

Appendix 3B

New issue announcement, application for quotation of additional securities and agreement

Information or documents not available now must be given to ASX as soon as available. Information and documents given to ASX become ASX's property and may be made public.

Introduced 01/07/96 Origin: Appendix 5 Amended 01/07/98, 01/09/99, 01/07/00, 30/09/01, 11/03/02, 01/01/03, 24/10/05, 01/08/12

Name of entity

ALGAE.TEC LIMITED

ABN

16 124 544 190

We (the entity) give ASX the following information.

Part 1 - All issues

You must complete the relevant sections (attach sheets if there is not enough space).

- | | | |
|---|--|---|
| 1 | +Class of +securities issued or to be issued | <div>1. Ordinary fully paid shares</div> <div>2. Listed options</div> |
| 2 | Number of +securities issued or to be issued (if known) or maximum number which may be issued | <div>1. Up to 266,403,087 ordinary fully paid shares</div> <div>2. Up to 133,201,543 listed options</div> |
| 3 | Principal terms of the +securities (eg, if options, exercise price and expiry date; if partly paid +securities, the amount outstanding and due dates for payment; if +convertible securities, the conversion price and dates for conversion) | <div>1. Ordinary fully paid shares</div> <div>2. Listed options with an exercise price of \$0.05 and an expiry date of 28 July 2020</div> |

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<p>4 Do the ⁺securities rank equally in all respects from the date of allotment with an existing ⁺class of quoted ⁺securities?</p> <p>If the additional securities do not rank equally, please state:</p> <ul style="list-style-type: none"> • the date from which they do • the extent to which they participate for the next dividend, (in the case of a trust, distribution) or interest payment • the extent to which they do not rank equally, other than in relation to the next dividend, distribution or interest payment 	<p>1. Ordinary fully paid shares rank equally with existing ordinary shares.</p> <p>2. New class of Listed options will rank equally with ordinary shares upon exercise.</p>
<p>5 Issue price or consideration</p>	<p>1. Ordinary shares: \$0.03</p> <p>2. Listed options: \$0.05</p>
<p>6 Purpose of the issue (If issued as consideration for the acquisition of assets, clearly identify those assets)</p>	<ul style="list-style-type: none"> • Fund the research and development of new products from medicinal marijuana and algae as announced through our collaboration agreement with WinterGarden Biosciences • Further develop Algae.Tec's lighting technology for specific use in the medicinal marijuana industry • For the expansion and improvement of the existing algae growth facilities in Cumming Georgia • To expand the biomass supply chains and employ specific personnel for the medicinal marijuana industry • To repay debt and for general working capital
<p>6a Is the entity an ⁺eligible entity that has obtained security holder approval under rule 7.1A?</p> <p>If Yes, complete sections 6b – 6h <i>in relation to the ⁺securities the subject of this Appendix 3B</i>, and comply with section 6i</p>	<p>No</p>
<p>6b The date the security holder resolution under rule 7.1A was passed</p>	<p>N/A</p>
<p>6c Number of ⁺securities issued without security holder approval under rule 7.1</p>	<p>Nil</p>

⁺ See chapter 19 for defined terms.

6d	Number of +securities issued with security holder approval under rule 7.1A	N/A						
6e	Number of +securities issued with security holder approval under rule 7.3, or another specific security holder approval (specify date of meeting)	Nil						
6f	Number of securities issued under an exception in rule 7.2	1. Up to 266,403,087 ordinary fully paid shares 2. Up to 133,201,543 listed options						
6g	If securities issued under rule 7.1A, was issue price at least 75% of 15 day VWAP as calculated under rule 7.1A.3? Include the issue date and both values. Include the source of the VWAP calculation.	N/A						
6h	If securities were issued under rule 7.1A for non-cash consideration, state date on which valuation of consideration was released to ASX Market Announcements	N/A						
6i	Calculate the entity’s remaining issue capacity under rule 7.1 and rule 7.1A – complete Annexure 1 and release to ASX Market Announcements	Remaining 7.1 capacity – 19,941,410 Remaining 7.1A capacity – 35,386,611						
7	Dates of entering +securities into uncertificated holdings or despatch of certificates	29 July 2017						
8	Number and +class of all +securities quoted on ASX (including the securities in section 2 if applicable)	<table><tr><th>Number</th><th>+Class</th></tr><tr><td>621,607,203</td><td>Ordinary Shares</td></tr><tr><td>133,201,543</td><td>Listed options expiring 28 July 2020 with an exercise price of \$0.05</td></tr></table>	Number	+Class	621,607,203	Ordinary Shares	133,201,543	Listed options expiring 28 July 2020 with an exercise price of \$0.05
Number	+Class							
621,607,203	Ordinary Shares							
133,201,543	Listed options expiring 28 July 2020 with an exercise price of \$0.05							
	Number and +class of all +securities not quoted on ASX (including the securities in section 2 if applicable)	<table><tr><th>Number</th><th>+Class</th></tr><tr><td>28,728,607</td><td>Unlisted options exercisable at \$0.1636 on or before 20 January 2019</td></tr><tr><td>1</td><td>Convertible Note maturing on 9 July 2016 with a conversion price at \$0.075 and subject to adjustments in accordance with the terms and</td></tr></table>	Number	+Class	28,728,607	Unlisted options exercisable at \$0.1636 on or before 20 January 2019	1	Convertible Note maturing on 9 July 2016 with a conversion price at \$0.075 and subject to adjustments in accordance with the terms and
Number	+Class							
28,728,607	Unlisted options exercisable at \$0.1636 on or before 20 January 2019							
1	Convertible Note maturing on 9 July 2016 with a conversion price at \$0.075 and subject to adjustments in accordance with the terms and							

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		conditions of the Convertible Notes.
	1,000,000	Unlisted options exercisable at \$0.20 on or before 1 March 2018
	16,000,000	Unlisted options exercisable at \$0.09 on or before 30 June 2019
	650,000	Convertible Notes maturing on or of 22 July 2017 with a conversion price of \$0.049 and otherwise in accordance with the terms and conditions of the Convertible Notes
	125,000	Convertible Notes maturing on 8 August 2017 with a Conversion price of \$0.049 and otherwise in accordance with the terms and conditions of the Convertible Notes.
	90,000	Convertible Notes maturing on 6 October 2017 with a conversion price of \$0.049 and otherwise in accordance with the terms and conditions of the Convertible Notes.
	1	Convertible Note A 'Maturity Date' of 7 January 2018 with a conversion price of \$0.10
	0	Convertible Notes Maturing on 8 July 2017 with an outstanding aggregate face value of US\$0.00 a conversion price of lower of; <ul style="list-style-type: none"> • 15% discount from the average of the lowest 5 daily VWAPS in the 10 trading days prior to conversion or • Fixed price of \$0.075 AUD
	1	Convertible Note <ul style="list-style-type: none"> • A Maturity date of 18 months from date of issue • Conversion price of \$0.10 • Interest reate of 10%

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		<p>per annum – interest payable in cash</p> <ul style="list-style-type: none"> • In the event of conversion, noteholder will be granted one option for every one Share issued at an exercise price of \$0.075 and 25 January 2018
	1	<p>Convertible Note:</p> <ul style="list-style-type: none"> • Face value of US\$166,667 • A maturity date of 36 months from date of issue • Interest rate of 10% per annum • The note can be converted into shares at a conversion price that is the lower of <ul style="list-style-type: none"> • \$0.05 per share • A 10% discount to the 5 day VWAP prior to the date of conversion
	1	<p>Convertible Note:</p> <ul style="list-style-type: none"> • Face value of US\$166,666 • A maturity date of 36 months from date of issue • Interest rate of 10% per annum • The note can be converted into shares at a conversion price that is the lower of <ul style="list-style-type: none"> • \$0.05 per share • A 10% discount to the 5 day VWAP prior to the date of conversion
	1	<p>Convertible Note:</p> <ul style="list-style-type: none"> • Face value of US\$166,667 • A maturity date of 36 months from date of issue • Interest rate of 10% per annum • The note can be converted into shares at a conversion price that is the lower of <ul style="list-style-type: none"> • \$0.05 per share • A 10% discount to the 5 day VWAP prior to the date of conversion

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		VWAP prior to the date of conversion
	250,000	<p>Convertible Notes Maturing on 6 May 2018 with a conversion price of lower of;</p> <ul style="list-style-type: none"> • 15% discount from the average of the lowest 5 daily VWAPS in the 10 trading days prior to conversion or • Fixed price of \$0.075 AUD
	75,000	<p>Convertible Notes Maturing on 27 June 2018 with a conversion price of lower of;</p> <ul style="list-style-type: none"> • 15% discount from the average of the lowest 5 daily VWAPS in the 10 trading days prior to conversion or • Fixed price of \$0.075 AUD
	1	<ul style="list-style-type: none"> • A maturity date of 23 September 2017 • Interest rate of 2% compounded per month plus 7% of the total outstanding at maturity date. • Note is convertible at an issue price of \$0.03.

- 10 Dividend policy (in the case of a trust, distribution policy) on the increased capital (interests)

No dividend policy established

Part 2 - Bonus issue or pro rata issue N/A

- 11 Is security holder approval required?

No

- 12 Is the issue renounceable or non-renounceable?

Renounceable

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13	Ratio in which the ⁺ securities will be offered	1. 3 ordinary shares for every 4 shares held 2. 1 free attaching options for every 2 shares issued
14	⁺ Class of ⁺ securities to which the offer relates	1. Ordinary fully paid shares 2. Listed options
15	⁺ Record date to determine entitlements	7 July 2017
16	Will holdings on different registers (or subregisters) be aggregated for calculating entitlements?	No
17	Policy for deciding entitlements in relation to fractions	Round down to nearest whole number
18	Names of countries in which the entity has ⁺ security holders who will not be sent new issue documents <small>Note: Security holders must be told how their entitlements are to be dealt with. Cross reference: rule 7.7.</small>	All countries other than Australia and New Zealand
19	Closing date for receipt of acceptances or renunciations	21 July 2017
20	Names of any underwriters	N/A
21	Amount of any underwriting fee or commission	N/A
22	Names of any brokers to the issue	CPS Capital Group Pty Ltd
23	Fee or commission payable to the broker to the issue	<ul style="list-style-type: none"> • 7.5 million options on the same terms as offered to shareholders. • \$65,000. CPS will take this fee in scrip under the offer • 1% of the total amount raised. CPS will take this fee in scrip under the offer. • 5% on any shortfall placed by CPS. All selling fees will be paid by CPS.
24	Amount of any handling fee payable to brokers who lodge acceptances or renunciations on behalf of ⁺ security holders	N/A
25	If the issue is contingent on ⁺ security holders' approval, the date of the meeting	N/A

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26	Date entitlement and acceptance form and prospectus or Product Disclosure Statement will be sent to persons entitled	To be lodged with ASX on 4 July 2017 and sent to shareholders 12 July 2017
27	If the entity has issued options, and the terms entitle option holders to participate on exercise, the date on which notices will be sent to option holders	5 July 2017
28	Date rights trading will begin (if applicable)	6 July 2017
29	Date rights trading will end (if applicable)	14 July 2017
30	How do ⁺ security holders sell their entitlements <i>in full</i> through a broker?	Contact your stockbroker and refer to details provided in the Prospectus and the accompanying Entitlement and Acceptance Form
31	How do ⁺ security holders sell <i>part</i> of their entitlements through a broker and accept for the balance?	Contact your stockbroker and refer to details provided in the Prospectus and the accompanying Entitlement and Acceptance Form
32	How do ⁺ security holders dispose of their entitlements (except by sale through a broker)?	Contact the Company's Share Registry – Computershare Investor Services refer to details provided in the Prospectus and the accompanying Entitlement and Acceptance
33	⁺ Despatch date	12 July 2017

Part 3 - Quotation of securities

You need only complete this section if you are applying for quotation of securities

34 Type of securities
(tick one)

(a) ☐ Securities described in Part 1

(b) ☐ All other securities

Example: restricted securities at the end of the escrowed period, partly paid securities that become fully paid, employee incentive share securities when restriction ends, securities issued on expiry or conversion of convertible securities

Entities that have ticked box 34(a)

Additional securities forming a new class of securities

⁺ See chapter 19 for defined terms.

Tick to indicate you are providing the information or documents

- 35 ☐ If the +securities are +equity securities, the names of the 20 largest holders of the additional +securities, and the number and percentage of additional +securities held by those holders
- 36 ☐ If the +securities are +equity securities, a distribution schedule of the additional +securities setting out the number of holders in the categories
1 - 1,000
1,001 - 5,000
5,001 - 10,000
10,001 - 100,000
100,001 and over
- 37 ☐ A copy of any trust deed for the additional +securities

+ See chapter 19 for defined terms.

Entities that have ticked box 34(b)

38	Number of securities for which +quotation is sought					
39	Class of +securities for which quotation is sought					
40	<p>Do the +securities rank equally in all respects from the date of allotment with an existing +class of quoted +securities?</p> <p>If the additional securities do not rank equally, please state:</p> <ul style="list-style-type: none">• the date from which they do• the extent to which they participate for the next dividend, (in the case of a trust, distribution) or interest payment• the extent to which they do not rank equally, other than in relation to the next dividend, distribution or interest payment					
41	<p>Reason for request for quotation now</p> <p>Example: In the case of restricted securities, end of restriction period</p> <p>(if issued upon conversion of another security, clearly identify that other security)</p>					
42	Number and +class of all +securities quoted on ASX (<i>including</i> the securities in clause 38)	<table border="1" style="width: 100%; border-collapse: collapse;"><thead><tr><th style="text-align: center;">Number</th><th style="text-align: center;">+Class</th></tr></thead><tbody><tr><td style="height: 80px;"></td><td style="height: 80px;"></td></tr></tbody></table>	Number	+Class		
Number	+Class					

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Quotation agreement

1 ⁺Quotation of our additional ⁺securities is in ASX's absolute discretion. ASX may quote the ⁺securities on any conditions it decides.

2 We warrant the following to ASX.

- The issue of the ⁺securities to be quoted complies with the law and is not for an illegal purpose.
- There is no reason why those ⁺securities should not be granted ⁺quotation.
- An offer of the ⁺securities for sale within 12 months after their issue will not require disclosure under section 707(3) or section 1012C(6) of the Corporations Act.

Note: An entity may need to obtain appropriate warranties from subscribers for the securities in order to be able to give this warranty

- Section 724 or section 1016E of the Corporations Act does not apply to any applications received by us in relation to any ⁺securities to be quoted and that no-one has any right to return any ⁺securities to be quoted under sections 737, 738 or 1016F of the Corporations Act at the time that we request that the ⁺securities be quoted.
- If we are a trust, we warrant that no person has the right to return the ⁺securities to be quoted under section 1019B of the Corporations Act at the time that we request that the ⁺securities be quoted.

3 We will indemnify ASX to the fullest extent permitted by law in respect of any claim, action or expense arising from or connected with any breach of the warranties in this agreement.

4 We give ASX the information and documents required by this form. If any information or document not available now, will give it to ASX before ⁺quotation of the ⁺securities begins. We acknowledge that ASX is relying on the information and documents. We warrant that they are (will be) true and complete.



Sign here: Date: 3 July 2017
(Director/Company secretary)

Print name: Peter Hatfull

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⁺ See chapter 19 for defined terms.

Appendix 3B – Annexure 1

Calculation of placement capacity under rule 7.1 and rule 7.1A for +eligible entities

Introduced 01/08/12

N/A

Part 1

Rule 7.1 – Issues exceeding 15% of capital	
Step 1: Calculate “A”, the base figure from which the placement capacity is calculated	
Insert number of fully paid ordinary securities on issue 12 months before date of issue or agreement to issue	339,879,095
Add the following: <ul style="list-style-type: none"> Number of fully paid ordinary securities issued in that 12 month period under an exception in rule 7.2 Number of fully paid ordinary securities issued in that 12 month period with shareholder approval Number of partly paid ordinary securities that became fully paid in that 12 month period Note: <ul style="list-style-type: none"> Include only ordinary securities here – other classes of equity securities cannot be added Include here (if applicable) the securities the subject of the Appendix 3B to which this form is annexed It may be useful to set out issues of securities on different dates as separate line items 	609,592 Shares (28/07/2016) 551,658 Shares (28/07/2016) 893,274 Shares (09/09/2016) 774,018 Shares (26/10/16) 471,938 Shares (26/10/16) 765,127 Shares (21/11/16) 1,106,730 Shares (01/12/16) 1,230,436 Shares (23/12/16) 1,283,578 Shares (25/01/17) 471,938 Shares (31/01/17) 1,304,688 Shares (20/2/17) 2,032,867 Shares (6/4/17) 392,219 Shares (10/5/17) 2,098,958 Shares (03/07/17) 266,403,087 Shares (subject to this Appendix 3B) Total: 620,269,203
Subtract the number of fully paid ordinary securities cancelled during that 12 month period	
“A”	620,269,203

+ See chapter 19 for defined terms.

Step 2: Calculate 15% of “A”	
“B”	0.15 <i>[Note: this value cannot be changed]</i>
Multiply “A” by 0.15	93,040,380
Step 3: Calculate “C”, the amount of placement capacity under rule 7.1 that has already been used	
<p>Insert number of equity securities issued or agreed to be issued in that 12 month period <i>not counting</i> those issued:</p> <ul style="list-style-type: none"> • Under an exception in rule 7.2 • Under rule 7.1A • With security holder approval under rule 7.1 or rule 7.4 <p><i>Note:</i></p> <ul style="list-style-type: none"> • <i>This applies to equity securities, unless specifically excluded – not just ordinary securities</i> • <i>Include here (if applicable) the securities the subject of the Appendix 3B to which this form is annexed</i> • <i>It may be useful to set out issues of securities on different dates as separate line items</i> 	<p>12,344,503 Shares (350,000 Convertible Notes)</p> <p>1,338,000 Shares</p> <p>9,017,047 Shares (250,000 Convertible Notes)</p> <p>2,877,624 Shares (75,000 Convertible Notes)</p> <p>7,561,333 Shares (1 Convertible Note)</p> <p style="text-align: right;">33,138,507</p>
“C”	33,138,507
Step 4: Subtract “C” from [“A” x “B”] to calculate remaining placement capacity under rule 7.1	
<p>“A” x 0.15</p> <p><i>Note: number must be same as shown in Step 2</i></p>	93,040,380
<p>Subtract “C”</p> <p><i>Note: number must be same as shown in Step 3</i></p>	33,138,507
Total [“A” x 0.15] – “C”	59,901,873

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Part 2

Rule 7.1A – Additional placement capacity for eligible entities	
Step 1: Calculate “A”, the base figure from which the placement capacity is calculated	
“A” <i>Note: number must be same as shown in Step 1 of Part 1</i>	620,269,203
Step 2: Calculate 10% of “A”	
“D”	0.10 <i>Note: this value cannot be changed</i>
Multiply “A” by 0.10	62,026,920
Step 3: Calculate “E”, the amount of placement capacity under rule 7.1A that has already been used	
Insert number of equity securities issued or agreed to be issued in that 12 month period under rule 7.1A <i>Notes:</i> <ul style="list-style-type: none"> • <i>This applies to equity securities – not just ordinary securities</i> • <i>Include here – if applicable – the securities the subject of the Appendix 3B to which this form is annexed</i> • <i>Do not include equity securities issued under rule 7.1 (they must be dealt with in Part 1), or for which specific security holder approval has been obtained</i> • <i>It may be useful to set out issues of securities on different dates as separate line items</i> 	0
“E”	0

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Step 4: Subtract “E” from [“A” x “D”] to calculate remaining placement capacity under rule 7.1A	
“A” x 0.10 <i>Note: number must be same as shown in Step 2</i>	62,026,920
Subtract “E” <i>Note: number must be same as shown in Step 3</i>	0
Total [“A” x 0.10] – “E”	62,026,920 <i>Note: this is the remaining placement capacity under rule 7.1A</i>

+ See chapter 19 for defined terms.