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ASX Announcement

The Manager Announcements
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Algae.Tec Signs Agreement to Expand Technology & Product Footprint into Medicinal Marijuana Market

Algae.Tec Limited (ASX: "AEB") is pleased to announce 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.

By utilizing Algae.Tec's proprietary LED lighting technology the cost of production can – just in relation to power – be reduced by over 60% when compared to traditional methods. When combined with growing and yield efficiencies and additional cost savings the Algae.Tec technologies have a significant positive impact on revenue generation from medical cannabis.

Jardin De Invierno SA (JDL), is a biosciences company focused on the production and development of cannabis extracts, derivatives and related intellectual property. JDL has state-of-the-art research & development and production facilities in Uruguay and is the only company federally licensed to cultivate, research and export Cannabis Sativa L Specie for human and agricultural applications.

JDL's President, Julian Strauss said "JDL is pleased to be working with Algae.Tec on this important cannabis research and development program. Companies from around the world are coming to Uruguay looking for access to unfettered and legal cannabinoid research and development. Only JDL can provide this collaborative service as the only totally unfettered federally licensed research company in the world. This agreement further validates our business strategy and our standing as the premier cannabinoid research and development company in the world."

Algae.Tec's Managing Director, Peter Hatfull states "This is the first of many opportunities to utilise the unique controlled environment technologies that have been developed by Algae.Tec and rewards the years of research and development undertaken to reach our goals in the high yield cultivation of algae. This collaboration will demonstrate that the innovations achieved to date can be used to enhance the growth and yield potential for a range of agricultural products. We look forward to working with the team at JDL to bring this Agreement to fruition and to expand our footprint into this rapidly growing market."

**APPENDIX:**

The key terms of the Agreement are as follows:

- AEB and JDL will 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 JDL and AEB pursuant to the proposed License and Collaboration Agreement.
- AEB agrees that it will work with JDL in respect of: (i) developing and commercializing AEB's proprietary growing technologies for their application specifically for the nutraceutical ingredient market for therapeutic medicinal cannabis products; and (ii) developing and commercializing all formulations and technology related to cannabis extracts;
- In addition, JDL will grant AEB a distribution license with respect to its own IP for commercial distribution;
- The consideration payable from AEB to WGP will be as follows:
 - An initial payment of US\$2m ("AEB Payment") payable in AEB shares at the 5-day VWAP of the shares as at the date of the Collaboration and License Agreement subject to any shareholder, regulatory or any other approvals that may be required for the issue of the shares (50% of such shares to be subject to a holding period equal to the development period with the remaining 50% able to be traded to AEB's advisors subject to ASX regulations)
 - A payment of US\$500,000 from JDL to AEB ("JDL Payment") in respect of the exclusive license being provided to JDL for AEB's growing technology platforms and their application to cannabis and cannabis related products, which may be set off from the AEB Payment;
 - The commitment to a development budget of US\$1,500,000 over 18 months (to be defined in the Collaboration and License Agreement) subject to a capital raising of no less than US\$4,000,000 on terms acceptable to the Board of AEB.
 - A mutual royalty of Net Sales Value or profit share or similar (to be defined in the Collaboration and License Agreement as it applies to specific co developed IP).

The Agreement is conditional upon:

- Execution of definitive transaction documentation;
- Any necessary regulatory or shareholder approvals; and
- A capital raising of no less than US\$4M on terms to be agreed by the Board of Algae.Tec.