



ALGAE.TEC LIMITED

ACN 124 544 190

PROSPECTUS

For: a pro-rata renounceable issue of 3 New Shares for every 4 Shares held by Eligible Shareholders registered at the Record Date at an issue price of \$0.03 per New Share together with 1 free attaching New Option for each 2 New Shares subscribed for, exercisable at \$0.05 on or before 28 July 2020 (**Rights Issue**).

to raise up to approximately \$8,000,000 before the cost of the issue.

The Rights Issue is not underwritten.

ASX Code: AEB

IMPORTANT NOTICE

This document is important and requires your immediate attention. It should be read in its entirety. If you do not understand its contents or are in doubt as to the course you should follow, you should consult your stockbroker or professional adviser.

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IMPORTANT NOTICE

Prospectus

This Prospectus is dated 4 July 2017 and was lodged with ASIC on that date. No responsibility for the contents of this Prospectus is taken by ASIC nor ASX.

The New Shares and New Options issued pursuant to this Prospectus will be issued on the terms and conditions set out in this Prospectus. No New Shares will be issued on the basis of this Prospectus later than 13 months after the date of this Prospectus.

In preparing this Prospectus regard has been had to the fact the Company is a disclosing entity for the purposes of the Corporations Act and certain matters may reasonably be expected to be known to investors and professional advisers who investors may consult. No person is authorised to give any information or to make any representation in connection with the Rights Issue described in this Prospectus. Any information or representation which is not contained in this Prospectus or disclosed by the Company pursuant to its continuous disclosure obligations may not be relied upon as having been authorised by the Company in connection with the issue of this Prospectus.

Throughout this Prospectus, for ease of reading, various words and phrases have been defined rather than used in full on each occasion. Those words and phrases (and their associated definitions) are set out in Section 5 of this Prospectus.

Electronic Prospectus

A copy of this Prospectus in electronic format may be viewed at www.algaetec.com.au or the website of ASX by Australian investors only. The offer pursuant to an Electronic Prospectus is only available to Eligible Shareholders receiving an electronic version of this Prospectus within Australia and New Zealand

New Shares and New Options will only be issued with respect to the Entitlement and Acceptance Form if the Company is satisfied the Entitlement and Acceptance Form accompanied an unaltered version of this Prospectus. A paper copy of this Prospectus may be obtained free of charge on request by contacting the Company before 5pm (WST) on the Closing Date.

Risk factors

Before deciding to invest in the Company, potential investors should read the entire Prospectus. In considering the prospects for the Company, potential investors should consider the risk factors that could affect the performance of the Company. Please refer to Section 3 for further information.

Overseas Shareholders

The New Shares and New Options being offered under this Prospectus are being offered to Eligible Shareholders only.

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

The offer contained in this Prospectus to Eligible Shareholders with registered addresses in New Zealand is made in reliance on the *Securities Act (Overseas Companies) Exemption Notice 2013* (New Zealand). Members of the public in New Zealand who are not existing Shareholders on the Record Date are not entitled to apply for any New Shares or New Options.

Please refer to Section 1.28 for further information.

Forward-looking statements

This Prospectus may contain forward-looking statements that have been based on current circumstances. Any forward-looking statements are subject to risks, uncertainties and assumptions that could cause those acts, events and circumstances to differ materially from the expectations described in such forward-looking statements.

Key Dates

Announce Rights Issue and lodgement of Appendix 3B with ASX	3 July 2017
Lodgement of the Prospectus with ASIC and ASX	4 July 2017
Notice of Rights Issue sent to Optionholders	5 July 2017
Notice of Rights Issue sent to Shareholders	5 July 2017
Ex-Date for Rights Issue	6 July 2017
Rights trading commences	6 July 2017
Record Date	7 July 2017
Prospectus despatched to Shareholders/Opening Date	12 July 2017
Rights trading ends	14 July 2017
Deferred settlement trading commences	17 July 2017
Closing Date	21 July 2017
Notify ASX of Shortfall	26 July 2017
Issue date – Deferred settlement trading ends	28 July 2017
Commencement of trading of New Shares and New Options *	31 July 2017

* The Directors may extend the Closing Date by giving at least 3 Business Days' notice to ASX prior to the Closing Date. As such, the date the New Shares and New Options are expected to commence trading on ASX may vary.

LETTER FROM THE CHAIRMAN

Algae.Tec Rights Issue - 2017

Dear Shareholders,

Over the last three years your company, Algae.Tec Ltd, has continued to successfully develop its proprietary technologies related to the production of algae for utilisation and commercialisation in the biofuels sector, nutraceuticals, animal feed and aqua culture.

In tough and uncertain economic times the Company has been able to engage with India's largest private group, Reliance, and is constructing a pilot plant at the Jamnagar refinery. In addition, the Company has entered into an agreement with Gencor to supply algae products for the ever-expanding nutraceuticals market.

These positive outcomes have enabled the Company to successfully develop its own range of animal feed and aquaculture products that are now gaining recognition and acceptance in the global market.

The Company has also been examining other opportunities where the Algae.Tec technologies developed for the growth, harvesting and extraction of commercial products could also be applied. In recent months, this has led to several organisations reaching out to the Company to collaborate in the cultivation, growth, harvesting and product extraction in the medical cannabis sector.

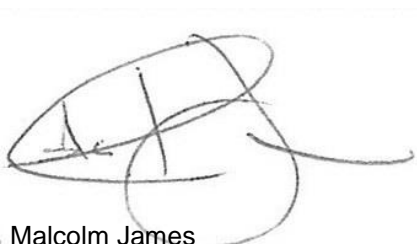
Press coverage in this sector has been at saturation point and it is without doubt one of the fastest growing sectors on a global basis at the present time.

Whilst not departing from the Company's prime activities it would be remiss of your Board not to evaluate, and where appropriate, enter into collaborations that expand the Company's business footprint.

To this end the Company has, as per recent announcements, entered into a Collaboration & Licence Agreement with Winter Garden Biosciences to further develop the Algae.Tec proprietary technologies with a specific focus on medical cannabis.

To undertake this collaboration, potential further growth in this area, and the finalisation of the commercial nutraceutical plant at our Atlanta facility the Company requires funds and has elected to undertake this rights issue to allow all shareholders – who have supported the Company through the last few difficult years – to participate.

As Chairman, I confirm that I will be taking up my entitlement and strongly recommend the issue to you.

A handwritten signature in black ink, appearing to read 'Malcolm James', with a large, stylized flourish extending from the end of the signature.

Malcolm James
Non-Executive Chairman

CORPORATE DIRECTORY

DIRECTORS	Mr Malcolm James (Non-Executive Chairman) Mr Peter Hatfull (Managing Director) Mr Garnet Earl James McConchie (Executive Director)
SECRETARY	Peter Ernest Hatfull
REGISTERED OFFICE	'Spectrum Offices' Unit 2 100-104 Railway Road Subiaco WA 6008 Email: admin@algaetec.com.au Website: www.algaetec.com.au
AUDITORS*	Bentleys Audit & Corporate (WA) Pty Ltd London House Level 3, 216 St Georges Terrace Perth WA 6000
SOLICITORS TO THE RIGHTS ISSUE	Murcia Pestell Hillard Suite 183 Level 6, 580 Hay Street Perth WA 6000 Tel: +61 8 9221 0033 Fax: +61 8 9221 0133
LEAD MANAGER	CPS Capital Group Pty Ltd Level 45, 108 St Georges Terrace Perth WA 6000
SHARE REGISTRAR	Computershare Investor Services Pty Limited Level 11, 172 St Georges Terrace Perth WA 6000 Telephone: 1300 850 505 +61 3 9415 4000
ASX Code	AEB

*For information purposes only. This person has not been involved in the preparation of this Prospectus and has not consented to being named in this Prospectus.

Section 1 DETAILS OF THE RIGHTS ISSUE

1.1 Rights Issue

This Prospectus invites Eligible Shareholders to participate in a pro-rata renounceable issue of 3 New Shares for every 4 Shares held by those Shareholders registered at the Record Date at an issue price of \$0.03 per New Share together with 1 free attaching New Option for each 2 New Shares subscribed for, exercisable at \$0.05 on or before 28 July 2020 to raise up to approximately \$8,000,000 (less expenses of the Rights Issue).

The Lead Manager is CPS Capital Group Pty Ltd (ACN 088 055 636) (**CPS Capital**). Please refer to section 1.24 for more details.

As at the date of this Prospectus the Company has 355,204,116 Shares, 45,728,607 vested Unlisted Options, and 76,539,944 convertible securities on issue.

Holders of Options will not be entitled to participate in the Rights Issue. However, holders of vested Unlisted Options may exercise their Options prior to the Record Date if they are an Eligible Shareholder and wish to participate in the Rights Issue.

If all of the vested Unlisted Options are exercised prior to the Record Date the Company's cash funds will increase by an additional amount of approximately \$6,340,000 from the exercise of these Options and this Prospectus will (subject to eligibility) also offer to those Shareholders a further maximum of 34,296,455 New Shares and 17,148,227 New Options to raise an additional amount of \$1,028,893 from the issue of New Shares.

The vested unlisted Options have an exercise price ranging from **\$0.09** to **\$0.1636** and expiry dates ranging from **1 March 2018** to **29 June 2019**. Further information on the Options is set out in Section 2.2 below.

Holders of convertible securities will not be entitled to participate in the Rights Issue. However, holders of convertible securities may exercise their conversion rights prior to the Record Date if they are an Eligible Shareholder and wish to participate in the Rights Issue.

If all of the convertible securities are converted prior to the Record Date this Prospectus will (subject to eligibility) also offer to those Shareholders a further maximum of 57,404,958 New Shares and 28,702,479 New Options to raise an additional amount of \$1,722,148 from the issue of New Shares.

The convertible securities have conversion prices ranging from 3 cents 10 cents and repayment dates ranging from the **current date** to **March 2020**. Further information on the convertible securities is set out in Section 2.2 below.

1.2 Purpose of the Rights Issue and Use of Funds

The funds raised will be applied towards the following:

Use of Funds	Minimum Condition Amount (\$)	Full Subscription (\$)
Joint R & D program to develop new products from cannabinoids and algae cultures	\$1,350,000	\$1,350,000
To further develop Algae.Tec's lighting technology for specific use in the medicinal marijuana industry	\$650,000	\$650,000
Expansion of existing algae nutraceutical facilities in Cumming Georgia and general working capital	\$380,000	\$1,500,000
To expand the existing biomass supply chains and personnel to include Hemp products and expertise.	\$0	\$1,500,000
Cost of issue	\$250,000	\$500,000
Repayment of debt (by redemption of convertible securities)	\$0	\$2,500,000
Total	\$2,630,000	\$8,000,000

If the Rights Issue is not fully subscribed, and the Company only raises the Minimum Condition Amount, then the funds will be used as per the Minimum Condition Amount column in the table above.

If the Company raises more than the Minimum Condition Amount, but less than the Full Subscription, then the funds in excess of the Minimum Condition Amount will be applied proportionately to the activities of the Company set out under the Full Subscription column of the Use of Funds table above.

The above-proposed use of funds is a statement of present intention as at the date of this Prospectus and is subject to ongoing review and evaluation by the Company.

Any additional funds raised from the participation of Shareholders in the Rights Issue as a result of the exercise of any of the 45,728,607 vested Unlisted Options, which may be up to \$7,368,893 (assuming all exercisable Options are exercised - and Shares are issued - prior to the Record Date), will be applied proportionately to the activities of the Company set out under the Full Subscription column of the Use of Funds table above. As at the date of this Prospectus, the applicable exercise prices for 45,728,607 of the vested Unlisted Options are higher than the price at which the Shares are currently trading on ASX and, accordingly, the Directors consider that it is unlikely that any of those relevant options will be exercised by their holders prior to the Record Date.

Any additional funds raised from the participation of Shareholders in the Rights Issue as a result of the conversion of any of the 57,404,958 convertible securities, which may be up to \$1,722,148 (assuming all convertible securities are converted - and Shares are issued - prior to the Record Date), will be applied proportionately to the activities of the Company set out under the Full Subscription column of the Use of Funds table above. As at the date of this Prospectus, the applicable conversion prices for all of the convertible securities are higher than or equal to the price at which the Shares are due to be issued in accordance with this rights issue and, accordingly, the Directors consider that it is unlikely that any of those convertible securities will be converted by their holders prior to the Record Date.

1.3 Opening and Closing Dates

The Rights Issue will open on 12 July 2017 and close at 5 pm on 21 July 2017 (except where payment is via BPAY® in which case payment must be made by such earlier cut off time as your own financial institution may implement with regard to electronic payments) or such later date as the Directors, in their absolute discretion and subject to compliance with the Listing Rules, may determine.

1.4 Entitlement to Rights Issue

Eligible Shareholders who are recorded on the Company's Share register at 5 pm (WST) on the Record Date are eligible to participate in the Rights Issue. Fractional entitlements will be rounded down to the nearest whole number of New Shares and New Options. An Entitlement and Acceptance Form setting out your entitlement to New Shares and New Options accompanies this Prospectus.

1.5 Actions required

As an Eligible Shareholder you may:

- (b) subscribe for all of your Entitlement (refer to Section 1.6);
- (c) subscribe for part of your Entitlement and allow the balance to lapse (refer to Section 1.7);
- (d) subscribe for all of your Entitlement (refer to Section 1.6) and apply for Additional New Shares and New Options (refer to Section 1.13);
- (e) sell all of your Entitlement (refer to Section 1.8); or
- (f) take up part of your Entitlement and sell the balance (refer to Section 1.9).

You may also choose not to take up any of your Entitlement and not sell your Entitlement, in which case no action is required (refer to Section 1.7).

1.6 To subscribe for all of your Entitlement

If you wish to subscribe for all of your Entitlement, complete the accompanying Entitlement and Acceptance Form in accordance with the instructions set out in that form. That form sets out the number of New Shares and Options you are entitled to subscribe for.

The completed Entitlement and Acceptance Form must be accompanied by a cheque or bank draft

made payable to “Algae.Tec Limited” and crossed “Not Negotiable” for the appropriate Application Money in Australian dollars calculated at \$0.03 per New Share and received by the Share Registrar by no later than 5 pm (WST) on **21 July 2017**. The Company will present the cheque or bank draft on or around the day of receipt of the Entitlement and Acceptance Form. If a cheque is not honoured upon its first presentation, the Directors reserve the right to reject the relevant Entitlement and Acceptance Form.

If the amount of your cheque(s) or bank draft(s) for Application Money (or the amount for which those cheque(s) or bank draft(s) clear in time for allocation) is insufficient to pay for the number of New Shares you have applied for in your Entitlement and Acceptance Form, you may be taken to have applied for such lower number of New Shares as your cleared Application Money will pay for (and to have specified that number of New Shares in your Entitlement and Acceptance Form) or your Application may be rejected. If you are sending your application in by mail, please send to the following address:

Computershare Investor Services Pty Limited
GPO Box 505
Melbourne Vic 3001

Alternatively, if you are paying by BPAY®, you do not need to return the Entitlement and Acceptance Form. Please refer to your personalised instructions on your Entitlement and Acceptance Form. It is your responsibility to ensure your BPAY® payment is received by the Company by no later than 5 pm (WST) on 21 July 2017. You should be aware your financial institution may implement earlier cut-off times with regard to electronic payment, and you should therefore take this into consideration.

1.7 If you do not wish to take up any part of your Entitlement

If you do not wish to take up your Entitlement under the Rights Issue and do not wish to sell your Entitlement, you are not required to take any action. You will receive no benefit or New Shares or New Options and your Entitlement will form part of the Shortfall and may become available as Additional New Shares and New Options.

If you want to take up part of your Entitlement and wish to receive a benefit, you must take action to accept part of your Entitlement in accordance with the instructions above and on the back of the accompanying Entitlement and Acceptance Form.

The number of securities you hold as at the Record Date and the rights attached to those securities will not be affected if you choose not to accept any of your Entitlement.

1.8 If you wish to sell all of your Entitlement

Complete the section marked “Instructions to Your Stockbroker” on the Entitlement and Acceptance Form, which accompanies this Prospectus, in accordance with the instructions contained on the form and lodge it with your stockbroker as soon as possible.

Rights trading will commence on ASX on 6 July 2017. Sale of your Rights must be completed by 14 July 2017 when Rights trading is expected to cease.

1.9 If you wish to take up part of your Entitlement and sell the balance

Please complete the Entitlement and Acceptance Form, which accompanies this Prospectus, by inserting the number of New Shares which you wish to subscribe for (being less than the total specified on the Application Form) and complete the section marked “Instructions to Your Stockbroker” on the Entitlement and Acceptance Form in respect of that part of your Entitlement you wish to sell.

Forward the form to your stockbroker together with your cheque for the total amount payable in respect of the New Shares accepted. Your stockbroker will need to ensure that the completed Application Form reaches the Company’s share registry, by 5.00pm (WST) on 21 July 2017. Cash will not be accepted and no receipts will be issued.

Rights trading will commence on ASX on 6 July 2017. Sale of your Rights must be completed by 14 July 2017 when Rights trading is expected to cease.

1.10 If you wish to transfer your Entitlement other than on ASX

If you are a Shareholder and hold Existing Shares on the issuer sponsored sub-register, forward a completed renunciation form (obtainable through your stockbroker or the Share Registrar) together with your Entitlement and Acceptance Form completed by the transferee together with a cheque for the appropriate Application monies to reach the Share Registrar, by 5.00pm (WST) on 21 July 2017.

If you are a Shareholder and hold Existing Shares registered on CHESS, you should contact your sponsoring broker.

Cash will not be accepted and no receipts will be issued.

1.11 Entitlement and Acceptance Form binding

A completed and lodged Entitlement and Acceptance Form or making a BPAY® payment constitutes a binding application to acquire New Shares and New Options on the terms and conditions set out in this Prospectus and, once lodged, cannot be withdrawn. If the Entitlement and Acceptance Form is not completed correctly, it may still be treated as a valid application for New Shares and New Options. The Directors' decision whether to treat an application as valid and how to construe, amend or complete the Entitlement and Acceptance Form is final.

1.12 Eligible Shareholder representations and warranties

By completing and returning your Entitlement and Acceptance Form with the requisite Application Monies or making a BPAY® payment, you will be deemed to have represented that you are an Eligible Shareholder. In addition, you will also be deemed to have represented and warranted on behalf of yourself or each person on whose account you are acting that the law in your place of residence and/or where you have been given this Prospectus, does not prohibit you from being given this Prospectus and you:

- (a) agree to be bound by the terms of the Rights Issue;
- (b) declare all details and statements in the Entitlement and Acceptance Form are complete and accurate;
- (c) declare you are over 18 years of age and have full legal capacity and power to perform all your rights and obligations under the Entitlement and Acceptance Form;
- (d) authorise the Company and its respective officers or agents, to do anything on your behalf necessary for the New Shares and New Options to be issued to you, including to act on instructions of the Share Registrar using the contact details set out in the Entitlement and Acceptance Form;
- (e) declare you are the current registered holder of Shares;
- (f) represent and warrant the law of your place of residence does not prohibit you from being given this Prospectus and the Entitlement and Acceptance Form, nor does it prohibit you from making an application for New Shares and New Options and you are otherwise eligible to subscribe for part or all of your Entitlement and to participate in the Rights Issue;
- (g) acknowledge the information contained in, or accompanying this Prospectus is not investment or financial product advice or a recommendation that New Shares and New Options are suitable for you given your investment objectives, financial situation or particular needs; and
- (h) acknowledge the New Shares and New Options may not be offered, sold or otherwise transferred except in accordance with an available exemption from, or in a transaction not subject to, the registration requirements of applicable overseas securities laws, in particular the US Securities Act.

1.13 Applying for Additional New Shares & New Options

Eligible Shareholders, may, in addition to their Entitlement, apply for Additional New Shares and New Options regardless of the size of their present holding.

An Eligible Shareholder that wishes to take up Additional New Shares and New Options must do so in accordance with the instructions on the Entitlement and Acceptance Form.

Any Entitlements not taken up may become available as Additional New Shares and New Options, which may be allocated from the Shortfall by the Company in consultation with the Lead Manager. It is possible that there will be few or no Additional New Shares and New Options available for issue, depending on the level of take up of Entitlements by Eligible Shareholders and allocation from the Shortfall by the Company. There is also no guarantee that if Additional New Shares and New Options are available for issue, they will be allocated to all, or any, of the Eligible Shareholders who have applied for them.

It is an express term of the Rights Issue that applicants for Additional New Shares and New Options will be bound to accept a lesser number of Additional New Shares and New Options allocated to them than applied for if so allocated. If a lesser number of Additional New Shares and New Options is allocated to them than applied for, excess Application Money will be refunded without interest as soon as practicable.

A single cheque should be used for the Application Money for your Entitlement and any Additional New Shares and New Options as stated on the Entitlement and Acceptance Form.

Alternatively, if you are paying by BPAY®, refer to your personalised instructions on your Entitlement and Acceptance Form. Shareholders who wish to pay by BPAY® must ensure payment is received by no later than 5 pm (WST) on **21 July 2017**.

1.14 Issue Process

Upon the close of acceptances on 21 July 2017 the Company will have received Applications for Entitlements and applications for Additional New Shares from all participating Eligible Shareholders.

Additional New Shares and New Options will be allotted and issued from the Shortfall in accordance with Section 1.13.

On the Issue Date of 28 July 2017 (see the timetable on page ii) the Company will allot and issue to Eligible Shareholders:

- New Shares and New Options pursuant to valid Applications; and
- Additional New Shares pursuant to valid applications for Additional New Shares and New Options allocated from the Shortfall.

1.15 Shortfall

The Company reserves the rights to allocate and issue any Shortfall at its discretion.

1.16 Allotment and Application Money

New Shares and New Options will be issued only after all Application Money has been received and ASX has granted permission for the New Shares and New Options to be quoted. It is expected New Shares and New Options will be issued on 28 July 2017 and normal trading of the New Shares and New Options on ASX is expected to commence on 29 July 2017.

All Application Money received before New Shares and New Options are issued will be held in a special purpose account.

1.17 Market prices of the Shares on ASX

A summary of the sale prices of the Shares on ASX during the last 3 months until the last trading day on ASX immediately prior to lodgement of this Prospectus with ASIC is set out below:

High (\$)	Low (\$)	Volume weighted average price (\$)
\$0.061	\$0.041	\$0.0541

The last market sale price of Shares on **3 July 2017** (which was the last day of trading before lodgement of the Prospectus with ASIC) was **\$0.048**.

1.18 No minimum subscription, but Rights Issue conditional on Minimum Condition Amount

There is no minimum subscription amount for the Rights Issue. However, the Rights Issue is conditional upon the Company receiving Acceptances under the Rights Issue and binding agreements to subscribe for placements of any Shortfall for an amount of at least \$2.6M (with this being the Minimum Condition Amount).

No New Shares and New Options will be issued under this Prospectus until this condition has been satisfied. If the condition is not satisfied within 3 months after the date of this Prospectus (or such period as varied by ASIC), the Company will not issue any New Shares or New Options under this Prospectus and will repay all application monies in accordance with the Corporations Act.

1.19 No brokerage and stamp duty payable on subscription under Entitlement

No brokerage or stamp duty will be payable by Eligible Shareholders for a subscription for New Shares and New Options pursuant to their Entitlement.

1.20 Tax implications

The Directors do not consider it appropriate to give Shareholders advice regarding the taxation consequences of the Company conducting the Rights Issue or Shareholders applying for New Shares and New Options under this Prospectus, as it is not possible to provide a comprehensive summary of the possible taxation positions of Shareholders.

The Company makes no representation and provides no advice in relation to the tax consequences for any Shareholder taking up their Entitlement under the Rights Issue. Therefore, the Company, its advisers and officers do not accept any responsibility or liability for any taxation consequences to Shareholders in relation to the Rights Issue. Shareholders and Option holders (if applicable) should seek professional taxation advice about the tax consequences of taking up their Entitlement.

1.21 ASX listing

The Company has applied to ASX for official quotation of the New Shares and New Options offered under the Rights Issue pursuant to this Prospectus. If official quotation of the New Shares and New Options is not granted by ASX within 3 months of the date of this Prospectus, then the Company will not allot or issue any New Shares or New Options and all Application Money received pursuant to this Prospectus will be repaid as soon as practicable, without interest. Where ASX grants official quotation for New Shares but does not grant official quotation for New Options, the New Options will be issued on an unlisted basis.

A decision by ASX to grant official quotation of the New Shares and New Options is not to be taken in any way as an indication of ASX's view as to the merits of the Company, or the New Shares and New Options offered under this Prospectus.

1.22 Notice to custodians and nominees

Custodians and nominees that currently hold Shares should note the Rights Issue is available only to Eligible Shareholders. The Company is not required to determine whether or not any registered holder is acting as a nominee or the identity or residence of any beneficial owners of Shares. If any nominee or custodian is acting on behalf of a foreign person, that holder, in dealing with its beneficiary, will need to assess whether indirect participation by the beneficiary in the Rights Issue is compatible with applicable foreign laws.

1.23 No issue of New Shares and New Options after 13 months

No New Shares and New Options will be allotted or issued on the basis of this Prospectus later than 13 months after the date of this Prospectus.

1.24 Lead Manager

CPS Capital is acting as Lead Manager.

CPS Capital will be paid a fee for managing the Rights Issue and the Company will also be required to reimburse CPS Capital for all of the reasonable costs incurred in relation to the Rights Issue. For more details, please refer to section 4.7.

1.25 Rights trading

The Entitlement is renounceable, which enables Shareholders who do not wish to take up some or all of their Entitlements to sell or otherwise transfer all or part of their Entitlement. Trading of Entitlements on the ASX is expected to commence on *6 July 2017* and end on **14 July 2017**.

1.26 Withdrawal of Rights Issue

The Company reserves the right not to proceed with the Rights Issue at any time before the issue of the New Shares and New Options to Eligible Shareholders. If the Rights Issue does not proceed, the Company will return all Application Money as soon as practicable after giving notice of its withdrawal, without interest.

1.27 Issue and allotment of New Shares and New Options

The New Shares will be issued fully paid. From the date of issue, the New Shares will rank equally in all respects with the Shares currently on issue. Details of the terms of the New Shares are set out in Section 4.4 and details of the terms of the New Options are set out in Section 4.5. By returning your Entitlement and Acceptance Form, you agree to comply with the Constitution for the New Shares and New Options issued to you.

The New Shares and New Options issued pursuant to Eligible Shareholders' Entitlements as well as the Additional New Shares and associated New Options are expected to be issued and allotted by no later than 28 July 2017. Any other Shortfall will be issued on a progressive basis.

Until issue and allotment of the New Shares and New Options under this Prospectus, the Application Money will be held in trust in a separate bank account opened and maintained for that purpose only. Any interest earned on the Application Money will be for the benefit of the Company and will be retained by it irrespective of whether allotment of the New Shares and New Options takes place.

1.28 Ineligible Shareholders

The Company is of the view it is unreasonable to make the offer under this Prospectus to Ineligible Shareholders having regard to:

- (b) the small number of Ineligible Shareholders;
- (c) the small number and value of New Shares and New Options to be offered to Ineligible Shareholders; and
- (d) the cost of complying with the legal requirements and requirements of regulatory authorities in the various overseas jurisdictions in which Ineligible Shareholders are located.

Accordingly, the Rights Issue is not being extended to, and does not qualify for distribution or sale by, and no New Shares or New Options will be issued to Shareholders having registered addresses outside Australia and New Zealand.

The New Shares and associated New Options being offered under this Prospectus are being offered to Eligible Shareholders only.

This Prospectus does not constitute an offer or invitation in any place outside Australia and New Zealand, in which, or to any person to whom, it would not be lawful to make such an offer or invitation. The Company has not made investigations as to the regulatory requirements that may prevail in countries outside Australia and New Zealand in which the Company's Shareholders reside.

Each Shareholder taking up its Entitlement represents and warrants the law of any place does not prohibit that Shareholder from being given this Prospectus and the Entitlement and Acceptance Form, nor does it prohibit that Shareholder from making an application for New Shares and New Options and that Shareholder is otherwise eligible to participate in the Rights Issue. It is the responsibility of an Eligible Shareholder to ensure compliance with any laws of a country relevant to their Application.

The distribution of this Prospectus in jurisdictions outside Australia and New Zealand, may be restricted

by law and persons who come into possession of this Prospectus should seek advice on and observe any such restrictions. Any failure to comply with those restrictions may constitute a violation of applicable securities laws.

The offer contained in this Prospectus to Eligible Shareholders with registered addresses in New Zealand is made in reliance on the *Securities Act (Overseas Companies) Exemption Notice 2013* (New Zealand). Members of the public in New Zealand who are not existing Shareholders on the Record Date are not entitled to apply for any New Shares and associated New Options.

1.29 **Appointment of Nominee**

As the Rights Issue is renounceable and for the purposes of Listing Rule 7.7.1(c), the Company will appoint CPS Capital as nominee to arrange for the sale of the Entitlements that would have been given to Ineligible Shareholders and to account to them for the net proceeds of the sale.

The Nominee will not be paid a fee in respect of its role although the Nominee will be paid brokerage on the sale of ineligible Entitlements and the fees as set out in Section 4.7 with respect to acting as Lead Manager.

The Company has agreed to allot to the Nominee, or its nominee company, the number of Entitlements which would otherwise have been issued to Ineligible Shareholders as if they were able to participate in the Rights Issue.

The Nominee will, during the Rights Trading Period, offer the Entitlements for sale on the market conducted by ASX as soon as is reasonably practicable following their allotment.

The sale of Entitlements will be made in the first instance in the ordinary course of trading on ASX at the prevailing market price. If there is no market for all or some of the Entitlements on ASX, the Nominee may sell all or some of the Entitlements off-market. The net proceeds of these sales, after deducting all reasonable costs associated with the sale will be provided to the Company for the benefit of the Ineligible Shareholders.

Subject to receiving the net proceeds of Entitlement sales from the Nominee (if any) the Company will distribute those funds to each Ineligible Shareholder, pro rata, in Australian currency. If all of the Entitlements of Ineligible Shareholders are sold this would result in each Ineligible Shareholder receiving the average price of the Entitlements sold on behalf of the Ineligible Shareholders during the Rights Trading Period. The amount received by each Ineligible Shareholder will be reduced to the extent that Ineligible Shareholders' Entitlements cannot be sold during the Rights Trading Period.

1.30 **CHESS**

The Company participates in the Clearing House Electronic Sub-register System (**CHESS**). ASX Settlement, a wholly owned subsidiary of ASX, operates CHESS in accordance with the Listing Rules and the ASX Settlement Operating Rules. Under CHESS, applicants will not receive a certificate but will receive a statement of their holding of New Shares and New Options.

If you are broker sponsored, ASX Settlement will send you a CHESS statement. The CHESS statement will set out the number of New Shares and New Options issued under this Prospectus, provide details of your holder identification number and give the participation identification number of the sponsor.

If you are registered on the issuer sponsored sub register, your statement will be dispatched by the Share Registrar and will contain the number of New Shares and New Options issued to you under this Prospectus and your security holder reference number.

A CHESS statement or issuer sponsored statement will routinely be sent to Shareholders at the end of any calendar month during which the balance of their shareholding changes. Shareholders may request a statement at any other time, however, a charge may be made for additional statements.

1.31 **Privacy**

The Company collects the information about each Shareholder provided on an Entitlement and Acceptance Form for the purposes of processing the Application and, if the Application is successful,

to administer that Shareholder's security holding in the Company.

By submitting an Entitlement and Acceptance Form, each Shareholder agrees the Company may use the information provided by a Shareholder on the Entitlement and Acceptance Form for the purposes set out in this privacy disclosure statement and may disclose it for those purposes to the Share Registrar, the Company's related bodies corporate, agents, contractors and third party service providers, including mailing houses and professional advisers, and to ASX and regulatory authorities.

If you do not provide the information required on the Entitlement and Acceptance Form, the Company may not be able to accept or process your Application.

An applicant has an entitlement to gain access to the information the Company holds about that person subject to certain exemptions under law. A fee may be charged for access. Access requests must be made in writing to the Company's registered office.

1.32 No Underwriting

The Rights Issue is not underwritten.

1.33 Enquiries regarding this Prospectus

Enquiries regarding this Prospectus should be directed to the Company Secretary by telephone on 08 9380 6790.

Section 2 CAPITAL STRUCTURE & EFFECT OF THE RIGHTS ISSUE ON THE COMPANY

2.1 Principal effects

The principal effects of the Rights Issue (assuming full subscription) are:

- (a) Subject to paragraph 2.1(c), the Company's cash funds will increase by \$8,000,000, less expenses of the Rights Issue, which are estimated to be approximately **\$500,000** and
- (b) Subject to paragraph 2.1(c), the total number of Shares on issue will increase by 266,666,666 to 621,870,782.
- (c) If 100% of the vested Unlisted Options currently on issue are exercised prior to the Record Date and all Entitlements are taken up, then:
 - (i) The Company's cash funds will increase by an additional amount of approximately \$6,340,000 from the exercise of the vested Unlisted Options and approximately a further \$1,028,893 from the take up of the Entitlements;
 - (ii) the total number of Shares on issue will increase by an additional 45,728,607 from the exercise of the vested Unlisted Options and 34,296,455 from the Entitlements to 701,895,844
- (d) If 100% of the convertible securities currently on issue are exercised prior to the Record Date and all Entitlements are taken up, then:
 - (i) The Company's cash funds will increase by approximately a further \$2,296,198 from the take up of the Entitlements;
 - (ii) the total number of Shares on issue will increase by an additional 76,539,944 from the conversion of the convertible securities and 57,404,958 from the Entitlements to **755,815,684**.

2.2 Capital structure

As at the date of this Prospectus 355,204,116 Shares are on issue. The pro-forma capital structure of the Company following the Rights Issue pursuant to this Prospectus is set out below (if 100% of the New Shares offered pursuant to this Prospectus are subscribed for and issued, assuming no vested Unlisted Options are exercised prior to the Record Date and no convertible securities are converted prior to the Record Date):

	Number
Existing Shares	355,204,116
New Shares to be issued under this Prospectus	266,403,087
Shares on issue after this Rights Issue	621,607,203

If 100% of the New Shares offered pursuant to this Prospectus are subscribed for and issued, then 133,201,543 New Options would be issued.

The Company currently has the following Unlisted Options on issue:

Exercise price	Expiry date	Vested	No. of Options
\$0.1636	20 January 2019	28,728,607	28,728,607
\$0.20	1 March 2018	1,000,000	1,000,000
\$0.09	30 June 2019	16,000,000	16,000,000
Total		45,728,607	45,728,607

The Company currently has the following outstanding convertible securities:

Conversion price	Repayment date	Face value of convertible securities
85% lowest 5 day vwap	\$250,000 at 6 May 2018 \$75,000 at 27 June 2018	USD\$275,000 USD\$82,500
4.9 cents	22 July 2017	\$865,000
10 cents	7 January 2018	USD\$1,000,000
10 cents	25 July 2018	\$250,000
7.5 cents	Currently due*	USD\$500,000
3 cents	22 September 2017	\$200,000
4 cents	\$166,667 at 3 February 2020 \$166,666 at 2 March 2020 \$166,667 at 30 March 2020	USD\$500,000
Total		USD\$2,357,500 and AUD\$1,315,000

*The lender has the ability to require repayment under the terms of the convertible securities, but the Company does not believe that he presently intends to exercise this right.

Effect of control

There will be no effect on control of the Company if all Shareholders take up their Entitlement.

(a) No increase above 20%

No shareholder will increase their voting power in the Company to 20% or more under the Rights Issue.

As the Rights Issue is renounceable and to comply with ASX Listing Rule 7.7.1(c), the Company will appoint CPS Capital as nominee to arrange for the sale of Entitlements that would have been given to Ineligible Shareholders and to account to them for the net proceeds of the sale.

(b) Dilution

Shareholders who do not participate in the Rights Issue will have their holdings diluted. The following is a table which sets out the dilutionary effect at various example shareholding levels assuming that the Rights Issue is fully subscribed and no further Shares are issued or Options exercised:

Holder	Holding at Record Date			Holding following the Rights Issue if no Entitlement taken up	
	Number	%	Entitlement	Number	%
1	<i>15,000,000</i>	<i>4.2</i>	<i>11,250,000</i>	<i>15,000,000</i>	<i>2.4</i>
2	<i>10,000,000</i>	<i>2.8</i>	<i>7,500,000</i>	<i>10,000,000</i>	<i>1.6</i>
3	<i>5,000,000</i>	<i>1.4</i>	<i>3,750,000</i>	<i>5,000,000</i>	<i>0.8</i>
4	<i>1,000,000</i>	<i>0.3</i>	<i>750,000</i>	<i>1,000,000</i>	<i>0.2</i>

2.3 Consolidated Statement of Financial Position

Set out below is the unaudited statement of financial position of the Company from the 31 May 2017 management accounts including the effect of the Rights Issue but excluding the exercise of any Options:

Unaudited Consolidated Statement of Financial Position	Unaudited Management Accounts	Unaudited Proforma
ASSETS		
Current Assets		
Cash and cash equivalents	\$164,143.72	\$5,164,143.72
Trade and other receivables	\$2,650,033.31	\$2,650,033.31
Other current assets	\$117,981.68	\$117,981.68
Total Current Assets	\$2,932,158.71	\$7,932,158.71
Non-Current Assets		
Property, plant and equipment	\$451,952.36	\$451,952.36
Deferred tax assets	\$580,540.71	\$580,540.71
Other non-current assets	\$0.00	\$0.00
Total Other Assets	\$1,032,493.07	\$1,032,493.07
TOTAL ASSETS	\$3,964,651.78	\$8,964,651.78
LIABILITIES		
Current Liabilities		
Trade and other payables	\$401,711.27	\$401,711.27
Accruals	\$550,401.12	\$550,401.12
Provisions	\$337,652.29	\$337,652.29
Tax Payable	\$0.00	\$0.00
Borrowings	\$5,781,781.47	\$3,523,620.49
Total Current Liabilities	\$7,071,546.16	\$4,813,385.18
Non Current Liabilities		
Borrowings	\$0.00	\$0.00
Total Other Liabilities	\$0.00	\$0.00
TOTAL LIABILITIES	\$7,071,546.16	\$4,813,385.18
NET ASSETS	-\$3,106,894.37	\$4,151,266.61
EQUITY		
Issued Capital	\$20,747,223.50	\$28,247,223.50
Reserves	\$508,537.12	\$259,581.12
Accumulated Losses	-\$24,362,654.99	-\$24,355,538.01
TOTAL EQUITY	-\$3,106,894.37	\$4,151,266.61

Note: These figures assume the Rights Issue will be fully subscribed and do not take into account Options that may be exercised prior to the Record Date.

Section 3 RISK FACTORS

3.1 Introduction

This Section 3 identifies the areas the Directors regard as the main risks associated with an investment in the Company. There are numerous widespread risks associated with investing in any form of business and with investing in the share market generally. There is also a range of specific risks associated with the Company's business. These risk factors are largely beyond the control of the Company and its Directors because of the nature of the business of the Company. The following summary, which is not exhaustive, represents some of the main risk factors, which the Directors consider potential investors need to be aware of.

3.2 Company Specific Risks

(a) Licence of Algae Growth System

The Company holds an exclusive, global, royalty free licence from its associated company, Teco.Bio LLC, of all intellectual property related to the Algae Growth System and any improvements to that system (other than for pharmaceutical purposes). While the licence has very limited termination rights, if the licence is terminated by Teco.Bio, the Company may be unable to continue its use of the Algae Growth System.

(b) Intellectual Property Rights

Although the Company is not aware of any third party interests in relation to the Algae Growth System, and has taken steps to protect and confirm the ownership of the intellectual property related to the Algae Growth System, and its licence of that intellectual property, there is always a risk of third parties claiming involvement in technology and discoveries, and if any disputes arise, this could adversely affect the Company.

There can be no assurance that any patents in relation to the Algae Growth System licence the Company may own or control now and in the future will afford the Company commercially significant protection of the Algae Growth System or that competitors will not develop competing technologies that circumvents such patents.

Although the Company will implement all reasonable endeavours to protect its interest in the intellectual property related to the Algae Growth System, there can be no assurance that these measures have been, or will be sufficient.

(c) Additional Requirements for Capital

The Directors expect that the proceeds of the Offer will provide sufficient capital resources to enable the Company to achieve its stated business objectives. However, the Directors can give no assurances that such objectives will in fact be met without future borrowings or further capital raisings and if such borrowings or capital raisings are required, that they can be obtained on terms favourable to the Company or at all.

Any additional equity financing will dilute shareholdings, and debt financing, if available, may involve restrictions on financing and operating activities. If the Company is unable to obtain additional financing as needed, it may be required to reduce the scope of its operations and scale back its expansion and development programmes as the case may be.

(d) Operating Risks

The demonstration and commercial plants proposed by the Company may be affected by various factors, including failure to locate or identify a suitable location; failure to achieve predicted yields of algae and algae products; operational and technical difficulties encountered in scaling up the Algae Growth System to commercial production levels; difficulties in commissioning and operating plant and equipment; mechanical failure or plant breakdown; unanticipated bioreactor problems which may affect production costs; adverse weather conditions; industrial and environmental accidents; industrial disputes; and unexpected shortages or increases in the costs of consumables, spare parts, plant and equipment.

(e) Research and Development

The Company can make no representation that any of its research into or development of the Algae Growth System or cannabis or medical marijuana necessary to achieve commercial production will be successful, that the development milestones will be achieved, or that the Algae Growth System or the Company's proposed research in respect of cannabis and medical marijuana will generate products that are commercially exploitable.

There are many risks inherent in the development of algal products and cannabis and medical marijuana products, particularly where the products are in the early stages of development. Projects can be delayed or fail to demonstrate sufficient benefit, or research may cease to be viable for a range of scientific and commercial reasons.

(f) Competition

The Company's current and future potential competitors include companies with substantially greater resources than it. There is no assurance that competitors will not succeed in developing products that are more effective or economic than the current products or any of those being developed by the Company or which would render the products obsolete and/or otherwise uncompetitive.

In addition, the Company may not be able to compete successfully against current or future competitors where aggressive pricing policies are employed to capture market share. Such competition could result in price reductions, reduced gross margins and loss of market share, any of which could materially adversely affect the Company's future business, operating results and financial position.

(g) Management of Growth

There is a risk that management of the Company will not be able to implement the Company's growth strategy. The capacity of the new management to properly implement and manage the strategic direction of the Company may affect the Company's financial performance.

(h) Loss of Key Clients and Suppliers

The Company is yet to establish important client and supply relationships. Although the Company is expected to establish these relationships through development of its products and the Algae Growth System, the loss of one or more key clients or suppliers is likely to adversely affect the operating results of the Company.

(i) Insurance Risks

The Company intends to insure its operations in accordance with industry practice. However, in certain circumstances, the Company's insurance may not be of a nature or level to provide adequate insurance cover. The occurrence of an event that is not covered or fully covered by insurance could have a material adverse effect on the business, financial condition and results of the Company.

Insurance against all risks associated with algae, cannabis and marijuana production is not always available and where available the costs may be prohibitive.

Further, the Company is exposed to the risk of catastrophic loss to necessary laboratory equipment, computer equipment or other facilities which would have a serious impact on the Company's operations.

(j) Product Liability and Uninsured Risks

Through its intended business of algae production, and proposed research and development of cannabis and medical marijuana products, the Company is exposed to potential product liability risks which are inherent in the research and development, manufacturing, marketing and use of its products. It will be necessary for the Company to secure sufficient levels of insurance to cover various product liability risks in the course of maintaining its business.

However, there can be no assurance that adequate or necessary insurance coverage will be available at an acceptable cost or in sufficient amounts, if at all, or that product liability or other claims would not materially and adversely affect the business or financial condition of the Company.

Although the Company endeavours to work to rigorous standards there is still the potential for the

products to contain defects which may result in system failures. These defects or problems could result in the loss of or delay in generating revenue, loss of market share, failure to achieve market acceptance, diversion of development resources, injury to the Company's reputation or increased insurance costs. If the Company fails to meet its clients' expectations, the Company's reputation could suffer and it could be liable for damages.

(k) Sovereign risk

The Company's research, development and manufacturing activities are predominantly to be carried out in Australia, Uruguay and the United States of America. As a result, the Company will be subject to political, social, economic and other uncertainties including, but not limited to, changes in policies or the personnel administering them, foreign exchange restrictions, changes of law affecting foreign ownership, currency fluctuations, royalties and tax increases in that country. Other potential issues contributing to uncertainty such as repatriation of income, changes to political, legal, regulatory, fiscal and exchange control systems and changes in government may also impact the Company's projects or operations.

(l) Contract risks

The Company's subsidiaries may operate through a series of contractual relationships with operators and sub-contractors. All contracts carry risks associated with the performance by the parties thereto of their obligations as to time and quality of work performed. Any disruption to services or supply may have an adverse effect on the financial performance of the Company's operations.

(m) Regulatory risk

The Company's activities may require approvals from regulatory authorities which may be delayed, not be forthcoming or which may not be able to be obtained on terms acceptable to the Company. While the Company has no reason to believe that all requisite approvals will not be forthcoming and whilst the Company's obligations for expenditure will be predicated on any requisite approvals being obtained, applicants should be aware the Company cannot guarantee any requisite approvals will be obtained. A delay or failure to obtain any approvals would mean the ability of the Company to research, develop and sell products may be limited or restricted either in part or absolutely.

The regulatory environment for the Company's activities could change in ways that could substantially increase the Company's liabilities, tax liability or costs of compliance. This could materially and adversely affect the Company's financial position.

In particular, the regulatory environment in respect of cannabis and medical marijuana is presently changing in many countries and it is not presently possible to say when it will be in a settled form, or what that form will be. This could affect the Company's ability to research and produce cannabis and medical marijuana products, and the Company's ability to sell any resulting products. This could materially and adversely affect the Company's financial position.

(n) Litigation

The Company is subject to litigation risks. All industries are subject to legal claims, with and without merit. Defence and settlement costs of legal claims can be substantial, even with respect to claims that have no merit.

Due to the inherent uncertainty of litigation processes, the resolution of any particular legal proceeding to which the Company is or may become subject could have a material effect on its financial position, results of operations or the Company's activities.

(o) Taxation risk

Any change in laws and regulations applicable to the taxation of income, intercompany transactions, withholding taxes, levies and other transactional taxes affecting the Company in the countries it operates in or in which it is listed, or any change in the current interpretation or any disputes with tax authorities or any changes to the Company's income mix, may adversely affect its tax status and increase its tax payable, which would have a negative effect on financial results.

(p) Key person risk

The responsibility of overseeing the day-to-day operations and the strategic management of the Company depends substantially on its senior management, each of whom has knowledge and experience of the Company's operations that cannot be replicated by others in the short term. The senior management may, subject to the relevant periods of notice specified in their employment agreements with the Company, terminate their employment relationship with the Company at any time and the loss of any member of the senior management team could harm the Company's business.

It may be difficult to secure replacements with appropriate experience and expertise and it may be difficult to replace senior management in the short term. This may adversely affect the Company's business.

(q) Exchange rates

A significant portion of the Company's operating expenses are denominated in US dollars and will be subject to exchange rate fluctuations. Accordingly the Company will be exposed to the fluctuations and volatility of the rate of exchange between the United States dollar and the Australian dollar as determined in international markets. Although steps may be undertaken by the Company to manage currency risk, adverse movements in the Ugandan shilling and Australian dollar against the US dollar may have an adverse impact on the Company.

3.2 General risks

(a) Securities investments

Applicants should be aware that there are risks associated with any securities investment. The prices at which the Shares trade may be above or below the issue price, and may fluctuate in response to a number of factors. Further, the stock market has experienced price and volume fluctuations. There can be no guarantee trading prices will not be subject to fluctuation. These factors may materially affect the market price of the Shares, regardless of the Company's operational performance.

(b) Share market conditions

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

(c) Economic risk

Changes in the general economic climate in which the Company operates may adversely affect the financial performance of the Company. Factors that may contribute to that general economic climate include the level of direct and indirect competition against the Company, industrial disruption in Guyana, the rate of growth of gross domestic product, interest rates and the rate of inflation.

(d) Policies and legislation

Any material adverse changes in government policies or legislation of Australia, Uruguay or any other country in which the Company has economic interests may affect the viability and profitability of the Company. Whilst the Company considers there is a general movement towards the use of medicinal marijuana in many countries this could change and represents a risk to the development of this product, and potential markets for this product.

(e) Investment speculative

The above risk factors ought not to be taken as an exhaustive list of the risks faced by the Company or by prospective investors in the Company. The above factors, and others not specifically referred to above, may in the future materially affect the financial performance of the Company and the value of the New Shares and New Options offered under this Prospectus. Therefore, the New Shares and New Options to be issued pursuant to this Prospectus carry no guarantee for the payment of dividends, returns of capital or their market value. Prospective investors should consider that the investment in the Company is speculative and should consult their professional adviser before deciding whether to apply for New Shares and New Options pursuant to this Prospectus.

ADDITIONAL INFORMATION

3.3 Continuous disclosure obligations

The Company is a "disclosing entity" under the Corporations Act and is subject to the regime of continuous disclosure and periodic reporting requirements. Specifically as a listed company, the Company is subject to the Listing Rules, which require continuous disclosure to the market of any information possessed by the Company, which a reasonable person would expect to have a material effect on the price or value of its securities.

3.4 Applicability of Corporations Act

As a "disclosing entity", the Company has issued this Prospectus in accordance with section 713 of the Corporations Act applicable to prospectuses for an offer of securities which are continuously quoted securities of a body or options to acquire such securities.

The New Shares to be issued under this Prospectus are ordinary shares i.e. a class of shares that were continuously quoted securities at all times in the 3 months before the issue of this Prospectus. The Shares to be issued when the New Options are exercised will be in the same class of shares that have been quoted on the ASX during the 3 months prior to the issue of this Prospectus.

Therefore, in preparing this Prospectus, regard has been had to the fact the Company is a disclosing entity for the purposes of the Corporations Act and matters may reasonably be expected to be known to investors and professional advisers whom investors may consult. It must be read in the context of, and having regard to, the Company's continuous disclosure obligations and publicly available information regarding the Company and its business.

The ASX maintains files containing publicly disclosed information about all listed companies. The Company's file is available for inspection at ASX in Perth during normal working hours. In addition, copies of documents lodged by, or in relation to, the Company with ASIC may be obtained from, or inspected at, any regional office of ASIC.

3.5 Information available to Shareholders

The Company will provide a copy of each of the following documents, free of charge, to any investor who so requests during the application period under this Prospectus. Alternatively, they can be downloaded from ASX's website at www.asx.com.au:

- (b) the Annual Report for the Company for the period ending 30 June 2016, which was lodged with ASIC on 30 September 2016;
- (c) the Half Yearly Report for the Company for the half year ending 31 December 2016; and
- (d) the following documents used to notify ASX of information relating to the Company during the period after lodgement of the Annual Report of the Company for the period ending 30 June 2016 and before the issue of this Prospectus:

Date	Description of ASX Announcement
30/09/2016	Annual Report to Shareholders
30/09/2016	Corporate Governance Statement and Appendix 4G
12/10/2016	Algae.Tec Products Launch
25/10/2016	Notice of Annual General Meeting/Proxy Form
28/10/2016	Cleansing Notice and Appendix 3B
31/10/2016	Appendix 4C Quarterly Report
21/11/2016	Cleansing Notice and Appendix 3B
28/11/2016	Results of Meeting
08/12/2016	Cleansing Notice and Appendix 3B
28/12/2016	Cleansing Notice and Appendix 3B
20/02/2017	Notice of Extraordinary General Meeting/Proxy Form

21/02/2017	Cleansing Notice and Appendix 3B
28/02/2017	Appendix 4C Amended
28/02/2017	Appendix 4D Half Year Report
08/03/2017	Appendix 3B
20/03/2017	Results of Meeting
04/04/2017	Appendix 3B
07/04/2017	Cleansing Notice and Appendix 3B
28/04/2017	Appendix 4C Quarterly
02/05/2017	Algae.Tec enters Medicinal Marijuana Market
09/05/2017	Trading Halt
10/05/2017	Voluntary Suspension
12/05/2017	Clarification
12/05/2017	Reinstatement of Official Quotation
15/05/2017	Algae.Tec launches expanded product range
15/05/2017	Cleansing Notice and Appendix 3B
18/05/2017	Cleansing Notice and Appendix 3B
19/05/2017	Change of Director's Interest Notice
24/05/2017	Corporate Presentation
25/05/2017	Change of Director's Interest Notice
21/06/2017	Algae.Tec signs product and technology agreement
03/07/2017	Collaboration Agreement
03/07/2017	Appendix 3B
03/07/2017	Appendix 3B Rights Issue

3.6 Rights Attaching to New Shares

The New Shares to be issued under the Rights Issue pursuant to this Prospectus will rank equally in all respects with existing Shares. Full details of the rights attaching to Shares are set out in the Company's Constitution, a copy of which can be inspected at the Company's registered office. The following is a summary of the principal rights which attach to the Shares:

(a) Voting

Every holder of Shares present in person or by proxy, attorney or representative at a meeting of Shareholders has one vote on a vote taken by a show of hands, and, on a poll every holder of Shares who is present in person or by proxy, attorney or representative has;

- (i) one vote for every fully paid Share held by him or her; and
- (ii) a fraction of one vote for each partly paid up Share held by him or her.

A poll may be demanded by the chairman of the meeting, by at least five Shareholders entitled to vote on the particular resolution present in person or by any one or more Shareholders who are together entitled to not less than 5% of the total voting rights of the Shares of all those Shareholders having the right to vote on the resolution.

(b) Dividends

The Directors may determine that dividends are payable on Shares of the Company. New Shareholders will be entitled to dividends as a result of ownership of their New Shares in accordance with the Constitution.

(c) Further issue of securities

Subject to the Corporations Act and the Listing Rules, the Directors may issue or grant options over,

Shares in the Company at the times and on the terms the Directors think fit. A share may be issued with a preferential or special right.

(d) Transfer of Shares

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

(e) Meetings and notice

Each Shareholder is entitled to receive notice of and to attend general meetings for the Company and to receive all notices, accounts and other documents required to be sent to Shareholders under the Constitution, the Corporations Act or the Listing Rules.

(f) Liquidation rights

A liquidator may, with the authority of a special resolution of Shareholders:

- (i) distribute among the Shareholders the whole or any part of the remaining property of the Company; and
- (ii) decide how to distribute the property as between the Shareholders or different classes of Shareholders.

The liquidator may vest the whole or any part of the assets in trust for the benefit of shareholders as the liquidator thinks fit, but no shareholder of the Company can be compelled to accept any shares or other securities in respect of which there is any liability.

(g) Alteration and reduction of capital

The Company may, by resolution, alter its capital in any manner permitted by law and the Listing Rules and subject to the Corporations Act and the Listing Rules, the Company may reduce its capital.

(h) Shareholder liability

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

(i) Variation of rights

Pursuant to section 246B of the Corporations Act, the Company may, with the sanction of a special resolution passed at a meeting of shareholders vary or abrogate the rights attaching to shares.

If at any time the Company's share capital is divided into different classes of shares, the rights attaching to any class (unless otherwise provided by the terms of issue of the shares of that class), whether or not the Company is being wound up may be varied or abrogated with the consent in writing of the holders of three-quarters of the issued shares of that class, or if authorised by a special resolution passed as a separate meeting of the holders of the shares of that class.

(j) Listing Rules

Despite anything in the Constitution, if the Listing Rules prohibit an act being done, the act must not be done. Similarly, nothing in the Constitution prevents an act being done that the Listing Rules require to be done. If the Listing Rules require an act to be done or not to be done, authority is given for that act to be done or not to be done (as the case may be). If the Listing Rules require the Constitution to contain a provision or not to contain a provision the Constitution is deemed to contain that provision or not to contain that provision (as the case may be). If a provision of the Constitution is or becomes inconsistent with the Listing Rules, the Constitution is deemed not to contain that provision to the extent of the inconsistency.

3.7 Rights Attaching to New Options

The New Options intended to be granted under this Prospectus will be granted under the following terms and conditions:

(a) Entitlement

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

(b) Exercise price and end date

The exercise price for each New Option is \$0.05 and the end date of each New Option is 28 July 2020.

(b) Exercise period

New Options are exercisable at any time after they are issued and on or prior to 5pm (WST) on their end date.

(c) Notice of exercise

New Options may be exercised by notice in writing to the Company ("**Notice of Exercise**") and payment of the exercise price for each New Option being exercised. Any Notice of Exercise of a New Option received by the Company will be deemed to be a notice of the exercise of that New Option as at the date of receipt.

(d) Shares issued on exercise

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

(e) Quotation of Shares on exercise

Application will be made by the Company to ASX for quotation of the Shares issued upon the exercise of the New Options.

(f) Timing of issue of Shares

After a New Option is validly exercised, the Company must, as soon as possible following receipt of the Notice of Exercise and receipt of cleared funds equal to the sum payable on the exercise of the New Option:

- issue and allot the Share; and
- do all such things necessary to obtain the grant of official quotation of the Share on ASX no later than 5 Business Days after issuing the Share.

(g) Participation in new issues

There are no participation rights or entitlements inherent in the New Options and holders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the New Options. However, the Company will ensure that for the purposes of determining entitlements to any such issue, the record date will be at least five Business Days after the issue is announced. This will give the holders of New Options the opportunity to exercise their New Options prior to the date for determining entitlements to participate in any such issue.

(h) Adjustment for bonus issues of Shares

If the Company makes a bonus issue of Shares or other securities to existing Shareholders (other than an issue in lieu or in satisfaction of dividends or by way of dividend reinvestment):

- (i) the number of Shares which must be issued on the exercise of a New Option will be increased by the number of Shares which the New Option holder would have received if the New Option holder had exercised the New Option before the record date for the bonus issue; and
- (ii) no change will be made to the exercise price for the New Options.

(i) Adjustments for reorganisation

If there is any reconstruction of the issued share capital of the Company, the rights of the New Option holders will if required be varied to comply with the Listing Rules which apply to the reconstruction at the time of the reconstruction.

(j) Quotation of New Options

Application will be made by the Company to ASX for quotation of the New Options.

(k) New Options transferable

New Options are transferable provided the transfer of the New Options does not contravene section 707(3) of the Corporations Act.

Interests of Directors

(l) Directors' holdings

At the date of this Prospectus the relevant interest of each of the Directors in the Shares and Options of the Company are as follows:

Directors	Ordinary Shares	Vested Unlisted Options
Peter Hatfull	10,474,178	7,000,000
Malcolm James	100,000	7,000,000
Garnet Earl McConchie	175,000,001	-

Peter Hatfull and Malcolm James each hold 7M unlisted options in the company exercisable at \$0.09 on or before 30 June 2019

(m) Remuneration of Directors

Fees and payments to Executive Directors reflect the demands which are made on, and the responsibilities of, the Directors. Executive Directors' remuneration is reviewed at least annually by the Board. The base remuneration is presently \$300,000 per annum (exclusive of superannuation) for the Managing Director and approximately USD \$360,000 (exclusive of superannuation) for the Executive Director and approximately \$72,000 (inclusive of superannuation) for the Non-Executive Chairman.

As the whole board only consist of three (3) members, the Company does not have a remuneration committee and therefore the Board acts as the remuneration committee.

Details of remuneration provided to Directors and their associated entities during the past 2 financial years are as follows:

Financial year ended 30 June 2016

Directors	Fees / Salaries \$	Superannuation \$	Total \$
Peter Hatfull	319,836	30,384	350,220
Garnet Earl McConchie	462,606	18,496	481,102
Malcolm James	72,000		72,000

Financial year ended 30 June 2015

Directors	Fees / Salaries \$	Superannuation \$	Total \$
Peter Hatfull	234,375	22,266	256,641
Garnet Earl McConchie	414,670	16,523	431,193
Malcolm James	48,500	-	48,500

Except as disclosed in this Prospectus, no Director (whether individually or in consequence of a Director's association with any company or firm or in any material contract entered into by the Company) has now, or has had, in the 2 year period ending on the date of this Prospectus, any interest in:

- the formation or promotion of the Company; or
- property acquired or proposed to be acquired by the Company in connection with its formation or promotion or the Rights Issue; or
- the Rights Issue.

Except as disclosed in this Prospectus, no amounts of any kind (whether in cash, Shares, Options or otherwise) have been paid or agreed to be paid to any Director or to any company or firm with which a Director is associated to induce him to become, or to qualify as, a Director, or otherwise for services rendered by him or his company or firm with which the Director is associated in connection with the formation or promotion of the Company or the Rights Issue.

3.8 Interests of Named Persons

Except as disclosed in this Prospectus, no expert, promoter or any other person named in this Prospectus as performing a function in a professional advisory or other capacity in connection with the preparation or distribution of the Prospectus, nor any firm in which any of those persons is or was a partner nor any company in which any of those persons is or was associated with, has now, or has had, in the 2 year period ending on the date of this Prospectus, any interest in:

- the formation or promotion of the Company;
- property acquired or proposed to be acquired by the Company in connection with its formation or promotion or the Rights Issue; or
- the Rights Issue.

Except as disclosed in this Prospectus, no amounts of any kind (whether in cash, Shares, Options or otherwise) have been paid or agreed to be paid to any expert, promoter or any other person named in this Prospectus as performing a function in a professional advisory or other capacity in connection with the preparation or distribution of the Prospectus, or to any firm in which any of those persons is or was a partner or to any company in which any of those persons is or was associated with, for services rendered by that person in connection with the formation or promotion of the Company or the Rights Issue.

CPS Capital Ltd was appointed as the Lead Manager to the Rights Issue under this Prospectus pursuant to an agreement with the Company (**Mandate**). Pursuant to the Mandate, CPS Capital will provide services relating to the management and marketing of the Rights Issue. In consideration for the services provided pursuant to the Mandate, the Company will pay CPS Capital the following fees (excluding GST, where applicable):

- (a) 7,500,000 options to acquire Shares on the same terms as the New Options;
- (b) a lead manager fee of \$65,000, [payable in scrip under the Rights Issue];
- (c) a management fee of 1% of the total amount raised, [payable in scrip under the Rights Issue];
- (d) a Shortfall placement fee of 5% of any Shortfall placed by CPS;
- (e) the Company will reimburse CPS Capital for all expenses incurred in the provision of the services under the Mandate.

CPS Capital has not received any other payment or benefit from the Company in the 2 years prior to the date of this Prospectus.

Murcia Pestell Hillard has acted as solicitors to the Company in relation to the Rights Issue. For their professional services on this Prospectus, the Company will pay approximately \$40,000 (excluding GST). Murcia Pestell Hillard has provided other professional services to the Company during the last 2 years amounting to approximately \$30,464.58 (excluding GST).

Except where otherwise specified, the amounts disclosed above are exclusive of any amount of goods and services tax payable by the Company for those amounts.

3.9 Expenses of the Rights Issue

The approximate cash expenses of the Rights Issue are \$ **500,000**. These expenses are payable by the Company.

3.10 Consents

Each of the parties referred to in this Section 4.9:

- (a) does not make, or purport to make, any statement in this Prospectus or on which a statement made in the Prospectus is based, other than as specified in this Section 4.9; and
- (b) to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any part of this Prospectus other than a reference to its name and a statement included in this Prospectus with the consent of that party as specified in this Section 4.9.

The Share Registrar has given and, as at the date hereof, has not withdrawn, its written consent to be named as share registrar in the form and context in which it is named. The Share Registrar has had no involvement in the preparation of any part of the Prospectus other than being named as share registrar to the Company. The Share Registrar has not authorised or caused the issue of, and expressly disclaims and takes no responsibility for, any part of the Prospectus.

CPS Capital has given, and has not withdrawn, its consent to being named as Lead Manager to the Rights Issue in the Corporate Directory of this Prospectus in the form and context in which it is named. CPS Capital has not caused or authorised the issue of this Prospectus or the making of this Rights Issue. CPS Capital does not make or purport to make any statement in this Prospectus and takes no responsibility for any part of this Prospectus or any omissions from this Prospectus.

Murcia Pestell Hillard has consented to being named in this Prospectus as the solicitors to the Rights Issue and has not withdrawn such consent prior to the lodgement of this Prospectus with ASIC.

3.11 Electronic Prospectus

The offer pursuant to an Electronic Prospectus is only available to Eligible Shareholders receiving an electronic version of this Prospectus within Australia and New Zealand.

If you have received this Prospectus as an Electronic Prospectus please ensure you have received the entire Prospectus accompanied by the Entitlement and Acceptance Form. If you have not, please email the Company at admin@algaetec.com.au and the Company will send to you, free of charge, either a hard copy or a further electronic copy of the Prospectus or both.

The Company reserves the right not to accept an Entitlement and Acceptance Form from a person if it has reason to believe that when that person was given access to the electronic Entitlement and Acceptance Form, it was not provided together with the Electronic Prospectus and any relevant supplementary or replacement prospectus or any of those documents were incomplete or altered. New Shares and New Options will not be issued except upon receipt of valid Entitlement and Acceptance forms attached to this Prospectus.

3.12 Company's activities

Algae.Tec's business model for the next 2 to 5 years is to develop its technology and expertise into three distinct divisions

- Development of algae products for the nutraceutical market
- Development of algae products and technology for the biofuel market
- Development of new products and markets utilizing algae and medicinal marijuana

Nutraceutical Division

In 2015 Algae.Tec announced its intention to convert its test facilities in Cumming GA into a small scale production plant for nutraceutical algae products. This plant is now fully commissioned and will produce between 35 and 50 tonnes of nutraceutical algae per year, dependent upon the type of algae produced. Discussions are currently being held with the Company's major customer, Gencor Pacific, to determine which high value strains of algae the market currently requires.

This plant is still a small production plant and it is the Company's intent to significantly increase the size

of this plant and develop increased product lines from its core activities. The funding to increase the size of this plant will be part of the funds realized from the proposed rights issue funding.

The Company has also been in discussions to increase the size of the plant in Cumming from 50 tonnes per year to 300 tonnes per year. This increase would create significant cash flow and profits for Algae.Tec.

Algae.Tec has also held a series of discussions and negotiations with suppliers in the aquaculture, aquarist and animal feedstock industries to expand Algae.Tec's product range into these areas. These discussions are ongoing. The Company has recently set up a web based selling site to assist with the marketing of these products.

Proposed nutraceutical plants in Middle East

As previously announced, the Company is also in initial contract stages and investment negotiations with a Middle Eastern company, 707 Holdings, to build a series of algae based nutraceutical plants in the Middle East. 707 Holdings has completed the majority of its due diligence and is currently accessing key market and production information. Algae.Tec thinks it likely that this will lead to a decision to build a commercial plant in the Middle East over the next few months with a significant investment in the plant, in which Algae.Tec will retain a 25% interest.

The agreement with 707 details a further investment of US\$1million in Algae.Tec by way of convertible notes, on top of the US\$500,000 already invested, over the next few months, dependent upon 707 Holdings making a final decision. This is in addition to the funds they will supply to build the algae plant in the Middle East if they decide to proceed.

Potential algae plant in Australia

The Company is in preliminary discussions with a number of parties in Australia to fund the building of a commercial scale algae plant in Australia. These negotiations are not yet progressed beyond a preliminary stage.

Biofuels Division

Indian test plant and commercial plant

Algae.Tec has been in a strategic relationship with the Reliance Group of India for several years to develop its technology into a commercial plant for the capturing of CO₂ from Reliance's world class refinery and producing commercial grade renewable, sustainable biofuel. This relationship has been the subject of a number of announcements.

Algae.Tec has a team on site in India at various times continuing the commissioning of the test plant built by Algae.Tec on Reliance's site. Once this test plant is completed it is expected that Reliance and Algae.Tec will continue to a full sized commercial plant, funded by Reliance, with Reliance contracting with Algae.Tec to build the plant, with an expected investment of over \$100million. This investment decision is expected within the next 12 months. This is a strong, strategic, continuing development relationship with Reliance and will underpin part of the expected growth of Algae.Tec over the next few years.

Proposed test plant in China

Algae.Tec has previously announced that it has an investment and collaboration agreement from a Chinese company to introduce its technology for carbon capture and sustainable fuels into China. Discussions are currently being held to find the right industrial partner to provide a source of CO₂ and the site on which to build a test plant. Progress on this contract has been slowed down due sharp fall in the world price of oil, but discussions are being held on timing for our development team to visit a number of proposed sites in China over the next few months.

Medicinal Marijuana Division

The fundamentals of algae production and the downstream conversion to products that AlgaeTec have developed are applicable to Cannabis production and product extraction. The Company hopes that the application of its technology platform if applied to Controlled Cannabis production will position AlgaeTec at the forefront in the Cannabis production space globally. The AlgaeTec algae technology has

demonstrated exceptional performance, providing step-change improvements in productivity, product yield, carbon dioxide sequestration, plant footprint requirements and substantial capital/cost savings versus agricultural crops and other growth processes in the industry. The Company hopes that these benefits translate to the cannabis industry.

Algae.Tec recently announced it has entered into a Collaboration Agreement with Jardin De Invierno SA to expand its product footprint into the rapidly growing medicinal marijuana and associated markets.

Future plans

Algae.Tec wishes to be seen as a company at the leading edge of technology to develop products that will make a significant benefit to the world's environment and health. Algae.Tec intends to continue to identify areas and products which fit into this core business strategy.

The development of algae based products will remain Algae.Tec's main undertaking for the foreseeable future. Over the course of the next 18 months, Algae.Tec will continue with its strategic commercial relationships in India, China, USA and Australia, and the step into production and marketing of algae products.

At the same time, Algae.Tec will seek to develop and commercialise Algae.Tec's proprietary growing technologies for the nutraceutical ingredients market for therapeutic medicinal cannabis products.

The means by which Algae.Tec intends to do this is to fund and direct research and development into this by Jardin De Invierno SA. This is on the basis that Jardin De Invierno SA has cannabis knowledge and expertise, and is best equipped to carry out research and development, whereas Algae.Tec has knowledge and expertise in its proprietary growing technologies, and is best equipped to direct research into the application of those technologies to the growing of cannabis.

Algae.Tec will seek to develop a complete, vertically integrated medicinal marijuana division that will encompass research and development into new products, and the growing and distribution of those new products.

4.12 Proposed redemption of convertible securities

The Company proposes to use a portion of the funds raised to redeem various of the outstanding convertible securities previously issued by the Company.

If the Rights Issue is not fully subscribed, then the Company may seek to redeem some of the outstanding convertible securities by (subject to obtaining the consent of the relevant holders of the convertible securities) issuing part of the Shortfall to the holders of the convertible securities, and setting off the Company's obligation to pay the redemption amount to the relevant holders against the obligation of the relevant holders to pay the issue price to the Company.

If the Company does so, then:

- (a) any such amounts will not count for the purposes of determining whether the Minimum Condition Amount has been raised under Section 1.18; and
- (b) the issue price will not be less than the issue price under this Rights Issue.

Section 4 DEFINED TERMS

\$ means Australian dollars, unless otherwise stated;

Additional New Shares means New Shares in addition to an Eligible Shareholder's Entitlement for which an Eligible Shareholder makes an Application;

Algae Growth System means the collection of technical data and confidential information that relates to the process, product and operational technologies related to the production of algae and algae products from carbon dioxide, light and nutrients in a controlled environment.

Application means an application for New Shares and associated New Options pursuant to the Entitlement and Acceptance Form;

Application Money means the money received from Eligible Shareholders with respect to completed and returned Entitlement and Acceptance forms;

ASIC means the Australian Securities & Investments Commission;

ASX means ASX Limited (ACN 008 624 691) and, where the context permits, the Australian Securities Exchange operated by ASX Limited;

ASX Settlement means ASX Settlement Pty Ltd ACN 008 504 532;

ASX Settlement Operating Rules means the settlement operating rules of ASX Settlement as amended from time to time;

Business Day means every day other than a Saturday, Sunday, New Year's Day, Good Friday, Easter Monday, Christmas Day, Boxing Day and any other day that ASX declares is not a business day;

CHESS means ASX Clearing House Electronic Sub-register System;

Closing Date means the closing date of the Rights Issue being **21 July 2017**, subject to the right of the Company to vary that date (in accordance with the Listing Rules);

Company and **AEB** means Algae.Tec Limited (ACN 124 544 190);

Constitution means the constitution of the Company;

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

Directors mean the directors of the Company;

Electronic Prospectus means an electronic version of the Prospectus;

Eligible Shareholder means a Shareholder at the Record Date whose registered address is situated in Australia or New Zealand

Entitlement means the entitlement of an Eligible Shareholder to participate in the Rights Issue, as shown on the Entitlement and Acceptance Form;

Entitlement and Acceptance Form means the entitlement and acceptance form accompanying this Prospectus;

Existing Shares means Shares on issue prior to the date of this Prospectus;

Ineligible Shareholder means a Shareholder (or beneficial holder of Shares) at the Record Date with a registered address outside Australia and New Zealand;

Issue Date means the issue date set out in the key dates timetable on page ii of this Prospectus;

Lead Manager or CPS Capital means CPS Capital Group Pty Ltd (ACN 088 055 636);

Listing Rules means the Listing Rules of ASX;

Mandate means the mandate to act as lead manager between the Company and the Lead Manager dated 30 May 2017 and referred to in Clause 4.7;

Minimum Condition Amount means **\$2,630,000**;

New Options means the New Options intended to be granted under this Prospectus, the terms of which are set out in Section 3.7;

New Shares means the Shares offered under this Prospectus, the terms of which are set out in Section 4.4;

Opening Date means the opening date of the Rights Issue being **12 July 2017**, subject to the right of the Company to vary that date;

Option means an option to acquire one Share;

Prospectus means this prospectus dated **4 July 2017** and includes the Electronic Prospectus (where applicable);

Record Date means 5 pm (WST), 7 July 2017;

Rights Issue means the issue pursuant to this Prospectus on a pro-rata renounceable basis of three **(3)** New Shares for every four **(4)** Shares held on the Record Date at an issue price of **\$0.03** per New Share, with **one (1)** free attaching New Option for every two **(2)** New Shares subscribed for exercisable at **\$0.05** on or before **28 July 2020**

Rights Trading Period means the period between the date rights trading under the Rights Issue begins, being **6 July 2017** and the date rights trading under the Rights Issue ends, being **14 July 2017** as set out in the timetable on page [ii] of this Prospectus;

Section means a section of this Prospectus;

Share means an ordinary fully paid share in the capital of the Company;

Share Registrar means Computershare Investor Services Pty Limited

Shareholder means the holder of a Share;

Shortfall means the pool of New Shares and New Options with respect to which Eligible Shareholders have not submitted valid Applications by 5pm (WST) on the Closing Date;

Unlisted Options means **45,728,607** Options that have an exercise price ranging from **\$0.09** to **\$0.20** and expiry dates ranging from **1 March 2018** to **30 June 2019** which are not quoted on ASX; and

WST means Australian Western Standard Time.

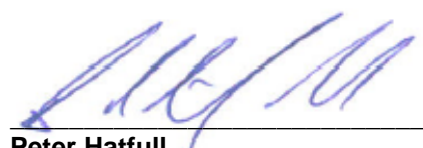
Section 5 DIRECTORS' RESPONSIBILITY STATEMENT & CONSENT

The Directors state they have made all reasonable enquiries and on that basis have reasonable grounds to believe any statements made by the Directors in this Prospectus are not misleading or deceptive and for any other statements made in this Prospectus by persons other than the Directors, the Directors have made reasonable enquiries and on that basis have reasonable grounds to believe persons making the statement or statements were competent to make such statements, and those persons have given their consent to the statements being included in this Prospectus in the form and context in which they are included and have not withdrawn that consent before lodgement of this Prospectus with the ASIC, or to the Director's knowledge, before any issue of New Shares pursuant to this Prospectus.

The Prospectus is prepared on the basis certain matters may be reasonably expected to be known to likely investors or their professional advisers.

Each Director has consented to the lodgement of this Prospectus with ASIC and has not withdrawn that consent.

Dated: **4 July 2017**



Peter Hatfull
Managing Director



ALGAE.TEC Ltd

ABN 16 124 544 190

For all enquiries:

Phone:



Algae.Tec Limited +61 8 9380 6790

AEB

MR SAM SAMPLE
123 SAMPLE STREET
SAMPLETOWN VIC 3000

Make your payment:



See overleaf for details of the Offer and how to make your payment

Renounceable Rights Issue — Entitlement and Acceptance Form



Your payment must be received by 5:00pm (WST) Friday 21 July 2017

This is an important document that requires your immediate attention. It can only be used in relation to the shareholding represented by the details printed overleaf. If you are in doubt about how to deal with this form, please contact your financial or other professional adviser.

ASX will quote a market for rights between 6 July 2017 and 14 July 2017. Please refer to the Prospectus for details on how to renounce your rights.

Step 1: Registration Name & Offer Details

Details of the shareholding and entitlements for this Offer are shown overleaf.

Please check the details provided and update your address via www.investorcentre.com if any of the details are incorrect.

If you have a CHESS sponsored holding, please contact your Controlling Participant to notify a change of address.

Step 2: Make Your Payment

You can apply to accept either all or part of your Entitlement. If you take up your full Entitlement, you may also apply for Additional New Shares. Enter the number of New Shares you wish to apply for and the amount of payment for those New Shares.

By making your payment you confirm that you agree to all of the terms and conditions as detailed in the Prospectus dated 4 July 2017.

Choose one of the payment methods shown below.

BPAY®: See overleaf. Do not return the payment slip with BPAY payment.

By Mail: Complete the reverse side of the payment slip and detach and return with your payment. Make your cheque, bank draft or money order payable in Australian dollars to "**Algae.Tec Limited**" and cross "**Not Negotiable**". The cheque must be drawn from an Australian bank. Cash is not accepted.

Payment will be processed on the day of receipt and as such, sufficient cleared funds must be held in your account as cheques received may not be re-presented and may result in your Application being rejected. Paperclip (do not staple) your cheque(s) to the payment slip. Receipts will not be forwarded. Funds cannot be debited directly from your account.

Entering your contact details is not compulsory, but will assist us if we need to contact you.

Turn over for details of the Offer →

Sale of your Entitlement rights in full by your Stockbroker/ Agent

If you wish to sell your rights entitlement in full, you should instruct your Stockbroker personally and provide details as requested, which appear overleaf.

DO NOT forward your requests for sale to Computershare Investor Services Pty Limited.

Disposal of your Entitlement rights held on the Issuer sponsored sub-register

A Standard Renunciation Form must be used for an off market transfer of Entitlement rights. These forms may be obtained from your Stockbroker or Computershare Investor Services Pty Limited.

Sale of your Entitlement rights in part by your Stockbroker/ Agent and take up the balance

If you wish to sell part of your Entitlement rights and take up the balance you should:

- Instruct your Stockbroker personally and provide details as requested, which appear overleaf, **AND**
- Send the payment slip to Computershare Investor Services Pty Limited with your cheque, bank draft or money order payment **OR** make payment using BPAY, in order to take up the balance of your Entitlement rights.

Algae.Tec Limited Renounceable Rights Issue
Payment must be received by 5:00pm (WST) Friday 21 July 2017

© Registered to BPAY Pty Limited ABN 69 079 137 518

Entitlement and Acceptance Form with Additional New Shares

X 9999999991 I N D

STEP 1 Registration Name & Offer Details

Registration Name: MR SAM SAMPLE
123 SAMPLE STREET
SAMPLETOWN VIC 3000

For your security keep your SRN/
HIN confidential.

Entitlement No: 12345678


Offer Details: Existing Shares entitled to participate as at
5:00pm (WST) Friday 7 July 2017:

Entitlement to New Shares
on a 3 for 4 basis:


Amount payable on full acceptance
at \$0.03 per New Share:

4,000
1
\$0.01

STEP 2 Make Your Payment

	Bill Code: 9999
	Ref No: 1234 5678 9123 4567 89

Contact your financial institution to make your
payment from your cheque or savings account.

Pay by Mail:
 Make your cheque, bank draft or money order payable to "Algae.Tec Limited"
and cross "Not Negotiable".
Return your cheque with the below payment slip to:
Computershare Investor Services Pty Limited
GPO BOX 505 Melbourne Victoria 3001 Australia

Lodgement of Acceptance
If you are applying for New Shares together with 1 free attaching New Option for each 2 New Shares subscribed for your payment is being made by BPAY, you do not need to return the payment slip below. Your payment must be received by no later than 5:00pm (WST) Friday 21 July 2017. Applicants should be aware that their own financial institution may implement earlier cut off times with regards to electronic payment, and should therefore take this into consideration when making payment. Neither Computershare Investor Services Pty Limited (CIS) nor Algae.Tec Limited accepts any responsibility for loss incurred through incorrectly completed BPAY payments. It is the responsibility of the applicant to ensure that funds submitted through BPAY are received by this time.
If you are paying by cheque, bank draft or money order the payment slip below must be received by CIS by no later than 5:00pm (WST) Friday 21 July 2017. You should allow sufficient time for this to occur. A reply paid envelope is enclosed for shareholders in Australia. Other Eligible Shareholders will need to affix the appropriate postage. Return the payment slip below with cheque attached. Neither CIS nor Algae.Tec Limited accepts any responsibility if you lodge the payment slip below at any other address or by any other means.

Privacy Notice
The personal information you provide on this form is collected by Computershare Investor Services Pty Limited (CIS), as registrar for the securities issuers (the issuer), for the purpose of maintaining registers of securityholders, facilitating distribution payments and other corporate actions and communications. In addition, the issuer may authorise us on their behalf to send you marketing material or include such material in a corporate communication. You may elect not to receive marketing material by contacting CIS using the details provided above or emailing privacy@computershare.com.au. We may be required to collect your personal information under the Corporations Act 2001 (Cth) and ASX Settlement Operating Rules. We may disclose your personal information to our related bodies corporate and to other individuals or companies who assist us in supplying our services or who perform functions on our behalf, to the issuer for whom we maintain securities registers or to third parties upon direction by the issuer where related to the issuer's administration of your securityholding, or as otherwise required or authorised by law. Some of these recipients may be located outside Australia, including in the following countries: Canada, India, New Zealand, the Philippines, the United Kingdom and the United States of America. For further details, including how to access and correct your personal information, and information on our privacy complaints handling procedure, please contact our Privacy Officer at privacy@computershare.com.au or see our Privacy Policy at <http://www.computershare.com/au>.

Detach here

Algae.Tec Limited Acceptance Payment Details

Entitlement taken up:	<div></div>
Number of Additional New Shares applied for:	<div></div>
Amount enclosed at \$0.03 per New Share:	A\$ <div></div>



Entitlement No: 12345678

MR SAM SAMPLE
123 SAMPLE STREET
SAMPLETOWN VIC 3000

Payment must be received by 5:00pm (WST) Friday 21 July 2017

Contact Details

Contact Name	Daytime Telephone
-----------------	----------------------

Cheque Details

Drawer	Cheque Number	BSB Number	Account Number	Amount of Cheque
<div></div>	<div></div>	<div></div>	<div></div>	A\$ <div></div>