

APPENDIX 4E

Preliminary final report For the year ended 30 June 2015

1. Company Details

Algae.Tec Limited
ACN 124 544 190

Reporting period: Year ended 30 June 2015
Previous reporting period: Year ended 30 June 2014

2. Results for announcement to the market

Comparison to previous period	Increase/ Decrease	Change %	To
Revenue from ordinary activities (Appendix 4E Item 2.1)	(1,279,560)	(28.6)	3,200,433
Profit/(Loss) from ordinary activities after tax attributable to members (Appendix 4E Item 2.2)	(539,093)	(24.7)	(2,718,165)
Net Profit/(Loss) from ordinary activities after tax attributable to members (Appendix 4E Item 2.3)	(390,129)	(17.4)	(2,629,023)
Earnings per share			
Basic loss per share (cents per share) (Appendix 4E Item 2.4)	(0.01)	-	(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 2015.			
(Appendix 4E Item 2.5)			

	2015	2014
Net tangible assets per ordinary security	0.006	0.006

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 as feedstock to producers of biodiesel, jet fuel and ethanol. During the year, the Group also focused on commercialising the technology towards the fast growing nutraceutical market.

Overview of the Group

The year to 30 June 2015 has seen Algae.Tec Ltd achieve a number of milestones. The contract entered into the previous year with the Reliance Group of India has seen a strong validation of our technology, and further developments and improvements to our core technology.

Algae.Tec has concentrated its resources during the year on the further development of its technology whilst moving towards the commercialization of its technology with the Reliance Group. The year has seen a number of key deliverables achieved with Reliance culminating in the dispatch of containers housing the initial test plant to Jamnagar, India where they are awaiting final installation by the Reliance and Algae.Tec engineers. This will result in the initial plant being commissioned in the first half of the new financial year.

The Group has continued its approach to forming strong strategic relationships to assist in commercialising our unique technology, with agreements being signed during the year with a Chinese Group and a Group based in the Dominican Republic. These are important steps to introduce our technology into areas in need of clean renewable energy.

The Group's strategic plan of developing markets for its algae products outside of its core energy market has taken significant steps forward during the year, with the commencement of the building of a small scale plant in Cumming, Atlanta to produce algae for the nutraceutical market. 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 sooner than was planned with the large scale biofuel algae plants.

Major events during the year were as follows:

Reliance Industrial Investments and Holdings Limited (RIHL)

On 19 December 2014 the Company announced a further subscription agreement with Reliance Industrial Investments and Holdings Limited (RIHL) to raise \$AUD2.4m. The highlights of the second subscription agreement was to raise \$AUD1.4m via issue of 20m shares at \$0.07 cents and the issue of 14,285,714 options at an exercise price of \$0.07 cents with RIHL exercising half of these options within 5 months and subsequently 10 months to the date of issue. These proceeds provided additional working capital for the fast development of an algae plant in Jamnagar, India, utilizing our technology for the creation of biofuel.

On 25 May 2015 the Company announced the exercise of \$500,000 of options by RIHL at an exercise price of \$0.07 cents.

In May 2015, the first container to Jamnagar province in India was dispatched. This key milestone was part of the contract entered into with Reliance. This first container houses the algae photobioreactor assembly, which will be situated next to the world's largest oil refinery, owned by Reliance.

China Finance Strategies Investment Holdings Ltd (CFS)

On 9 January 2015, the Company announced it had executed an agreement with CFS under which Algae.Tec will issue an initial US\$0.5m convertible bond and, subject to the achievement of certain milestones, will issue US\$5m conditional options to CFS, and CFS will introduce Algae.Tec's unique technology into the greater China region. CFS has great experience of introducing and developing new technologies into China. The two companies will jointly explore commercial scale opportunities for Algae.Tec's technology across Greater China incorporating the People's Republic of China, Taiwan, Hong Kong and Macau. This is an exciting development for Algae.Tec following on from the Company's program with India's Reliance Industries Limited.



Algae for Nutraceutical Products

On 25 March 2015 the Group announced the expansion of its development and manufacturing facilities in Cumming, Georgia USA and the building of an initial small scale plant for the production of algae for the nutraceutical market.

Larimar Energy SRL

On 21 April 2015 the Company announced it had executed a collaboration agreement for the commercialization of its algae production technology with Larimar Energy SRL of the Dominican Republic.

The energy sector for the Dominican Republic relies on fossil fuel for more than 90% of its primary energy. Algae.Tec and Larimar are collaborating on the development of algae production projects in the Dominican Republic and Carribean regions. This agreement establishes the commercial platform for implementation of Algae.Tec's propriety technology in industrial-scale facilities with the generation of sustainable biofuels and bioproducts.



Consolidated statement of financial position

As at 30 June 2015

	Notes	30 June 2015 \$	30 June 2014 \$
Assets			
Cash and cash equivalents	11	1,105,130	302,766
Trade and other receivables	9	2,820,150	3,059,763
Tax receivable		11,905	32,225
Prepayments	10	68,236	54,953
Total current assets		4,005,421	3,449,707
Other receivables	9	106,925	101,925
Property, plant and equipment	7	762,909	800,813
Deferred tax assets	8	256,313	230,164
Total non-current assets		1,126,147	1,132,902
Total assets		5,131,568	4,582,609
Liabilities			
Trade and other payables	18	634,732	452,214
Loans and borrowings	15	2,285,959	2,197,165
Tax payable	8	-	-
Provisions	17	187,735	196,993
Total current liabilities		3,108,426	2,846,372
Non-current liabilities			
Loans and borrowings	15	-	-
Total non-current liabilities		-	-
Total liabilities		3,108,426	2,846,372
Net assets		2,023,142	1,736,237
Equity			
Contributed equity	13	19,594,201	16,679,797
Reserves	13	163,352	72,686
Accumulated losses		(17,734,411)	(15,016,246)
Total equity		2,023,142	1,736,237



Consolidated statement of profit or loss and other comprehensive income

For the year ended 30 June 2015

	Notes	30 June 2015	30 June 2014
Revenue from operating activities		\$	\$
Provision of services and equipment		895,159	2,299,929
Interest		8,611	5,854
Other income		-	-
R & D Tax incentive		2,296,663	2,174,210
		<u>3,200,433</u>	<u>4,479,993</u>
Expenditure			
Employee benefits		(2,715,745)	(2,761,757)
Directors share based payments		(1,524)	-
Depreciation expense		(205,668)	(198,994)
Advertising expense		(32,009)	(108,425)
Property, rent & lease expenses		(364,072)	(353,069)
Communication expenses		(35,922)	(51,366)
Consultancy expenses		(181,941)	(504,045)
Loss of modification of financial instrument		-	(95,714)
Gain on early conversion		(59,575)	175
Filing and listing fees		(116,603)	(102,361)
Freight and courier expenses		(44,786)	(16,570)
Insurance expenses		(136,557)	(110,228)
Legal fees		(86,735)	(75,557)
Materials and supplies		(679,883)	(180,080)
Professional fees (share based payments)	13	-	(25,000)
Professional fees (other)		(512,177)	(656,846)
Repairs and maintenance expenses		(25,902)	(20,751)
Travel expenses		(112,814)	(273,141)
Finance costs (convertible note)		(156,593)	(293,228)
Finance costs (other)		(21,362)	(333,951)
Unrealised foreign exchange profit/(loss)		25,088	17,389
Withholding taxes unrecoverable		-	(82,774)
Other expenses		(332,086)	(400,676)
Research and development expenses		(101,087)	(54,455)
Loss on sale on fixed assets		(10,942)	-
Loss before income tax		<u>(2,708,462)</u>	<u>(2,201,431)</u>
Income tax benefit	8	(9,703)	22,359
Net loss attributable to members of the company		<u>(2,718,165)</u>	<u>(2,179,072)</u>
Other comprehensive income/(loss)			
Items that may be reclassified to the profit and loss			
Effect of exchange rate translation	13	89,142	(59,822)
Other comprehensive income/(loss) for the year		89,142	(59,822)
Total comprehensive income/(loss) for the year attributable to members of the company		<u>(2,629,023)</u>	<u>(2,238,894)</u>
Earnings per share			
Basic loss per share (cents per share)	14	(0.01)	(0.01)
Diluted loss per share (cents per share)		(0.01)	(0.01)



Consolidated statement of changes in equity

<i>For the year ended 30 June 2014</i>	Note	Contributed Equity \$	Accumulated losses \$	Foreign exchange reserve \$	Share based payment reserve \$	Total equity \$
Balance at 1 July 2014		16,679,797	(15,016,246)	(24,314)	97,000	1,736,237
Loss for the period		-	(2,718,165)	-	-	(2,718,165)
Other comprehensive loss	13(ii)	-	-	89,142	-	89,142
Total comprehensive loss for the year		-	(2,718,165)	89,142	-	(2,629,023)
Transactions with owners in their capacity as owners		-	-	-	-	-
Share issued during the period	13	2,914,404	-	-	-	2,914,404
Share based payments	13(iii)	-	-	-	1,524	1,524
Balance at 30 June 2015		19,594,201	(17,734,411)	64,828	98,524	2,023,142
		Contributed Equity \$	Accumulated losses \$	Foreign exchange reserve \$	Share based payment reserve \$	Total equity \$
Balance at 1 July 2013		13,204,749	(12,837,174)	35,508	97,000	500,082
Loss for the period		-	(2,179,072)	-	-	(2,179,072)
Other comprehensive loss		-	-	(59,822)	-	(59,822)
Total comprehensive loss for the year		-	(2,179,072)	(59,822)	-	(2,238,894)
Transactions with owners in their capacity as owners		-	-	-	-	-
Share issued during the period		3,450,048	-	-	-	3,450,048
Value of share options issued		25,000	-	-	-	25,000
Balance at 30 June 2014		16,679,797	(15,016,246)	(24,314)	97,000	1,736,237



Consolidated statement of cash flows

For the year ended 30 June 2015

		2015	2014
	Notes	\$	\$
Cash flow from operating activities			
Cash receipts from customers		1,268,552	1,483,282
Cash paid to suppliers and employees		(5,333,851)	(6,037,741)
Cash outflows from operating activities		<u>(4,065,299)</u>	<u>(4,554,459)</u>
Interest paid		(192,668)	(261,107)
Interest received		8,611	5,854
Income taxes R & D refund		2,205,084	3,262,213
Net cash inflows/(outflows) from operating activities	12	<u>(2,044,272)</u>	<u>(1,547,499)</u>
Cash flows from investing activities			
Net movement in loans		-	(75,750)
Purchases of property, plant and equipment		(33,876)	(102,627)
Net cash inflows\ (outflows) from investing activities		<u>(33,876)</u>	<u>(178,377)</u>
Cash flows from financing activities			
Proceeds from issue of share capital		2,200,000	3,024,400
Proceeds from borrowings (convertible note)		624,064	750,000
Proceeds from borrowings (R & D facility)		1,776,970	1,543,572
Proceeds from borrowings (other)		71,645	147,464
Repayment of borrowings (La Jolla)		(140,154)	(890,598)
Repayment of borrowings (Convertible Note)		(188,750)	(890,598)
Repayment of borrowings (R & D facility)		(1,500,000)	(2,610,270)
Repayment of borrowings (other)		(77,494)	(64,088)
Net cash inflow/(outflow) in financing activities		<u>2,766,281</u>	<u>1,836,644</u>
Net increase/(decrease) in cash and cash equivalents		688,133	110,768
Cash and cash equivalents at beginning of financial period		302,766	234,431
Effect of exchange rate fluctuations on cash held		114,231	(42,433)
Cash and cash equivalents at end of financial period	11	<u>1,105,130</u>	<u>302,766</u>



The consolidated financial statements are general purpose 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.

	2015	2014
	\$	\$
Information about reportable segments		
USA Profit/(loss)	349,066	58,913
Australia Profit/(loss)	(1,703,012)	351,521
Reportable segment (Profit)	<u>(1,353,946)</u>	<u>410,434</u>
Interest	8,611	5,854
Unrealised exchange gain/(loss)	25,088	17,389
Corporate expenses	<u>(1,388,216)</u>	<u>(2,635,108)</u>
Loss before tax	<u>(2,708,462)</u>	<u>(2,201,431)</u>
Reportable segment assets		
Australia	3,621,396	3,472,660
USA	<u>1,510,172</u>	<u>1,109,949</u>
	<u>5,131,568</u>	<u>4,582,609</u>
Reportable segment liabilities		
Australia	2,783,988	2,626,355
USA	<u>324,438</u>	<u>220,018</u>
	<u>3,108,426</u>	<u>2,846,372</u>
Revenue by geographical segment		
India	28%	51%
Australia	72%	49%
USA	<u>0%</u>	<u>0%</u>

2. Trade and other receivables

	2015	2014
	\$	\$
Current		
Trade receivables	494,571	818,908
R & D incentives	2,265,789	2,174,210
GST refund	13,370	29,420
Other receivables	46,420	37,225
Total receivables	<u>2,820,150</u>	<u>3,059,763</u>
Non - Current		
	2015	2014
	\$	\$
Other receivables	106,925	101,925
Total receivables	<u>106,925</u>	<u>101,925</u>

Due to the short term nature of these receivables, their carrying value is assumed to approximate their fair value. The Group's exposure to credit and market risks, and impairment losses related to trade and other receivables are disclose in note 19 of the annual report.

There are no past due or impaired receivables.



3. Property, plant and equipment

	2015	2014
Property, plant and equipment at cost	1,467,645	1,268,336
Less: Accumulated depreciation	(704,736)	(467,523)
Property, plant and equipment	762,909	800,813

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. For more information about the Group's exposure to interest rate, foreign currency and liquidity risk arising from these loans and borrowings, see note 19 financial instruments

	2015 \$	2014 \$
Non-current liabilities		
Finance lease liabilities	-	-
Total trade and other payables	-	-
Current liabilities		
Convertible note at fair value through profit or loss	653,168	716,089
Macquarie R & D loan facility	1,590,924	1,313,954
La Jolla Investors	-	121,298
HP liability	-	3,768
Hunter Premium funding	41,867	42,056
Directors' loans	-	-
Trade and other payables	2,285,959	2,197,165
Totals	2,285,959	2,197,165

(i) La Jolla Cove Investors

Originally a convertible note which was cancelled on 19 April 2013 gave rise to a penalty amount of US\$125,830. At 30 June 2014 an amount of US\$118,338 (AU\$121,298) remained outstanding and this was fully paid during the year ended 30 June 2015.

(ii) Platinum Road

On 15th October 2013 the Group entered into an agreement with Platinum Road Pty Ltd to raise up to \$1,000,000 (Bond Amount) through the issue of convertible bonds to sophisticated investors (Convertible Bonds) under terms and conditions disclosed in the 30 June 2014 Annual Report. This agreement expired on 15th October 2014 with a balance of \$511,250 outstanding.

A deed of variation was adopted on 15th October 2014 covering the outstanding balance under the following terms;

- The monies owed shall be repaid at expiry of the term (15th October 2015)
- Interest was applied to the outstanding amount of \$511,250 at a rate of 12% per annum and was capitalized into the bond amounting to a total interest charge of \$61,350 and thus the total value of the bond being \$572,600
- The conversion price was set at the lesser of:
 - An amount not less than 95% of the VWAP on any day nominated by the Lender from 10 days of trading in the shares on the ASX immediately preceding the conversion date; and
 - \$0.22 per share;



- The lender may serve notice in writing on Algae.Tec Limited (the Group) at any time prior to the expiration of the Term requesting the Group to convert the Bond Amount (or part thereof in minimum increments of \$25,000 each) whereupon the Group must within 2 days of service of such notice convert the amount so notified using the Conversion Price and do all things necessary to cause the Lender to become entitled to be registered as the holder of the relevant number of fully paid ordinary shares in the Group. Conversion is not subject to shareholder approval.
- The holders of the bonds elected to convert the full value of the debt prior to 30 June 2015.

(iii) China Finance Strategies Investment Holdings Ltd

On 9th January 2015 the Group 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 Group 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.



6. Capital and reserves

Share capital

	\$	2015 Number	\$	2014 Number
Movements in capital during the year were as follow:				
Issued capital at the beginning of the financial year	16,679,797	290,791,631	13,204,749	271,370,190
Issue of shares pursuant of Conversion notice	714,404	11,753,551	425,648	3,085,062
Issue of shares pursuant to placement	2,200,000	28,976,597	2,300,000	12,805,068 ¹
Issue of shares via share purchase plan	-	-	724,400	3,292,727
Issue of shares in exchange for services provided	-	-	25,000	238,584
	<u>19,594,201</u>	<u>331,521,779</u>	<u>16,679,797</u>	<u>290,791,631</u>

1. 9,168,704 of these shares relate to an investment from The Reliance Group announced to the market on 21 January 2014.

(i) Share options at year end

Number of options	Issued to	Class
49,584,334	GEM	Options exercisable at \$0.75 on or before 13 January 2016
1,000,000	Advides	Options exercisable at \$1.00 on or before 14 October 2015
28,728,607	The Reliance Group	Options exercisable at \$0.1636 on or before 20 January 2019
7,142,857	The Reliance Group	Options exercisable at \$0.07 on or before 18 December 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.

	2015	2014
Foreign exchange reserve	<u>64,828</u>	<u>(24,314)</u>

(iii) Share option reserve

	2015 \$	2014 \$
Share option reserve	<u>98,524</u>	<u>97,000</u>

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.

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

1,000,000 options were issued to Advides during the financial year ended 30 June 2013 in return for the signing of the agreement with Lufthansa. The options are exercisable at \$1.00 each on or before 14 October 2015. These options have been assessed in value at \$97,000. The value of the options was calculated using the Black and Scholes model.

Model inputs used to value the options granted included;

- Exercise price is \$1.00
- Market price of shares at grant date \$0.31
- Expected volatility of the Group's shares is 90%
- Risk-free interest rate used is 2.62%
- Time to maturity, 3 years
- A dividend yield of 0%



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 2015.

7. Group entities

Significant subsidiaries

	Country of incorporation	Ordinary Share Consolidated Equity Interest	
		2015 %	2014 %
Controlled entity			
Algae Energy Inc	USA	100	100

8. Status of audit

This report is based on accounts that have been audited.