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**ALGAE.TEC LTD**

**ACN 124 544 190**

**NOTICE OF GENERAL MEETING**

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Notice is given that the Meeting will be held at:

**TIME:** 11.00 am (WST)

**DATE:** Monday, 20 March 2017

**PLACE:** Unit 2, 100 Railway Road, Subiaco WA 6008

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

***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.***

***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 (WST) on 18 March 2017.***

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## BUSINESS OF THE MEETING

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### AGENDA

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#### 1. RESOLUTION 1 – RATIFICATION OF PRIOR ISSUE – GENCOR CONVERTIBLE NOTE

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

*“That, for the purposes of ASX Listing Rule 7.4 and for all other purposes, Shareholders ratify the issue of 1 convertible note to Gencor with a face value of US\$1,000,000 and otherwise on the terms and conditions set out in the Explanatory Statement.”*

**Voting Exclusion:** The Company will disregard any votes cast on this Resolution by a person who participated in the issue and any associates of those persons. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

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#### 2. RESOLUTION 2 – RATIFICATION OF PRIOR ISSUE – SHARES AND OPTIONS

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

*“That, for the purposes of ASX Listing Rule 7.4 and for all other purposes, Shareholders ratify the issue of 204,082 Shares and 204,082 Options to Marshall Michael Pty Ltd on the terms and conditions set out in the Explanatory Statement.”*

**Voting Exclusion:** The Company will disregard any votes cast on this Resolution by a person who participated in the issue and any associates of those persons. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

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#### 3. RESOLUTION 3 – RATIFICATION OF PRIOR ISSUE – INVESTOR CONVERTIBLE NOTES

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

*“That, for the purposes of ASX Listing Rule 7.4 and for all other purposes, Shareholders ratify the issue of 90,000 convertible notes each with a face value of \$1.00 and otherwise on the terms and conditions set out in the Explanatory Statement.”*

**Voting Exclusion:** The Company will disregard any votes cast on this Resolution by a person who participated in the issue and any associates of those persons. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

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#### 4. RESOLUTION 4 – RATIFICATION OF PRIOR ISSUE – \$250,000 CONVERTIBLE NOTE

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

*“That, for the purposes of ASX Listing Rule 7.4 and for all other purposes, Shareholders ratify the issue of one (1) convertible note to a sophisticated investor with a face value of \$250,000 and otherwise on the terms and conditions set out in the Explanatory Statement.”*

**Voting Exclusion:** The Company will disregard any votes cast on this Resolution by a person who participated in the issue and any associates of those persons. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

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#### 5. RESOLUTION 5 – RATIFICATION OF PRIOR ISSUE – 1<sup>ST</sup> TRANCHE 707 CONVERTIBLE NOTES

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

*“That, for the purposes of ASX Listing Rule 7.4 and for all other purposes, Shareholders ratify the issue of two convertible notes to 707 Holdings, with face values of US\$166,667 and US\$166,666 respectively and otherwise on the terms and conditions set out in the Explanatory Statement.”*

**Voting Exclusion:** The Company will disregard any votes cast on this Resolution by a person who participated in the issue and any associates of those persons. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

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#### 6. RESOLUTION 6 – PLACEMENT - 1<sup>ST</sup> TRANCHE 707 CONVERTIBLE NOTE

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

*“That, for the purposes of ASX Listing Rule 7.1 and for all other purposes, approval is given for the Company to issue a convertible note to 707 Holdings with a face value of US\$166,667 and otherwise on the terms and conditions set out in the Explanatory Statement.”*

**Voting Exclusion:** The Company will disregard any votes cast on this Resolution by any person who may participate in the proposed issue and a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the Resolution is passed and any associates of those persons. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

**Dated: 16 February 2017**

**By order of the Board**

**Peter Hatfull  
Director**

**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 changes to the Corporations Act made in 2011 mean that:

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

***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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## 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.

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### 1. RESOLUTION 1 - RATIFICATION OF PRIOR ISSUE – GENCOR CONVERTIBLE NOTE

#### 1.1 Background

As announced on 7 July 2016, the Company secured a US\$1,000,000 investment from Gencor Pacific (**Gencor**) through the issue of a single convertible note with a face value of US\$1,000,000 (**Gencor Convertible Note**).

The funds raised from the issue of the Gencor Convertible Note were used by the Company to accelerate the development of its production capacity and improve the efficient of its nutraceutical plant, expand its laboratory capabilities and cater to the demand for nutraceutical products for Gencor's clients.

A summary of the key terms of the Gencor Convertible Note is as follows:

<b>Term:</b>	18 months
<b>Face Value:</b>	US\$1,000,000
<b>Interest Rate:</b>	10% per annum
<b>Interest Payment:</b>	Quarterly in arrears
<b>Interest Payment Method:</b>	Satisfied by way of cash into a nominated bank account on the last day of each 3 month period following the completion date.
<b>Conversion Factor:</b>	The Gencor Convertible Note is able to be converted into 13,220,000 Shares. The Gencor Convertible Note can be converted into Shares in lots of 10% of the total number of Shares that may be issued, or lesser amount with the approval of the Company.
<b>At Maturity:</b>	At the maturity date any balance of the Gencor Convertible Note that has not been converted into Shares is repayable in cash or is able to be converted into Shares at that time at the conversion price of \$0.10 per Share.

#### 1.2 General

On 8 July 2016, the Company issued 1 Gencor Convertible Note (and was deemed to have reduced its ASX Listing Rule 7.1 capacity by 13,220,000 Shares, the maximum number of Shares the Gencor Convertible Note can be converted into) to raise US\$1,000,000.

Resolution 1 seeks Shareholder ratification pursuant to ASX Listing Rule 7.4 for the issue of the Gencor Convertible Note including, for the avoidance of doubt, the 13,220,000 Shares to be issued if all the principal is converted into Shares (**Resolution 1 Ratification**).

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.

ASX Listing Rule 7.4 sets out an exception to ASX Listing Rule 7.1. It provides that where a company in general meeting ratifies the previous issue of securities made pursuant to ASX Listing Rule 7.1 (and provided that the previous issue did not breach ASX Listing Rule 7.1) those securities will be deemed to have been made with shareholder approval for the purpose of ASX Listing Rule 7.1.

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 ASX Listing Rule 7.1 without the requirement to obtain prior Shareholder approval.

### 1.3 Technical information required by ASX Listing Rule 7.4

Pursuant to and in accordance with ASX Listing Rule 7.5, the following information is provided in relation to the Resolution 1 Ratification:

- (a) 1 Gencor Convertible Note was issued with a face value of US\$1,000,000, convertible into a maximum of 13,220,000 Shares if all principal is converted into Shares;
- (b) the deemed issue price is \$0.10 per Share;
- (c) the Shares to be issued on conversion of the Gencor Convertible Note 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;
- (d) the terms of the Gencor Convertible Note are contained in Schedule 1;
- (e) the Gencor Convertible Note was issued to Gencor, which is not a related party of the Company; and
- (a) the funds raised from this issue were used to accelerate the development of the Company's production capacity and improve the efficient of its nutraceutical plant, expand its laboratory capabilities and cater to the demand for nutraceutical products for Gencor's clients.

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## 2. RESOLUTION 2 – RATIFICATION OF PRIOR ISSUE – SHARES AND OPTIONS

### 2.1 General

On 21 April 2016, the Company issued 204,082 Shares and 204,082 Options in consideration for professional services provided by Marshall Michael Pty Ltd (**Marshall Michael**) in relation to the Company's then recently completed capital raising.

The Company issued the Shares and Options without prior Shareholder approval out of its 15% annual placement capacity.

Resolution 2 seeks Shareholder ratification pursuant to ASX Listing Rule 7.4 for the issue of those Shares and Options (**Resolution 2 Ratification**).

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.

A summary of ASX Listing Rules 7.1 and 7.4 is set out in section 1.2 above.

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 ASX Listing Rule 7.1 without the requirement to obtain prior Shareholder approval.

## 2.2 Technical information required by ASX Listing Rule 7.4

Pursuant to and in accordance with ASX Listing Rule 7.5, the following information is provided in relation to the Resolution 2 Ratification:

- (a) 204,082 Shares and 204,082 Options were issued;
- (b) the deemed issue price was \$0.049 per Share and the issue price of the Options was nil as they were issued free attaching with the Shares on a 1:1 basis;
- (c) the Shares issued were all fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares;
- (d) the Options were issued on the terms and conditions set out in Schedule 2;
- (e) the Shares and Options were issued to Marshall Michael, which is not a related party of the Company; and
- (f) no funds were raised from this issue as the Shares and Options were issued in consideration for professional services provided by Marshall Michael in relation to the Company's then recently completed capital raising.

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## 3. RESOLUTION 3 – RATIFICATION OF PRIOR ISSUE – INVESTOR CONVERTIBLE NOTES

### 3.1 General

On 6 April 2016, the Company issued 90,000 unsecured convertible notes to professional and sophisticated investors at an issue price of \$1.00 per convertible note to raise an aggregate of \$90,000 (**Investor Convertible Notes**).

The Investor Convertible Notes were, on issue, deemed to reduce the Company's ASX Listing Rule 7.1 capacity by 2,181,122 Shares, being the maximum number of Shares that may be issued if the Investor Convertible Notes are fully converted and all interest payments are satisfied through the issue of Shares.

A summary of the key terms of the Investor Convertible Notes is as follows:

<b>Term:</b>	18 months from the date of issue
<b>Face Value:</b>	\$1.00 each
<b>Interest Rate:</b>	12.5% per annum
<b>Interest Payment:</b>	Quarterly

<b>Interest Payment Method:</b>	Satisfied by way of issue of Shares or payment of cash, at the Note holders' discretion.
<b>Conversion Factor:</b>	Conversion price of \$0.049 each
<b>Options:</b>	<p>Those Noteholders who elect to convert at maturity will receive, subject to Shareholder approval, two separate unlisted options for every two Shares received on conversion.</p> <p>One of the options will have a term of 12 months from the date of the Investor Convertible Notes maturity and be exercisable at 10 cents.</p> <p>The second option will have a term of 24 months from the date of the Investor Convertible Notes maturity and an exercise price of 20 cents.</p>

Resolution 3 seeks Shareholder ratification pursuant to ASX Listing Rule 7.4 for the issue of these 90,000 Investor Convertible Notes (and the Shares that may be issued on conversion of the Investor Convertible Notes and in satisfaction of interest payments due on the Investor Convertible Notes) (**Resolution 3 Ratification**).

A separate Shareholder approval will be sought in relation to any Options to be issued on conversion of the Investor Convertible Notes on the applicable maturity date.

A summary of ASX Listing Rule 7.1 and 7.4 is set out in section 1.2 above.

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 ASX Listing Rule 7.1 without the requirement to obtain prior Shareholder approval.

### **3.2 Technical information required by ASX Listing Rule 7.4**

Pursuant to and in accordance with ASX Listing Rule 7.5, the following information is provided in relation to the Resolution 3 Ratification:

- (a) a total of 90,000 Investor Convertible Notes were issued each with a face value of \$1.00, convertible into a maximum of 2,181,122 Shares if all principal and interest is converted into Shares::
- (b) the deemed issue price per Share will be \$0.049;
- (c) the Shares to be issued on conversion of the Investor Convertible Notes 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;
- (d) the terms of the Investor Convertible Notes are contained in Schedule 3;
- (e) the Investor Convertible Notes were issued to professional and sophisticated investors. None of these subscribers are related parties of the Company; and



- (f) the funds raised from this issue were used to accelerate the development of the Company's production facilities and ongoing product development at its manufacturing and development centre in Atlanta, Georgia, USA.

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#### **4. RESOLUTION 4 – RATIFICATION OF PRIOR ISSUE – \$250,000 CONVERTIBLE NOTE**

##### **4.1 General**

On 25 January 2017 the Company issued an unsecured convertible note to a sophisticated investor with a face value of \$250,000 to raise \$250,000 (**\$250,000 Convertible Note**).

The \$250,000 Convertible Note was, on issue, deemed to reduce the Company's ASX Listing Rule 7.1 capacity by 5,000,000 securities, being the maximum number of Shares and Options that may be issued if the \$250,000 Convertible Note is fully converted.

The key terms of the \$250,000 Convertible Note are as follows:

<b>Term:</b>	18 months from 25 January 2017
<b>Face Value:</b>	\$250,000
<b>Interest Rate:</b>	10% per annum
<b>Interest Payment:</b>	Quarterly
<b>Interest Payment Method:</b>	Satisfied by way of cash.
<b>Conversion Factor:</b>	Conversion price of \$0.10 per Share
<b>Options:</b>	One free attaching unlisted Option will be granted for every Share issued on conversion of the \$250,000 Convertible Note, with each Option exercisable at 7.5 cents each, expiring 25 January 2018.

Resolution 4 seeks Shareholder ratification pursuant to ASX Listing Rule 7.4 for the issue of the \$250,000 Convertible Note (and the Shares and Options that may be issued on conversion of the \$250,000 Convertible Note) (**Resolution 4 Ratification**).

A summary of ASX Listing Rule 7.1 and 7.4 is set out in section 1.2 above.

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 ASX Listing Rule 7.1 without the requirement to obtain prior Shareholder approval.

##### **4.2 Technical information required by ASX Listing Rule 7.4**

Pursuant to and in accordance with ASX Listing Rule 7.5, the following information is provided in relation to the Resolution 4 Ratification:

- (a) one \$250,000 Convertible Note was issued with a face value of \$250,000.
- (b) the deemed issue price per Share will be \$0.10;

- (c) the Shares to be issued on conversion of the \$250,000 Convertible Note 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;
- (d) the Options will be issued on the terms set out in Schedule 2 other than the exercise price will be \$0.075 each and the expiry date will be 25 January 2018;
- (e) the \$250,000 Convertible Note was issued to a sophisticated investor who is not a related party of the Company; and
- (f) the funds raised from this issue were (and will be) used to accelerate the development of the Company's production facilities and ongoing product development at its manufacturing and development centre in Atlanta, Georgia, USA.

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## 5. RESOLUTION 5 – RATIFICATION OF PRIOR ISSUE – 1<sup>ST</sup> TRANCHE 707 CONVERTIBLE NOTES

### 5.1 General

As announced on 24 January 2017, the Company has entered into agreements with 707 Holdings Ltd, a sophisticated professional investor (**707 Holdings**), under which:

- (a) the Company may potentially raise up to US\$1,500,000 through the issue of unsecured convertible notes to 707 Holdings (**707 Convertible Notes**); and
- (b) the parties will explore the application of the Company's licensed technology for the Middle East region, with a joint venture and associated agreements (**Definitive Agreements**) to be entered into, subject to satisfaction of certain conditions precedent, for the development of algae production facilities.

707 Holdings is currently undertaking further due diligence with respect to the Company to determine if it wishes to proceed with the Definitive Agreements.

On 27 January 2017 the Company received US\$166,667 in funding from 707 Holdings and on 6 February 2017 issued one 707 Convertible Note with a face value of US\$166,667 (**1<sup>st</sup> Tranche 707 Convertible Note**).

The issue of this 1<sup>st</sup> Tranche 707 Convertible Note was deemed to reduce the Company's ASX Listing Rule 7.1 capacity by 5,777,760 Shares, being the maximum number of Shares that may be issued if the US\$166,667 1<sup>st</sup> Tranche 707 Convertible Note is fully converted and all interest payments are satisfied through the issue of Shares (assuming an AUD:USD exchange rate of 0.75:1 and an AUD\$0.05 conversion price).

Subject to 707 Holdings' election, the Company will receive a further US\$166,666 within 7 days of 27 February 2017 (ie before the date of the Meeting), and will issue a further 1<sup>st</sup> Tranche 707 Convertible Note with a face value of US\$166,666 to 707 Holdings. A summary of the key terms of the 1<sup>st</sup> Tranche 707 Convertible Notes is as follows:

<b>Term:</b>	3 years from issue
<b>Face Value:</b>	US\$166,667 and US\$166,666 respectively

<b>Interest Rate:</b>	10% per annum
<b>Interest Payment:</b>	Quarterly
<b>Interest Payment Method:</b>	Satisfied by way of issue of Shares or payment of cash, or capitalisation, at the Note holders' discretion.
<b>Conversion Rights:</b>	Convertible into Shares at a conversion price that is the lower of: (i) \$0.05 per Share; and (ii) a 10% discount to the 5 day VWAP prior to the date of conversion.

Resolution 5 seeks Shareholder ratification pursuant to ASX Listing Rule 7.4 for the issue of the two 1<sup>st</sup> Tranche 707 Convertible Notes (and the Shares that may be issued on full conversion of the two 1<sup>st</sup> Tranche 707 Convertible Notes and in satisfaction of all interest payments due) (**Resolution 5 Ratification**).

A summary of ASX Listing Rule 7.1 and 7.4 is set out in section 1.2 above.

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 ASX Listing Rule 7.1 without the requirement to obtain prior Shareholder approval.

## 5.2 Technical information required by ASX Listing Rule 7.4

Pursuant to and in accordance with ASX Listing Rule 7.5, the following information is provided in relation to the Resolution 5 Ratification:

- (a) one 1<sup>st</sup> Tranche 707 Convertible Note was issued on 6 February 2017 with a face value of US\$166,667, and a further one 1<sup>st</sup> Tranche 707 Convertible Note will be issued, subject to 707 Holdings' election, before the date of the Meeting, with a face value of US\$166,666;
- (b) the issue price per Share issued upon conversion of the 1<sup>st</sup> Tranche 707 Convertible Notes will be the lesser of:
  - (i) \$0.05 per Share; and
  - (ii) a 10% discount to the 5 day VWAP on the date of conversion of the 1<sup>st</sup> Tranche 707 Convertible Notes;
- (c) the Shares to be issued on conversion of the 1<sup>st</sup> Tranche 707 Convertible Notes 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;
- (d) the key terms of the 1<sup>st</sup> Tranche 707 Convertible Notes are contained in Schedule 4;
- (e) the 1<sup>st</sup> Tranche 707 Convertible Notes were, and will be, issued to 707 Holdings, which is not a related party of the Company; and
- (f) the funds raised from this issue were, and will be, used for working capital and to increase the Company's flexibility to take advantage of opportunities that may arise in the near future.

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## 6. RESOLUTION 6 – PLACEMENT – 1<sup>ST</sup> TRANCHE 707 CONVERTIBLE NOTE

### 6.1 General

Subject to 707 Holdings' election, and Shareholder approval, the Company will be paid a further US\$166,667 within 7 days of 27 March 2017 (ie after the date of the Meeting), and will issue a further one 1<sup>st</sup> Tranche 707 Convertible Note to 707 Holdings with a face value of US\$166,667 (**Additional 1<sup>st</sup> Tranche 707 Convertible Note**).

Resolution 6 seeks Shareholder approval for the issue of the Additional 1<sup>st</sup> Tranche 707 Convertible Note pursuant to ASX Listing Rule 7.1.

A summary of ASX Listing Rule 7.1 is set out in section 1.2 above.

The effect of Resolution 6 will be to allow the Company to issue the Additional 1<sup>st</sup> Tranche 707 Convertible Note (and any Shares issued upon conversion of, or in satisfaction of interest payments due in relation to, the Additional 1<sup>st</sup> Tranche 707 Convertible Note) during the period of 3 months after the Meeting (or a longer period, if allowed by ASX), without using the Company's 15% annual placement capacity.

### 6.2 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 1<sup>st</sup> Tranche 707 Convertible Note:

- (a) one Additional 1<sup>st</sup> Tranche 707 Convertible Note will be issued with a face value of US\$166,667;
- (b) the Additional 1<sup>st</sup> Tranche 707 Convertible Note 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 ASX Listing Rules);
- (c) the issue price per Share issued upon conversion of the Additional 1<sup>st</sup> Tranche 707 Convertible Note will be the lesser of:
  - (i) \$0.05 per Share; and
  - (ii) a 10% discount to the 5 day VWAP on the date of conversion of the Additional 1<sup>st</sup> Tranche 707 Convertible Note;
- (d) the Additional 1<sup>st</sup> Tranche 707 Convertible Note will be issued to 707 Holdings, which is not a related parties of the Company;
- (e) the Shares issued upon conversion of the Additional 1<sup>st</sup> Tranche 707 Convertible Note will be fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares;
- (f) the Additional 1<sup>st</sup> Tranche 707 Convertible Note will be issued on the terms and conditions as set out in Schedule 4; and
- (g) the Company intends to use the funds raised from the Additional 1<sup>st</sup> Tranche 707 Convertible Note towards general working capital and

increase the Company's flexibility to take advantage of opportunities that may arise in the near future.

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## GLOSSARY

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**707 Holdings** means 707 Holdings Ltd.

**\$** means Australian dollars.

**\$250,000 Convertible Note** has the meaning given in section 4.1 of the Explanatory Statement.

**ASIC** means the Australian Securities & 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** means the Listing Rules of ASX.

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

**Business Day** means Monday to Friday inclusive, except New Year's Day, Good Friday, Easter Monday, Christmas Day, Boxing Day, and any other day that ASX declares is not a business day.

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

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

**Constitution** means the Company's constitution.

**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.

**Gencor** means Gencor Pacific Ltd.

**Gencor Convertible Note** has the meaning as set out in section 1.1 of the Explanatory Statement.

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

**Investor Convertible Note** has the meaning given in section 3.1 of the Explanatory Statement.

**Marshall Michael** means Marshall Michael Pty Ltd (ACN 095 783 190).

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

**Option** means an option to acquire a Share.

**Optionholder** means a holder of an Option.

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

**Resolutions** means the resolutions set out in the Notice, or any one of them, as the context requires.

**Section** means a section of the Explanatory Statement.

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

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

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

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## SCHEDULE 1 – KEY TERMS OF THE GENCOR CONVERTIBLE NOTES

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A summary of the key terms of the Gencor Convertible Gencor Convertible Note is set out below:

- (a) **(Term)**: 18 months ending 7 January 2018.
- (b) **(Face Value)**: The Gencor Convertible Note has a face value of US\$1,000,000.
- (c) **(Interest on the Gencor Convertible Note)**: 10% per annum on the outstanding face value of the Gencor Convertible Note. Interest will accrue daily and will be payable quarterly in arrears.
- (d) **(Interest payment method)**: Satisfied by way of cash into the nominated bank account on the last day of each 3 month period following the completion date.
- (e) **(Security)**: The Gencor Convertible Note is secured by a second charge over all the assets of the group which includes Algae.Tec Ltd and Algae Energy LLC. A first charge over the Company's assets is currently held by Macquarie Bank, securing balances loaned under the Company's Research and Development Grant. The charge given to the lender will rank immediately behind the Macquarie security.
- (f) **(Conversion Factor)**: The Gencor Convertible Note is able to be converted into 13,220,000 Shares. The Gencor Convertible Note can be converted into Shares in lots of 10% of the total number of Shares that may be issued, or lesser amount with the approval of the Company.
- (g) **(Ranking)**: the Shares issued upon conversion are fully paid ordinary shares in the Company with the full rights of the current equity in the Company.
- (h) **(Maturity)**: At the maturity date any balance of the Gencor Convertible Note that has not been converted into Shares is repayable in cash or is able to be converted into Shares at that time at the conversion price of \$0.10.



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## SCHEDULE 2 – KEY TERMS OF MARSHALL MICHAEL OPTIONS

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(a) **Entitlement**

Each Option entitles the holder to subscribe for one Share upon exercise of the Option.

(b) **Exercise Price**

Subject to paragraph (i), the amount payable upon exercise of each Option will be \$0.10 (**Exercise Price**).

(c) **Expiry Date**

Each Option will expire at 5:00 pm (WST) on 21 April 2017 (**Expiry Date**). An Option not exercised before the Expiry Date will automatically lapse on the Expiry Date.

(d) **Exercise Period**

The Options are exercisable at any time on or prior to the Expiry Date (**Exercise Period**).

(e) **Notice of Exercise**

The Options may be exercised during the Exercise Period by notice in writing to the Company in the manner specified on the Option certificate (**Notice of Exercise**) and payment of the Exercise Price for each Option being exercised in Australian currency by electronic funds transfer or other means of payment acceptable to the Company.

(f) **Exercise Date**

A Notice of Exercise is only effective on and from the later of the date of receipt of the Notice of Exercise and the date of receipt of the payment of the Exercise Price for each Option being exercised in cleared funds (**Exercise Date**).

(g) **Timing of issue of Shares on exercise**

Within 15 Business Days after the later of the following:

- (i) the Exercise Date; and
- (ii) when excluded information in respect to the Company (as defined in section 708A(7) of the Corporations Act) (if any) ceases to be excluded information,

but in any case no later than 20 Business Days after the Exercise Date, the Company will:

- (i) issue the number of Shares required under these terms and conditions in respect of the number of Options specified in the Notice of Exercise and for which cleared funds have been received by the Company;
- (ii) if required, give ASX a notice that complies with section 708A(5)(e) of the Corporations Act, or, if the Company is unable to issue such a notice, lodge with ASIC a prospectus prepared in accordance with the Corporations Act and do all such things necessary to satisfy section

708A(11) of the Corporations Act to ensure that an offer for sale of the Shares does not require disclosure to investors; and

- (iii) if admitted to the official list of ASX at the time, apply for official quotation on ASX of Shares issued pursuant to the exercise of the Options.

If a notice delivered under (g)(ii) for any reason is not effective to ensure that an offer for sale of the Shares does not require disclosure to investors, the Company must, no later than 20 Business Days after becoming aware of such notice being ineffective, lodge with ASIC a prospectus prepared in accordance with the Corporations Act and do all such things necessary to satisfy section 708A(11) of the Corporations Act to ensure that an offer for sale of the Shares does not require disclosure to investors.

(h) **Shares issued on exercise**

Shares issued on exercise of the Options rank equally with the then issued shares of the Company.

(i) **Reconstruction of capital**

If at any time the issued capital of the Company is reconstructed, all rights of an Optionholder are to be changed in a manner consistent with the Corporations Act and the ASX Listing Rules at the time of the reconstruction.

(j) **Participation in new issues**

There are no participation rights or entitlements inherent in the Options and holders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Options without exercising the Options.

(k) **Change in exercise price**

An Option does not confer the right to a change in Exercise Price or a change in the number of underlying securities over which the Option can be exercised.

(l) **Transferability**

The Options are transferable subject to any restriction or escrow arrangements imposed by ASX or under applicable Australian securities laws.

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### SCHEDULE 3 – KEY TERMS OF THE INVESTOR CONVERTIBLE NOTES

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A summary of the key terms of the Convertible Notes is set out below:

- (a) **(Term)**: 18 months from issue.
- (b) **(Face Value)**: Each Convertible Note has a face value of \$1.00.
- (c) **(Interest on the Convertible Notes)**: 12.5% per annum on the outstanding face value of the Convertible Notes. Interest will accrue daily and will be payable quarterly in arrears.
- (d) **(Interest Payment Method)**: Satisfied by way of issue of Shares or payment of cash, at the Noteholders' discretion.
- (e) **(Conversion Factor)**: Conversion price is \$0.049 per Convertible Note.
- (f) **(Conversion)**: a Noteholder may convert all or some of their Convertible Notes into Shares:
  - (i) at the expiry of the Term; or
  - (ii) prior to the expiry of the Term if:
    - (A) a takeover bid (as defined in the Corporation Act) is made for 50% or more of the Company's shares; or
    - (B) there is a change of control of the Company such that any person who does not have a relevant interest in 50% or more of the shares as at the date of the convertible note deed acquires a relevant interest in 50% or more of the Company's shares; or
    - (C) there is a sale of the main undertaking of the Issuer that would require approval of the shareholders of the Issuer in accordance with ASX Listing Rule 11.2.
- (g) **(Options)**: Those Noteholders who elect to convert at maturity will, subject to Shareholder approval, receive two separate unlisted options for every two shares received on conversion as follows:
  - (i) one of the options will have a term of 12 months from the date of the Convertible Notes maturity and be exercisable at 10c; or
  - (ii) the second option will have a term of 24 months from the date of the Convertible Notes maturity and an exercise price of 20 cents.

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## SCHEDULE 4 – KEY TERMS OF THE 1<sup>ST</sup> TRANCHE 707 CONVERTIBLE NOTES

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- (a) **(Term)**: Three years from issue
- (b) **(Interest Rate)**: 10% per annum.
- (c) **(Interest Payment)**: Quarterly
- (d) **(Conversion Rights)**: Each 1<sup>st</sup> Tranche 707 Convertible Note is convertible into Shares at a conversion price that is the lower of:
  - (i) \$0.05 per Share; and
  - (ii) a 10% discount to the 5 day VWAP immediately prior to the date of conversion.
- (e) **(Negative Covenants)**: For as long as any 1<sup>st</sup> Tranche 707 Convertible Notes remain outstanding, the Company must not, and must procure that any subsidiary of the Company (**Group Company**) does not take any action in respect of certain matters, except with the prior written consent of 707, including in relation to:
  - (i) the issue of additional securities (except under existing arrangements); and
  - (ii) other than in the ordinary course of business, incurring certain financial indebtedness or creating or allowing to subsist any security interest over any of the assets or undertakings of any Group Company.
- (f) **(Redemption)**: The Company may not redeem the 1<sup>st</sup> Tranche 707 Convertible Notes before the maturity date. If certain redemption events occur (including Shareholder approval for the issue of Shares on conversion not being obtained), 707 Holdings may elect to either redeem some or all of the 1<sup>st</sup> Tranche 707 Convertible Notes (plus a break fee equal to 10% of the redeemed amount), increase the interest rate to 20% per annum or reduce the conversion price to the lower of \$0.04 and a 25% discount to the 5 day VWAP to the date of conversion.

## PROXY FORM

**ALGAE.TEC LTD**  
**ACN 124 544 190**

### GENERAL MEETING

I/We

of:

being a Shareholder entitled to attend and vote at the Meeting, hereby appoint:

Name:

**OR:**  the Chair of the Meeting as my/our proxy.

or failing the person so named or, if no person is named, the Chair, or the Chair's nominee, to vote in accordance with the following directions, or, if no directions have been given, and subject to the relevant laws as the proxy sees fit, at the Meeting to be held at 11.00am, on Monday, 20 March 2017 at Unit 2, 100 Railway Road, Subiaco WA 6008, and at any adjournment thereof.

#### CHAIR'S VOTING INTENTION IN RELATION TO UNDIRECTED PROXIES

**The Chair intends to vote undirected proxies in favour of all Resolutions. In exceptional circumstances the Chair may change his/her voting intention on any Resolution. In the event this occurs an ASX announcement will be made immediately disclosing the reasons for the change.**

#### Voting on business of the Meeting

		FOR	AGAINST	ABSTAIN
Resolution 1	Ratification of Prior Issue – Gencor Convertible Note	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 2	Ratification of Prior Issue – Shares and Options	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 3	Ratification of Prior Issue – Investor Convertible Notes	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 4	Ratification of Prior Issue – \$250,000 Convertible Note	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 5	Ratification of Prior Issue – 1 <sup>st</sup> Tranche 707 Convertible Notes	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 6	Placement – 1 <sup>st</sup> Tranche 707 Convertible Note	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

**Please note:** If you mark the abstain box for a particular Resolution, you are directing your proxy not to vote on that Resolution on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

If two proxies are being appointed, the proportion of voting rights this proxy represents is: \_\_\_\_\_ %

#### Signature of Shareholder(s):

##### Individual or Shareholder 1

Sole Director/Company Secretary

##### Shareholder 2

Director

##### Shareholder 3

Director/Company Secretary

Date: \_\_\_\_\_

Contact name: \_\_\_\_\_

Contact ph (daytime): \_\_\_\_\_

E-mail address: \_\_\_\_\_

Consent for contact by e-mail  
in relation to this Proxy Form:

YES  NO

## Instructions for completing Proxy Form

1. **(Appointing a proxy):** A Shareholder entitled to attend and cast a vote at the Meeting is entitled to appoint a proxy to attend and vote on their behalf at the Meeting. If a Shareholder is entitled to cast 2 or more votes at the Meeting, the Shareholder may appoint a second proxy to attend and vote on their behalf at the Meeting. However, where both proxies attend the Meeting, voting may only be exercised on a poll. The appointment of a second proxy must be done on a separate copy of the Proxy Form. A Shareholder who appoints 2 proxies may specify the proportion or number of votes each proxy is appointed to exercise. If a Shareholder appoints 2 proxies and the appointments do not specify the proportion or number of the Shareholder's votes each proxy is appointed to exercise, each proxy may exercise one-half of the votes. Any fractions of votes resulting from the application of these principles will be disregarded. A duly appointed proxy need not be a Shareholder.
2. **(Direction to vote):** A Shareholder may direct a proxy how to vote by marking one of the boxes opposite each item of business. The direction may specify the proportion or number of votes that the proxy may exercise by writing the percentage or number of Shares next to the box marked for the relevant item of business. Where a box is not marked the proxy may vote as they choose subject to the relevant laws. Where more than one box is marked on an item the vote will be invalid on that item.
3. **(Signing instructions):**
  - **(Individual):** Where the holding is in one name, the Shareholder must sign.
  - **(Joint holding):** Where the holding is in more than one name, all of the Shareholders should sign.
  - **(Power of attorney):** If you have not already provided the power of attorney with the registry, please attach a certified photocopy of the power of attorney to this Proxy Form when you return it.
  - **(Companies):** Where the company has a sole director who is also the sole company secretary, that person must sign. Where the company (pursuant to Section 204A of the Corporations Act) does not have a company secretary, a sole director can also sign alone. Otherwise, a director jointly with either another director or a company secretary must sign. Please sign in the appropriate place to indicate the office held. In addition, if a representative of a company is appointed pursuant to Section 250D of the Corporations Act to attend the Meeting, the documentation evidencing such appointment should be produced prior to admission to the Meeting. A form of a certificate evidencing the appointment may be obtained from the Company.
4. **(Attending the Meeting):** Completion of a Proxy Form will not prevent individual Shareholders from attending the Meeting in person if they wish. Where a Shareholder completes and lodges a valid Proxy Form and attends the Meeting in person, then the proxy's authority to speak and vote for that Shareholder is suspended while the Shareholder is present at the Meeting.
5. **(Return of Proxy Form):** To vote by proxy, please complete and sign the enclosed Proxy Form and return by:
  - (a) post to Algae.Tec Ltd, PO Box 2146, Subiaco, WA 6904; or
  - (b) facsimile to the Company on facsimile number +61 8 9381 9161; or
  - (c) email to the Company at admin@algaeotec.com.au,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.**