



22 November 2017

ASX Announcement

Algae.Tec to Acquire Cornerstone Stake in Uruguayan Medicinal Cannabis Partner

- **AEB enters into agreement to acquire a 25% equity interest in a Uruguayan cannabis producer**
- **Acquisition to provide AEB with direct equity in vertically integrated cannabis business in conjunction with ongoing exposure to leading R&D activities**
- **R&D activities currently being undertaken by Auberna include development of proprietary methodologies to increase yields across multiple cannabinoid strains**
- **Recent research undertaken by Auberna points to a number of cannabinoids targeting medical conditions outside of THC and CBDs – including CBCs, CBGs, CBDVs and CBNs**

Plant-based health and wellbeing company Algae.Tec Limited (“the Company” or “AEB”) (ASX: AEB) is pleased to advise that it has entered into a Heads of Agreement (“HoA” or the “Agreement”) with Auberna SA (“Auberna”) – (trading as United Biogenics “BioU”) to acquire a direct 25% equity interest in Auberna.

This HoA represents the commercialisation phase of the Collaboration Agreement entered into by the Company with Jardin de Invierno S.A. in May 2017 (see ASX release dated 2 May 2017). The commercialisation of the Collaboration Agreement has been achieved much earlier than anticipated.

Under the HoA, AEB will invest a further US\$1,000,000 (above the US\$1,500,000 under the Collaboration Agreement) into Auberna, with this amount to be injected over a six-month period based on an agreed work program. AEB will maintain its 75% profit share in the first 10 acre crop.

Importantly, upon completion, the Agreement will provide AEB with direct equity in a federally licensed commercial cannabis businesses in Uruguay, facilitating access to a number of key export markets globally.

AEB will maintain all key deliverables and rights under the Collaboration Agreement and remains strongly positioned to deploy its proprietary growing technology (currently being utilised with algae) into the rapidly growing global medicinal cannabis market.

AEB and BioU have highly complementary business models and as a result AEB has identified a number of key synergies which it will look to leverage in the near-term, including;

- Highly skilled, experienced in-country management team focused on pharmaceutical R&D;
- Key focus on developing cutting-edge medicinal applications for cannabinoids;



- Capacity to utilise BioU's proprietary and patentable extraction systems;
- Ability to sell extracted oil to medicinal and recreational product manufacturers in key markets globally and to develop a proprietary line of branded products.

Algae.Tec Limited's Executive Chairman, Mal James commented, *"Upon completion of this transaction, AEB will have secured an initial 25% interest in one of only two federally licensed cannabis companies in Uruguay - which in itself is major step forward by the Company to cash flow and profitability.*

"At a more strategic level, the utilisation of our proprietary growing technologies, production of nutraceutical and aqua culture products and potential licenses in Australia combine provide AEB with the capacity to directly access a number of key international markets – a compelling opportunity to accelerate our entry into the global market over the next 6-12 months.

"Uruguay remains the only federally regulated jurisdiction for both medicinal and recreational cannabis and we are very grateful to have secured this Agreement with an experienced and highly regarded in-country partner.

"The Board of AEB looks forward to strengthening this partnership over the coming months and will provide further operational updates on cannabis cultivation activities in due course."

In addition, AEB continues its application for cannabis licenses in Australia.

AEB has discussed the proposed acquisition with ASX. Based solely on the information provided to ASX by AEB, ASX has advised AEB that:

- a) listing rule 11.1.2 applies to the acquisition (which has been aggregated with the Collaboration and License Agreement entered into with Jardin De Inverno on 10 May 2017 in accordance with ASX policy);
- b) listing rule 11.1.3 does not apply to the acquisition; and
- c) if AEB enters into further transactions, ASX reserves the right to aggregate all relevant transactions, including past and future acquisitions, in determining if listing rules 11.1.2 or 11.1.3 apply, and AEB will be required to seek ASX confirmation accordingly.

As a result, AEB will seek shareholder approval to the change of its activities as a result of the acquisition under listing rule 11.1.2.

Agreement Terms:

- AEB to pay an initial amount of USD\$250,000 to Auberna upon execution of the HoA to be utilised on crop development and research and development (Deposit).
- Upon completion of definitive documentation, AEB to invest USD\$2.25 million (including the original US\$1,500,000 under the Collaboration Agreement) in Auberna on an agreed staged basis over 6 months based on a jointly development program and budget being developed during the due diligence period;
- Auberna will be governed by a standard form shareholders Agreement to be agreed by both parties. The Agreement will include usual rights of pre-emption and tag-alongs as well as the right for AEB to have at least 1 Board representative;



- The transaction will supersede and replace all previous Agreements between AEB and JDI (including the JDI Collaboration Agreement).

The definitive documentation will deliver on a number of the key terms outlined in the original Collaboration Agreement including;

- AEB and BioU to grant each other an exclusive and perpetual license to use all proprietary plant breeder's rights, products, derivatives, delivery systems and related intellectual property jointly developed between JDI and AEB;
- AEB to work with BioU in respect of: (i) developing and commercialising AEB's proprietary growing technologies for their application specifically for the nutraceutical ingredient market for therapeutic medicinal cannabis products; and (ii) developing and commercialising all formulations and technology related to cannabis extracts;
- In addition, BioU will grant AEB a distribution license with respect to its own IP for commercial distribution.

-ENDS-

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About Algae.Tec Limited (ASX: AEB)

- Algae.Tec (ASX: AEB) is a specialist producer, focused on developing proprietary technology that enhances growth and yield to produce commercial quantities of a range of plant derived products for supply to three key markets:
 - Medicinal cannabis
 - Algae-based nutraceuticals
 - Animal feed and aquaculture markets