



5 July 2017

Dear Optionholder

Notice to Optionholders of Renounceable Rights Issue

On 3 July 2017, Algae.Tec Limited (Company) announced that the Company would be conducting a pro-rata renounceable rights issue. The rights issue is being made pursuant to a prospectus which was lodged with the Australian Securities and Investments Commission and the ASX on 4 July 2017 (**Prospectus**). The Prospectus is available on the ASX website (company announcements section, ASX code: AEB) at www.asx.com.au.

Pursuant to the Prospectus, the issue comprises up to 266,403,087 fully paid ordinary shares in the capital of the Company (**Shares**) on the basis of three (3) Share for every four (4) Shares held at 5.00pm (WST) on 7 July 2017 (**Record Date**) at an issue price of \$0.03 per New Share (**Entitlement**), together with one (1) free attaching New Option for each two (2) New Shares subscribed for, each exercisable into one Share at \$0.05 on or before 28 July 2020, to raise up to approximately \$8.0 million (before issue costs) (**Rights Issue**).

The Company has applied for quotation of the New Shares and New Options but notes that the quotation of the New Options will be subject to satisfaction of the ASX Listing Rules requirements.

You will not be entitled to participate in the Rights Issue unless you have a registered address in Australia and New Zealand and exercise your options and are entered onto the register as a Shareholder on or before 5.00pm (WST) on the Record Date. Optionholders who have a registered address outside of Australia and New Zealand will be ineligible to participate in the Rights Issue even if they exercise their options.

To exercise your options and thereby be entitled (subject to eligibility) to participate in the Rights Issue in respect of the Shares allotted upon exercise of your options, you will need to deliver to the registered office of the Company a completed Option Exercise Form specifying the number of options to be exercised together with the payment of the exercise price for those options by way of a cheque made payable to the Company.

Option Exercise Forms can be obtained by contacting the Company Secretary on (08) 9380 6790.

Option Exercise Forms and cleared funds must be received by no later than 5.00pm (WST) 6 July 2017. The rights issue closing date is 21 July 2017.

If you do not wish to exercise your options you do not need to take any action.

If you choose to participate in the Rights Issue by exercising some or all of your options prior to the Record date, you will be sent a Prospectus and personalised entitlement and acceptance form.

Before deciding whether to exercise all or any of your options, you should consider the terms of Rights Issue under the Prospectus and seek professional advice if necessary.

Should you have any further queries please contact the Company Secretary on (08) 9380 6790.

Yours faithfully

A handwritten signature in blue ink, appearing to read "Peter Hatfull".

Peter Hatfull
Managing Director