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ALGAE.TEC GROWTH SYSTEM VALIDATED AND ENTERS FAST GROWING GLOBAL NUTRACEUTICAL MARKET

AlgaeTec Limited (ASX: AEB, OTCQX: ALGXY, FWB: GZA:GR) today announced receipt of a Validation Report from Sydney Environmental and Soil Laboratory Pty Ltd (SESL), a National Association of Testing Authorities (NATA) approved company.

Algae.Tec Chairman Roger Stroud is extremely pleased with the results of the validation that confirms the application and production capability of the Algae.Tec system in an industrial setting.

Mr Stroud said the algae yields achieved are of a sufficiently high level to justify the establishment of a new dedicated algae production facility at Nowra, south of Sydney in New South Wales.

With the successful completion of the validation process, Algae.Tec is now focused on commercializing the technology, with the goal of rapidly establishing a strong, profitable revenue base for the company.

To speed up the path to profitability, Algae.Tec has identified the nutraceuticals market estimated to be worth \$205 billion by 2017* as a significant opportunity that offers:

- Relatively low capital establishment costs
- Potential for high gross margins on revenue
- Significant and growing market in Asia in particular



"A decision has been made to focus, in the short term, upon the growing of high quality, high value, nutraceuticals, with an immediate focus on Chlorella and B-Carotene algae. Other nutraceutical algae products will follow," said Stroud.

Nutraceutical are dietary supplements that support physical and mental health.

As part of this strategic opportunity, Algae.Tec has entered into an exclusive Collaborative Agreement with Nutrition Care Laboratories, based in Melbourne, Victoria.

Nutrition Care is a significant manufacturer and marketer of high value nutraceuticals for many of the best know nutraceutical brands in Australia and internationally, with a focus on Asian markets in particular.

The Algae.Tec closed growth system is perfect for nutraceutical products because all inputs can be controlled, producing a consistently high quality product. In addition these Algae.Tec products are free of impurities and all agricultural chemicals, such as pesticides and herbicides.

Chlorella is an increasingly attractive high protein, nutritional food source, which is highly sought after in Asia. B-Carotene is in demand as a nutritional supplement for vision, immunity and overall health.

"This is a significant market opportunity for AlgaeTec. The Asian market in particular is increasingly prepared to pay a premium for a quality nutraceutical product," said Stroud.

Anticipated production of Chlorella, and B-Carotene, is expected to be 2,000 tonnes in 2014, up to 4,000 tonnes in 2015, with a target of 8,000 tonnes in 2016, and 10,000 tonnes by 2017.

Indicative wholesale prices for the Chlorella and B-Carotene are currently \$16,000 and up to \$90,000 per tonne, respectively. The algae is 100% used as the product. A healthy gross margin on revenue is anticipated as capital costs are expected to be in the vicinity of \$7,000 per tonne.



The nutraceuticals initiative was prompted by the significantly lower capital required and better anticipated profit margins per tonne of production compared with biofuels, and the very speedy path to production.

Currently, biofuel initiatives are being developed out of the Atlanta facility through the Company's wholly owned subsidiary, Algae Energy Inc.

Sources of capital are expected to be equity, tax rebates and internal cash flow.

The Company has entered into a long term lease at an industrial warehouse complex in Nowra. This will facilitate a rapid start up of production.

Algae.Tec has worked very hard over the past 12 months to commission and validate the Algae.Tec growth system in the Nowra industrial setting. Mr Stroud said this successful validation now launches the company into the commercialisation phase of its development, looking to rapidly deliver positive cash flows.





Images: <http://algaetec.com.au/news-room/image-gallery/>

Production facility image: http://algaetec.com.au/wp-content/gallery/shoalhaven-one-launch/dsc_1021.jpg

*** About the nutraceutical market:**

The global nutraceuticals product market reached \$142.1 billion in 2011 and is expected to reach \$204.8 billion by 2017, growing at a CAGR of 6.3%, according to "Nutraceuticals Product Market: Global Market Size, Segment and Country Analysis & Forecasts (2007-2017)," from Transparency Market Research, Albany, NY.

Growth in Asia-Pacific (including Japan) will be second only to the USA by 2017 according to the report.

About Algae.Tec www.algae-tec.com

Algae.Tec Ltd, founded in 2007, is an Australian advanced renewable algae company that has developed a high-yield enclosed algae growth and harvesting system. The Company has offices in Atlanta, Georgia and Perth, Western Australia. The Algae.Tec bioreactor, an enclosed modular engineered technology, is designed to grow non-GMO algae on an industrial scale, and produce algae products including proteins, oils and biofuels. The Algae.Tec solution is less than one tenth the land footprint of pond growth options, while its enclosed module system is designed to deliver the highest yield of algae per hectare, and solves the problem of food-producing land being turned over for biofuel production.