

5 July 2017

Dear Shareholder

Notice to Ineligible Shareholders 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.

Ineligible Shareholders

The Company has decided that it is unreasonable to extend the Rights Issue to shareholders with a registered address outside Australia or New Zealand as at the record date (**Ineligible Shareholders**), having regard to the number of such shareholders, their holdings and the compliance costs required to extend the Rights Issue to these shareholders.

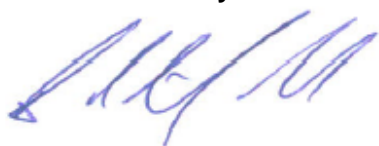
According to our records, you are an Ineligible Shareholder and therefore, the Company will not be sending you a copy of the Prospectus as the Company is unable to extend to you the opportunity to participate in the Rights Issue. You should not seek to obtain a copy of the Prospectus by other means as no offer is being made to you under the Prospectus to subscribe for securities in the Company.

As the Rights Issue is renounceable, the Company has appointed a nominee to arrange for the sale of the entitlements that would have been given to Ineligible Shareholders. If the entitlements are sold, the net proceeds of the sale (after deducting the costs of the sale) will be distributed between all Ineligible Shareholders, pro rata, in Australian currency.

You do not need to take any action in relation to the Rights Issue.

Should you have any queries please contact the Company Secretary on +61 8 9380 6790.

Yours faithfully



Peter Hatfull
Managing Director