report outlines the director and executive remuneration arrangements of the Company and the Group in accordance with the requirements of the Corporations Act 2001.

Key management personnel disclosed in this report are:

Peter Hatfull
Malcolm James
Earl McConchie

Directors' Report

For the year ended 30 June 2015

Remuneration Report – audited (continued)

Principles of compensation - audited

Key management personnel have authority and responsibility for planning, directing and controlling the activities of the Group, including directors of the Group and other executives. Key management personnel comprise of the Group directors.

Compensation levels for key management personnel of the Group are competitively set to attract and retain appropriately qualified and experienced directors and executives.

The compensation structures explained below are designed to attract suitably qualified candidates, reward the achievement of strategic objectives, and achieve the broader outcome of creation of value for shareholders. The compensation structures take into account:

- The capability and experience of the key management personnel
- The key management personnel's ability to control the relevant segments' performance; and
- The Group's performance including:
 - The Group's earnings;
 - The growth in share price and delivering constant returns on shareholders wealth; and
 - The amount of incentives within each key management person's compensation.

Compensation packages include a mix of fixed and variable compensation, and short and long-term performance based incentives.

Fixed compensation

Fixed compensation consists of base compensation (which is calculated on a total cost basis and includes any FBT charges related to employee benefits including motor vehicles) as well as leave entitlements and employer contribution to superannuation funds.

Compensation levels are reviewed annually by the Board through a process that considers individual, segment and overall performance of the Group.

Additional information

The table below sets out the performance of the Group and the consequences of performances on shareholders' wealth for the past four financial years.

	2015	2014	2013	2012
Quoted price of ordinary shares at period end (cents)	0.06	0.09	0.17	0.34
Profit/(loss) per share (cents)	(0.01)	(0.01)	(0.02)	(0.03)

No remuneration consultants were used during the year.

As the Group is still in the Research and Development phase, there is no direct link between the financial performance of the Group and remuneration.

Service contracts

Managing Director

Set out below are the key terms of the employment contract of the Managing Director, **Peter Hatfull**:

Term	From 1 October 2010 until one of the following occurs: <ul style="list-style-type: none">a. The Group gives the Managing Director one month written notice;b. The Managing Director gives the Group one month written notice; orc. The Group terminates the contract due to actions of the Managing Director such as serious misconduct, dishonesty and bankruptcy.
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Directors' Report

For the year ended 30 June 2015

Remuneration Report – *audited* (continued)

Principles of compensation – audited (continued)

Service contracts (continued)

Payments on Termination If the contract is terminated under (a) or (b) above, the Group is obliged to pay the Managing Director equivalent amount of Remuneration in lieu of notice.

If the contract is terminated under (c) above, the Group is only obliged to pay the Managing Director any accrued remuneration, including superannuation and leave entitlements.

Remuneration

Fixed annual remuneration:

\$300,000 base salary per annum, plus superannuation contributions at the rate stipulated under the Australian Government SG and benefits as allocated by the Managing Director in accordance with the Group's policies. From approximately January 2013, the base salary was temporarily reduced to \$150,000 per annum whilst the Group continues its research and development, His salary was increased in January 2015 to \$225,000. However, his annual leave entitlement continues to be accrued at his full rate.

Review of remuneration:

The remuneration will be reviewed at least annually, with any increase at the absolute discretion of the Group.

Annual leave:

Four weeks annual leave per annum (in addition to public holidays).

Non – Executive Chairman

Set out below are the key terms of consultant agreement of the Non- Executive Chairman, **Malcolm James**:

Term From 16 September 2014 for a period up to 3 years unless otherwise negotiated

- a. Either party may cancel this agreement on 30 days written notice.
- b. The Group can terminate the agreement due to actions of the Consultant such as serious misconduct, dishonesty and bankruptcy.

Payments on Termination If the contract is terminated under (a) above, the Group is obliged to pay the Consultant equivalent amount in lieu of notice.

Remuneration The Consultant is paid an annual rate of \$72,000 for work performed in accordance with the agreement.

The Group and Consultant agree that the Consultant will act as an independent contractor and is responsible for payment of all taxes.

Directors' Report

For the year ended 30 June 2015

Remuneration Report – *audited* (continued)

Principles of compensation – audited (continued)

Service contracts (continued)

Executive Director

Set out below are the key terms of the employment contract of the Executive Director, Algae Energy, Earl McConchie:

Term	From 1 October 2010 until one of the following occurs: <ul style="list-style-type: none">a. The Group gives the Executive Director one months' written notice;b. The Executive Director gives the Group one months' written notice;c. The Group terminates the contract due to actions of the Executive Director such as serious misconduct, dishonesty and bankruptcy.
Payments on Termination	<p>If the contract is terminated under (a) or (b) above, the Group is obliged to pay the Executive Director equivalent amount of Remuneration in lieu of notice.</p> <p>If the contract is terminated under (c) above, the Group is only obliged to pay the Executive Director any accrued remuneration, including superannuation and leave entitlements.</p>
Remuneration	<p>Fixed annual remuneration: US\$360,000 gross salary per annum not inclusive of superannuation and health insurance benefits.</p> <p>Review of remuneration: The remuneration will be reviewed at least annually, with any increase at the absolute discretion of the Group.</p> <p>Annual leave: Six weeks annual leave per annum (in addition to public holidays).</p>

Non-executive directors

Fees and payments to Non-Executive Directors reflect the demand which are made to, and the responsibilities of, the Non-Executive Directors'. Non-Executives Directors' fees and payments are reviewed annually by the Board.

The Group'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 aggregate remuneration for non-executive Directors has been set at an amount not to exceed \$150,000 per annum. Non-executive directors do not receive performance-related compensation. Non-executive directors are not provided with retirement benefits apart from statutory superannuation.

No options issued for remuneration remain on issue.

Directors' Report

For the year ended 30 June 2015

Remuneration Report – audited (continued)

Key management personnel remuneration

Details of the nature of remuneration of each director of the Group, and other key management personnel of the consolidated entity are:

		Short-term			Total	Post-employment	Other long term	Termination benefits	Share-based payments	Total
		Salary & fees	Non-monetary benefits	Unused annual leave		Superannuation benefits			Options and rights	
AUD		\$	\$		\$	\$	\$	\$	\$	\$
Directors										
Executive Directors										
Roger Stroud (resigned 16 September 2014)	2015	11,473	-	-	11,473	-	-	-	-	11,473
	2014	299,508	-	-	299,508	-	-	-	-	299,508
Peter Hatfull	2015	234,375	-	25,000	259,375	22,266	-	-	762	282,403
	2014	162,500	-	21,153	183,653	15,031	-	-	-	198,684
Earl McConchie	2015	414,670	30,143	51,635	496,448	16,523	-	-	-	512,971
	2014	349,540	18,573	42,577	410,690	13,981	-	-	-	424,671
<i>Sub-total executive directors remuneration</i>	2015	660,518	30,143	76,635	767,296	38,789	-	-	762	806,847
	2014	811,548	18,573	63,730	893,851	29,012	-	-	-	922,863
<i>Non-executive directors remuneration</i>										
Malcolm James (appointed 16 September 2014)	2015	48,500	-	-	48,500	-	-	-	762	49,262
	2014	-	-	-	-	-	-	-	-	-
Total directors' remuneration	2015	709,018	30,143	76,635	815,796	38,789	-	-	1,524	856,109
	2014	811,548	18,573	63,730	893,851	29,012	-	-	-	922,863
Total key management personnel remuneration	2015	709,018	30,143	76,635	815,796	38,789	-	-	1,524	856,109
	2014	811,548	18,573	63,730	893,851	29,012	-	-	-	922,863

Notes in relation to the table of directors' and executive officer's remuneration

No short-term incentive bonus was awarded during the respective financial year.

No long-term incentive was issued during the respective financial year.

Unused annual leave is accrued at the rate per the individuals' current employment contracts and not at any temporary reduced salaries.

The unused annual leave represents the value of annual leave accrual during the period but yet taken. It is assumed that all accrued leave will be taken before the end of the next financial year or that such entitlements will be paid out in lieu.

7,000,000 options were issued to Peter Hatfull and 7,000,000 options to Malcolm James during the financial year ended 30 June 2015. These options are exercisable at \$0.09 on or before 30 June 2019.

Directors' Report

For the year ended 30 June 2015

Remuneration Report – audited (continued)

Key management personnel transactions - audited

Loans to key management personal and their related parties

There are no loans outstanding at the end of the reporting period to key management personnel and their related parties in the reporting period.

Movement in shares

The movement during the reporting period in the number of ordinary shares in Algae.Tec Limited held, directly, indirectly or beneficially, by each key management person, including their related parties, is as follows.

	Held at 1 July 2014	Other Changes	Received on exercise of options	Sales	Held at 30 June 2015
Directors					
Peter Hatfull	9,961,178	60,000	-	-	10,021,178
Malcolm James	20,000	80,000	-	-	100,000
Earl McConchie	204,070,001 ¹	25,000,000 ²	-	-	179,070,001

1. By virtue of Section 608(3) of the Corporations Act, as at 30 June 2014 Mr McConchie controlled Dot-Bio Inc which held 100% of Teco.Bio LLC which in turn holds 175,000,001 Shares. Related parties of Mr McConchie together hold 4.07 million Shares.
2. On 16 September 2014, Mr Stroud resigned as a director and shareholder of Teco.Bio LLC. Teco.Bio LLC allocated 25 million shares to Mere View Investment Pty Ltd, a company controlled by Mr Stroud.

Other related party transactions

Four members of Mr Earl McConchie's immediate family were employed by Algae Energy Inc. during the year. The Group paid the family members a total of A\$397,529 (US\$346,447) as salaries, wages and benefits.

An amount of A\$27,539 (US\$24,000) was paid to Dot-Bio Inc. in respect of the leasing of office furniture and equipment. Dot-Bio is Corporation wholly owned by Mr Earl McConchie and family members.

Use of remuneration consultants

The Group did not use remuneration consultants during the year.

Voting at the Group's 2014 Annual General Meeting

The Company received 70% of proxy votes in favor of its 2014 remuneration report at the 2014 Annual General Meeting. The Company did not receive any specific feedback at the Annual General Meeting or throughout the year on its remuneration practices.

End of Audited Remuneration Report

Signed at Perth, in accordance with a resolution of the directors, pursuant to Section 298(2)(a) of the Corporations Act 2001.

On behalf of the Directors



Peter Hatfull

Managing Director

31 August 2015

Consolidated Statement of Financial Position

As at 30 June 2015

	Notes	30 June 2015 \$	30 June 2014 \$
Assets			
Cash and cash equivalents	11	1,105,130	302,766
Trade and other receivables	9	2,820,150	3,059,763
Tax receivable		11,905	32,225
Prepayments	10	68,236	54,953
Total current assets		4,005,421	3,449,707
Other receivables	9	106,925	101,925
Property, plant and equipment	7	762,909	800,813
Deferred tax assets	8	256,313	230,164
Total non-current assets		1,126,147	1,132,902
Total assets		5,131,568	4,582,609
Liabilities			
Trade and other payables	18	634,732	452,214
Loans and borrowings	15	2,285,959	2,197,165
Tax payable	8	-	-
Provisions	17	187,735	196,993
Total current liabilities		3,108,426	2,846,372
Non-current liabilities			
Loans and borrowings	15	-	-
Total non-current liabilities		-	-
Total liabilities		3,108,426	2,846,372
Net assets		2,023,142	1,736,237
Equity			
Contributed equity	13	19,594,201	16,679,797
Reserves	13	163,352	72,686
Accumulated losses		(17,734,411)	(15,016,246)
Total equity		2,023,142	1,736,237

The notes of pages 18 to 43 are an integral part of these consolidated financial statements.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2015

	Notes	30 June 2015	30 June 2014
Revenue from operating activities		\$	\$
Provision of services and equipment		895,159	2,299,929
Interest		8,611	5,854
Other income		-	-
R & D Tax incentive		2,296,663	2,174,210
		<u>3,200,433</u>	<u>4,479,993</u>
Expenditure			
Employee benefits		(2,715,745)	(2,761,757)
Directors share based payments		(1,524)	-
Depreciation expense		(205,668)	(198,994)
Advertising expense		(32,009)	(108,425)
Property, rent & lease expenses		(364,072)	(353,069)
Communication expenses		(35,922)	(51,366)
Consultancy expenses		(181,941)	(504,045)
Loss of modification of financial instrument		-	(95,714)
Gain on early conversion		(59,575)	175
Filing and listing fees		(116,603)	(102,361)
Freight and courier expenses		(44,786)	(16,570)
Insurance expenses		(136,557)	(110,228)
Legal fees		(86,735)	(75,557)
Materials and supplies		(679,883)	(180,080)
Professional fees (share based payments)	13	-	(25,000)
Professional fees (other)		(512,177)	(656,846)
Repairs and maintenance expenses		(25,902)	(20,751)
Travel expenses		(112,814)	(273,141)
Finance costs (convertible note)		(156,593)	(293,228)
Finance costs (other)		(21,362)	(333,951)
Unrealised foreign exchange profit/(loss)		25,088	17,389
Withholding taxes unrecoverable		-	(82,774)
Other expenses		(332,086)	(400,676)
Research and development expenses		(101,087)	(54,455)
Loss on sale on fixed assets		(10,942)	-
Loss before income tax		<u>(2,708,462)</u>	<u>(2,201,431)</u>
Income tax benefit	8	(9,703)	22,359
Net loss attributable to members of the company		<u>(2,718,165)</u>	<u>(2,179,072)</u>
Other comprehensive income/(loss)			
Items that may be reclassified to the profit and loss			
Effect of exchange rate translation	13	89,142	(59,822)
Other comprehensive income/(loss) for the year		<u>89,142</u>	<u>(59,822)</u>
Total comprehensive income/(loss) for the year attributable to members of the company		<u>(2,629,023)</u>	<u>(2,238,894)</u>
Earnings per share			
Basic loss per share (cents per share)	14	(0.01)	(0.01)
Diluted loss per share (cents per share)		(0.01)	(0.01)

The notes of pages 18 to 43 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 30 June 2014

	Note	Contributed Equity \$	Accumulated losses \$	Foreign exchange reserve \$	Share based payment reserve \$	Total equity \$
Balance at 1 July 2014		16,679,797	(15,016,246)	(24,314)	97,000	1,736,237
Loss for the period		-	(2,718,165)	-	-	(2,718,165)
Other comprehensive loss	13(ii)	-	-	89,142	-	89,142
Total comprehensive loss for the year		-	(2,718,165)	89,142	-	(2,629,023)
Transactions with owners in their capacity as owners		-	-	-	-	-
Share issued during the period	13	2,914,404	-	-	-	2,914,404
Share based payments	13(iii)	-	-	-	1,524	1,524
Balance at 30 June 2015		19,594,201	(17,734,411)	64,828	98,524	2,023,142
		Contributed Equity \$	Accumulated losses \$	Foreign exchange reserve \$	Share based payment reserve \$	Total equity \$
Balance at 1 July 2013		13,204,749	(12,837,174)	35,508	97,000	500,082
Loss for the period		-	(2,179,072)	-	-	(2,179,072)
Other comprehensive loss		-	-	(59,822)	-	(59,822)
Total comprehensive loss for the year		-	(2,179,072)	(59,822)	-	(2,238,894)
Transactions with owners in their capacity as owners		-	-	-	-	-
Share issued during the period		3,450,048	-	-	-	3,450,048
Value of share options issued		25,000	-	-	-	25,000
Balance at 30 June 2014		16,679,797	(15,016,246)	(24,314)	97,000	1,736,237

The notes of pages 18 to 43 are an integral part of these consolidated financial statements

Consolidated Statement of Cash Flows

For the year ended 30 June 2015

		2015	2014
	Notes	\$	\$
Cash flow from operating activities			
Cash receipts from customers		1,268,552	1,483,282
Cash paid to suppliers and employees		(5,333,851)	(6,037,741)
Cash outflows from operating activities		<u>(4,065,299)</u>	<u>(4,554,459)</u>
Interest paid		(192,668)	(261,107)
Interest received		8,611	5,854
Income taxes R & D refund		2,205,084	3,262,213
Net cash inflows/(outflows) from operating activities	12	<u>(2,044,272)</u>	<u>(1,547,499)</u>
Cash flows from investing activities			
Net movement in loans		-	(75,750)
Purchases of property, plant and equipment		(33,876)	(102,627)
Net cash inflows\ (outflows) from investing activities		<u>(33,876)</u>	<u>(178,377)</u>
Cash flows from financing activities			
Proceeds from issue of share capital		2,200,000	3,024,400
Proceeds from borrowings (convertible note)		624,064	750,000
Proceeds from borrowings (R & D facility)		1,776,970	1,543,572
Proceeds from borrowings (other)		71,645	147,464
Repayment of borrowings (La Jolla)		(140,154)	(890,598)
Repayment of borrowings (Convertible Note)		(188,750)	(890,598)
Repayment of borrowings (R & D facility)		(1,500,000)	(2,610,270)
Repayment of borrowings (other)		(77,494)	(64,088)
Net cash inflow/(outflow) in financing activities		<u>2,766,281</u>	<u>1,836,644</u>
Net increase/(decrease) in cash and cash equivalents		688,133	110,768
Cash and cash equivalents at beginning of financial period		302,766	234,431
Effect of exchange rate fluctuations on cash held		114,231	(42,433)
Cash and cash equivalents at end of financial period	11	<u>1,105,130</u>	<u>302,766</u>

The notes of pages 18 to 43 are an integral part of these consolidated financial statements.

Notes to the Financial Statements

For the year ended 30 June 2015

1. Reporting entity

Algae.Tec Limited is a company domiciled in Australia. The address of the Group's registered office Unit 2, Spectrum Offices, 100-104 Railway Road, Subiaco WA 6008. The consolidated financial statement of the Group as at and for the year ended 30 June 2015 comprises of the Company and its subsidiary (together referred to as the 'Group'). The Group is a for-profit entity and primarily involved in the cultivation of algae for the production of biofuels and high quality nutraceuticals.

2. Basis of accounting

The consolidated financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards (AASBs) adopted by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. The consolidated statements comply with International Financial Reporting Standards (IFRS) adopted by the International Accounting Standards Board (IASB).

The consolidated financial statements were authorised for issue by the Board of Directors on 31 August 2015.

Going concern

The financial report has been prepared on the going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and the settlement of liabilities in the normal course of business.

Whilst the cash balance at 30 June 2015, stands at AUD\$1,105,130 a further USD\$396,250 is due at the time of this report in relation to the Reliance purchasing agreement and also a further AUD\$500,000 by the exercise of options by the Reliance Group in October 2015.

Continued support from Macquarie Bank for research and development is anticipated over the coming year.

Basis of measurement

The consolidated financial statements have been prepared on the accruals basis, and on the basis of historical cost except for the revaluation of financial instruments. Cost is based on the fair values of the consideration given in exchange for assets. Comparative information is reclassified where appropriate to enhance comparability.

(a) Functional and presentation currency

These consolidated financial statements are presented in Australian dollars, which is the Group's functional currency.

(b) Use of estimates and judgments

The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

(c) New and amended standards adopted by the group

The accounting policies adopted in the preparation of the consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the period ended 30 June 2015, except for the adoption of new standards and interpretations as of 1 July 2014 as noted below.

Notes to the Financial Statements

For the year ended 30 June 2015

2. Basis of accounting (continued)

(c) New and amended standards adopted by the group (continued)

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 July 2014:

- AASB 2013-3 *Amendments to AASB 136 - Recoverable Amount Disclosures for Non-Financial Assets*
- AASB 2013-4 *Amendments to Australian Accounting Standards – Novation of Derivatives and Continuation of Hedge Accounting*
- Interpretation 21 *Accounting for Levies*
- AASB 2014-1 *Amendments to Australian Accounting Standards*

The adoption of AASB 2013-3 had a small impact on the impairment disclosures and AASB 2014-1 has required additional disclosures in our segment note. Other than that, the adoption of these standards did not have any impact on the current period or any prior period and is not likely to affect future periods.

The Group also elected to adopt the following two standards early.

- Amends made to Australian Accounting Standards by AASB 2015 – 1 (Improvements 2012-2014 cycle), and
- Amendments made to AASB 101 by AASB 2015- 2 (Disclosure initiative).

As these amendments merely clarify the existing requirements, they do not affect the Group's accounting policies or any of the disclosures.

New accounting standards and amendments to accounting standards that are not yet effective

AASB 9 Financial Instruments and consequential amendments

AASB 9 includes the classification, measurement, recognition and derecognition for financial instruments. A financial asset is measured at amortised cost only if it is held within a business model whose objective is to collect contractual cash flows and the contractual terms of the asset give rise to cash flows on specified dates that are payments solely of principal and interest (on the principal amount outstanding). All other financial assets are measured at fair value. Changes in the fair value of investments in equity securities that are not part of a trading activity may be reported directly in other comprehensive income, but upon realization, those accumulated changes in value are not recycled to the income statement. Dividends on such investments are recognized in profit or loss, unless they clearly represent a recovery of the cost of the investment. Changes in the fair value of all other financial assets carried at fair value are reported in the income statement.

In respect of financial liabilities, the component of change in fair value of financial liabilities designated at fair value through profit or loss due to an entity's own credit risk are present in other comprehensive income unless such presentation creates an accounting mismatch. If a mismatch is created or enlarged, all changes in fair value (including the effects of changes in credit risk) are presented in profit or loss.

All other key requirements for classification and measurement of financial liabilities have been carried forward unamended from AASB 139. The recognition and derecognition requirements in AASB 139 have also been retained and relocated to AASB 9 unamended.

AASB 2013-9 Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial instruments makes amendments to AASB 9 to : (i) replace the general hedge accounting requirement to more closely align hedge accounting with risk management activities undertaken when hedging financial and non-financial risks: (ii) permit fair value changes due to changes in 'won credit risk' of financial liabilities measured at fair value to be recognizes through other comprehensive income, without applying all other requirements of AASB 9 at the same time; and (iii) defer the mandatory application date of AASB 9 to annual reporting periods beginning on or after 1 January 2017. This application date is subject to review and is expected to be revised by the IASB.

Notes to the Financial Statements

For the year ended 30 June 2015

2. Basis of accounting (continued)

(c) New and amended standards adopted by the group (continued)

New accounting standards and amendments to accounting standards that are not yet effective (continued)

AASB 2013-5 Amendments to Australian Accounting Standards – Investment Entities

AASB 2013-5 defines and investment entity and provides an exception to the consolidation requirements in AASB 10. Investment entities are required to measure particular subsidiaries at fair value through profit or loss, rather than consolidate them. However, where a non-investment entity parent ultimately controls an investment entity and all the underlying subsidiaries, reversing fair value used by the investment entity. The amendments also set out new disclosure requirements for investment entities.

AASB 15 – Revenue from Contract with Customers – An entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This means that revenue will be recognized when control of goods or services is transferred, rather than on transfer of risks and rewards as is currently the case under *IAS 18 Revenue*.

AASB 9 – Financial Instruments – introduces a third measurement category of financial assets (fair value through other comprehensive income) and adds additional application guidance to the contractual cash flows characteristics test and the business model assessment. It includes the requirement for accounting for expected credit losses on financial assets. It is no longer necessary for a credit event to have occurred before credit losses are recognized. Credit losses will be recognized from initial recognition and updated at each reporting period.

The Group has reviewed the impact of these Standards and Interpretations and are continuing to assess whether they will have a significant effect on the financial position or performance of the Group and has not elected to early adopt any new standards or amendments.

3. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by Group entities.

Certain comparative amounts in the consolidated statement of profit or loss and other comprehensive income have been reclassified to conform to the current year's presentation.

(a) Basis of consolidation

(i) Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the purchase method. The cost of the business combination is measured as the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognitions under AASB3 'Business Combinations' are recognised at their fair values at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with AASB5 'Non-current Assets Held for Sale and Discontinued Operations' which are recognised and measured at fair value less cost of sale.

The Group measures goodwill as the fair value of the consideration transferred including the recognised amount of any non-controlling interest in the acquiree, less the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date.

(ii) Subsidiaries

Subsidiaries are entities controlled by the Group. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Notes to the Financial Statements

For the year ended 30 June 2015

3. Significant accounting policies (continued)

(a) Basis of consolidation (continued)

(iii) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(b) Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currency of the Group at exchange rates at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortised cost in foreign currency translated at the exchange rate at the end of the year.

Non-monetary assets and liabilities that are measured at fair value in a foreign currency is retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

Non-monetary items that are measured based on historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Foreign currency differences arising on retranslation are generally recognised in profit or loss. However, foreign currency differences arising from the retranslation of the following items are recognised in other comprehensive income.

Available for sale equity investments (except on impairment in which case foreign currency differences that have been recognised in other comprehensive income are reclassified to profit or loss).

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to the functional currency at exchange rates at the reporting date. The income and expenses of foreign operations are translated to Australian dollars at exchange rates at the dates of the transactions.

Foreign currency differences arising from the translation above are recognised in other comprehensive income, and presented in the foreign currency translation reserve (translation reserve) in equity. However, if the foreign operation is a non-wholly-owned subsidiary, then the relevant proportion of the translation difference is allocated to the non-controlling interest.

When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal.

When the Group dispose of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests, when the Group disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign exchange gains and losses arising from such items are considered to form part of the net investment in the foreign operation and are recognised in other comprehensive income, and presented in the translation reserve in equity.

Notes to the Financial Statements

For the year ended 30 June 2015

3. Significant accounting policies (continued)

(c) Financial instruments

(i) Non-derivative financial assets

The Group initially recognises loans and receivables on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognised initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in such transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends whether to settle them on a net basis or to realise the asset and settle the liability simultaneously.

The Group classifies non-derivative financial assets into the following categories:

Financial assets at fair value through profit or loss, held-to-maturity financial assets, loans and receivables and available-for-sale financial assets.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Loans and receivables comprise cash and cash equivalents and, trade and other receivables.

Cash and Cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value, and are used by the Group in the management of its short term commitments.

(ii) Non-derivative financial liabilities

The Group initially recognises debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities are recognised initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expire.

The Group classifies non-derivative financial liabilities into the other financial liabilities category. Such financial liabilities are recognised initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method.

Other financial liabilities comprise loans and borrowings, debt securities issued and trade and other payables.

(iii) Share capital

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

Notes to the Financial Statements

For the year ended 30 June 2015

3. Significant accounting policies (continued)

(c) Financial instruments (continued)

(iv) Compound financial instruments

Compound financial instruments issued by the Group comprise convertible notes that can be converted to ordinary shares at the option of the holder, when the number of shares to be issued is fixed.

The liability component of a compound financial instrument is recognised initially at the fair value of a similar liability that does not have an equity conversion option. The equity component is recognised initially at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortised cost using the effective interest method. The equity component of a compound financial instrument is not remeasured subsequent to initial recognition.

Interest related to the financial liability is recognised in profit or loss. On conversion the financial liability is reclassified to equity and no gain or loss is recognised.

Convertible notes that can be converted to share capital at the option of the holder and where the number of shares is variable, contains an embedded derivative liability. The embedded derivative liability is calculated (at fair value) first and the residual value is assigned to the debt host contract. The embedded derivative is subsequently measured at fair values and movements are reflected in the profit and loss.

Some convertible notes issued by the Group include embedded derivatives (option to convert to variable number of shares in the Group). These convertible notes are recognised as financial liabilities at fair value through profit or loss. On initial recognition, the fair value of the convertible note will equate to the proceeds received and subsequently the liability is measured at fair value at each reporting period until settlement. The fair value movements are recognised on the profit and loss as finance costs.

(d) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the following:

- The cost of materials and direct labour.
- Any other costs directly attributable to bringing the assets to a working condition for their intended use,
- When the Group has an obligation to remove the assets or restore the site, an estimate of the costs of dismantling and removing the items and restoring the site on which they are located, and
- Capitalised borrowing costs.

Cost includes transfers from equity of any gain or loss on qualifying cash flow hedges of foreign currency purchase of property, plant and equipment. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property, plant or equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss.

(ii) Subsequent costs

Subsequent expenditure is capitalised only when it is probable that the future economic benefits associated with the expenditure will flow to the Group. Ongoing repairs and maintenance are expensed as incurred.

Notes to the Financial Statements

For the year ended 30 June 2015

3. Significant accounting policies (continued)

(d) Property, plant and equipment (continued)

(iii) Depreciation

Items of property, plant and equipment are depreciated from the date that they are installed and are ready for use, or in respect of internally constructed assets, from the date that the asset is completed and ready for use.

Depreciation is calculated to write off the cost of property, plant and equipment less their estimated residual values using the straight-line basis over their estimated useful lives. Depreciation is generally recognised in profit or loss, unless the amount is included in the carrying amount of another asset. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonable certain that the Group will obtain ownership by the end of the lease term. Land is not depreciated.

The estimated useful lives for the current and comparative year of significant items of property, plant and equipment are as follows:

• Computer Equipment	20% to 50%	(2 – 5 years)	Straight Line
• Computer Software	25%	(4 years)	Straight Line
• Office Equipment	20%	(5 years)	Straight Line
• Furniture & Fittings	14.3%	(7 years)	Straight Line
• Facility Improvements	14.3%	(7 years)	Straight Line
• Plant and equipment	14.3%	(7 years)	Straight Line
• Laboratory Systems	14.3%	(7 years)	Straight Line
• Motor Vehicles	22.5%		Reducing Balance

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(e) Intangible assets and goodwill

(i) Goodwill

Goodwill that arises upon the acquisition of subsidiaries is presented with intangible assets.

Subsequent measurement

Goodwill is measured at cost less accumulated impairment losses. In respect of equity accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment, and any impairment loss is allocated to the carrying amount of the equity accounted investee as a whole.

(ii) Research and development

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in profit or loss as incurred.

Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditure is capitalised only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Group intends to and has sufficient resources to complete development and to use or sell the asset. The expenditure capitalised includes the cost of materials, direct labour, overhead costs that are directly attributable to preparing the asset for its intended use, and capitalised borrowing costs. Other development expenditure is recognised in profit or loss as incurred.

Capitalised development expenditure is measured at cost less accumulated amortisation and any accumulated impairment losses.

Notes to the Financial Statements

For the year ended 30 June 2015

3. Significant accounting policies (continued)

(e) Intangible assets and goodwill (continued)

(iii) Other intangible assets

Other intangible assets that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortisation and any accumulated impairment losses.

(iv) Subsequent expenditure

Subsequent expenditure is capitalised only when it increase the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

(v) Amortisation

There are no amortisation costs for the financial year ended 30 June 2015.

(f) Employee benefits

(i) Short-term employee benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled within 12 months of the reporting date are recognised in current liabilities in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

(ii) Long-service leave

The liability for long service leave is recognised in the provision for employees' benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expect future wage and salary levels, experience of employee departures, and period of service. Expected future payments are discounted using market yields at the reporting date of national government bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

(iii) Share-based payment transactions

The Group has provided payment to service providers and related parties in the form of share-based compensation, whereby services are rendered in exchange for shares or rights over shares ('equity-settled transactions'). The cost of these equity-settled transactions is measured by reference to the fair value at the date at which they are granted. The fair value is determined using an appropriate option valuation model for services provided or where the fair value of the shares received cannot be reliably estimated.

For goods and services received where the fair value can be determined reliably the goods and services and the corresponding increase in equity are measured at that fair value.

The fair value of the options granted is adjusted to reflect market vesting conditions, but excludes the impact of any non-market vesting conditions. Non market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each balance date, the entity revises its estimates of the number of options that are expected become exercisable.

The cost of equity-settled transactions is recognized, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant parties become fully entitled to the award ("vesting date").

The cumulative expense recognized for equity-settled transactions at each reporting date until vesting date reflects (i) the extent to which the vesting period has expired and (ii) the number of awards that, in the opinion of the Directors of The Group, will ultimately vest. This opinion is formed based on the best available information at balance date. Not adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognized as if the terms had not been modified. In addition, an expense is recognized for any increase in the value of the transaction as a result of the modification, as measured at the date of modification.

Algae.Tec Limited has not entered into any cash settled equity transactions during or since the reporting period.

Notes to the Financial Statements

For the year ended 30 June 2015

3. Significant accounting policies (continued)

(g) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

Onerous contracts

A provision for onerous contracts is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Group recognises any impairment losses on the assets associated with that contract.

(h) Revenue

(i) Sale of goods

Revenue from sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates. Revenue is recognised when significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognised as a reduction of revenue as the sales are recognised.

(ii) Rendering of services

Revenue from rendering of services is recognised in profit or loss in proportion to the stage of completion of the transaction at the reporting date. Consulting services are performed by the parent for the Group's controlled entity. Revenue is recognised by reference to the actual labour hours delivered at standard rates and direct expenses incurred.

(iii) Research and development claims

Research and development income is accrued on a monthly basis, thus bringing the income into account in the same period that the related expenditure is incurred.

The Group is able to accurately estimate accrued research and development income and has successfully received previous claims made.

(i) Leases

(i) Leased assets

Assets held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as finance leases. On initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset. Assets held under other leases are classified as operating leases and are not recognised in the Group's statement of financial position.

(ii) Lease payments

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Notes to the Financial Statements

For the year ended 30 June 2015

3. Significant accounting policies (continued)

(j) Finance income

Finance income comprises interest income on funds invested (including available-for-sale financial assets), dividend income, gains on the disposal of available-for-sale financial assets, fair value gains on financial assets at fair value through profit or loss, gains on the remeasurement to fair value of any pre-existing interest in an acquiree in a business combination, gains on hedging instruments that are recognised in profit or loss and reclassifications of net gains previously recognised in other comprehensive income. Interest income is recognised as it accrues in profit or loss, using the effective interest method. Dividend income is recognised in profit or loss on the date that the Group's right to receive payment is established, which in the case of quoted securities is normally the ex-dividend date.

(k) Finance costs

Finance costs comprise interest expense on borrowings, unwinding of the discount on provisions and deferred consideration, losses on disposal of available-for-sale financial assets, dividends on preference shares classified as liabilities, fair value losses on financial assets at fair value through profit or loss and contingent consideration, impairment losses recognised on financial (other than trade receivables), losses on hedging instrument that are recognised in profit or loss using the effective interest method.

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Foreign currency gains and losses on financial assets and financial liabilities are reported on a net basis as wither finance income or finance cost depending on whether foreign currency movements are in a net gain or net loss position.

(l) Tax

Tax expense comprises current and deferred tax. Current tax and deferred tax is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

(i) Current tax

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Current tax payable also includes any tax liability arising from declaration of dividends.

(ii) Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- Temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects either neither accounting nor taxable profit or loss.
- Temporary differences related to investments in subsidiaries, associates and jointly controlled entities to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future
- Taxable temporary differences arising on the initial recognition of goodwill.

The measurement of deferred tax reflects the consequences that would follow the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. For investment property that is measured at fair value, the presumption that the carrying amount of the investment property will be recovered through sale has not been rebutted.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to taxed levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

Notes to the Financial Statements

For the year ended 30 June 2015

3. Significant accounting policies (continued)

(l) Tax (continued)

(ii) Deferred tax (continued)

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(iii) Tax exposures

In determining the amount of current and deferred tax the Group takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. This assessment relies on estimates and assumptions and may involve a series of judgments about future events. New information may become available that caused the Group to change its judgment regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

(iv) GST

GST is accounted for on an accrual basis.

(m) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors.

4. Critical accounting judgments and key sources of estimation uncertainty

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

Income taxes

The group is subject to income taxes in Australia and the USA. The group estimates its tax liabilities based on the understanding of the tax laws and advice from tax experts. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period such determinations are made.

In addition, the group has recognised deferred tax assets relating to carried forward tax losses to the extent there are sufficient taxable temporary differences (deferred tax liabilities) relating to the same taxation authority and the same subsidiary against which the unused tax losses can be utilised.

The group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results.

Research & Development Income and Receivables

Research and development expenditure during the research phase of a project is recognised as an expense when incurred. Development costs are capitalised only when technical feasibility studies identify that the project will deliver future economic benefits and these benefits can be measured reliably.

Research and development income is recognised in the same period as the related expenditure.

Convertible notes carried at fair value through profit or loss.

The Group recognises certain convertible notes at fair value through profit or loss these are all calculated based on present value of estimated cash flows taking into account credit risk profile of the Group and share price of the Group. See details on note 16.

In addition, the fair value of the milestone options (as described in note 15) is accounted for based on the subscriber's responsibility for the achievement of the milestones. Hence, the milestone options are accounted for as part of the convertible note. See details in note 16.

Notes to the Financial Statements

For the year ended 30 June 2015

5. Operating segments

The Group operates in the environmental energy industry. The Group operates in two geographical locations being Australia and USA. This internal reporting framework is the most relevant to assist the Board with making decisions regarding the Group and its ongoing activities.

	2015	2014
	\$	\$
Information about reportable segments		
USA Profit/(loss)	349,066	58,913
Australia Profit/(loss)	(1,703,012)	351,521
Reportable segment (Profit)	<u>(1,353,946)</u>	<u>410,434</u>
Interest	8,611	5,854
Unrealised exchange gain/(loss)	25,088	17,389
Corporate expenses	(1,388,216)	(2,635,108)
Loss before tax	<u>(2,708,462)</u>	<u>(2,201,431)</u>
Reportable segment assets		
Australia	3,621,396	3,472,660
USA	1,510,172	1,109,949
	<u>5,131,568</u>	<u>4,582,609</u>
Reportable segment liabilities		
Australia	2,783,988	2,626,355
USA	324,438	220,018
	<u>3,108,426</u>	<u>2,846,372</u>
Revenue by geographical segment		
India	28%	51%
Australia	72%	49%
USA	<u>0%</u>	<u>0%</u>
	2015	2014
	\$	\$
6. Property, plant and equipment		
Plant and Equipment		
Plant and Equipment - at cost	1,085,907	867,561
Less: Accumulated depreciation	(479,977)	(273,504)
	<u>605,930</u>	<u>594,057</u>
Computer Equipment		
Computer Equipment - at cost	96,520	85,602
Less: Accumulated depreciation	(75,107)	(49,732)
	<u>21,413</u>	<u>35,870</u>
Office Equipment		
Office Equipment - at cost	78,050	63,890
Less: Accumulated depreciation	(44,041)	(27,917)
	<u>34,009</u>	<u>35,973</u>
Facility Improvements		
Facility Improvements - at cost	182,840	199,901
Less: Accumulated depreciation	(86,696)	(87,155)
	<u>96,144</u>	<u>112,746</u>
Laboratory Systems		
Laboratory Systems - at cost	8,290	6,807
Less: Accumulated depreciation	(4,805)	(2,955)
	<u>3,485</u>	<u>3,852</u>
Motor Vehicles		
Motor Vehicles - at cost	-	29,364
Less: Accumulated depreciation	-	(14,811)
	<u>-</u>	<u>14,553</u>
Furnishings		
Furnishings - at cost	16,038	15,211
Less: Accumulated depreciation	(14,110)	(11,449)
	<u>1,928</u>	<u>3,762</u>
Totals		
Asset at cost	1,467,645	1,268,336
Less: Accumulated depreciation	(704,736)	(467,523)
	<u>762,909</u>	<u>800,813</u>

Notes to the Financial Statements

For the year ended 30 June 2015

7. Property, plant and equipment (continued)

(i) Impact of impairment review

An impairment review has been undertaken of these assets and it was determined that there is no impact to the amounts shown in these statements.

(ii) Assets pledged as security

No assets of the Group have been pledged as security.

	Total	P&E	C&E	O&E	F&I	L&S	MV	F
	\$	\$	\$	\$	\$	\$	\$	\$
Carrying amount of 1 July 2014	800,813	594,057	35,890	35,973	112,746	3,852	14,553	3,762
Additions	46,390	42,617	-	2,946	-	-	-	827
Disposals	(23,457)	(3,356)	-	-	(8,158)	-	(11,943)	-
Depreciation	(205,668)	(141,091)	(18,862)	(11,143)	(28,192)	(1,109)	(2,610)	(2,661)
Foreign currency exchange reserve effect	144,831	113,703	4,405	6,233	19,748	742	-	-
Carrying amount at 30 June 2015	762,909	605,930	21,413	34,009	96,144	3,485	-	1,928

	Total	P&E	C&E	O&E	F&I	L&S	MV	F
	\$	\$	\$	\$	\$	\$	\$	\$
Carrying amount of 1 July 2013	907,907	636,398	38,861	46,706	152,976	4,912	18,778	9,276
Additions	102,627	85,933	16,461	233	-	-	-	-
Disposals	-	-	-	-	-	-	-	-
Depreciation	(198,994)	(120,078)	(19,137)	(10,449)	(38,593)	(998)	(4,225)	(5,514)
Foreign currency exchange reserve effect	(10,727)	(8,196)	(315)	(517)	(1,637)	(62)	-	-
Carrying amount at 30 June 2014	800,813	594,057	35,870	35,973	112,746	3,852	14,553	3,762

Notes to the Financial Statements

For the year ended 30 June 2015

8. Taxes

Tax recognised in profit or loss

	2015 \$	2014 \$
Current tax expense		
Current year	(35,852)	22,359
Adjustment for prior years	-	-
	<u>(35,852)</u>	<u>22,359</u>
Deferred tax expense		
Origination and reversal of temporary differences	26,149	-
Reduction in tax rate	-	-
Recognition of previously unrecognised tax benefit	-	-
Change in recognised deductible temporary differences	-	-
Change in accounting policy	-	-
	<u>(9,703)</u>	<u>22,359</u>
Tax expense benefit from continuing operations	<u>(9,703)</u>	<u>22,359</u>

The deferred tax asset recognised relates to expected future taxable income in the United States of America.

Tax recognised directly in equity

	Before Tax	2015 Tax (expense) benefit	Net of tax	Before tax	2014 Tax (expense) benefit	Net of tax
Convertible notes	-	-	-	-	-	-

Reconciliation of effective tax rate

	2015	2015	2014	2014
Profit before tax from continuing operations	-	(2,708,462)	%	(2,201,431)
Tax using the Group's domestic rate	30%	(812,538)	30%	(660,429)
Effect of tax in foreign jurisdictions	-	11,327	-	3,998
Reduction in tax rate	-	-	-	-
Deductible expenses	-	(204,957)	-	(325,748)
Non-deductible expenses	-	175,165	-	212,445
Share based payments	-	-	-	7,500
Research and Development	-	740,270	-	767,063
Tax exempt income	-	-	-	-
Tax incentives	-	-	-	-
Others	-	22,768	-	(32,445)
Current year losses for which no deferred tax asset was recognised	-	103,816	-	5,257
Recognition of deferred tax assets not previously recognised	-	(26,148)	-	-
	-	<u>9,703</u>	-	<u>(22,359)</u>

Notes to the Financial Statements

For the year ended 30 June 2015

8. Taxes (continued)

Deferred tax assets

Deferred tax assets have been recognised in respect of the following items:

	2015 \$	2014 \$
Net deductible temporary differences	377,340	324,601
Tax losses	1,514,128	1,471,345
Deferred tax assets not recognised	(1,635,155)	(1,565,782)
	<u>256,313</u>	<u>230,164</u>

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2015	2014	2015	2014	2015	2014
Property, plant and equipment	-	-	(154,528)	(151,238)	(154,528)	(151,238)
Employee benefits	65,936	66,490	-	-	65,936	66,490
Share-based payment transactions	-	-	-	-	-	-
Provisions	82,260	97,587	-	-	82,260	97,587
Other items	392,698	334,925	(9,026)	(23,163)	383,672	311,762
Tax loss carry-forwards	1,514,128	1,471,345	-	-	1,514,128	1,471,345
Tax assets (liabilities)	2,055,022	1,970,347	(163,554)	(174,401)	1,891,468	1,795,946
Deferred tax assets not recognised	(1,635,155)	(1,565,782)	-	-	(1,635,155)	(1,565,782)
Net tax assets (liabilities)	<u>419,867</u>	<u>404,565</u>	<u>(163,554)</u>	<u>(174,401)</u>	<u>256,313</u>	<u>230,164</u>

9. Trade and other receivables

Current	2015 \$	2014 \$
Trade receivables	494,571	818,908
R & D incentives	2,265,789	2,174,210
GST refund	13,370	29,420
Other receivables	46,420	37,225
Total receivables	<u>2,820,150</u>	<u>3,059,763</u>
Non - Current	2015 \$	2014 \$
Other receivables	106,925	101,925
Total receivables	<u>106,925</u>	<u>101,925</u>

Due to the short term nature of these receivables, their carrying value is assumed to approximate their fair value. For the non-current receivables, the fair value is also not significantly different to its carrying value. The Group's exposure to credit and market risks, and impairment losses related to trade and other receivables are disclosed in note 19.

There are no past due or impaired receivables.

10. Prepayments

	2015 \$	2014 \$
Directors fees	6,000	5,068
Wages	-	5,068
Prepaid rent	5,189	-
Prepaid insurance	55,049	49,797
Prepaid interest	1,998	88
	<u>68,236</u>	<u>54,953</u>

Notes to the Financial Statements

For the year ended 30 June 2015

11. Cash and cash equivalents	2015	2014
	\$	\$
Bank balances	1,105,130	302,766
Bank overdrafts used for cash management process	-	-
Cash and cash equivalents in the statement of cash flows	1,105,130	302,766

Refer to note 20, financial risk management.

12. Reconciliation of cash flows from operating activities

Cash flows from operating activities	2015	2014
	\$	\$
Loss for the year	(2,718,165)	(2,179,072)
Adjustments for:	-	-
Movement in valuation of convertible note	59,575	368,784
Depreciation	205,668	198,994
Foreign Exchange Translation	(25,088)	(17,389)
Loss on sale of property, plant and equipment	10,942	-
Equity-settled share-based payments, net of tax	1,524	25,000
	(2,465,544)	(1,603,683)
Change in trade and other receivables	259,933	292,403
Change in other current assets	(13,283)	42,446
Change in trade and other payables	174,177	(401,157)
Change in provisions and employee benefits	(9,258)	122,492
Cash generated from operating activities	(2,053,975)	(1,547,499)
Income taxes	9,703	-
Net cash from operating activities	(2,044,272)	(1,547,499)

Conversion of debt to shares pursuant to conversion notice as shown in Note 13.

13. Capital and reserves

Share capital	2015		2014	
	\$	Number	\$	Number
Movements in capital during the year were as follow:				
Issued capital at the beginning of the financial year	16,679,797	290,791,631	13,204,749	271,370,190
Issue of shares pursuant of Conversion notice	714,404	11,753,551	425,648	3,085,062
Issue of shares pursuant to placement	2,200,000	28,976,597	2,300,000	12,805,068 ¹
Issue of shares via share purchase plan	-	-	724,400	3,292,727
Issue of shares in exchange for services provided	-	-	25,000	238,584
	19,594,201	331,521,779	16,679,797	290,791,631

1. 9,168,704 of these shares relate to an investment from The Reliance Group announced to the market on 21 January 2014.

(i) Share options at year end

Number of options	Issued to	Class
49,584,334	GEM	Options exercisable at \$0.75 on or before 13 January 2016
1,000,000	Advides	Options exercisable at \$1.00 on or before 14 October 2015
28,728,607	The Reliance Group	Options exercisable at \$0.1636 on or before 20 January 2019
7,142,857	The Reliance Group	Options exercisable at \$0.07 on or before 18 December 2019
1,000,000	Cross Border Ventures	Options exercisable at \$0.20 on or before 1 March 2018
16,000,000	Employees/Directors	Options exercisable at \$0.09 on or before 30 June 2019.

(ii) Translation reserve

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations, as well as the effective portion of any foreign currency differences arising from hedges of a net investment in a foreign operation.

	2015	2014
	\$	\$
Foreign exchange reserve	64,828	(24,314)

Notes to the Financial Statements

For the year ended 30 June 2015

13. Capital and reserves (continued)

(iii) Share option reserve

	2015 \$	2014 \$
Share option reserve	98,524	97,000

The share option reserve arises on the grant of shares options to employees, directors and consultants (share based payments) and to record issue, exercise and lapsing of listed options.

Share based payments

1,000,000 options were issued to Advides during the financial year ended 30 June 2013 in return for the signing of the agreement with Lufthansa. The options are exercisable at \$1.00 each on or before 14 October 2015. These options have been assessed in value at \$97,000. The value of the options was calculated using the Black and Scholes model.

Model inputs used to value the options granted included;

- Exercise price is \$1.00
- Market price of shares at grant date \$0.31
- Expected volatility of the Group's shares is 90%
- Risk-free interest rate used is 2.62%
- Time to maturity, 3 years
- A dividend yield of 0%

7,000,000 options were issued to Mr Peter Hatfull and 7,000,000 options to Mr Malcolm James during the financial year ended 30 June 2015. The options have been assessed in value at \$556,122. The value of the options was calculated using the Black and Scholes model.

- Grant Date of Options was 29 June 2015
- Expiry Date is 4 years after date of issue
- Exercise price of the options is \$0.09 per share
- The Share Based Payment expense has been split evenly between the Directors as follows;
 - Expense for Year end 30 June 2015 \$ 1,523.62
 - Expense for Year end 30 June 2016 \$ 139,030.50
 - Expense for Year end 30 June 2017 \$ 139,030.50
 - Expense for Year end 30 June 2018 \$ 139,030.50
 - Expense for Year end 30 June 2019 \$ 137,506.88

The expected volatility during the term of the options is based around assessments of the volatility of similar-sized listed, including newly listed entities in similar industries at grant date. For the purposes of the Black and Scholes valuation a 0% dividend yield has been used as a model input. At this time the Group does not have a dividend policy.

There were no options issued in return for goods or services during 2015.

(iv) Fair value reserve

The fair value reserve comprises the cumulative net change in the fair value of available-for-sale financial assets until the investments are derecognised or impaired.

14. Earnings per share

Basic earnings per share

	2015 Continuing operations	Total	2014 Continuing operations	Total
Profit (loss) for the year attributable to owners of the Group	(2,718,165)	(0.01)	(2,179,072)	(0.01)
Profit (loss) attributable to ordinary shareholders	(2,718,165)	(0.01)	(2,179,072)	(0.01)

Notes to the Financial Statements

For the year ended 30 June 2015

14. Earnings per share (continued)

Weighted average number of ordinary shares (basic)

	2015	2014
Issued ordinary shares at 1 July	290,791,631	271,370,190
Effect of own shares held	17,796,175	11,222,813
Weighted average number of ordinary shares at 30 June	308,587,806	282,593,003

Diluted earnings per share

Diluted earnings/loss per share is calculated after consideration of all options on issue remaining unconverted as potential ordinary shares. As at 30 June 2015, the Group had on issue 103,455,798 options over unissued capital. As the Group incurred a loss for the year, the options are anti-dilutive, thus the dilutive loss per share is the same as the basic earnings per share.

15. Loans and borrowings

This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings, which are measured at amortised cost. For more information about the Group's exposure to interest rate, foreign currency and liquidity risk arising from these loans and borrowings, see note 19 financial instruments

	2015 \$	2014 \$
Non-current liabilities		
Finance lease liabilities	-	-
Total trade and other payables	-	-
Current liabilities		
Convertible note at fair value through profit or loss	653,168	716,089
Macquarie R & D loan facility	1,590,924	1,313,954
La Jolla Investors	-	121,298
HP liability	-	3,768
Hunter Premium funding	41,867	42,056
Directors' loans	-	-
Trade and other payables	2,285,959	2,197,165
Totals	2,285,959	2,197,165

Terms and debt repayment schedule

Terms and conditions of outstanding loans were as follows:

	Currency	Nominal interest rate	Year of maturity	30-Jun-15		30-Jun-14	
				Face value A\$	Carrying amount A\$	Face value A\$	Carrying amount A\$
Convertible Notes at fair value through profit or loss	AUD	12%	2016	695,837	653,168	798,125	716,089
Macquarie Facility	AUD	15%	2015	1,590,924	1,590,924	1,313,954	1,313,954
La Jolla Cove	USD	0%	2014	-	-	121,298	121,298
HP Liability	AUD	4.73%	2015	-	-	3,850	3,768
Hunter Premium	AUD	7.25%	2016	63,273	41,867	45,072	42,056
Directors Loans	USD	10%	2014	-	-	-	-
Directors Loans	USD	0%	2014	-	-	-	-
Directors Loans	AUD	0%	2014	-	-	-	-
Total interest bearing liabilities	AUD			2,350,034	2,285,959	2,161,001	2,075,867
Total non-interest bearing liabilities	AUD			-	-	121,298	121,298
Total borrowings	AUD			2,350,034	2,285,959	2,282,299	2,197,165

Finance lease liabilities

There were no finance lease liabilities payable other than those noted above.

Notes to the Financial Statements

For the year ended 30 June 2015

15. Loans and borrowings (continued)

Convertible note

(i) La Jolla Cove Investors

Originally a convertible note which was cancelled on 19 April 2013 gave rise to a penalty amount of US\$125,830. At 30 June 2014 an amount of US\$118,338 (AU\$121,298) remained outstanding and this was fully paid during the year ended 30 June 2015.

(ii) Platinum Road

On 15th October 2013 the Group entered into an agreement with Platinum Road Pty Ltd to raise up to \$1,000,000 (Bond Amount) through the issue of convertible bonds to sophisticated investors (Convertible Bonds) under terms and conditions disclosed in the 30 June 2014 Annual Report. This agreement expired on 15th October 2014 with a balance of \$511,250 outstanding.

A deed of variation was adopted on 15th October 2014 covering the outstanding balance under the following terms;

- The monies owed shall be repaid at expiry of the term (15th October 2015)
- Interest was applied to the outstanding amount of \$511,250 at a rate of 12% per annum and was capitalized into the bond amounting to a total interest charge of \$61,350 and thus the total value of the bond being \$572,600
- The conversion price was set at the lesser of:
 - An amount not less than 95% of the VWAP on any day nominated by the Lender from 10 days of trading in the shares on the ASX immediately preceding the conversion date; and
 - \$0.22 per share;
- The lender may serve notice in writing on Algae.Tec Limited at any time prior to the expiration of the Term requesting the Group to convert the Bond Amount (or part thereof in minimum increments of \$25,000 each) whereupon the Group must within 2 days of service of such notice convert the amount so notified using the Conversion Price and do all things necessary to cause the Lender to become entitled to be registered as the holder of the relevant number of fully paid ordinary shares in the Group. Conversion is not subject to shareholder approval.
- The holders of the bonds elected to convert the full value of the debt prior to 30 June 2015.

(iii) China Finance Strategies Investment Holdings Ltd

On 9th January 2015 the Company entered into an agreement with China Finance Strategies Investment Holdings Ltd. ("CFS") under which Algae.Tec issued an initial USD 500,000 convertible bond. In addition, subject to the achievement of certain milestones further conditional options of USD 5,000,000 will be issued to CFS.

- The Bond Amount is unsecured
- Interest is paid annually in arrears at a rate of 12% per annum
- The agreement is for 18 months expiring on 9 July 2016
- The conversion price is set at \$0.075 per fully paid ordinary share in the capital of Algae.Tec Limited
- In the event that there is any future issue of equity securities (other than the issue of equity pursuant to the conversion of any convertible security issued prior to the date of this agreement) at any time or times during the period before the Note is converted or redeemed and the consideration for such securities is less than the \$0.075 per equity security, then the conversion price will be adjusted down to the lower of, if there is more than one occasion when such securities are issued, the lowest price.
- The lender may serve notice in writing on Algae.Tec Limited requesting the Company to convert the Bond or any part thereof.

Notes to the Financial Statements

For the year ended 30 June 2015

15. Loans and borrowings (continued)

Convertible note (continued)

- If the share price at any one or more times have been above \$0.20 for 20 consecutive days, the subscriber will be entitled to convert all or a portion of the Convertible Note, subject to a minimum conversion of \$100,000 by delivering notice any time prior to the Maturity Date.
- If the share price has not been above \$0.20 for 20 consecutive days, the subscriber may exercise its rights during the 10 business days before the Maturity Date or any time after achievement of Milestone One.

The Milestones incorporated into the agreement are as follows:

- Milestone One means the Subscriber or a party introduced by the Subscriber and the Issuer entering into a binding memorandum of understanding for the construction in any location within the Greater China Area of an algae plant of at least one module using, amongst others, the Issuer's Intellectual Property. This will also entitle the Subscriber to subscribe to USD2, 000,000 of shares at the exercise price of \$0.075.
- Milestone Two means the Subscriber or a party introduced by the Subscriber and the Issuer entering into a binding memorandum of understanding for the construction in any location within the Greater China Area of an algae plant of between 20 and 100 modules using, amongst others, the Issuer's Intellectual Property. This will also entitle the Subscriber to subscribe to USD2, 000,000 of shares at the exercise price of \$0.075.
- Milestone Three means the Subscriber or a party introduced by the Subscriber and the Issuer entering into a binding memorandum of understanding for the construction in any location within the Greater China Area of one or more algae plants exceeding a total greater than 100 modules using, amongst others, the Issuer's Intellectual Property. This will also entitle the Subscriber to subscribe to USD1, 000,000 of shares at the exercise price of \$0.075.

16. Fair value measurement of financial instruments

Recurring fair value measurements

The following financial instruments are subject to recurring value measurements:

	2015	2014
	\$	\$
Level 3 – Convertible note	653,168	716,089

Fair value hierarchy

AASB 13 Fair Value Measurement requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- Level 1 – the instrument has quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 – a valuation technique is used which takes into account inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices), or indirectly (i.e. derived from prices), and
- Level 3 – a valuation technique is used which takes into account inputs that are not based on observable market data (unobservable inputs).

Notes to the Financial Statements

For the year ended 30 June 2015

16. Fair value measurement of financial instruments (continued)

Recurring fair value measurements (continued)

Transfers

During the year ended 30 June 2015, there were no transfers into or out of level 3 during the period.

Valuation techniques used to derive level 3 fair values

(i) Platinum Road Convertible Note

The fair value of convertible notes not traded in an active market is determined using an internally prepared discounted cash flow valuation technique using a combination of observable inputs (such as share price and the terms and conditions of the convertible notes as disclosed per note 15) and unobservable inputs (discount rate - 48.37%) to calculate the present value of estimated future cash flows. The Group has determined that there is a relationship between the unobservable inputs (discount rate) and the fair value but do not consider it to be material unless there is a change in the terms and conditions of the convertible note.

(ii) CFS Convertible Note

The fair value of CFS convertible note is determined using internally prepared discounted cash flow valuation technique using a combination of observable inputs (such as Foreign Exchange rate, Share price and the terms of conditions of the convertible notes as disclosed above). The quantitative information about the significant unobservable inputs used in the CFS convertible note is as follows:

Description	Fair value at 30 June 2015 \$	Unobservable inputs	Relationship of unobservable inputs to fair value
Convertible Note	653,168	The probability of issue of equity at below \$0.075 before expiry of the note. The probability is assessed as nil as 30 June 2015.	Should the price reset be triggered, the price of conversion is the underlying share price of the newly issued equity securities.
		The probability of achieving Milestone 1, 2 and 3 (per the milestone options above). This is assessed as nil at year ended 30 June 2015.	The greater the probability of achieving the milestones, the greater the value of the con note.

Fair value of financial instruments not measured at fair value.

The following financial instruments are not measured at fair value in the Statement of Financial Position. These had the following fair values at 30 June 2015.

	Carrying amount \$	Fair value \$
Current Assets		
Receivables	2,820,150	2,820,150
Non-current Assets		
Receivables	106,925	106,925
	<u>2,927,075</u>	<u>2,927,075</u>
Current Liabilities		
Bank loan - Macquarie	1,590,924	1,590,924
Centrepont Alliance/Hunter Premium funding	41,867	41,867
	<u>1,632,791</u>	<u>1,632,791</u>

Due to their short-term nature, the carrying amounts of current receivables, current trade and other payables and current interest-bearing liabilities is assumed to approximate their fair value. The non-current receivables' fair value is also not significantly different to its carrying amount.

Notes to the Financial Statements

For the year ended 30 June 2015

17. Provisions

An annual leave provision for employees exists in the amount of \$187 735 (2014: \$196 993). There is no non-current annual leave.

18. Trade and other payables

	Note	2015 \$	2014 \$
Trade payables			
Current			
Trade payables due to related parties		-	4,613
Other trade payables		221,424	50,765
Accrued expense		386,640	380,109
		<u>608,064</u>	<u>435,487</u>
Other payables			
Current			
GST Liability		-	-
Payroll Liabilities		26,668	16,727
		<u>26,668</u>	<u>16,727</u>
Trade and other payables			
Current		634,732	452,214
		<u>634,732</u>	<u>452,214</u>

The Group's exposure to currency and liquidity risk related to trade and other payables is disclosed in Note 19.

19. Financial instruments

Financial risk management

Overview

The Group has exposure to the following risks arising from financial instruments:

- Credit risk
- Liquidity risk
- Market risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital.

Risk management framework

The Group's Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The board of directors is responsible for developing and monitoring the Group's risk management policies.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Group Audit Committee oversees how management monitors compliance with the Group's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks face by the Group.

Credit Risk

Credit risk is managed on a group basis. Credit risk arises from cash and cash equivalents, deposits with banks and financial institutions, including outstanding receivables. For banks and financial institutions, only major Australian banking institutions are used. For customers, individual risk limits are set based on internal or external ratings in accordance with limits set by the Board.

The maximum exposure to credit risk at the end of the reporting period is the carrying amount of the financial assets. The Group does not have any material credit risk exposure to any single debtor or group of debtors under financial instruments entered into by the Group. Cash is only held in AA credit rated financial institutions.

Notes to the Financial Statements

For the year ended 30 June 2015

19. Financial instruments (continued)

Financial risk management

Liquidity risk

Liquidity risk arises from the possibility that the Group might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities. The Group manages this risk through the following mechanisms.

- Preparing forward looking cash flow analysis in relation to its operational, investing and financing activities;
- Obtaining funding from a variety of sources;
- Maintaining a reputable credit profile;
- Managing credit risk related to financial assets;
- Only investing surplus cash with major financial institutions; and
- Comparing the maturity profile of financial liabilities with the realisation profile of financial assets.

Aged Payables and Borrowings

Item	0 < 6 months	6 < 12 months	12 months >	Total Contractual cashflows	Carrying Value
	\$	\$	\$	\$	\$
Trade Payables	221,424	-	-	221,424	221,424
Accrued Expenses *	386,640	-	-	386,640	386,640
Macquarie Facility *	1,590,924	-	-	1,590,924	1,590,924
Centrepoint/Hunter Premium	32,016	9,851	-	41,867	42,056
Convertible Notes	-	-	695,837	695,837	653,168
TOTALS	2,231,004	9,851	695,837	2,936,692	2,894,212

Items marked * nearly all refer to borrowings and liabilities against the research and development tax refund expected for the year ended 30 June 2015 (\$2,136,978) and are payable upon receipt of these funds.

Market risk

(i) Foreign exchange risk

Exposure to foreign exchange risk may result in the fair value or future cash flows of a financial instrument fluctuating due to movement in foreign exchange rates of currencies in which the Group holds financial instruments which are other than the AUD functional currency of the Group.

With instruments being held by overseas operations, fluctuations in the US Dollar may impact on the Group's financial results unless those exposures are appropriately hedged.

The movements in the AUD/USD cross rates has given rise to a substantial unrealised exchange gain in the USD cash holdings for the year.

It is the Group's policy that future US development costs will be assessed at regular intervals and where deemed appropriate, further purchase of USD will occur to minimize exchange rate exposure of US expenditure.

The following table shows the foreign currency risk on the financial assets and liabilities of the Groups operations denominated in currencies other than the functional currency of the operations. This included all cash holdings of USD.

Notes to the Financial Statements

For the year ended 30 June 2015

19. Financial instruments (continued)

Financial risk management (continued)

(i) Foreign exchange risk (continued)

	2015 USD	2014 USD
Financial assets		
Cash and cash equivalents	666,309	88,139
Trade and other receivables	396,250	845,639
	<hr/>	<hr/>
	1,062,559	933,778
Financial liabilities		
Trade and other payables and borrowings	620,436	333,188
Net exposure	442,123	600,590

(ii) Consolidated Entity - sensitivity

Based on financial instruments held at 30 June 2015, had the Australian dollar weakened/strengthened by 20% against the US dollar with all other variables held constant, the Consolidated Entity's post-tax loss for the year and equity would have been \$88,425 higher/lower, mainly as a result of foreign exchange losses/gains on translation of US dollar denominated financial instruments as detailed in the above table.

(iii) Cash flow and fair value interest rate risk

Exposure to interest rate risk arises on financial assets and financial liabilities recognised at the end of the reporting period whereby a future change in interest rates will affect future cash flows or the fair value of fixed rate financial instruments.

At the date of this report, the Group was not exposed to interest rate risk as all rates had been fixed for the term of the borrowings and all borrowings are carried at amortised cost except for convertible note at fair value. Whilst cash rates on deposits are not fixed there is no significant exposure to interest rate movements with the carrying values in the Group at 30 June 2015.

Fair value estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes. See note 17 for details.

Capital management

The Management controls the capital of the Group in order to maintain a good debt to equity ratio, proved the shareholders with adequate returns and ensure that the Group can fund its operations and continue as a going concern.

The Group's debt and capital includes ordinary shares financial liabilities, supported by financial assets.

There are no externally imposed capital requirements.

Management effectively manages the Group's capital by assessing the Group's financial risks and adjusting its capital structure in response to changes in risks and in the market. These responses include the management of debt levels, distributions to shareholders and share issues.

20. Operating leases

Leases as lessee

Commitments in relation to a property lease contracted for at the reporting date but not recognised as liabilities payable:

The Corporate offices located in Subiaco, Western Australia are leased as follows; Lease term was 12 months from 1 October 2014 at rental of \$61,035 per annum. 3 months remain on the current lease with an option for a further 12 months.

	2015 \$	2014 \$
Less than one year	15,259	67,145
Between one and five years	-	-
More than five years	-	-
	<hr/>	<hr/>
	15,259	67,145

Notes to the Financial Statements

For the year ended 30 June 2015

20. Operating leases (continued)

The research and development facility located in Cumming, Georgia, USA has premises located at 2460 Industrial Park Boulevard and an adjoining premise located at 2480 Industrial Park Boulevard. These premises provide both office and factory space.

The premises located at 2460 Industrial Park Boulevard are leased for 63 months commencing 1 July 2014 and expiring 30 September 2019. Rental is pre-determined for the term of the lease giving rise to the following liabilities;

	2015	2014
	\$	\$
Less than one year	97,370	97,370
Between one and five years	311,961	382,987
More than five years	-	26,344
	<u>409,331</u>	<u>506,701</u>

The premises located at 2480 Industrial Park Boulevard are leased for 65 months commencing 1 January 2012 and expiring 31 May 2017. Rental is pre-determined for the term of the lease giving rise to the following liabilities;

	2015	2014
	\$	\$
Less than one year	64,750	64,750
Between one and five years	41,689	106,439
More than five years	-	-
	<u>106,439</u>	<u>171,189</u>

Commitments in relation to the rental of a photocopier/printer/fax machine contracted for at the reporting date but not recognised as liabilities payable:

	2015	2014
	\$	\$
Within 1 year	6,660	4,242
Later than 1 year but within 5 years	14,985	-
	<u>21,645</u>	<u>4,242</u>

Contingencies

Algae.Tec Limited has no contingent liabilities.

21. Related parties

Parent and ultimate controlling party

The legal and ultimate parent entity within the Group is Algae.Tec Limited.

Subsidiaries

Interests in subsidiaries are set out in note 23.

Key management personnel compensation

The key management personnel compensation comprised:

	2015	2014
Short-term employee benefits	815,796	893,851
Post-employment benefits	38,789	29,012
Termination benefits	-	-
Other long term benefits	-	-
Share-based payments	1,524	-
	<u>856,109</u>	<u>922,863</u>

Individual directors and executives compensation disclosures

Information regarding individual directors and executives compensation disclosures as required by Corporations Regulation 2M.3.03 is provided in the remuneration report section of the Director's report. Apart from the details disclosed in this note, no director has entered into a material contract with the Group since the end of the previous financial year and there were not material contracts involving directors' interests existing at year end.

Notes to the Financial Statements

For the year ended 30 June 2015

22. Group entities

Significant subsidiaries

	Country of incorporation	Ordinary Share Consolidated Equity Interest	
		2015 %	2014 %
Controlled entity			
Algae Energy Inc	USA	100	100

23. Subsequent events

There were no events subsequent to reporting date.

24. Auditors' remuneration

	2015 \$	2014 \$
Audit and review of financial statements - BDO	51,145	51,420
Audit and review of financial statements - BDO (USA)	42,349	26,650
Total paid	<u>93,494</u>	<u>78,070</u>

25. Parent entity disclosures

As at, and throughout, the financial year ending 30 June 2015, the parent entity of the Group was Algae.Tec Limited.

	2015 \$	2014 \$
Result of parent entity		
Profit/(loss) for the period	(3,055,813)	(2,260,342)
Other comprehensive income	-	-
Total comprehensive income for the period	<u>(3,055,813)</u>	<u>(2,260,342)</u>
Financial position of parent entity at year end		
Current assets	3,496,938	3,409,558
Non-current assets	817,686	823,894
Total assets	4,314,624	4,233,452
Current liabilities	2,783,988	2,626,354
Non-current liabilities	-	-
Total liabilities	2,783,988	2,626,354
Total equity of the parent entity comprising of:		
Contributed equity	19,594,201	16,678,916
Share Option reserve	161,067	97,000
Accumulated losses	(18,224,632)	(15,168,819)
Total equity	<u>1,530,636</u>	<u>1,607,197</u>

Parent entity capital commitments for acquisition of property, plant and equipment

Algae.Tec Limited has no commitments to acquire property, plant and equipment, and has no contingent liabilities.

Parent entity guarantees in respect of debts of its subsidiaries

Algae.Tec Limited has not issued any guarantees to any subsidiaries. It is however committed to the ongoing funding of its American subsidiary Algae Energy Inc.

Directors' Declaration

1 In the opinion of the Directors of Algae. Tec Limited (the 'Group'):

(a) The consolidated financial statements and notes that are set out on pages 14 to 43 and the Remuneration report in pages 8 to 13 in the Directors' report, are in accordance with the *Corporations Act 2001*, including:

(i) Giving a true and fair view of the Group's financial position as at 30 June 2015 and of its performance for the financial year ended on that date; and

(ii) Complying with Australian Accounting Standards and the Corporations Regulations 2001; and

(b) There are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

2 This declaration has been made after receiving the declarations required to be made to the directors in accordance with section 295A of the Corporations Act 2001 for the financial year ended 30 June 2015.

Signed in accordance with a resolution of the Directors

On behalf of the Board



Peter Hatfull
Managing Director

Date: 31 August 2015
Perth, Western Australia

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INDEPENDENT AUDITOR'S REPORT

To the members of Algae.Tec Limited

Report on the Financial Report

We have audited the accompanying financial report of Algae.Tec Limited, which comprises the consolidated statement of financial position as at 30 June 2015, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 2, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Algae.Tec Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

Opinion

In our opinion:

- (a) the financial report of Algae.Tec Limited is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2015 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 2.

Report on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2015. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of Algae.Tec Limited for the year ended 30 June 2015 complies with section 300A of the *Corporations Act 2001*.

BDO Audit (WA) Pty Ltd



Ian Skelton

Director

Perth, 31 August 2015

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DECLARATION OF INDEPENDENCE BY IAN SKELTON TO THE DIRECTORS OF ALGAE.TEC LIMITED

As lead auditor of Algae.Tec Limited for the year ended 30 June 2015, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Algae.Tec Limited and the entity it controlled during the period.



Ian Skelton
Director

BDO Audit (WA) Pty Ltd
Perth, 31 August 2015

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ASX Additional Information

Additional information required by the ASX Limited Listing Rules and not disclosed elsewhere in this report is set out below.

The following details of shareholders of Algae. Tec Limited has been taken from the Share Register on 25 August 2015.

Number of Holders of Equity Securities

Ordinary Share Capital

331,454,988 fully paid ordinary shares are held by 1,285 individual shareholders.

Voting rights

The voting rights attaching each class of security are set out below.

Ordinary shares

On a show of hands, each member present in person and each other person present as a proxy of a member has one vote. On a poll each member present in person has one vote for each fully paid share held by the member and each person present as a proxy of a member has one vote for each fully paid share held by the member that the proxy represents.

Distribution of Holders of Quoted Equity Securities

Size of holdings	As at 31 July 2015 No. of fully paid ordinary shares
1 - 1,000	15,098
1,001 - 5,000	866,108
5,001 - 10,000	3,248,159
10,001 - 100,000	18,142,255
100,001 and over	309,183,368
	<hr/>
	331,454,988

Securities exchange

The Group is listed on the Australian Securities Exchange, the Frankfurt Exchange and on the OTC Market Group.

Other information

Algae.Tec Limited, incorporated and domiciled in Australia, is a publicly listed company limited by shares.

ASX additional information

Twenty largest shareholders as at 25 August 2015

Name	Number of ordinary shares held	Percentage of capital held
Teco Bio LLC	175,000,001	52.80
Reliance Industrial Investments Holdings Ltd	38,145,301	11.51
Mere View Investments Pty Ltd	10,825,866	3.27
Mr Peter Ernest Hatfull	8,095,000	2.44
Citicorp Nominees Pty Limited	7,537,238	2.27
Mr Stephen Crotty	5,271,150	1.59
FMR Investments Pty Ltd	5,000,000	1.51
Mr Leigh Scott Kemmis	3,646,150	1.10
National Nominees Limited	3,084,320	0.93
JP Morgan Nominees Australia Limited	2,584,789	0.78
Inverse Investments Pty Ltd <Cyclopean S/F A/C>	2,533,000	0.76
Mr Raffaele De Maria	2,118,698	0.64
Mr Peter Ernest Hatfull + Mrs Julie Ellen Hatfull <Hatfull S/Fund A/C>	1,862,678	0.56
Mr Lindsay George Dudfield + Mrs Yvonne Sheila Doling Dudfield <LG Dudfield Pension Fund A/C>	1,753,714	0.53
ABN Amro Clearing Sydney Nominees Pty Ltd <Custodian A/C>	1,684,048	0.51
Tinkler Investments Pty Ltd <Tinkler Family A/C>	1,610,000	0.49
Mr Robert Alan Nurthen + Miss Sarah Ann Norris	1,521,696	0.46
Mr Wayne Bannon	1,457,700	0.44
Silmar Pty Limited <Super Fund A/C>	1,450,000	0.44
Canterbury Ridge Pty Ltd <Tim Eddy Family A/C>	1,400,000	0.42
	276,581,349	83.44

Substantial Shareholders

As at 25 August 2015, the register of substantial shareholders disclosed the following information:

	Number of ordinary shares held	Percentage of capital held
Teco Bio LLC	175,000,001	52.80
Reliance Industrial Investments Holdings Ltd	38,145,301	11.51

Offices and officers

Principal Registered Office

Unit 2, Spectrum Offices
100-104 Railway Road
Subiaco WA 6008
Telephone: (08) 9380 6790
Facsimile: (08) 9381 9161
Internet: www.algaetec.com.au

Location of Share Registry

Computershare Investor Services Pty Ltd
Level 11, 172 St George's Terrace
Perth WA 6000

Company Secretary

Peter Hatfull