



25 January 2018

ASX Announcement

Algae.Tec Funding and Operational Update

Plant-based health and wellbeing company Algae.Tec Limited (“the Company” or “AEB”) (ASX: AEB) is pleased to announce a capital raising of \$2,500,000 (“the placement”) to be utilised to advance existing nutraceutical and medicinal cannabis operations.

Funding

- A\$2,500,000 placement at \$0.04 per share with an attaching one for one listed option (AEBO). Empire Equity acted as lead manager to the Placement with clients of Cove Capital major participants.
- Placement to advance key developments for the Company’s state of the art algae product development plant in Atlanta in respect of product for sales into the human nutraceutical, animal feed and aquaculture markets.
- Sales from the algae product development plant are supported by a 100% offtake with Gencor Pacific (largest Omega 3 Oil trader in the USA) and further development of products for the aquaculture market. Gencor is currently a 9% shareholder in the Company and importantly are a key participant in the world medical cannabis market and have commenced discussions with the Company on strategic opportunities moving forward.
- The placement will also assist with the establishment of the Australian nutraceuticals and medicinal cannabis facility currently under license application.
- The anticipated use of funds (after deducting raising costs) is as follows:

○ Algae Energy (Atlanta) - Product Development Costs	\$2.006m
○ Medicinal Cannabis License Australia - Associated Costs	\$0.165m
○ Algae Energy (Atlanta) - Debt Reduction	\$0.125m
○ Total	\$2.296m
- AEB will be issuing 62,263,422 placement shares from its available capacity under the approval previously obtained from shareholders under ASX listing rule 7.1A, 236,578 placement shares from its available capacity under listing rule 7.1, and 7,062,500 shares in payment of raising fees from its available capacity under listing rule 7.1. AEB will be issuing the 62,500,000 attaching placement options and 5,812,500 options in payment of raising fees from its available capacity under ASX listing rule 7.1. Following the issue, AEB’s capacity to issue equity securities under ASX listing rule 7.1 without shareholder approval will be 9,570,556 equity securities, and AEB will have exhausted its capacity to issue shares under the approval previously obtained from shareholders under ASX listing rule 7.1A.

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Algae Update

- The Atlanta based product development plant has continued to ramp up to full capacity and has stockpiled over 2,000kg's of nutraceutical powders. These powders will now undergo oil extraction and refining to produce high quality EPA and DHA oils for sale in the increasing high-end nutraceutical market. Gencor has the offtake to these oils and is a major supplier in over 50 countries in the nutraceutical sector.
- In addition, protein will be extracted for analysis and future commercialisation through the health and fitness products in the market. Key point of difference with the AlgaeTec plant is its ability to deliver high end quality products in a totally controlled indoor "photobioreactor" system.
- While the commencement of revenue derived from the Atlanta plant has been delayed during the ramp up period, subject to final determination of product mix, the Company is still targeting US\$2m of revenue from the sale of nutraceutical and related algae's during calendar 2018. Gencor will buy all tonnages produced for the nutraceutical markets as AEB expands the product development plant from 50t pa through 300t pa and eventually 1,000t pa. At 300 tpa and 1000 tpa revenues expand to \$15m and \$50m respectively on the basis of Gencor's continuing offtake and a high end nutraceutical product mix. The Company is currently examining various financing and partnership options to increase plant capacity to between 300 and 1000 tpa.
- Sales of aquarium based products has continued to grow and the Company is targeting US\$1m of revenue from this market sector in the 2018 calendar year.
- The Company has commenced Phase 2 of the contract with Reliance Group to build a pilot algae plant in India. Subject to the requirements of Reliance, the Company anticipates completion of Phase 2 and full commissioning of the plant during Q3 2018. Upon completion and operation, the Company will have an operating plant demonstrating the capacity to produce economic biofuels from CO₂ sequestrations which are the key fuel source that grows the algae. The initial purpose of the pilot plant is to demonstrate the effectiveness at CO₂ sequestration (environmental benefits) and the economic production of biofuels. Upon demonstration the intention is to develop commercial sized plants for sale in the order of +US\$100m per plant.
- Reliance Group's activities span hydrocarbon exploration and production, petroleum refining and marketing, petrochemicals, retail and telecommunications. In each of these areas, Reliance is committed to innovation-led, exponential growth. Reliance has a strategic vision which has pushed it to achieve global leadership in many of its businesses. Reliance Industries Limited is a Fortune 500 company and the largest private sector corporation in India. Algaetec's relationship with Reliance is significant in that successful commissioning of Phase 2 has the potential to open up a real "green solution" to the group which could be rolled out across numerous operations throughout India.
- AEB is able to deliver specialty high value oils, antioxidant-rich products and supplements, as well as edible oils and pigments, which provide a variety of health benefits. This approach is a sustainable alternative to current feedstock options, for items such as Omega-3s, Spirulina and Chlorella, which are derived from static fish supplies or open pond sites. The combination



ALGAE.TEC

of recent access to medicinal cannabis and high end nutraceutical algae places the Company in a extremely exciting position over the coming months.

Algae.Tec's Executive Chairman and Managing Director, Malcolm James commented; *"This funding gives AEB further financial flexibility to fast track the growth of our algae and other plant-based operations and investments, including those we have made in the medicinal cannabis sector. There is significant opportunity throughout our portfolio and we can now unlock a great deal of unrealised value.*

"Ensuring we have the correct ASX classification to invest further in the medicinal cannabis space is a priority and we are now actively pursuing this. We are grateful to new shareholders for their support and welcome them to the Company. We have a number of operational updates pending which we look forward to communicating progressively over the coming weeks."

Medicinal Cannabis Update

- Auberna SA (AEB has, subject to completion of satisfactory due diligence and obtaining shareholder approval under ASX listing rule 11.1.2 a 25% equity earn in right – see ASX Announcement dated 22 Nov 2017) has entered into strategic collaboration agreement with Ma Genetics Limited, which includes the right to access live plants and seeds to further growing, licensing and research and development of medicinal cannabis in Uruguay.
- Ma Genetics' has significant expertise in breeding cannabis with its unique portfolio of live plants and seeds originating from the Netherlands. The plants and seeds have been preserved and maintained since bred as the first hybrids from original landrace strains in the 1970s and 1980s. Significant synergies exist with Auberna SA given Uruguay's federal licensing system, golden patent history and enhanced ability to commercialise strains and genetic varieties (see AEB Q&A announcement dated 1 Dec 2017).
- Ma Genetics was formed by an experienced team of horticulturalists, breeders, scientists and international financiers and includes a live clone portfolio that exceeds 40 varieties sourced globally and a seed bank with multiples of those varieties. Varieties include very rare cannabinoid's as well as completely unique terpene profile.
- 10-acre crop development is continuing with further updates available to the market during Q1 2018.

The Company continues to actively pursue further opportunities to utilise the expertise in plant growing. ASX has advised the Company that any further expansion in the medicinal cannabis sector by the Company will require the Company to advise the Australian Stock Exchange and seek to re-comply with the Listing Rules pursuant to listing rule 11.1.3. The Company has undertaken to do so.

The Company intends to hold an extraordinary general meeting by the end of March 2018 to seek approval, inter alia, of the previously announced Auberna SA transaction pursuant to listing rule 11.1.2.

-ENDS-

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About Algae.Tec Limited (ASX. AEB)

Algae.Tec (ASX. AEB) is a plant-based health and wellbeing company that develops a broad range of plant-derived products for supply to three key markets:

- Algae-based nutraceuticals
- Animal feed and aquaculture markets
- Medicinal cannabis

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