



14 August 2017

ASX Announcement

The Manager Announcements
Company Announcements Office
ASX Limited
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SYDNEY NSW 2000

ALGAE.TEC AND WINTERGARDEN TO PLANT FIRST MEDICINAL CANNABIS CROP

- Initial crop to be planted in Uruguay this September as part of Algae.Tec / Winter Garden Research and Collaboration Agreement
- 10 acre crop estimated to yield approximately 1000kg of oils, seed extracts and fibre products. Winter Garden has access to over 1000 acres of viable land to crop by way of outdoor, greenhouse and indoor methods.
- Existing Algae.Tec scientists assisting initial planting program with a view to maximizing growth yields and higher value CBD products
- Heirloom cannabis varieties being planted by Algae.Tec and winter garden are genetically unaltered cannabis plants which have greater CBD yields and require fewer pesticides, herbicides and fertilization than nearly all of their genetically modified counterpart varieties found in North America

Algae.Tec Ltd (ASX: "AEB") ("Algae.Tec" or the "Company") is pleased to announce the first project to be funded under its Collaboration and Licensing Agreement with Winter Garden Biosciences ("Winter Garden") is the development of an initial crop of active heirloom cannabis, without genetically altered structures and with naturally high levels of cannabinoids. The crop will be planted over 10 acres (40,000m² or 4 hectares) commencing September 2017, which marks the beginning of the Spring growing season in Uruguay.

The heirloom cannabis varieties allow Algae.Tec to grow, harvest, extract products and sell these unique and valuable plants that can be used to create new high potency CBD products in Winter Garden's world class Uruguayan laboratories or to generate immediate revenue through sales of seeds, oils, combined algae products and hemp fiber to North American and European markets. These genetically unaltered cannabis plants require fewer pesticides, herbicides and fertilization than nearly all of their genetically modified counterpart varieties found in North America.

Uruguay is the only jurisdiction in the world that currently allows commercial registration of cannabis cultivars without the cumbersome and limiting restrictions on THC and cannabinoid content. This will be a key pivotal difference in Algae.Tec's position in the medicinal cannabis market moving forward through its collaboration with Winter Garden.

Algae.Tec and Winter Garden will derive revenue from the harvesting and sales of the initial crop through the sale of oils, seed extracts, combined algae and fibre products. The initial 10 acre grow out program can be expanded to approximately 150 acres at Winter Garden's existing facilities, including outdoor crops, greenhouse crops and indoor crops. Winter Garden has access to over

1,000 acres of arable land that can rapidly be deployed as the companies move to commercial scale operations.

It is expected that 100kg of heirloom variety seeds will be planted over the 10 acres as part of the Algae.Tec / Winter Garden research and collaboration arrangements. The targeted yields per acre are 100kg of oils, seed extracts and fibre products. The returns will be split 75:25 between Algae.Tec and Winter Garden after cost recovery.

Peter Hatfull, Algae.Tec MD *said*

“This is an exciting time for Algae.Tec as we commence our Collaboration and Licensing Agreement with Winter Garden. The crop program has the potential to create significant value for both companies and the development of our new growing technologies and combined products have the potential to treat a number of unmet medical and nutritional needs globally”.

Corporate

As announced on 7 August, Algae.Tec had received firm commitments for the \$5.4M under its Rights Issue and Shortfall Placement. The Company is very pleased at the level of support it has received for the issue and expects to announce the finalisation of the Issue with the placing of the rights issue shortfall over the coming days and will make an announcement to the market in this respect.