

APPENDIX 4E

Preliminary final report For the year ended 30 June 2017

1. Company Details

Algae.Tec Limited
ACN 124 544 190

Reporting period: Year ended 30 June 2017
Previous reporting period: Year ended 30 June 2016

2. Results for announcement to the market

Comparison to previous period	Increase/ Decrease	Change %	To
Revenue from ordinary activities (Appendix 4E Item 2.1)	(254,051)	(8.4)	(2,787,904)
Profit/(Loss) from ordinary activities after tax attributable to members (Appendix 4E Item 2.2)	(485,203)	(14.9)	(3,747,510)
Net Profit/(Loss) from ordinary activities after tax attributable to members (Appendix 4E Item 2.3)	(447,104)	(13.3)	(3,817,265)
Earnings per share			
Basic loss per share (cents per share) (Appendix 4E Item 2.4)	-	-	(0.01)
Dividends It is not proposed to pay a dividend. There are no dividend or distribution investment plans in operation and there have been no dividend or distribution payments during the financial year ended 30 June 2017. (Appendix 4E Item 2.5)			

	2017	2016
Net tangible assets per ordinary security	(0.001)	(0.002)



Commentary on results for the year and significant information

Principal Activities

The principal activity of the Group during the course of the financial year was the development of the technology for the production of algal oil and algal biomass for sale into the fast growing nutraceutical market. The Group also continued its move towards commercialisation of its technology into the production of sustainable fuels and the capture of CO₂.

Overview of the Group

The year to 30 June 2017 has seen Algae.Tec Ltd achieve a number of milestones. The contract with the Reliance Group of India has continued strongly and has been a strong validation of our technology, with further developments and improvements to our core technology. The elements of the pilot plant have been set up in India and are waiting for the final commissioning by Reliance

The Group's strategic plan of developing markets for its technology of efficient growing of plants in controlled environments has taken significant steps forward during the year, with the commencement of the small scale plant in Cumming, Atlanta to produce algae for the nutraceutical market, and the signing of an agreement to develop products in the medicinal marijuana industry. This is exciting for the Group as it will develop a number of significant income streams, reducing risk whilst bringing cash flows and profits to account within the next financial year.

Major events during the year were as follows:

Gencor Investment

In July 2016, the Company announced a US\$1M investment into the Company by Gencor Pacific, the global Lifestage Solutions Company. This investment allowed Algae.Tec to accelerate the development of its production capacity and improve the efficiency of its nutraceutical plant, expand its laboratory capabilities and cater to the demand for nutraceutical products for Gencor's clients.

Algae.Tec also previously announced the signing of a supply agreement with Gencor, whose clients include some of the largest nutraceutical and pharmaceutical companies in the world. Gencor has agreed to purchase the full production of Algae.Tec's nutraceutical plant.

Investment Announcement

On 8 July 2016, the Company announced that it had secured a US\$500,000 investment from the highly regarded New York Investment firm, Magna and its affiliate fund Magna Equities II, LLC ("Magna").

This funding facility supported the announcement regarding an investment into the Company's operations by Gencor Pacific, and will be utilized for working capital whilst revenue is being generated from the Company's nutraceutical products.

Algae.Tec Products Launch

Algae.Tec launched its Alganics range of products at the Supply Side West 2016 show which is regarded as the world's leading nutraceutical ingredient and solutions tradeshow. This was in conjunction with our major customer Gencor Pacific.

MOU, Capital Raising and Potential Joint Venture

In January 2017, the company announced it had raised a potential gross amount of up to USD1,500,000 (before costs) under convertible notes issued by the Company to 707 Holdings Ltd., a sophisticated international investor. US\$500,000 has been drawn down from this arrangement, with the remaining USD1,000,000 subject to the satisfactory completion of certain conditions precedent.

The funds raised will provide working capital for Company operations and increase the Company's flexibility to take advantage of opportunities that may arise in the near future.



The parties also signed agreements to explore the application of Company licensed technology for the Middle East region. Should the conditions precedent be met, the parties intend to enter into a joint venture regarding development of a facility in the Middle East region that is intended to focus on algae for nutraceuticals. The Company will receive payments for EPC work undertaken and other contingent payments and ownership rights depending on performance of a facility.

Plant Update

Algae.Tec was pleased to announce the start-up of its nutraceutical plant in Cumming Atlanta in early February 2017.

The plant has been substantially upgraded following the injection of US\$1million in June 2016 by Gencor to increase product flexibility, expand plant capacity and focus on multiple high quality products.

Algae.Tec Enters Medicinal Marijuana Market

In May 2017, Algae.Tec Limited announced that it has entered into a Collaboration and Licence Term Sheet ("Agreement") with Jardin De Invierno SA ("JDL") to expand its technology and product footprint into the rapidly growing medicinal marijuana and associated markets.

The annual medical cannabis and related markets exceeded US\$6 billion in 2016 with a projected compound annual growth rate of 26% through to 2021 when the market is expected to reach US\$21 billion. This is in addition to the global nutraceuticals market which currently exceeds US\$205 billion and growing at a significant global rate.

Algae.Tec is at the forefront of developing technologies that optimize controlled growing environments for high value natural products, including medical cannabis. The unique technology platform developed by Algae.Tec is able to significantly increase yield whilst dramatically reducing costs when applied to controlled cannabis production. This will position Algae.Tec as a market leader in the controlled cannabis production space globally.

Algae.Tec Launches Expanded Product Range

Algae.Tec Limited announced that it has successfully launched its FeedMe™ algae product line to the aquaculture and animal feed markets, as part of its planned expansion into a range of high value product lines.

The controlled growth proprietary technology developed by Algae.Tec combined with the substantive algae species research and development has enabled the Company to develop a series of high quality liquid and powder algae-based products with the optimum balance of essential amino acids, omega-3 fatty acids, vitamins and minerals for applications in the human nutraceutical, aquaculture and animal feed markets.

The FeedMe™ algae product line was officially launched in April with first sales through its website, www.feedmealgae.com, and to leading downstream product formulators and distributors.

The 2017 aquafeed market is valued at more than US\$100B with industry projections reporting continued strong growth rates at 12% per year. The global animal feed market is valued at \$25B with growth rates of 6% per year. Within these markets there has been a sharp increase in demand for natural and sustainable

food supplements, containing essential proteins, omega-3 fatty acids, vitamins and minerals to enhance nutritional value.

Algae.Tec Signs Product and Technology Agreement

On 21 June 2017, Algae.Tec Limited entered into a formal Collaboration and Licence Agreement with Jardin De Invierno SA ("JDL") ("Agreement").

The Agreement is the definitive transaction document referred to in AEB's announcement of 2 May 2017, and underpins the Company's expansion of its technology into the rapidly growing medical marijuana market.



Consolidated statement of financial position

As at 30 June 2017

	Notes	30 June 2017	30 June 2016
		\$	\$
Assets			
Cash and cash equivalents		102,882	269,796
Trade and other receivables	2	2,547,866	2,620,362
Prepayments		80,414	101,846
Total current assets		2,731,162	2,992,004
Property, plant and equipment	3	423,759	601,229
Deferred tax assets		649,372	583,599
Total non-current assets		1,073,131	1,184,828
Total assets		3,804,293	4,176,832
Liabilities			
Trade and other payables		876,765	600,526
Loans and borrowings	4	6,183,971	3,936,024
Provisions		229,080	285,490
Total current liabilities		7,289,816	4,822,040
Total liabilities		7,289,816	4,822,040
Net assets/(liabilities)		(3,485,523)	(645,208)
Equity			
Contributed equity	5	20,745,945	20,156,981
Reserves	5	512,760	194,529
Accumulated losses		(24,744,228)	(20,996,718)
Total equity		(3,485,523)	(645,208)



Consolidated statement of profit or loss and other comprehensive income

For the year ended 30 June 2017

	Notes	30 June 2017	30 June 2016
Revenue from operating activities		\$	\$
Provision of services and equipment		665,813	608,477
Interest		5,505	5,550
Other income		-	-
R & D Tax incentive		2,116,586	2,427,928
		<u>2,787,904</u>	<u>3,041,955</u>
Expenditure			
Employee benefits		(3,051,847)	(3,350,279)
Directors share based payments		(139,030)	(139,031)
Depreciation expense		(213,475)	(227,067)
Property, rent & lease expenses		(347,446)	(454,803)
Consultancy expenses		(126,245)	(177,884)
Insurance expenses		(126,633)	(123,343)
Materials and supplies		(639,849)	(922,798)
Professional fees		(543,638)	(488,457)
Travel expenses		(246,095)	(193,542)
Finance costs		(679,772)	(307,945)
Net foreign exchange gain/(loss)		70,833	135,495
Administration expenses		(145,841)	(208,202)
Other expenses		(282,579)	(151,875)
Provision bad debts		(116,925)	-
Loss on sale on fixed assets		-	-
Loss before income tax		<u>(3,800,638)</u>	<u>(3,567,776)</u>
Income tax benefit		53,128	305,469
Net loss attributable to members of the company		<u>(3,747,510)</u>	<u>(3,262,307)</u>
Other comprehensive income/(loss)			
Items that may be reclassified to the profit and loss			
Effect of exchange rate translation		(69,755)	(107,854)
Other comprehensive income/(loss) for the year		<u>(69,755)</u>	<u>(107,854)</u>
Total comprehensive income/(loss) for the year attributable to members of the company		<u>(3,817,265)</u>	<u>(3,370,161)</u>
Earnings per share			
Basic loss per share (cents per share)		(0.01)	(0.01)

Consolidated statement of changes in equity

<i>For the year ended 30 June 2017</i>	Note	Contributed Equity \$	Accumulated losses \$	Foreign exchange reserve \$	Share based payment reserve \$	Equity other reserve \$	Total equity \$
Balance at 1 July 2016		20,156,981	(20,996,718)	(43,026)	237,555	-	(645,208)
Loss for the period		-	(3,747,510)	-	-	-	(3,747,510)
Other comprehensive loss		-	-	(69,755)	-	-	(69,755)
Total comprehensive loss for the year		-	(3,747,510)	(69,755)	-	-	(3,817,265)
Transactions with owners in their capacity as owners							
Share issued during the period	5(i)	588,964	-	-	-	-	588,964
Equity component of convertible notes issued		-	-	-	-	248,955	248,955
Value of share options issued	5(iii)	-	-	-	139,031	-	139,031
Balance at 30 June 2017		20,745,945	(24,744,228)	(112,781)	376,586	248,955	(3,485,523)

	Contributed Equity \$	Accumulated losses \$	Foreign exchange reserve \$	Share based payment reserve \$	Equity other reserve \$	Total equity \$
Balance at 1 July 2015	19,594,201	(17,734,411)	64,828	98,524	-	2,023,142
Loss for the period	-	(3,262,307)	-	-	-	(3,262,307)
Other comprehensive loss	-	-	(107,854)	-	-	(107,854)
Total comprehensive loss for the year	-	(3,262,307)	(107,854)	-	-	(3,370,161)
Transactions with owners in their capacity as owners						
Share issued during the period	562,780	-	-	-	-	562,780
Value of share options issued	-	-	-	139,031	-	139,031
Balance at 30 June 2016	20,156,981	(20,996,718)	(43,026)	237,555	-	(645,208)

Consolidated statement of cash flows

For the year ended 30 June 2017

	2017	2016
Notes	\$	\$
Cash flow from operating activities		
Cash receipts from customers	338,156	1,100,594
Cash paid to suppliers and employees	(5,299,369)	(5,977,561)
Interest paid	(266,457)	(262,081)
Interest received	505	550
Income taxes R & D refund	2,427,928	2,265,789
Net cash inflows/(outflows) from operating activities	<u>(2,799,237)</u>	<u>(2,872,709)</u>
Cash flows from investing activities		
Purchases of property, plant and equipment	<u>(51,156)</u>	<u>(38,338)</u>
Net cash inflows/(outflows) from investing activities	<u>(51,156)</u>	<u>(38,338)</u>
Cash flows from financing activities		
Proceeds from issue of share capital	-	500,000
Proceeds from borrowings	4,742,484	3,252,401
Proceeds from borrowings from related party	-	117,836
Repayment of borrowings	<u>(2,053,990)</u>	<u>(1,808,452)</u>
Net cash inflow/(outflow) in financing activities	<u>2,688,494</u>	<u>2,061,785</u>
Net increase/(decrease) in cash and cash equivalents	<u>(161,899)</u>	<u>(849,262)</u>
Cash and cash equivalents at beginning of financial period	269,796	1,105,130
Effect of exchange rate fluctuations on cash held	<u>(5,015)</u>	<u>13,928</u>
Cash and cash equivalents at end of financial period	<u>102,882</u>	<u>269,796</u>



The consolidated financial statements are general purpose condensed financial statements which have been prepared in accordance with Australian Accounting Standards (AASBs) adopted by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. The consolidated statements comply with International Financial Reporting Standards (IFRS) adopted by the International Accounting Standards Board (IASB).

The preliminary final report were authorised for issue by the Board of Directors.

1. Operating segments

The Group operates in the environmental energy industry. The Group operates in two geographical locations being Australia and USA. This internal reporting framework is the most relevant to assist the Board with making decisions regarding the Group and its ongoing activities.

	2017 \$	2016 \$
Information about reportable segments		
USA Profit/(loss)	5,235	315,986
Australia Profit/(loss)	(1,806,199)	(2,061,187)
Reportable segment (Profit)	(1,800,964)	(1,745,201)
Interest	5,505	5,550
Net foreign exchange gain/(loss)	70,833	135,495
Corporate expenses	(2,076,012)	(1,963,620)
Loss before tax	(3,800,639)	(3,567,776)
Reportable segment assets		
Australia	2,571,206	2,831,934
USA	1,233,087	1,344,898
	3,804,293	4,176,832
Reportable segment liabilities		
Australia	6,788,349	4,311,314
USA	501,467	510,726
	7,289,816	4,822,040
Revenue by geographical segment		
India	23%	20%
Australia	77%	80%
USA	-	0%

2. Trade and other receivables

	2017 \$	2016 \$
Current		
Trade receivables	319,923	-
R & D incentives	2,116,586	2,427,928
GST refund	15,512	13,373
Other receivables	95,845	179,061
Total receivables	2,547,866	2,620,362

Due to the short term nature of these receivables, their carrying value is assumed to approximate their fair value.

A receivable from Phoenix Energy in the amount of \$116,925 (being principal and interest) is past due. Whilst Algae.Tec believe that this debt will be repaid within the next 12 months the accounts provide 100% provision against non-payment at 30th June 2017. Interest continues to accrue on the principal at 5% per annum.



3. Property, plant and equipment

	2017	2016
Property, plant and equipment at cost	1,550,912	1,546,972
Less: Accumulated depreciation	(1,127,153)	(945,743)
Property, plant and equipment	423,759	601,229

4. Loans and borrowings

This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings, which are measured at amortised cost.

	2017 \$	2016 \$
Current liabilities		
Convertible notes at fair value through profit or loss (i), (ii), (iii), (iv), (v), (viii), (ix), (x), (xi)	4,382,183	2,057,363
R & D loan facility (vi)	1,650,000	1,730,744
Hunter Premium funding	32,151	30,081
Directors' loans (vii)	119,637	117,836
Trade and other payables	6,183,971	3,936,024
Totals	6,183,971	3,936,024

Finance lease liabilities

There were no finance lease liabilities payable other than those noted above.

Convertible note

(i) China Finance Strategies Investment Holdings Ltd

On 9th January 2015 the Company entered into an agreement with China Finance Strategies Investment Holdings Ltd. ("CFS") under which Algae.Tec issued an initial USD 500,000 convertible bond. In addition, subject to the achievement of certain milestones further conditional options of USD 5,000,000 will be issued to CFS.

- The Bond Amount is unsecured
- Interest is paid annually in arrears at a rate of 12% per annum
- The agreement is for 18 months expiring on 9 July 2016
- The conversion price is set at \$0.075 per fully paid ordinary share in the capital of Algae.Tec Limited
- In the event that there is any future issue of equity securities (other than the issue of equity pursuant to the conversion of any convertible security issued prior to the date of this agreement) at any time or times during the period before the Note is converted or redeemed and the consideration for such securities is less than the \$0.075 per equity security, then the
- Conversion price will be adjusted down to the lower of, if there is more than one occasion when such securities are issued, the lowest price.
- The lender may serve notice in writing on Algae.Tec Limited requesting the Company to convert the Bond or any part thereof.
- If the share price at any one or more times have been above \$0.20 for 20 consecutive days, the subscriber will be entitled to convert all or a portion of the Convertible Note, subject to a minimum conversion of \$100,000 by delivering notice any time prior to the Maturity Date.
- If the share price has not been above \$0.20 for 20 consecutive days, the subscriber may exercise its rights during the 10 business days before the Maturity Date or any time after achievement of Milestone One.

The Milestones incorporated into the agreement are as follows:

- Milestone One means the Subscriber or a party introduced by the Subscriber and the Issuer entering into a binding memorandum of understanding for the construction in any location within the Greater China Area of an algae plant of at least one module using, amongst others, the Issuer's Intellectual Property. This will also entitle the Subscriber to subscribe to USD2, 000,000 of shares at the exercise price of \$0.075.
- Milestone Two means the Subscriber or a party introduced by the Subscriber and the Issuer entering into a binding memorandum of understanding for the construction in any location within the Greater China Area of an algae plant of between 20 and 100 modules using, amongst others, the Issuer's Intellectual Property. This will also entitle the Subscriber to subscribe to USD2, 000,000 of shares at the exercise price of \$0.075.
- Milestone Three means the Subscriber or a party introduced by the Subscriber and the Issuer entering into a binding memorandum of understanding for the construction in any location within the Greater China Area of one or more algae plants exceeding a total greater than 100 modules using, amongst others, the Issuer's Intellectual Property. This will also entitle the Subscriber to subscribe to USD1, 000,000 of shares at the exercise price of \$0.075.

(ii) Sophisticated Investors

On 21st January 2016 the Group made an offer of Convertible Notes to raise up to \$1.5 million dollars.

On 25th January 2016 Convertible Notes were issued to the value of \$650,000 and expiring 22nd July 2017

On 8th February 2016 Convertible Notes were issued to the value of \$125,000 and expiring 8th August 2017

On 6th April 2016 Convertible Notes were issued to the value of \$90,000 and expiring 6th October 2017.

All of the above were issued with the following terms:

- The Convertible Note amounts are unsecured
- Interest is paid quarterly at the rate of 12.5% per annum
- Interest is payable by way of issue of shares or payment of cash at the Note holder's discretion. The Conversion Price to be utilized for the calculation of the number of shares to be issued to the Note holder (should they elect to receive shares) is 4.9 cents per share.
- Those Note holders who elect to convert at maturity will receive two separate unlisted options for every two shares received on conversion
 - One of the options will have a term of 12 months from the date of the Notes maturity and be exercisable at 10 cents
 - The second option will have a term of 24 months from the date of the Notes maturity with an exercise price of 20 cents

(iii) Magna Equities II, LLC

On 23rd June 2016 the Group entered into an agreement with Magna Equities II, LLC under which Algae.Tec will receive up to US\$500,000 through the issue of convertible securities.

- The funding is unsecured
- The first drawdown received on 27th June was for US\$350,000
- The second tranche of US\$150,000 is available after 90 days dependent upon the Company complying with certain equity conditions.
- The Notes are issued at the rate of US\$1.10 for each US\$1.00 advanced to Algae.Tec
- There is no interest on the Notes
- The securities are subject to a 30 day lock-up and are convertible into shares at the lesser of (i) 85% of the average of the lowest 5 daily VWAP's in the 10 days before conversion or (ii) \$0.075
- The securities have a 12 month term
- Magna is subject to certain restrictions in selling of the Company's Common Stock



(iv) Gencor Pacific

On 7th July 2016 the Group announced and investment of US\$1,000,000 from Gencor Pacific in the form of a convertible note.

- The funding is secured
- The term of the loan is 18 month
- Interest is payable at a rate of 10% per annum
- Conversions are at a fixed price of A\$0.10 per share

The proceeds received from the issue have been split between the financial liability element and an equity component (which has been credited to reserves within equity – refer Note 5). The liability component is measured at amortised cost, with an effective interest rate of 23% applicable to the instrument.

(v) Ebbesen (F Scarfone)

On 6th January 2017 the Group received A\$125,000 from Ebbesen as part of the proceeds of a convertible note (A\$250,000) under a term sheet signed in January 2017. A further A\$30,000 was received on 28 April 2017 under the same terms.

Under the term sheet, the convertible note has the following terms:

- The funding is unsecured
- The term of the loan is 18 months
- Interest is payable at the rate of 10% per annum and payable quarterly in arrears
- Conversion are at a fixed price of A\$0.10 per share

(vi) ITF Funding Limited

In September 2016 the Group established a facility with Innovative Technology Funding Pty Ltd (ITF) to replace the line of credit in respect of R & D expenditure previously provided by Macquarie Bank Limited.

- The funding is secured against the ATO tax refund
- The facility is up to \$1,800,000 of which \$1,200,000 had been drawn down by 31 March 2017
- The remaining funds will be drawn down at the rate of \$150,000 per month providing that the total drawn down at any point does not exceed 80% of the funds estimated for refund from the ATO in relation to R & D expenditure.
- Interest is payable at a rate of 15% per annum and is deducted monthly from the drawdowns.

(vii) Directors Loans

During the year a Director, Mr Garnet Earl McConchie has advanced funds to the subsidiary Algae Energy Inc. These total US\$90,000

- The loan is unsecured
- Interest is payable at a rate of 5% per annum
- The repayment of these funds has not been pre-determined.

(viii) 707 Holdings Limited

On 24 January 2017, Algae.Tec Limited announced the potential raising of USD\$1,500,000 under convertible notes to be issued to 707 Holdings Ltd. At 31 March 2017, USD\$500,000 had been drawn.

- The funding is unsecured.
- Term: Three (3) years



- Conversion right: Convertible into fully paid ordinary shares in the Company at a conversion price that is the lower of (i) AUD0.05 per share and (ii) a 10% discount to the 5-day VWAP to the date of exercise of the conversion right;
- Options: If applicable, if the final tranche of US\$500,000 is converted, the noteholder will receive 45.5 million of separate unlisted options with a term of 12 months from the date of the notes maturity and be exercisable at the lower of AUD0.10 per share and a 10% discount to the 5-day VWAP to the date of exercise of the conversion right;
- Interest rate: 10% per annum;
- Covenants: The Company will be subject to a number of negative covenants during the term;
- Break costs: In the case of breach, the Company is potentially liable to redeem and repay any or all outstanding amounts due under the note plus a break cost equal to 10% of the redemption.

(ix) Magna Equities II, LLC

On 10th May 2017 the Group entered into an agreement with Magna Equities II, LLC under which Algae.Tec will receive US\$250,000 through the issue of convertible securities.

- The funding is unsecured
- Notes are issued at the rate of US\$1.10 for each US\$1.00 advanced to Algae.Tec
- There is no interest on the Notes
- The securities are subject to a 30 day lock-up and are convertible into shares at the lesser of (i) 85% of the average of the lowest 5 daily VWAP's in the 10 days before conversion or (ii) \$0.075
- The securities have a 12 month term

Magna is subject to certain restrictions in selling of the Company's Common Stock

(x) Magna Equities II, LLC

On 24th June 2017 the Group entered into an agreement with Magna Equities II, LLC under which Algae.Tec will receive US\$75,000 through the issue of convertible securities.

- The funding is unsecured
- The Notes are issued at the rate of US\$1.10 for each US\$1.00 advanced to Algae.Tec
- There is no interest on the Notes
- The securities are subject to a 30 day lock-up and are convertible into shares at the lesser of (i) 85% of the average of the lowest 5 daily VWAP's in the 10 days before conversion or (ii) \$0.075
- The securities have a 12 month term

Magna is subject to certain restrictions in selling of the Company's Common Stock

(xi) Advance Opportunities Fund

On 23rd June 2017 the Group entered into an agreement with Advance Opportunities Fund under which Algae.Tec will receive A\$200,000 through the issue of convertible securities.

- The funding is unsecured
- The term of the loan is 3 months
- Interest accrues at a rate of 2% per month for the term of the loan plus 7% on the principal regardless of the repayment date.

The debt may be converted to shares at a rate of A\$0.03 per share at the lenders choosing and will also give rise to the granting of options of 1 share to every 2 converted in line with the rights issue announced in July 2017.

5. Capital and reserves

Share capital

		2017		2016
	\$	Number	\$	Number
Movements in capital during the year were as follow:				
Issued capital at the beginning of the financial year	20,156,981	339,879,095	19,594,201	331,454,988
Issue of shares pursuant of Conversion notice	429,564	10,000,310	-	-
Issue of shares pursuant to placement	-	-	-	-
Issue of shares pursuant to exercise of options	-	-	500,000	7,142,857
Issue of shares via Conversion of Interest	92,500	1,887,753	27,030	551,658
Issue of shares in exchange for services provided	66,900	1,338,000	35,750	729,592
	20,745,945	353,105,158	20,156,981	339,879,095

(i) Share options at year end

Number of options	Issued to	Class
28,728,607	The Reliance Group	Options exercisable at \$0.1636 on or before 20 January 2019
1,000,000	Cross Border Ventures	Options exercisable at \$0.20 on or before 1 March 2018
16,000,000	Employees/Directors	Options exercisable at \$0.09 on or before 30 June 2019.

(ii) Translation reserve

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations, as well as the effective portion of any foreign currency differences arising from hedges of a net investment in a foreign operation.

	2017	2016
Foreign exchange reserve	(112,781)	(43,026)

(iii) Share option reserve

	2017	2016
	\$	\$
Share option reserve	376,585	237,555

The share option reserve arises on the grant of shares options to employees, directors and consultants (share based payments) and to record issue, exercise and lapsing of listed options.

	2017	2016
	\$	\$
Other reserve	248,955	-

The other reserve has arisen following the issue of convertible notes to Gencor with a fixed conversion rate for debt to equity, representing the equity component of the convertible note.

Fair value reserve

The fair value reserve comprises the cumulative net change in the fair value of available-for-sale financial assets until the investments are derecognised or impaired.

Share based payments

7,000,000 options were issued to Mr Peter Hatfull and 7,000,000 options to Mr Malcolm James during the financial year ended 30 June 2015. The options have been assessed in value at \$556,122. The value of the options was calculated using the Black and Scholes model.

- Grant Date of Options was 29 June 2015
- Expiry Date is 4 years after date of issue
- Exercise price of the options is \$0.09 per share
- The Share Based Payment expense has been split evenly between the Directors as follows;
 - Expense for Year end 30 June 2015 \$ 1,523.62
 - Expense for Year end 30 June 2016 \$ 139,030.50
 - Expense for Year end 30 June 2017 \$ 139,030.50
 - Expense for Year end 30 June 2018 \$ 139,030.50
 - Expense for Year end 30 June 2019 \$ 137,506.88

The expected volatility during the term of the options is based around assessments of the volatility of similar-sized listed, including newly listed entities in similar industries at grant date. For the purposes of the Black and Scholes valuation a 0% dividend yield has been used as a model input. At this time the Group does not have a dividend policy.

There were no options issued in return for goods or services during 2017.

6. Group entities

Significant subsidiaries

	Country of incorporation	Ordinary Share Consolidated Equity Interest 2017 %	2016 %
Controlled entity			
Algae Energy Inc	USA	100	100

7. Status of audit

This report is based on accounts that are in the process of being audited.

8. Subsequent events

In July 2017, the Company announced the offer of a Renounceable Pro-Rata Entitlement Issue to eligible shareholders to raise up to approximately \$8.0 million.

Algae.Tec received total applications of 213,393,662 new shares and 113,196,792 free attaching options, which also includes the redemption of various convertible notes to raise approximately \$6.4m. The Company is currently working to allocate the remaining shortfall of 55,273,033 shares (\$1.6m) to be issued on the same terms as the rights issue to a mixture of sophisticated investors and investment funds.