

Appendix 4C

Quarterly report for entities admitted on the basis of commitments

Introduced 31/03/00 Amended 30/09/01, 24/10/05, 17/12/10

Name of entity

Algae. Tec Limited

ABN

16 124 544 190

Quarter ended ("current quarter")

31 December 2016

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A	Year to date (6 months) \$A
1.1 Receipts from customers	5,500	155,881
1.2 Payments for (a) staff costs	-860,455	-1,592,898
(b) advertising and marketing	-714	-2,414
(c) research and development	-7,084	-17,631
(d) leased assets	-	-
(e) other working capital	-449,855	-1,716,473
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	2,982	2,997
1.5 Interest and other costs of finance paid	-84,619	-193,849
1.6 Income taxes received	-	-
1.7 Other (provide details if material)	-	2,427,928
Net operating cash flows	-1,394,245	-936,459

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	Current quarter \$A	Year to date (6 months) \$A
1.8 Net operating cash flows (carried forward)	-1,394,245	-936,459
Cash flows related to investing activities		
1.9 Payment for acquisition of:	-	-
(a) businesses (item 5)		
(b) equity investments		
(c) intellectual property		
(d) physical non-current assets	-1170	-33,868
(e) other non-current assets		
1.10 Proceeds from disposal of:		
(a) businesses (item 5)		
(b) equity investments		
(c) intellectual property		
(d) physical non-current assets		
(e) other non-current assets		
1.11 Loans to other entities	-	-
1.12 Loans repaid by other entities	-	-
1.13 Other (provide details if material)	-	-
	-1,170	-33,868
Net investing cash flows		
1.14 Total operating and investing cash flows	-1,395,415	-970,327
Cash flows related to financing activities		
1.15 Proceeds from issues of shares, options, etc.	190,679	292,183
1.16 Proceeds from sale of forfeited shares	-	-
1.17 Proceeds from borrowings	1,087,084	2,588,593
1.18 Repayment of borrowings	-8,514	-1,999,587
1.19 Dividends paid	-	-
1.20 Other (provide details if material)	-	-
Net financing cash flows	1,269,249	881,189
Net increase (decrease) in cash held	-126,166	-89,138
1.21 Cash at beginning of quarter/year to date	306,824	269,796
1.22 Exchange rate adjustments to item 1.20	-	-
1.23 Cash at end of quarter	180,658	180,658

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Payments to directors of the entity and associates of the directors

Payments to related entities of the entity and associates of the related entities

		Current quarter \$A
1.24	Aggregate amount of payments to the parties included in item 1.2	239,564
1.25	Aggregate amount of loans to the parties included in item 1.11	-
1.26	Explanation necessary for an understanding of the transactions	

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Item 1.1: The YTD receipts represent part of an order (US\$899,000) for modification of the Pilot Plant for Reliance Group. US\$780,695 remains to be invoiced for this order along with approximately a further US\$600,000 related retentions and further engineering and technical services. A payment of US\$132,000 was received in January 2017 for completion of part of the technical services. Installation and commissioning of the Reliance Pilot Plant in Jamnagar commenced in January 2017.

Item 1.2: As a result of elimination in the consolidation of the accounts of Algae.Tec Limited and Algae Energy Inc., allocated research and development costs from Algae Energy Inc. appear within their specific payment categories (a, b and e) rather than the research and development category (c).

Item 1.2: Included in the YTD Other Working Capital payments (e) is a payment to Deloitte for their fees in the administration of the R & D tax allowances and based upon the refund received.

Item 1.2: Substantial upgrades to the test plant in Cumming, Georgia have been included in YTD Other Working Capital payments (e). These upgrades to the plant were expected to commence generating income during November 2016 but due to a fire (which is covered by Insurance) this has been delayed until March 2017 whilst repairs are undertaken.

Item 1.2: The expenditure in Other Working Capital for the quarter was significantly reduced given that the Deloitte Fees previously mentioned are only payable annually (first quarter) and that the plant upgrades have been completed.

Item 1.7: This represents the R & D tax refund received for the 2016 financial year.

Item 1.17: This includes funding by Macquarie Bank in relation to Research and Development expenditure for the 2016 financial year of \$169,256 which was fully repaid in September .

Item 1.17: A new R & D funding facility (replacing Macquarie Bank) was established with ITF in September 2016 and as at 31 December 2016 \$900,000 had been drawn down against the \$1,800,000 facility established. The balance of the facility will be drawn down over the next 2 quarters

Item 1.17: A convertible note of \$250,000 was issued in January 2017. \$125,000 was received in December 2016 (this quarter) and the remainder in January 2017.

Item 1.18: YTD includes the full repayment of the 2016 Macquarie facility of \$1,900,000 being drawn funds against 2016 R & D Expenditure

Item 1.24: Payments to Directors consist of Directors' salaries and the Directors' fees paid during the quarter, including superannuation.

Non-cash financing and investing activities

- 2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

Nil

- 2.2 Details of outlays made by other entities to establish or increase their share in businesses in which the reporting entity has an interest

Nil

Financing facilities available

Add notes as necessary for an understanding of the position.

	Amount available \$A	Amount used \$A
3.1 Loan facilities	1,800,000	900,000
3.2 Credit standby arrangements	Nil	Nil

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An amount of \$2,427,928 was received by Algae.Tec Limited in September 2016 from the Australian Taxation Office in relation to the eligible research and development expenditure for the financial year ended 30 June 2016. This was used to repay the Macquarie facility provided for the year of \$1,900,000.

A new R & D funding facility was established in September 2016 (replacing Macquarie Bank) in the amount of \$1,800,000 and the first of these funds were drawn down in October 2016 (\$300,000) with a further \$600,000 drawn down during this quarter. The balance of \$900,000 will be drawn down over the next 2 quarters

Work on the RIHL Pilot Plant is continuing and a further US\$132,000 was invoiced and paid in January 2017 for the part completion of technical services. Personnel from the USA facility are now on site in Jamnagar for the commissioning of the project with operational testing expected within the next 6 months. Further billings in respect of outstanding purchase orders (US\$1,012,800) for equipment, commissioning and technical services are anticipated during the coming year.

A pilot nutraceutical production plant was completed in Atlanta and became operational during the last quarter. Further modifications were undertaken in this quarter and, due to a small fire, sales of product are now expected to occur within the next quarter.

As per the announcement on 8th July 2016, a convertible note in the value of US\$350,000 was issued and the funds received during the quarter. A further US\$150,000 is available during the next quarter subject to meeting equity criteria.

Following the signing of a supply agreement with Gencor in relation to the supply of nutraceutical from the test plant in the USA, Gencor have also invested US\$1,000,000 (received in July 2016) and paid for the additional upgrades for the further development of the US based test plant referred to earlier.

On 25 January 2017 Algae.Tec announced the signing of agreements with a sophisticated international investor to explore the application of Company licenced technology for the Middle East region. US\$166,667 has been received (and convertible notes issued in response) with a further US\$333,333 potentially to be received during the next 2 months and a further US\$1,000,000 subject to the satisfactory completion of certain conditions precedent. Should the conditions precedent be met, the parties intend to enter into a joint venture regarding development of a facility in the Middle East region to focus on algae for nutraceuticals.

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Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.	Current quarter \$A	Previous quarter \$A
4.1 Cash on hand and at bank	180,367	306,533
4.2 Deposits at call	291	291
4.3 Bank overdraft	-	-
4.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.23)	180,658	306,824

Acquisitions and disposals of business entities

	Acquisitions (Item 1.9(a))	Disposals (Item 1.10(a))
5.1 Name of entity	Nil	Nil
5.2 Place of incorporation or registration		
5.3 Consideration for acquisition or disposal		
5.4 Total net assets		
5.5 Nature of business		

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Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act (except to the extent that information is not required because of note 2) or other standards acceptable to ASX.
- 2 This statement does give a true and fair view of the matters disclosed.



Sign here: Date: 30/01/2017
(Director/Company secretary)

Print name: Peter Hatfull

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
2. The definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report except for any additional disclosure requirements requested by AASB 107 that are not already itemised in this report.
3. **Accounting Standards.** ASX will accept, for example, the use of International Financial Reporting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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