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ASX Announcement

The Manager Announcements
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Product and Technology Footprint Expansion into Medicinal Marijuana Market

Algae.Tec Limited (ASX: “**AEB**”) has now entered into a formal Collaboration and Licence Agreement with Jardin De Invierno SA (“**JDL**”) (“**Agreement**”).

The Agreement is the definitive transaction document referred to in AEB’s announcement of 2 May 2017, and underpins the Company’s expansion of its technology into the rapidly growing medical marijuana market.

Managing Director Peter Hatfull commented:

“We are extremely excited with the JDL collaboration. The medical cannabis market is continuing to grow at exponential rates and my recent trip to North America and Uruguay reinforced our belief that collaboration in this area should be part of the path forward for AEB. It is of significant value to the Company and its shareholders to be able to secure a footprint in the industry where we can exploit our existing growing technologies as well as develop truly unique products and supplements.”

Key Highlights of the Formal Collaboration and License Agreement with JDL

- The parties establish the Joint Algae and Nutraceutical Evaluation Collaboration (**JANE Collaboration**) for the purpose of carrying out projects to pursue:
 - the development and commercialisation of AEB’s proprietary technologies for their application to cannabis;
 - the development and commercialization of formulations and technology related to cannabis and algae;
 - the utilization of JANE Collaboration intellectual property (**IP**).
- AEB is granted a licence to utilise JDL’s existing IP and distribute its products in the Asia Pacific region and Africa. This licence is exclusive during the term of the agreement (18 months) and non-exclusive afterward;
- IP developed from the JANE Collaboration will be jointly owned;



- AEB will fund projects on a fully transparent basis (to a maximum of US\$1.5 million), with JDL being entitled to its reasonable expenses;
- All proceeds from projects, utilisation of JANE Collaboration IP and from the licence granted to AEB are required to be paid into an AEB account and then profits must be distributed as follows:
 - for proceeds arising from JANE Collaboration IP arising from AEB's proprietary LED lighting: 75% AEB; 25% JDL;
 - for proceeds arising from all other JANE Collaboration IP: 50% AEB; 50% JDL;
 - if AEB utilises JDL for the growing of cannabis and production of cannabis oils for commercial sale (ie under the licence): 75% AEB; 25% JDL.
- The Agreement is subject to and conditional upon:
 - both parties being satisfied with their due diligence;
 - both parties obtaining all required approvals to enter the agreement and conduct the projects;
 - AEB carrying out a minimum capital raising of US\$4 million;
 - AEB paying US\$1.5 million worth of ordinary shares in AEB to JDL (based on the 5 day VWAP at the date of the agreement),

all by no later than 28 July 2017.

Next Steps

The parties will seek to satisfy the conditions as soon as possible. AEB looks forward to updating the market shortly with respect to the required minimum US\$4m capital raising.

On satisfaction of the conditions:

- the parties will pursue the development of cannabis products that combine the health benefits of algae and cannabis oils, with a view to producing products for markets including human and veterinary based medical formulations;
- the parties will immediately plant 10 acres of cannabis crops on JDL land in Uruguay to produce cannabinoid oils for research, development and potential sale opportunities; and
- Algae Tec will apply its patented and proven plant growing technologies to the indoor cannabis growing market, with a view to significantly reducing costs and increasing plant quality and yields.



AEB's due diligence process to date has revealed numerous studies that found that medicinal cannabis is able to withstand high lighting levels well. Moreover, they also found that the crops that were grown under high light intensity produced a higher bud weight when compared to the same crops grown under normal light intensity. Finally, various studies found that in all varieties of light, crops grown using LED lighting produced a higher content of active substances (ie. CBD and THC) than crops using HPS lamps with the same light intensity. This current research along with the costs savings that the Algae Tec growing system can deliver should provide a significant key focus and commercial opportunity for AEB and JDL.

About Algae.Tec

Algae.Tec Ltd (ASX: "AEB") is an advanced algae products company, focusing on the development, production and sales of sustainable and renewable advanced algae products such as proteins for consumption and nutraceutical products. Algae.Tec's patented growing technologies combine closed control of algae production within an engineered modular environment and efficient downstream biofuel processing.

About Jardin De Invierno SA

Jardin De Invierno SA ("JDL") is an advanced developer of mass market non-synthetic cannabis products, and is focused on the production of cannabis extracts, derivatives, delivery systems and related intellectual property for sale into the rapidly growing international marketplace for therapeutic medicinal cannabis products. JDL is fully licensed to export cannabinoid products, including its high-potency CBD extracts.

About The Market for Marijuana Products

The North American marijuana market alone grew by an unprecedented 30% in 2016 to \$6.7 billion as the legal market expands in the U.S. and Canada, according to a report by Arcview Market Research. North American sales are projected to top \$20.2 billion by 2021 assuming a compound annual growth rate of 25%. The report includes Canada for the first time as it moves towards implementing legal adult use marijuana. This trend is expected to continue in many western countries including Australia.