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**ALGAE.TEC LIMITED**

**ACN 124 544 190**

**NOTICE OF EXTRAORDINARY GENERAL MEETING**

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**TIME:** 11.00am (WST)

**DATE:** Friday, 3 August 2018

**PLACE:** Bentleys (WA) Pty Ltd  
London House, Level 3  
216 St Georges Terrace  
Perth 6000

*This Notice of Meeting should be read in its entirety. If Shareholders are in doubt as to how they should vote, they should seek advice from their professional advisers prior to voting.*

*Should you wish to discuss the matters in this Notice of Meeting please do not hesitate to contact the Company Secretary on +61 8 9380 6790.*

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## IMPORTANT INFORMATION

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### Time and place of Meeting

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Notice is given that the Meeting will be held at 11.00am (WST) on Friday, 3 August 2018 at:

Bentleys (WA) Pty Ltd  
London House, Level 3  
216 St Georges Terrace  
Perth 6000

### Your vote is important

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The business of the Meeting affects your shareholding and your vote is important.

### Voting eligibility

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The Directors have determined pursuant to Regulation 7.11.37 of the *Corporations Regulations 2001* (Cth) that the persons eligible to vote at the Meeting are those who are registered Shareholders at 11.00am Wednesday 1 August 2018

### Voting in person

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To vote in person, attend the Meeting at the time, date and place set out above.

### Voting by proxy

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To vote by proxy, please complete and sign the enclosed Proxy Form and return by the time and in accordance with the instructions set out on the Proxy Form.

In accordance with section 249L of the Corporations Act, Shareholders are advised that:

- each Shareholder has a right to appoint a proxy;
- the proxy need not be a Shareholder of the Company; and
- a Shareholder who is entitled to cast 2 or more votes may appoint 2 proxies and may specify the proportion or number of votes each proxy is appointed to exercise. If the member appoints 2 proxies and the appointment does not specify the proportion or number of the member's votes, then in accordance with section 249X(3) of the Corporations Act, each proxy may exercise one-half of the votes.

Shareholders and their proxies should be aware that:

- if proxy holders vote, they must cast all directed proxies as directed; and
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- any directed proxies which are not voted will automatically default to the Chair, who must vote the proxies as directed.

***Proxy vote if appointment specifies way to vote***

Section 250BB(1) of the Corporations Act provides that an appointment of a proxy may specify the way the proxy is to vote on a particular resolution and, **if it does:**

- the proxy need not vote on a show of hands, but if the proxy does so, the proxy must vote that way (i.e. as directed); and
- if the proxy has 2 or more appointments that specify different ways to vote on the resolution, the proxy must not vote on a show of hands; and
- if the proxy is the chair of the meeting at which the resolution is voted on, the proxy must vote on a poll, and must vote that way (i.e. as directed); and
- if the proxy is not the chair, the proxy need not vote on the poll, but if the proxy does so, the proxy must vote that way (i.e. as directed).

***Transfer of non-chair proxy to chair in certain circumstances***

Section 250BC of the Corporations Act provides that, if:

- an appointment of a proxy specifies the way the proxy is to vote on a particular resolution at a meeting of the Company's members; and
- the appointed proxy is not the chair of the meeting; and
- at the meeting, a poll is duly demanded on the resolution; and
- either of the following applies:
  - the proxy is not recorded as attending the meeting; or
  - the proxy does not vote on the resolution,

the chair of the meeting is taken, before voting on the resolution closes, to have been appointed as the proxy for the purposes of voting on the resolution at the meeting.

**(Return of Proxy Form):** To vote by proxy, please complete and sign the enclosed Proxy Form and return by:

<b>By Mail</b>	Share Registry – Computershare Investor Services Pty Limited GPO Box 242, Melbourne Victoria 3001
<b>By Fax</b>	1800 783 447 (within Australia) +61 3 9473 2555 (outside Australia)
<b>Custodian Voting</b>	For Intermediary Online subscribers only (custodians) please visit <a href="http://www.intermediaryonline.com">www.intermediaryonline.com</a> to submit your voting intentions

so that it is received not less than 48 hours prior to commencement of the Meeting.

**Proxy Forms received later than this time will be invalid.**

**ASX**

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ASX takes no responsibility for the contents of this notice.

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## BUSINESS OF THE MEETING

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### AGENDA

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#### 1. RESOLUTION 1 – RATIFICATION OF PRIOR ISSUE – INVESTOR CONVERTIBLE SECURITIES AND COMMITMENT FEE SHARES

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

*“That, for the purposes of Listing Rule 7.4 and for all other purposes, Shareholders ratify the issue of the Tranche A Commitment Fee Shares and 110,000,000 ordinary shares that may be issued on the conversion of the Tranche A Convertible Securities on the terms and conditions set out in the Explanatory Statement.”*

**Voting Exclusion:**

The Company will disregard any votes cast in favour of this Resolution by or on behalf of Magna or an associate of that person.

However, the Company need not disregard a vote if:

- (a) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- (b) it is cast by the person chairing the Meeting as proxy for a person who is entitled to vote, in accordance with the direction on the proxy form to vote as the proxy decides.

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#### 2. RESOLUTION 2 – APPROVAL TO ISSUE CONVERTIBLE SECURITIES AND COMMITMENT FEE SHARES

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

*“That, for the purposes of Listing Rule 7.1 and for all other purposes, Shareholders approve the issue of the Additional Commitment Fee Shares and the Additional Convertible Securities on the terms and conditions set out in the Explanatory Statement.”*

**Voting Exclusion:**

The Company will disregard any votes cast in favour of this Resolution by or on behalf of Magna or a person who will obtain a material benefit as a result of the proposed issue (except a benefit solely by reason of being a holder of ordinary securities in the Company), and any associates of those persons.

However, the Company need not disregard a vote if:

- (a) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- (b) it is cast by the person chairing the Meeting as proxy for a person who is entitled to vote, in accordance with the direction on the proxy form to vote as the proxy decides.

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**3. RESOLUTION 3 – APPROVAL TO ISSUE INCENTIVE OPTIONS TO MR MALCOLM JAMES**

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an ordinary resolution:

*“That, for the purposes of Listing Rule 10.11 and for all other purposes, approval is given for the issue of up to 30,000,000 Incentive Options to Mr Malcolm James (or his nominee) on the terms and conditions in the Explanatory Memorandum.”*

**Voting Exclusion**

The Company will disregard any votes cast in favour of this Resolution by or on behalf of Mr Malcolm James, and any of his associates or nominees.

However, the Company need not disregard a vote if:

- (a) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- (b) it is cast by the person chairing the Meeting as proxy for a person who is entitled to vote, in accordance with the direction on the proxy form to vote as the proxy decides.

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**4. RESOLUTION 4 – CHANGE OF COMPANY NAME**

To consider and, if thought fit, to pass, with or without amendment, the following resolution as a **special resolution**:

*“That, for the purposes of section 157 of the Corporations Act and for all other purposes, Shareholders approve the change of the Company’s name from Algae. Tec Limited to Affinity Energy and Health Limited with effect from when ASIC alters the details of the Company’s registration in accordance with the Corporations Act.”*

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**Dated: 15 June 2018**

**By order of the Board**

**Peter Hatfull**  
**Director/Company Secretary**

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## EXPLANATORY STATEMENT

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This Explanatory Statement has been prepared to provide information which the Directors believe to be material to Shareholders in deciding whether or not to pass the Resolutions in the Notice of Meeting.

Terms and abbreviations used in this Explanatory Statement are defined in the Glossary.

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### 1. RESOLUTION 1 – RATIFICATION OF PRIOR ISSUE – INVESTOR CONVERTIBLE SECURITIES

#### 1.1 General

As announced on 8 June 2018, the Company has entered into a convertible securities agreement with MEF I, L.P (Magna) (Convertible Securities Agreement), under which the Company is seeking to raise up to \$7,000,000 by the issue of convertible securities each with a face value of US\$1.10 (Convertible Securities).

Pursuant to the Convertible Securities Agreement, on 26 June 2018, the Company received A\$1,000,000 in funding from Magna, and on 26 June 2018 issued 775,170 Convertible Securities with a face value of US\$1.10 per Convertible Security (Tranche A Convertible Securities) to Magna.

Under the terms of the Convertible Securities Agreement, the Convertible Securities are convertible into ordinary Shares in the Company at a conversion price of the lesser of:

- (i) 80% of the lowest daily VWAP during the 5 Trading Days prior to the conversion notice date; and
- (ii) A\$0.035,

save that the conversion price cannot be less than the floor price of \$0.01.

The Tranche A Convertible Securities were issued without shareholder approval.

The issue of the Tranche A Convertible Securities was deemed to reduce the Company's ASX Listing Rule 7.1 capacity by 110,000,000 shares, being the maximum number of Shares that may be issued if the 775,170 Tranche A Convertible Securities are fully converted (based on conversion at the floor price of \$0.01 and assuming an AUD:USD exchange rate of \$0.77517).

Pursuant to the Convertible Securities Agreement, at the time of each issue of Convertible Securities the Company is required to pay Magna a commitment fee of 5% of the relevant payment. The Company can elect to pay the commitment fee in Shares at a deemed issue price of the VWAP of the Shares over the prior 5 Trading Days. The Company elected to pay Magna the commitment fee in respect of the Tranche A Convertible Securities by issuing 2,040,816 ordinary shares to Magna (Tranche A Commitment Fee Shares).

The Tranche A Convertible Securities were issued without shareholder approval and reduced the Company's ASX Listing Rule 7.1 capacity by 2,040,816 shares.

#### 1.2 Listing Rule 7.4

Resolution 1 seeks Shareholder ratification pursuant to Listing Rule 7.4 for the issue of the Tranche A Convertible Securities and the Tranche A Commitment Fee Shares.

By ratifying this issue, the Company will retain the flexibility to issue equity securities in the future up to the 15% annual placement capacity set out in Listing Rule 7.1 without the requirement to obtain prior Shareholder approval.

Listing Rule 7.5 contains certain requirements as to the contents of a notice sent to Shareholders for the purposes of Listing Rule 7.4 and the following information is included in this Explanatory Memorandum for this purpose:

- (a) the Company issued 775,170 Tranche A Convertible Securities on 26 June 2018 with a face value of US\$1.10 per Tranche A Convertible Security;
- (b) the issue of the Tranche A Convertible Securities was deemed to reduce the Company's ASX Listing Rule 7.1 capacity by 110,000,000 shares, being the maximum number of Shares that may be issued if the 775,170 Tranche A Convertible Securities are fully converted (based on conversion at the floor price of \$0.01 and assuming an AUD:USD exchange rate of \$0.77517);
- (c) the Company issued 2,040,816 ordinary shares to Magna on 26 June 2018 as the Tranche A Commitment Fee Shares;
- (d) the issue price per Share issued upon conversion of each Tranche A Convertible Security will be the lesser of:
  - (i) 80% of the lowest daily VWAP during the 5 Trading Days prior to the conversion notice date; and
  - (ii) A\$0.035,save that the conversion price cannot be less than the floor price of \$0.01;
- (e) the deemed issue price of the Tranche A Commitment Fee Shares is \$.0245;
- (f) the Tranche A Commitment Fee Shares and the Shares to be issued on conversion of the Tranche A Convertible Securities will all be fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares;
- (g) the key terms of the Convertible Securities Agreement and the Tranche A Convertible Securities are contained in Schedule 1;
- (h) the Tranche A Convertible Securities and the Tranche A Commitment Fee Shares were issued to Magna, which is not a related party of the Company; and
- (i) the funds raised from the issue of the Tranche A Convertible Securities have and will be used for general corporate and working capital purposes; and
- (j) no funds were raised from the issue of the Tranche A Commitment Fee Shares.

### **1.3 Voting Exclusion**

A voting exclusion statement is included in this Notice.

### **1.4 Board recommendation**

The Board unanimously recommends that Shareholders vote in favour of Resolution 1.

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## **2. RESOLUTION 2 – APPROVAL OF ISSUE OF CONVERTIBLE SECURITIES AND COMMITMENT FEE SHARES**

### **2.1 General**

Under the Convertible Securities Agreement, the Company will, subject to shareholder approval of the issue of all convertible securities under the Convertible Securities Agreement:

- (a) within 5 days of shareholder approval of the issue of all convertible securities under the Convertible Securities Agreement, be paid A\$1,000,000 by Magna (**Tranche B Payment**) and, in turn, will issue Convertible Securities with a face value of US\$1.10 per Convertible Security to Magna, with the number of convertible securities to be issued being the same as the US\$ purchase price paid by Magna to pay the Tranche B Payment (**Tranche B Convertible Securities**);
- (b) 75 days after the date of the Convertible Securities Agreement, at the Company's election, subject to the relevant conditions precedent, be paid A\$2,000,000 (**Tranche 2 Payment**) and, in turn, will issue Convertible Securities with a face value of US\$1.10 per Convertible Security to Magna, with the number of convertible securities to be issued being the same as the US\$ purchase price paid by Magna to pay the Tranche 2 Payment (**Tranche 2 Convertible Securities**); and
- (c) 120 days after the date of the Convertible Securities Agreement, at the Company's election, subject to the relevant conditions precedent, be paid A\$3,000,000 (**Tranche 3 Payment**) and, in turn, will issue Convertible Securities with a face value of US\$1.10 per Convertible Security to Magna, with the number of convertible securities to be issued being the same as the US\$ purchase price paid by Magna to pay the Tranche 3 Payment (**Tranche 3 Convertible Securities**),

On the relevant dates, the Company is required to pay Magna a commitment fee of 5% of the relevant payment. The Company can elect to pay the commitment fee in Shares at a deemed issue price of the VWAP of the Shares over the prior 5 Trading Days. The Company's ability to pay the commitment fee in shares in respect of the Tranches above is subject to various conditions precedent, including that the Company first obtains shareholder approval to do so.

The issue of the Tranche B Convertible Securities, Tranche 2 Convertible Securities, Tranche 3 Convertible Securities and any commitment fee shares in respect of them is subject to the Company obtaining shareholder approval.

Resolution 2 seeks Shareholder approval for the issue of the Tranche B Convertible Securities, the Tranche 2 Convertible Securities and the Tranche 3 Convertible Securities (collectively, **Additional Convertible Securities**) and the commitment fee shares in respect of them (**Additional Commitment Fee Shares**) pursuant to ASX Listing Rule 7.1.

ASX Listing Rule 7.1 provides that a company must not, subject to specified exceptions, issue or agree to issue more equity securities during any 12 month period than that amount which represents 15% of the number of fully paid ordinary securities on issue at the commencement of that 12 month period.

The effect of Resolution 2 will be to allow the Company to issue the Additional Convertible Securities and Additional Commitment Fee Shares during the period of 3 months after the Meeting (or a longer period, if ASX grants the Company a waiver allowing it to do so), and any Shares issued upon conversion of the Additional Convertible Securities without using the Company's 15% annual placement capacity.

The effect on the issued share capital of the Company of the conversion of the maximum number of Convertible Securities which can be issued under the Convertible Securities Agreement and the issue of the maximum number of Commitment Fee Shares is set out in the table below.

Shares	Number
Shares issued as at 25 June 2018	905,820,550
Shares issued upon conversion of the Tranche A Convertible Securities	110,000,000
Shares issued upon conversion of the Additional Convertible Securities	660,000,000
Tranche A Commitment Fee Shares	2,040,816



Additional Commitment Fee Shares	12,244,898
<b>Total Shares on issue following conversion of all Convertible Securities and issue of all Commitment Fee Shares (not taking into account any other issues)</b>	<b>1,690,106,264</b>

**Note:** Numbers shown in the table above have been calculated assuming a conversion price of AU\$0.01 per new Share (being the floor price under the Convertible Securities Agreement) and an exchange rate of US\$1.00 to AU\$1.29 (being the agreed exchange rate for the issue of the Tranche A Convertible Securities) and further assuming 100% of the Commitment Fee is satisfied by the issue of Shares at a 5 trading day volume weighted average price of Shares of AU\$0.0245 (being the deemed issue price of the Tranche A Commitment Fee Shares).

## 2.2 Technical information required by ASX Listing Rule 7.1

Pursuant to and in accordance with ASX Listing Rule 7.3, the following information is provided in relation to the Additional Convertible Securities:

- (a) the Company will issue Additional Convertible Securities equal to the actual amount paid in US dollars by MEF I, LP, so as to procure the transfer of the Tranche B Payment, Tranche 2 Payment and Tranche 3 Payment (as applicable), in each case rounded upwards to the next whole number, and each with a face value of US\$1.10 per Convertible Security. In each case the number of Additional Convertible Securities to be issued will be the US\$ cost of the relevant payment, rounded up to the nearest whole number;
- (b) the Company will issue the Additional Commitment Fee Shares at the time of each Payment with the number of Shares to be issued calculated by dividing 5% of the applicable Payment amount by the VWAP of the Shares over the prior 5 Trading Days ;
- (c) the Additional Convertible Securities and Additional Commitment Fee Shares will be issued no later than 3 months after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the Listing Rules);
- (d) the issue price per Share issued upon conversion of each Additional Convertible Security will be the lesser of:
  - (i) 80% of the lowest daily VWAP during the 5 Trading Days prior to the conversion notice date; and
  - (ii) A\$0.035,

save that the conversion price cannot be less than the floor price of \$0.01;
- (e) the deemed issue price of the Additional Commitment Fee Shares will be the VWAP of the Shares over the 5 Trading Days prior to the date of issue;
- (f) the Additional Convertible Securities and Additional Commitment Fee Shares will be issued progressively;
- (g) the Additional Convertible Securities and Additional Commitment Fee Shares will be issued to Magna, which is not a related party of the Company;
- (h) the Additional Commitment Fee Shares and the Shares to be issued on conversion of the Additional Convertible Securities will all be fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares;

- (i) the maximum number of Shares that can be issued on conversion of the Additional Convertible Securities (assuming that all Additional Convertible Securities are issued, all are converted and that when conversion occurs, the A\$:US\$ exchange rate is the same as at the time of the Purchase) is 660,000,000 Shares;
- (j) the Additional Convertible Securities will be issued on the terms and conditions set out in Schedule 1;
- (k) the Company intends to use the funds raised from the Additional Convertible Securities towards general corporate and working capital purposes, including development of the Company's algae and medicinal cannabis operations;
- (l) no funds will be raised from the issue of the Additional Commitment Fee Shares.

### 2.3 Voting Exclusion

A voting exclusion statement is included in this Notice.

### 2.4 Board recommendation

The Board unanimously recommends that Shareholders vote in favour of Resolution 2.

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## 3. RESOLUTION 3 – APPROVAL TO ISSUE INCENTIVE OPTIONS TO MR MALCOLM JAMES

### 3.1 General

Mr Malcolm James has been Non-Executive Chairman of the Company since 16 September 2014 and on 28 November 2017 (refer to ASX release on 28 November 2017) was appointed as the Company's Executive Chairman and Managing Director. Mr James is a Fellow of the Australian Institute of Company Directors and has over 30 years' experience in operations in merchant banking, the resource and technology sector. Mr James has been a director of several Australian and UK listed companies.

Resolution 3 seeks Shareholder approval pursuant to Listing Rule 10.11 for the issue of up to 30,000,000 Options to Mr James (or his nominee)(**Incentive Options**).

The exercise price of each Incentive Option is \$0.05. Each Incentive Option will expiry on the date that is four (4) years from the date the Company resolves to grant the Incentive Options.

Further terms and conditions of the Incentive Options are set out in Schedule 2.

The Company is in an important stage of development and faces significant opportunities and challenges both near and long term. The proposed issue of Incentive Options seeks to align the efforts of Mr James and the Company in achieving growth of the Share price and in the creation of Shareholder value. In addition, the Board believes incentivising by way of Options is a prudent measure to conserve the Company's available cash reserves. The Board believes it is important to offer such Options to continue to attract and maintain highly experienced and qualified Board members in a competitive market.

### 3.2 Listing Rule 10.11

Listing Rule 10.11 provides that an entity must not, subject to specified exceptions, issue or agree to issue equity securities to a related party without the prior approval of Shareholders. Mr James is a related party of the Company by virtue of his position as a Director.

The effect of passing Resolution 3 will be to allow the Company to issue the Incentive Options to Mr James (or his nominee) in accordance with Listing Rule 10.11.

As Shareholder approval is being sought under Listing Rule 10.11, approval under Listing Rule 7.1 is not required.

### **3.3 Chapter 2E of the Corporations Act**

Chapter 2E of the Corporations Act requires that for a public company, or an entity that the public company controls, to give a financial benefit to a related party of the public company, the public company or entity must:

- (a) obtain the approval of the public company's members in the manner set out in sections 217 to 227 of the Corporations Act; and
- (b) give the benefit within 15 months following such approval,

unless the giving of the financial benefit falls within an exception set out in sections 210 to 216 of the Corporations Act.

The issue of Incentive Options to Mr James (or his nominee) constitutes giving a financial benefit to a related party of the Company. Mr James is a related party of the Company by virtue of his position as a Director.

The Board has considered the application of Chapter 2E of the Corporations Act and has resolved that the reasonable remuneration exception provided by section 211 of the Corporations Act is relevant in the circumstances and, accordingly, the Company will not seek approval for the issue of the Incentive Options pursuant to section 208 of the Corporations Act.

### **3.4 Specific information required under Listing Rule 10.13**

Pursuant to and in accordance with the requirements of Listing Rule 10.13, the following information is provided in relation to the proposed issue of Incentive Options:

- (a) the Incentive Options will be issued to Mr Malcolm James (or his nominee);
- (b) the maximum number of Incentive Options to be issued is 30,000,000];
- (c) the Incentive Options will be issued no later than 1 month after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the Listing Rules);
- (d) the Incentive Options will be issued for nil consideration as they will be issued as part of the remuneration package for Mr James and otherwise on the terms and conditions in Schedule 2;
- (e) no funds will be raised by the issue of the Incentive Options; and
- (f) a voting exclusion statement is included in the Notice.

### **3.5 Board recommendation**

The Board (excluding Mr James, to whom the Resolution relates) recommends that Shareholders vote in favour of Resolution 3.

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## **4. RESOLUTION 4 – CHANGE OF COMPANY NAME**

### **4.1 General**

Section 157(1)(a) of the Corporations Act provides that a company may change its name if the company passes a special resolution adopting a new name.

Resolution 4 seeks the approval of Shareholders for the Company to changes its name to Affinity Energy and Health Limited.

Originally the Company was listed on the ASX to develop technology to extract bio-fuels utilizing CO2 sequestration, and followed this focus until the oil price crash of 2014. At this point the Company began to investigate alternative uses for the technology developed and has since then been developing algae biomass for the nutraceutical, aqua and animal feed markets. With the Company's expansion into medicinal cannabis, as a natural progression, it is appropriate that the Company adopt a name that is more relevant to its business activities.

If Resolution 4 is passed, the change of name will take effect when ASIC alters the details of the Company's registration.

The proposed name has been reserved by the Company and, if Resolution 4 is passed, the Company will lodge a copy of the resolution with ASIC following the Meeting in order to effect the change.

Resolution 4 is a special resolution. Accordingly, at least 75% of the votes cast by Shareholders present (whether by proxy or otherwise) and eligible to vote at the Meeting must be in favour of Resolution 4 for it to be passed.

#### **4.2 Board recommendation**

The Board unanimously recommends that Shareholders vote in favour of Resolution 4.

## Glossary

**\$** means Australian dollars.

**Additional Commitment Fee Shares** has the meaning given in Section 2.1

**Additional Convertible Securities** has the meaning given in Section 2.1.

**Algae.Tec** or **Company** means Algae.Tec Limited (ACN 124 544 190).

**ASIC** means the Australian Securities and Investments Commission.

**ASX** means ASX Limited (ACN 008 624 691) or the financial market operated by ASX Limited, as the context requires.

**ASX Listing Rules** or **Listing Rules** means the Listing Rules of ASX.

**Board** means the current board of directors of the Company.

**Chair** means the chair of the Meeting.

**Convertible Securities** has the meaning given in Section 1.1.

**Convertible Securities Agreement** has the meaning given in Section 1.1.

**Corporations Act** means the *Corporations Act 2001* (Cth).

**Directors** means the current directors of the Company.

**Explanatory Statement** means the explanatory statement accompanying the Notice.

**Extraordinary General Meeting** or **Meeting** means the meeting convened by the Notice.

**Incentive Options** has the meaning given in Section 3.1.

**Magna** means MEF I, L.P. of 40 Wall Street, Floor 58, New York, which is a limited partnership managed by Magna Management LLC.

**Notice** or **Notice of Meeting** means this notice of meeting including the Explanatory Statement and the Proxy Form.

**Ordinary Securities** has the meaning set out in the ASX Listing Rules.

**Payments** means the Tranche B Payment, Tranche 2 Payment and Tranche 3 Payment, and **Payment** means any one of them.

**Proxy Form** means the proxy form accompanying the Notice.

**Resolution** means the resolutions set out in the Notice.

**Section** means a section contained in this Explanatory Memorandum.

**Share** means a fully paid ordinary share in the capital of the Company.

**Shareholder** means a registered holder of a Share.

**Trading Day** means a day determined by ASX to be a trading day in accordance with the Listing Rules.

**Tranche 2 Convertible Securities** has the meaning given in Section 2.1(b).

**Tranche 2 Payment** has the meaning given in Section 2.1(b).

**Tranche 3 Convertible Securities** has the meaning given in Section 2.1(c).

**Tranche 3 Payment** has the meaning given in Section 2.1(c).

**Tranche A Commitment Fee Shares** has the meaning given in Section 1.1.

**Tranche A Convertible Securities** has the meaning given in Section 1.1.

**Tranche B Convertible Securities** has the meaning given in Section 2.1(a).

**Tranche B Payment** has the meaning given in Section 2.1(a).

**VWAP** means the volume weighted average market price as defined in the Listing Rules.

**WST** means Western Standard Time as observed in Perth, Western Australia.

## SCHEDULE 1 – KEY TERMS OF CONVERTIBLE SECURITIES AGREEMENT AND CONVERTIBLE SECURITIES

The key terms of the Convertible Securities Agreement and the Convertible Securities are as follows:

- (a) Magna will purchase the Convertible Securities from the Company, subject to various conditions precedent under the Convertible Securities Agreement being satisfied and in accordance with the below:

Category of Convertible Security	Purchase Date	Purchase Price	Number of Convertible Securities to be issued	Face Value (of each Convertible Security)	Maximum number of conversion shares **	Commitment Fee Shares ***
Tranche A	5 business days after the date of the Convertible Securities Agreement *	A\$1,000,000	US\$ cost of the Purchase Price	US\$1.10	110,000,000	2,040,816
Tranche B	5 business days after the Company obtains shareholder approval to issue all Additional Convertible Securities	A\$1,000,000	US\$ cost of the Purchase Price	US\$1.10	110,000,000	2,040,816
Tranche 2	75 days after the date of the Convertible Securities Agreement	A\$2,000,000	US\$ cost of the Purchase Price	US\$1.10	220,000,000	4,081,633
Tranche 3	120 days after the date of the Convertible Securities Agreement	A\$3,000,000	US\$ cost of the Purchase Price	US\$1.10	330,000,000	6,122,449

\* - Subsequent to the execution of the Convertible Securities Agreement, the Company and Magna agreed to extend the Purchase Date of Tranche A to allow the Company additional time to satisfy the condition precedent at (d) below.

\*\* - The Convertible Securities are denominated in US\$. The maximum number of conversion shares has been calculated on the A\$ value of the Purchase Price, assuming that when conversion occurs, the A\$:US\$ exchange rate is the same as at the time of the Purchase.

\*\*\* - The Company has the option to pay the 5% commitment fee by way of the issue of commitment fee shares. If the Company elects to do so, the number of commitment fee shares will be determined by dividing 5% of the relevant payment by the VWAP for the 5 prior Trading Days. The number of commitment fee shares has been calculated on the basis of a 5 Trading Day VWAP of A\$.0245 (being the VWAP applicable to the commitment fee shares issued in respect of Tranche A.

- (b) Each Convertible Security will mature 12 months after the date of the Tranche 3 Payment, save that if the Company does not obtain Shareholder approval for the issue of all of the Convertible Securities within 75 days after the issue of the Tranche A Convertible Securities, then the maturity date will be the date which is 3 calendar months after the date of the issue of the Tranche A Convertible Securities.
- (c) Each purchase of Convertible Securities is subject to conditions precedent.
- (d) All purchases are subject to the Company executing and lodging either a notice complying with section 708A(12D) of the Corporations Act or a cleansing prospectus.
- (e) The purchase of Tranche B is subject to the Company obtaining shareholder approval to the issue of the Tranche B Convertible Securities.
- (f) The purchase of the Tranche 2 and Tranche 3 Convertible Securities are each at the election of the Company (and will only take place if the Company requests that they do).
- (g) The purchase of the Tranche 2 Convertible Securities is subject to:
  - (i) the Company requesting the Second Purchase no later than 50 days after the date of the Agreement;
  - (ii) the Company having procured shareholder approval to the issue of the Convertible Securities;
  - (iii) the Company having either procured an ASX waiver (to allow it to issue the Convertible Securities more than 3 months after obtaining shareholder approval) or agreeing to seek further shareholder approval;
  - (iv) the Company having completed the first sale of a new algae product, or algae to a new market.
- (h) The purchase of the Tranche 3 Convertible Securities is subject to:
  - (i) the Company requesting the Third Purchase, after the Second Purchase, and no later than 110 days after the date of the Agreement;
  - (ii) the Company having procured shareholder approval to the issue;
  - (iii) the Company having either procured an ASX waiver (to allow it to issue securities more than 3 months after Shareholder Approval) or agreeing to seek further shareholder approval;
  - (iv) the Company having completed its first commercial sale of nutraceutical quality algae oil in excess of \$50,000.
- (i) The conversion price of the Convertible Securities is the lesser of:
  - (i) 80% of the lowest daily VWAP during the 5 Trading Days prior to the conversion notice date; and
  - (ii) A\$0.035,



save that the conversion price cannot be less than the floor price of \$0.01.

- (j) On each Purchase Date, the Company must pay Magna a commitment fee of 5% of the relevant Purchase Price (irrespective of whether the Company elects to be paid the Tranche 2 or Tranche 3 Payments). The Company may, at its election, pay the commitment fee by issuing shares to Magna, provided that in any such instance the Company must immediately after the issue of shares lodge a notice complying with section 708A(6) of the Corporations Act or a cleansing prospectus.

## SCHEDULE 2 – TERMS AND CONDITIONS OF INCENTIVE OPTIONS

The Options entitle the holder (**Optionholder**) to subscribe for, and be issued, Shares on and subject to the following terms and conditions:

- (a) Each Option gives the Optionholder the right to subscribe for, and be issued, one Share.
- (b) The Options will expire at 5.00pm (WST) on the date that is four (4) years from the date the Company resolves to grant the Options (**Expiry Date**). Any Option not exercised before the Expiry Date will automatically lapse on the Expiry Date.
- (c) The amount payable upon exercise of each Option will be \$0.05 (**Exercise Price**).
- (d) The Options held by each Optionholder may be exercised in whole or in part, and if exercised in part, multiples of 1,000 must be exercised on each occasion on which Options are exercised.
- (e) An Optionholder may exercise any Options by lodging with the Company, before the Expiry Date:
  - (i) a written notice of exercise of Options specifying the number of Options being exercised (**Exercise Notice**); and
  - (ii) a cheque or electronic funds transfer for the aggregate Exercise Price for the number of Options being exercised.
- (f) An Exercise Notice is only effective when the Company has received the full amount of the aggregate Exercise Price in relation the Options the subject of that Exercise Notice.
- (g) By lodging an Exercise Notice, the Optionholder agrees to take the applicable Shares and agrees to be bound by the constitution of the Company.
- (h) Within 10 Business Days of receipt of the Exercise Notice and the aggregate Exercise Price, the Company will allot the applicable Shares to the Optionholder.
- (i) The Options are not transferable without prior approval of the board of directors of the Company (at its discretion) and will not be listed for quotation on the ASX or on any other stock exchange.
- (j) All Shares allotted upon the exercise of Options will upon allotment rank pari passu in all respects with other issued fully paid Shares.
- (k) The Company will apply for quotation of all Shares allotted pursuant to the exercise of Options on ASX within 10 Business Days after the date of allotment of those Shares.
- (l) If, prior to the Expiry Date, the issued capital of the Company is reorganised, all rights of an Optionholder are to be changed in a manner consistent with the Corporations Act and any requirements with the ASX Listing Rules applying to a reorganisation of capital at the time of the reorganisation.
- (m) There are no participating rights or entitlements inherent in the Options.
- (n) An Optionholder will not be entitled to participate in new issues of securities offered to Shareholders during the currency of the Options except to the extent that Options are exercised prior to the 'record date' for determining entitlements for the new issue.
- (o) An Option does not confer on the holder any right to a change in exercise price or a change in the number of underlying securities over which the Option can be exercised.

**Lodge your vote:****Online:**

www.investorvote.com.au

**By Mail:**Computershare Investor Services Pty Limited  
GPO Box 242 Melbourne  
Victoria 3001 AustraliaAlternatively you can fax your form to  
(within Australia) 1800 783 447  
(outside Australia) +61 3 9473 2555For Intermediary Online subscribers only  
(custodians) www.intermediaryonline.com**For all enquiries call:**(within Australia) 1300 850 505  
(outside Australia) +61 3 9415 4000

AEB

MR SAM SAMPLE  
FLAT 123  
123 SAMPLE STREET  
THE SAMPLE HILL  
SAMPLE ESTATE  
SAMPLEVILLE VIC 3030**Proxy Form****XX****Vote online**

- Go to [www.investorvote.com.au](http://www.investorvote.com.au) or scan the QR Code with your mobile device.
- Follow the instructions on the secure website to vote.

**Your access information that you will need to vote:****Control Number: 999999****SRN/HIN: I9999999999 PIN: 99999**

PLEASE NOTE: For security reasons it is important that you keep your SRN/HIN confidential.

**🔔 For your vote to be effective it must be received by 11:00am (WST) Wednesday, 1 August 2018****How to Vote on Items of Business**

All your securities will be voted in accordance with your directions.

**Appointment of Proxy****Voting 100% of your holding:** Direct your proxy how to vote by marking one of the boxes opposite each item of business. If you do not mark a box your proxy may vote or abstain as they choose (to the extent permitted by law). If you mark more than one box on an item your vote will be invalid on that item.**Voting a portion of your holding:** Indicate a portion of your voting rights by inserting the percentage or number of securities you wish to vote in the For, Against or Abstain box or boxes. The sum of the votes cast must not exceed your voting entitlement or 100%.**Appointing a second proxy:** You are entitled to appoint up to two proxies to attend the meeting and vote on a poll. If you appoint two proxies you must specify the percentage of votes or number of securities for each proxy, otherwise each proxy may exercise half of the votes. When appointing a second proxy write both names and the percentage of votes or number of securities for each in Step 1 overleaf.**A proxy need not be a securityholder of the Company.****Signing Instructions for Postal Forms****Individual:** Where the holding is in one name, the securityholder must sign.**Joint Holding:** Where the holding is in more than one name, all of the securityholders should sign.**Power of Attorney:** If you have not already lodged the Power of Attorney with the registry, please attach a certified photocopy of the Power of Attorney to this form when you return it.**Companies:** Where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please sign in the appropriate place to indicate the office held. Delete titles as applicable.**Attending the Meeting**Bring this form to assist registration. If a representative of a corporate securityholder or proxy is to attend the meeting you will need to provide the appropriate "Certificate of Appointment of Corporate Representative" prior to admission. A form of the certificate may be obtained from Computershare or online at [www.investorcentre.com](http://www.investorcentre.com) under the help tab, "Printable Forms".**Comments & Questions:** If you have any comments or questions for the company, please write them on a separate sheet of paper and return with this form.**GO ONLINE TO VOTE,  
or turn over to complete the form →**

MR SAM SAMPLE  
FLAT 123  
123 SAMPLE STREET  
THE SAMPLE HILL  
SAMPLE ESTATE  
SAMPLEVILLE VIC 3030

**Change of address.** If incorrect, mark this box and make the correction in the space to the left. Securityholders sponsored by a broker (reference number commences with 'X') should advise your broker of any changes.



I 9999999999

IND

## Proxy Form

Please mark  to indicate your directions

### STEP 1 Appoint a Proxy to Vote on Your Behalf

XX

I/We being a member/s of Algae.Tec Limited hereby appoint

the Chairman of the Meeting OR

**PLEASE NOTE:** Leave this box blank if you have selected the Chairman of the Meeting. Do not insert your own name(s).

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chairman of the Meeting, as my/our proxy to act generally at the Meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, and to the extent permitted by law, as the proxy sees fit) at the Extraordinary General Meeting of Algae.Tec Limited to be held at Bentleys (WA) Pty Ltd, London House, Level 3, 216 St Georges Terrace, Perth, Western Australia on Friday, 3 August 2018 at 11:00am (WST) and at any adjournment or postponement of that Meeting.

**Chairman authorised to exercise undirected proxies on remuneration related resolution:** Where I/we have appointed the Chairman of the Meeting as my/our proxy (or the Chairman becomes my/our proxy by default), I/we expressly authorise the Chairman to exercise my/our proxy on Resolution 3 (except where I/we have indicated a different voting intention below) even though Resolution 3 is connected directly or indirectly with the remuneration of a member of key management personnel, which includes the Chairman.

**Important Note:** If the Chairman of the Meeting is (or becomes) your proxy you can direct the Chairman to vote for or against or abstain from voting on Resolution 3 by marking the appropriate box in step 2 below.

### STEP 2 Items of Business

**PLEASE NOTE:** If you mark the **Abstain** box for an item, you are directing your proxy not to vote on your behalf on a show of hands or a poll and your votes will not be counted in computing the required majority.

		For	Against	Abstain
Resolution 1	Ratification of prior issue – Investor Convertible Securities and Commitment Fee Shares	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 2	Approval to issue Convertible Securities and Commitment Fee Shares	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 3	Approval to issue Incentive Options to Mr Malcolm James	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 4	Change of Company name	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

The Chairman of the Meeting intends to vote undirected proxies in favour of each item of business. In exceptional circumstances, the Chairman of the Meeting may change his/her voting intention on any resolution, in which case an ASX announcement will be made.

### SIGN Signature of Securityholder(s) *This section must be completed.*

Individual or Securityholder 1

Sole Director and Sole Company Secretary

Securityholder 2

Director

Securityholder 3

Director/Company Secretary

Contact Name \_\_\_\_\_

Contact Daytime Telephone \_\_\_\_\_

Date / / \_\_\_\_\_