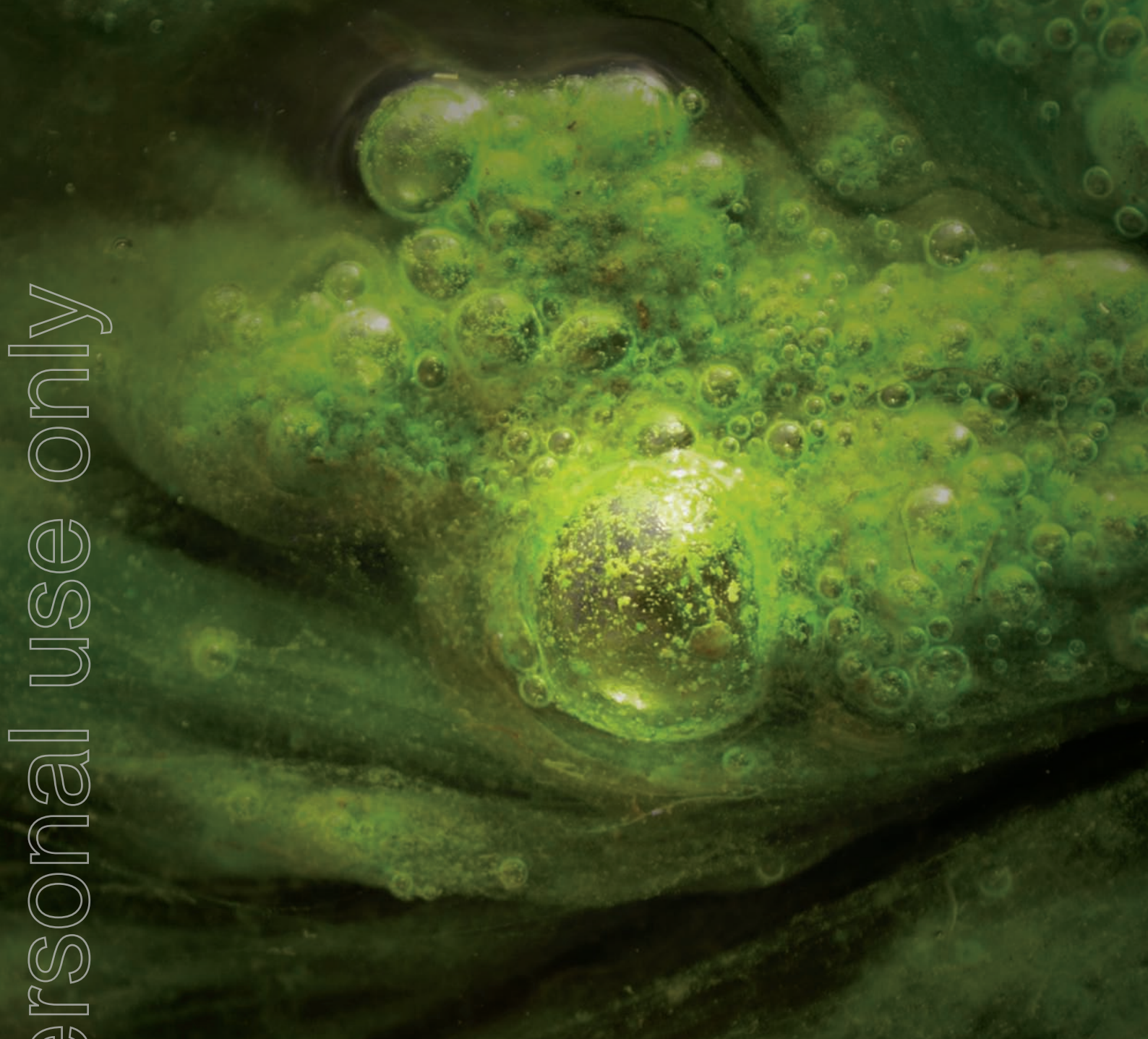


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ALGAE.TEC Ltd

Algae.Tec Limited

ABN 16 124 544 190

Initial Public Offer Prospectus

For the offer of 37,500,000 Shares at an issue price of 20 cents each to raise up to \$7,500,000.

Important Information

This is an important document that should be read in its entirety. If you do not understand it you should consult your professional advisers without delay. The Shares offered by this Prospectus should be considered speculative.

This Offer opens on 26 July 2010 and closes at 5:00pm WST on 3 September 2010. Valid applications must be received before the closing date.

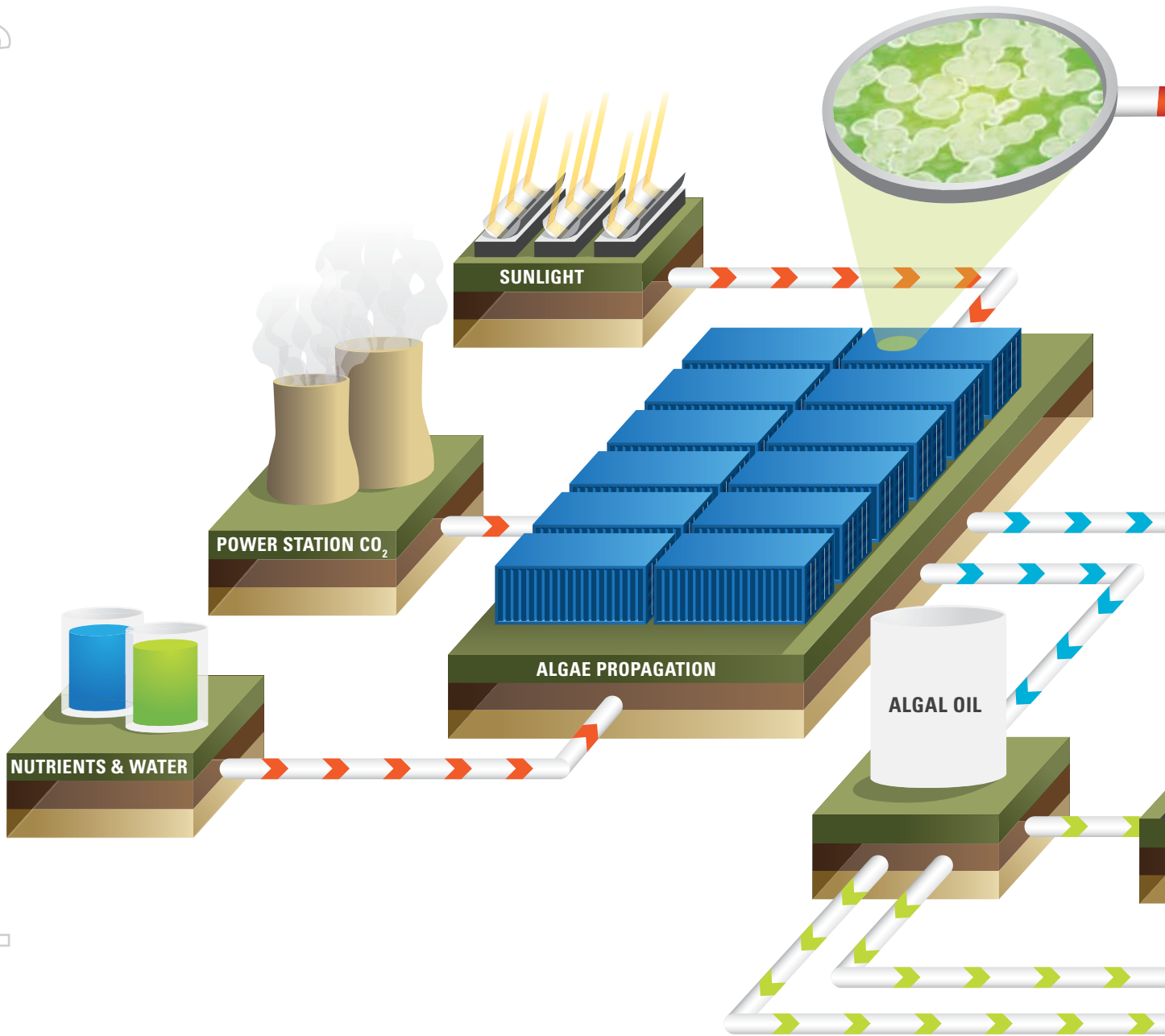
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ALGAE.TEC Ltd

A Renewable Energy Business

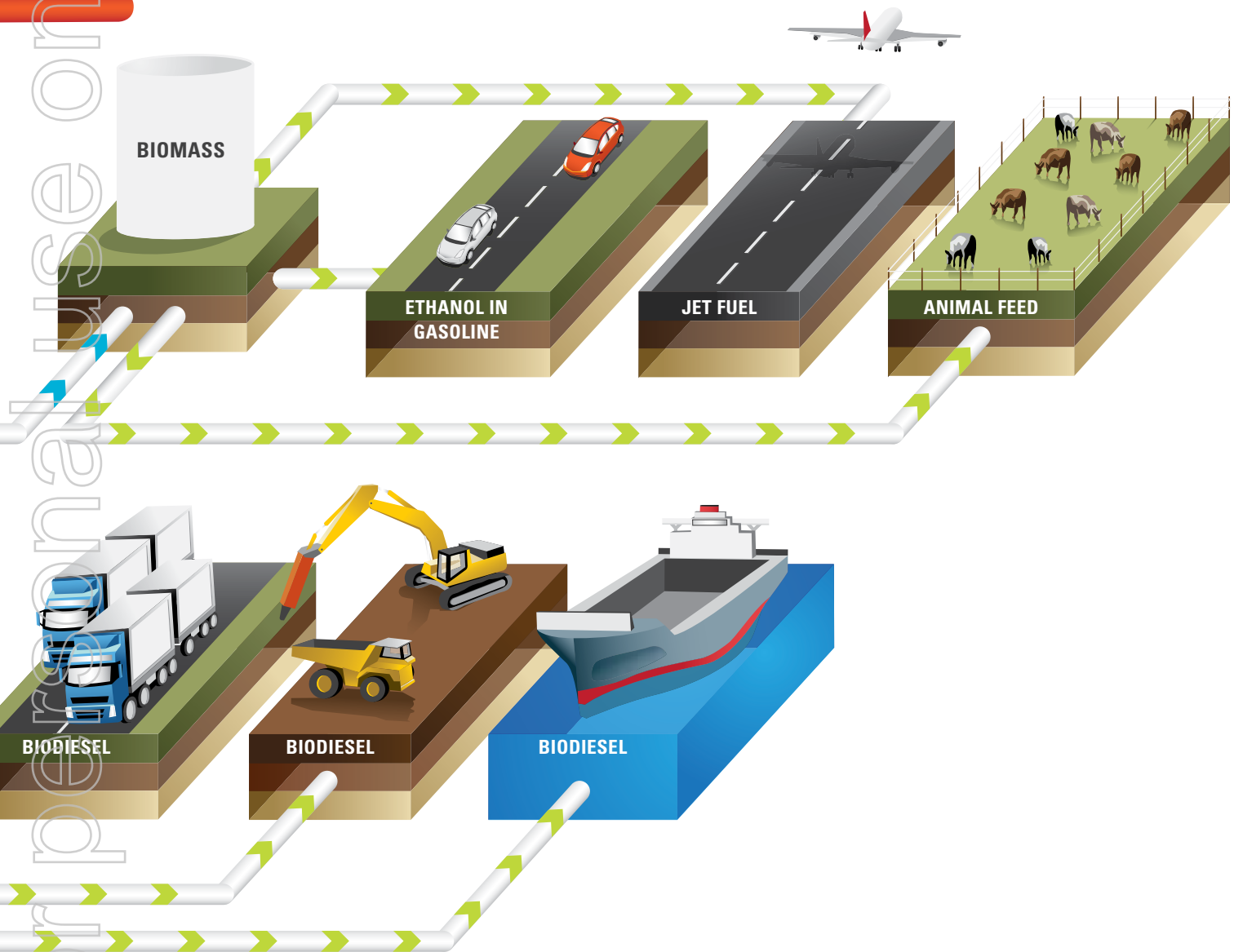
ALGAE.TEC PROCESS DIAGRAM



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ALGAE.TEC PROCESS DIAGRAM

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IMPORTANT INFORMATION

IMPORTANT NOTICES

This Prospectus is dated 16 July 2010 and was lodged with the ASIC on that date. The ASIC and its officers take no responsibility for the contents of this Prospectus or the merits of the investment to which the Prospectus relates.

The expiry date of this Prospectus is at 5.00pm WST on the date that is 13 months after the date this Prospectus was lodged with the ASIC (**Expiry Date**). No Shares may be issued on the basis of this Prospectus after the Expiry Date.

Application will be made to ASX within seven (7) days after the date of this Prospectus for Official Quotation of the Shares the subject of this Prospectus.

The distribution of this Prospectus in jurisdictions outside Australia may be restricted by law and persons who come into possession of this Prospectus should seek advice on and observe any of these restrictions. Failure to comply with these restrictions may violate securities laws. Applicants who are resident in countries other than Australia should consult their professional advisers as to whether any governmental or other consents are required or whether any other formalities need to be considered and followed.

This Prospectus does not constitute an offer in any place in which, or to any person to whom, it would not be lawful to make such an offer.

It is important that investors read this Prospectus in its entirety and seek professional advice where necessary. The Shares which are the subject of this Prospectus should be considered speculative.

WEB SITE – ELECTRONIC PROSPECTUS

A copy of this Prospectus can be downloaded from the website of the Company at www.algaetec.com.au. Any person accessing the electronic version of this Prospectus for the purpose of making an investment in the Company must be an Australian resident and must only access the Prospectus from within Australia.

The Corporations Act prohibits any person passing onto another person an application form unless it is attached to a hard copy of this Prospectus or it accompanies the complete and unaltered version of this Prospectus. Any person may obtain a hard copy of this Prospectus free of charge by contacting the Company.

EXPOSURE PERIOD

This Prospectus will be circulated during the Exposure Period. The purpose of the Exposure Period is to enable this Prospectus to be examined by market participants prior to the raising of funds. Potential investors should be aware that this examination may result in the identification of deficiencies in the Prospectus and, in those circumstances, any application that has been received may need to be dealt with in accordance with Section 724 of the Corporations Act.

Applications for Shares under this Prospectus will not be accepted by the Company until after the expiry of the Exposure Period. No preference will be conferred on persons who lodge applications prior to the expiry of the Exposure Period.

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1.0 INVESTMENT SUMMARY

1.1. Offer Statistics

Offer Price	\$0.20 per Share
Shares being offered under the Prospectus	37,500,000
Amount to be raised under the Offer	\$7,500,000
Shares on issue following the Offer*	263,116,667

*Assuming the Offer is fully subscribed

1.2. Indicative Timetable

Lodgement of Prospectus with the ASIC	16 July 2010
Opening Date	26 July 2010
Closing Date	5.00pm WST on 3 September 2010
Despatch of Holding Statements	10 September 2010
Expected date for listing on ASX	17 September 2010

Important Note: These dates are indicative only and subject to change. The Company reserves the right, subject to the Corporations Act and other applicable laws, to vary the dates of the Offer, including extending the Closing Date or accepting late applications, either generally or in particular cases, without notifying you. Investors are encouraged to submit their Application Form as soon as possible. Any extension of the Closing Date will have a consequential effect on the date of the issue of the Shares. The Offer does not require Shareholder approval.

1.3. Key Risks

The key risks associated with an investment in the Company are set out in Section 10 of this Prospectus. You should consider these risks before deciding on whether to apply for Shares under this Prospectus. A summary of some of the key risks include:

- a. **Investment in the Company is speculative.**
- b. **The Company has yet to obtain a patent in relation to the McConchie-Stroud System. There is no guarantee that the current patent application in Australia for part of the McConchie-Stroud System will be granted, or that any other patent applications that may be lodged in relation to the McConchie-Stroud System will be granted.**
- c. **The carrying amount of the non-current intangible assets of the Company (which includes its intellectual property) is \$20. This reflects the fact that the commercial value of the intellectual property is not proven at this stage.**
- d. **The Company has yet to test the McConchie-Stroud System on a commercial scale, which it cannot do without first testing it by building a demonstration facility.**
- e. **Given the Company is in the start up phase, it does not currently have any customers.**
- f. **The Company's Equity Line of Credit of A\$20 million over 3 years with GEM Global Yield Fund Ltd (GEM):**
 - i. **is subject to a number of conditions precedent (as summarised in Section 11.3 of this Prospectus), including that the Share price must be \$0.50 (or such other price as agreed by the Company and GEM) before the Company can draw down on the line of credit. These conditions may not be satisfied during the term of the Equity Line of Credit, in which case the Company will not be able to obtain funding through a drawdown;**
 - ii. **will, if the facility is used, result in dilution of Shareholders who subscribe under the Prospectus as the Company will issue Shares to GEM in return for cash; and**

1.0 INVESTMENT SUMMARY

- iii. will, if GEM exercises the Options it is to be granted immediately before the Company lists, result in dilution of Shareholders who subscribe under the Prospectus. GEM is to be issued Options representing 20% of the fully diluted capital of the Company with an exercise price of \$0.75 and a term of 5 years.
- g. If the Company does not list by 30 September 2010, the Company must pay Empire Equity Limited (which provided corporate advice in relation to the GEM Equity Line of Credit) a cash fee equal to 4% of the value of the Equity Line of Credit (equating to \$800,000).
- h. **Commercialisation of the McConchie-Stroud System:** The Company is relying on its ability to commercialise the McConchie-Stroud System. While the system has shown excellent results during its research and development phase, there is no guarantee that the system will be able to be viably commercialised. A failure to achieve commercial production of algal product from the McConchie-Stroud System will have a significant adverse impact on the Company's business model, operating results and financial position.
- i. **Licence of the McConchie-Stroud System:** The Company has secured an exclusive, royalty free, global licence from its major shareholder, Teco.Bio LLC, of all intellectual property related to the McConchie-Stroud System and any improvements to that system for industrial applications (refer to Section 11.2 of this Prospectus for details). While the licence has limited termination rights, if the licence is terminated by Teco.Bio, it is highly likely that the Company will be unable to continue its use of the McConchie-Stroud System.
- j. **Intellectual Property Rights:** Although the Company is not aware of any third party interests in relation to the McConchie-Stroud System, and has taken steps to protect and confirm the ownership of the intellectual property related to the McConchie-Stroud System, and its licence of that intellectual property (refer to Section 8 of this Prospectus for a report by Wrays Patent & Trade Marks Attorneys in relation to the intellectual property), there is always a risk of third parties bringing a claim in relation to any aspect of the McConchie-Stroud System (including the issues detailed in Section 8). If any disputes arise, this could adversely affect the Company.
- k. **Critical Personnel:** The Company's ability to commercialise the McConchie-Stroud System is dependent on it retaining the services of its two directors, Messrs McConchie and Stroud, who developed the system. While these directors are major shareholders in the Company, if either of them were to cease their involvement with the Company, the Company's ability to commercialise the McConchie-Stroud System is likely to be adversely affected.
- l. **Liquidity:** Teco.Bio currently holds approximately 90% of the Company, with other related parties of the Company holding approximately 6.5% of the Company's Shares, and the remainder being held by unrelated seed shareholders. The Company currently has a total of 24 Shareholders. If only the minimum subscription is raised, Teco.Bio will hold approximately 79.8% of the Company's Shares, other related parties will hold approximately 5.8% of the Company's Shares, promoters (Wise-owl.com and Empire Equity) will hold approximately 1.3%, unrelated seed shareholders will hold approximately 3.1% of the Company's Shares and the public will hold approximately 10% of the Company's Shares. Teco.Bio's shareholding, and those of other related parties and promoters (totalling approximately 86.9% of the Company's Shares), will be escrowed for 2 years from the date of listing. As such, the Company's Shares may have limited liquidity on the ASX. Further details on escrow are provided in Section 4.6 of this Prospectus.
- m. **Additional Requirements for Capital:** The Directors expect that the proceeds of the Offer will provide sufficient capital resources to enable the Company to achieve its initial business objectives. However, the Directors can give no assurances that such objectives will in fact be met without future borrowings or further capital raisings and, if such borrowings or capital raisings are required, that they can be obtained on terms favourable to the Company or at all. The Company is yet to build a demonstration facility so there can be no guarantee that the current provisions set aside for the demonstration facility will be sufficient. Funds raised under this Prospectus will not be sufficient to enable the Company to fully commercialise the McConchie-Stroud System. Any additional equity financing will dilute shareholdings, and debt financing, if available, may involve restrictions on financing and operating activities. If the Company is unable to obtain additional financing as needed, it may be required to reduce the scope of its operations and scale back its expansion and development programmes as the case may be.

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2.0 CORPORATE DIRECTORY

Directors

Roger Sydney Stroud BSc BA
Executive Chairman

Garnet Earl McConchie PE BSc ME (Chem)
Executive Director

Peter Ernest Hatfull MAICD
Managing Director

Timothy Morrison BComm MBA
Non Executive Director

Company Secretary

Peter Ernest Hatfull

Registered Office

Suite 9, 3 Centro Ave
Subiaco
WA 6008
Telephone: +61-(0) 89380 6790

U.S.A Office

3070 Windward Plaza, Ste F-730
Alpharetta, GA 30005
Telephone: +1-770 842 1581

Website

www.algaetec.com.au

Lead Manager to the Offer

Minc Financial Services
Level 13, 234 George Street,
Sydney NSW 2000
Telephone: 1300 610 024

Share Registry*

Computershare Investor Services Pty Ltd
Level 2, 45 St Georges Terrace
Perth WA 6000
Telephone: (08) 9323 2027
Facsimile: (08) 9323 2033

Solicitors to the Company

Steinepreis Paganin
Lawyers and Consultants
Level 4, The Read Buildings
16 Milligan Street
Perth WA 6000

Auditors*

PKF Chartered Accountants & Business Advisors
Level 7, BGC Centre, 28 The Esplanade,
Perth WA 6000
Telephone: (08) 9278 2222
Facsimile: (08) 9278 2200

Investigating Accountant

PKF Corporate Advisory Services (WA) Pty Ltd
Level 7, BGC Centre, 28 The Esplanade,
Perth WA 6000
Telephone: (08) 9278 2222
Facsimile: (08) 9278 2200

Patent Attorney & Intellectual Property Lawyers

Wrays Patent & Trade Marks Attorneys
& Wrays Lawyers Pty Ltd
56 Ord Street
West Perth WA 6831
Telephone: (08) 9216 5100

* This entity is included for information purposes only. It has not been involved in the preparation of this Prospectus.

Dear Investor

On behalf of the Directors, it gives me great pleasure to present to you the opportunity to become a shareholder in Algae.Tec Limited (**Algae.Tec** or the **Company**).

The Company has secured the exclusive global licence to commercially exploit the McConchie-Stroud algae production and processing system (**McConchie-Stroud System**).

The innovative McConchie-Stroud System consists of a modular bio-reactor in which minute plants, called microalgae, are grown (through the controlled supply of light, water, carbon dioxide gas (**CO₂**) and nutrients), and related infrastructure used for harvesting and refining into algae products.

The microalgae produced can be converted into various products, including feedstocks for biodiesel, jet fuel, ethanol, animal feedstock and for other industrial applications. Different types of microalgae can be used depending on the desired end product.

The Company's primary goal is to produce algal oil and algal biomass for sale as a feedstock to producers of biodiesel, jet fuel and ethanol.

The McConchie-Stroud System has been successfully trialled in the research and development stage but has not yet been operated as a full scale commercial facility. The purpose of the Offer is to raise funds:

- » **Demonstration Plant:** for the construction of a demonstration plant at one of several sites under investigation possibly located in eastern Australia. The focus will be on demonstrating algae productivity and yields which have been achieved during research and development and confirming the potential for commercial production. Assuming that the Company successfully raises funds under this Prospectus, secures an appropriate development site and engages required contractors in a timely manner, the Company is targeting May 2011 for completion and start up of this demonstration plant; and
- » **Commercial Facility:** to progress negotiations with selected CO₂ emitters in Australia and the USA with a view to obtaining approvals for a commercial, scaled up facility of 200 or more modules.

The Company is confident that the McConchie-Stroud System has strong commercial potential on the basis of the following competitive advantages:

- » **Research and Development:** the McConchie-Stroud System has been designed following extensive research and development that has included bench-scale and pilot plant trials, process optimisation and the testing and selection of appropriate microalgae species;
- » **Exceptional algae productivities and yields:** bench-scale and pilot plant trials have produced exceptional algae productivities and yields of algae and algal products; and
- » **Production costs:** the McConchie-Stroud System has been carefully designed with a view to minimising commercial production costs. In particular, the enclosed reactor module is water efficient, climate controlled, low maintenance and produces high yields of microalgae on a compact footprint and specifically engineered harvesting systems can be readily incorporated into the system.

Further details on these advantages are set out in Section 6 of this Prospectus.

There are also potential environmental benefits from using the McConchie-Stroud System to produce algae for biofuel applications such as biodiesel, jet fuel and bio-ethanol. These include:

- » **Fossil fuel replacement:** the biofuels produced from algae-based feedstocks can directly substitute certain fossil fuels, reducing the use of those fossil fuels and reducing dependence on external fossil fuel supplies;
- » **Use of waste CO₂:** the McConchie-Stroud System has been designed with a view to using waste CO₂ gas emissions generated by the combustion of fossil fuel (eg from coal, gas and fuel oil fired power stations and other major CO₂ generating sources);
- » **Food chain advantages:** algae products are not based on human food crops and so do not compete with human consumption; and
- » **Protection of forested and arable land:** the production of algae via the McConchie-Stroud System does not rely upon the use of arable or deforested land and can be located on industrial properties or other areas unsuitable for agricultural crops.

3.0 CHAIRMAN'S LETTER

To assist with further development work and augment the funds raised under this Prospectus, the Company has secured a conditional equity line of credit from a London and New York based investment fund for up to \$A20 million that, if it becomes unconditional, may be used to assist the financing of the development and operation of a commercial facility in return for the issue of Shares to the investment fund. Further details are set out in Section 11.3 of this Prospectus.

The Company has also signed a Memorandum of Understanding with Leighton Contractors with a view to entering into joint ventures in relation to the construction and operation of commercial facilities that use the McConchie-Stroud System. Further details are set out in Section 11.6 of this Prospectus.

We invite you to join us in this exciting opportunity to commercialise the production of algae by becoming a shareholder in Algae.Tec Limited.

Yours Sincerely

A handwritten signature in blue ink, appearing to read 'R Stroud', with a large, stylized flourish above the name.

Roger Stroud
EXECUTIVE CHAIRMAN

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4.0 INVESTMENT OVERVIEW

4.1. Important Notice

This Section is not intended to provide full information for investors intending to apply for Shares offered pursuant to this Prospectus. This Prospectus should be read and considered in its entirety.

4.2. Objectives

The immediate strategic objectives of the Company are to successfully construct and operate a demonstration facility at an appropriate site (likely to be in eastern Australia), with the intention of confirming the commercial potential of the McConchie-Stroud System, and, in parallel, to pursue an agreement with a CO₂ emitter to construct a scaled up facility of at least 200 modules, whilst obtaining all the necessary approvals for the facility.

The Company may use its existing Equity Line of Credit to assist with financing of the commercial facility (subject to it becoming unconditional).

The longer term objective of the Company is to become a significant producer of algae for use as a feedstock in the production of renewable fuels including jet fuel, ethanol and biodiesel in Australia, the United States, Brazil and selected other countries.

4.3. Indicative Timetable

Lodgement of Prospectus with the ASIC	16 July 2010
Opening Date	26 July 2010
Closing Date	5.00pm WST on 3 September 2010
Despatch of Holding Statements	10 September 2010
Expected date for listing on ASX	17 September 2010

Important Note: These dates are indicative only and subject to change. The Company reserves the right, subject to the Corporations Act and other applicable laws, to vary the dates of the Offer, including extending the Closing Date or accepting late applications, either generally or in particular cases, without notifying you. You are encouraged to submit your Application Form as soon as possible. Any extension of the Closing Date will have a consequential effect on the date of the issue of the Shares. The Offer does not require Shareholder approval.

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4.0 INVESTMENT OVERVIEW

4.4. Purpose of Funds and Use of Proceeds

The funds raised from the Offer are intended to be applied as follows:

Description	\$5 million raised			\$7.5 million raised		
	0-12 months	13-24 months	Total	0-12 months	13-24 months	Total
Technology Development						
R&D expenses	200,000	200,000	400,000	400,000	400,000	800,000
Demonstration Facility capex	1,400,000		1,400,000	1,800,000		1,800,000
Demonstration Facility opex	500,000	500,000	1,000,000	700,000	700,000	1,400,000
Protection of IP	90,000	90,000	180,000	115,000	115,000	230,000
Equity Line of Credit Fee	300,000		300,000	300,000		300,000
Working Capital						
Salaries + Consultants	500,000	500,000	1,000,000	1,000,000	1,000,000	2,000,000
Rent and other overheads	110,000	150,000	260,000	180,000	180,000	360,000
Expenses of Offer	460,000		460,000	610,000		610,000
Total	3,560,000	1,440,000	5,000,000	5,105,000	2,395,000	7,500,000

If less than \$7.5 million is raised, the Company believes that it can still achieve its main objective of building the demonstration plant provided the minimum subscription of \$5 million is raised. To achieve this, the Company broadly intends to reduce its expenditure on a pro rata basis across the items set out in the table above. In this regard:

- R&D expenses will be reduced by reducing the scope of planned improvements to the R&D facilities and delaying some improvements until further funds are raised;
- Demonstration Plant capex will be reduced by reducing the size of elements such as the concrete pad, and operating expenses will be reduced by reducing labour costs;
- Protection of IP expenses will be reduced by reducing or delaying certain aspects of IP protection (potentially including some patent applications) until further funds are raised;
- Salaries and Consultants expenses will be reduced through reductions in the salaries of the executive directors and the executive directors assuming responsibility for work currently planned to be conducted by employees or consultants. If \$7.5 million is raised, the Company intends to employ Messrs McConchie and Hatfull on a full time basis at an estimated cost of \$600,000 and engage Mr Roger Stroud as a consultant at an estimated cost of \$300,000 (refer Section 12.4 of the Prospectus). The Company will also engage a part time accountant and other consultants on an as needs basis to provide miscellaneous services to the Company. If only the minimum subscription is raised, the Company intends to employ Messrs McConchie and Hatfull on a full time basis at an estimated cost of \$300,000 and engage Mr Roger Stroud as a consultant at an estimated cost of \$150,000. The Company does not consider that this will affect its ability to meet its objectives;
- Rent costs will be reduced by taking on smaller, cheaper premises; and
- the Expenses of the Offer will be reduced as a result of lower fees being payable to the Lead Manager of the Offer.

The Directors intend to seek additional funding from government grants if such opportunities become available.

The Directors believe the funds raised from the Offer will give the Company sufficient working capital to achieve its objectives as stated in the above tables.

4.0 INVESTMENT OVERVIEW

The funds raised under this Prospectus are not sufficient to enable the Company to build a commercial facility. However, the Company's Equity Line of Credit, if it becomes unconditional, and is used, is considered capable of providing sufficient funds for the construction of a commercial facility. If the Equity Line of Credit is not available to the Company in the future (or the Directors elect to not use this facility), the Company may need to source additional financing (debt or equity) to assist with the construction of a commercial facility.

4.5. Capital Structure

The capital structure of the Company following completion of the Offer is summarised below:

Shares	Number
Shares on issue at date of Prospectus	222,291,667
Shares offered pursuant to the Offer	37,500,000
Shares to be issued to Empire Equity Limited ¹	3,125,000
Shares to be issued to Wise-owl.com Pty Ltd ²	200,000
Total Shares on issue at completion of the Offer³	263,116,667
Options	Number
Options on issue at date of Prospectus	Nil
Options issued pursuant to Offer	Nil
Total Options on issue at completion of the Offer	Nil
Maximum number of Options issued to GEM immediately prior to listing ⁴	52,623,333

Notes:

¹ The Company has agreed to issue 3,125,000 Shares at a deemed issue price of \$0.16 per Share to Empire Equity Limited or its nominees as a fee for arranging the Equity Line of Credit and for providing corporate advice in relation to the Prospectus. The Shares are to be issued immediately before listing of the Company on the ASX. Refer to Section 11.5 of this Prospectus for further details.

² The Company has agreed to issue 200,000 Shares at a deemed issue price of \$0.20 per Share to Wise-owl.com Pty Ltd in consideration for the production of four quarterly research reports. The Shares are to be issued immediately before listing of the Company on the ASX. Refer to Section 11.7 of this Prospectus for further details.

³ Assumes that the Offer is fully subscribed and that no other Shares are issued.

⁴ The Company has agreed to issue, immediately prior to admission, that number of Options (exercisable at \$0.75 per Share expiring on or before the date that is 5 years after the date of grant) to GEM or its nominee equal to 20% of the fully diluted share capital of the Company on the date of admission. A total of 52,623,333 Options will be issued if the Offer is fully subscribed. Refer to Section 11.3 for details.

4.6. Restricted Securities

Subject to the Company being admitted to the Official List, certain of the existing Shares on issue are likely to be classified by ASX as restricted securities and will be required to be held in escrow.

The table below summarises the escrow requirements that are likely to apply to the Company's Shares on listing on the ASX.

Existing Shareholders	Shares held	% shareholding (min subscription raised)	% shareholding (max subscription. raised)	Likely Escrow
Teco.Bio	200,000,000	79.8%	76%	2 years
Related Seed Shareholders	14,500,000	5.8%	5.5%	2 years
Promoters	3,325,000	1.3%	1.3%	2 years
Subtotal	217,825,000	86.9%	82.8%	2 years
Unrelated Seed Shareholders	7,791,667	3.1%	3.0%	12 months*
Total	225,616,667	90%	85.8%	

*The cash formula under the ASX Listing Rules will apply to these Shareholders to reduce the number of Shares subject to escrow.

5.0 DETAILS OF THE OFFER

5.1. The Offer

By this Prospectus, the Company offers for subscription 37,500,000 Shares at 20 cents each to raise up to \$7,500,000. The Shares offered under this Prospectus will rank equally with the existing Shares on issue.

5.2. Applications

Applications for Shares under the Offer must be made using the Application Form.

Payment for the Shares must be made in full at the issue price of 20 cents per Share. Applications for Shares must be for a minimum of 10,000 Shares and thereafter in multiples of 1,000 Shares and must be mailed to:

Computershare Investor Services Pty Limited
GPO Box D182
Perth WA 6840

or delivered to:

Computershare Investor Services Pty Limited
Level 2, 45 St. Georges Terrace
Perth WA 6000

Cheques should be made payable to "**Algae.Tec Limited – Share Offer Account**" and crossed "**Not Negotiable**". Completed application forms must reach the above addresses by no later than the Closing Date.

The Company reserves the right to close the Offer early.

5.3. Oversubscriptions

The Company will not accept oversubscriptions.

5.4. Allotment

Subject to ASX granting conditional approval for the Company to be admitted to the Official List, allotment of Shares offered by this Prospectus will take place as soon as practicable after the Closing Date. Prior to allotment, all application monies shall be held by the Company on trust. The Company, irrespective of whether the allotment of Shares takes place, will retain any interest earned on the application monies.

The Directors reserve the right to allot Shares in full for any application or to allot any lesser number or to decline any application. Where the number of Shares allotted is less than the number applied for, or where no allotment is made, the surplus application monies will be returned by cheque to the applicant within seven (7) days of the allotment date.

5.5. Minimum Subscription

The minimum subscription to be raised pursuant to this Prospectus is \$5,000,000.

If the minimum subscription has not been raised within four (4) months after the date of this Prospectus, all applications will be dealt with in accordance with the Corporations Act (which provides for subscribers to be given the right to withdraw their acceptance of the Offer).

5.6. ASX Listing

The Company will apply to ASX within seven (7) days after the date of this Prospectus for admission to the Official List of the ASX and for quotation of the Shares offered under this Prospectus on the ASX. If the Shares are not admitted to quotation on the ASX within three (3) months after the date of this Prospectus, or such longer period as is permitted by the Corporations Act, all applications will be dealt with in accordance with the Corporations Act (which provides for subscribers to be given the right to withdraw their acceptance of the Offer).

5.7. Applicants outside Australia

This Prospectus does not, and is not intended to, constitute an offer in any place or jurisdiction, or to any person to whom, it would not be lawful to make such an offer or to issue this Prospectus. The distribution of this Prospectus in jurisdictions outside Australia may be restricted by law and persons who come into possession of this Prospectus should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws. No action has been taken to register or qualify these Shares or otherwise permit a public offering of the Shares the subject of this Prospectus in any jurisdiction outside Australia.

It is the responsibility of applicants outside Australia to obtain all necessary approvals for the allotment and issue of the Shares pursuant to this Prospectus. The return of a completed application form will be taken by the Company to constitute a representation and warranty by the applicant that all relevant approvals have been obtained.

5.8. Underwriter

The Offer is not underwritten.

5.9. CHES

The Company will apply to participate in the Clearing House Electronic Subregister System (**CHES**). CHES is operated by ASX Settlement and Transfer Corporation Pty Ltd (**ASTC**), a wholly owned subsidiary of ASX, in accordance with the Listing Rules and the ASTC Settlement Rules.

Under CHES, the Company will not issue certificates to investors. Instead, Share holders will receive a statement of their holdings in the Company. If an investor is broker sponsored, ASTC will send a CHES statement.

5.10. Privacy Statement

If you complete an application for Shares, you will be providing personal information to the Company. The Company collects, holds and will use that information to assess your application, service your needs as a Shareholder and to facilitate distribution payments and corporate communications to you as a Shareholder.

The information may also be used from time to time and disclosed to persons inspecting the register, including bidders for your securities in the context of takeovers, regulatory bodies, including the Australian Taxation Office; authorised securities brokers; print service providers; mail houses and the Share Registry.

You can access, correct and update the personal information that we hold about you. If you wish to do so, please contact the Share Registry at the relevant contact number set out in this Prospectus.

Collection, maintenance and disclosure of certain personal information is governed by legislation including the Privacy Act 1988 (as amended), the Corporations Act and certain rules such as the ASTC Settlement Rules. You should note that if you do not provide the information required on the application for Shares, the Company may not be able to accept or process your application.

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6.0 COMPANY OVERVIEW

6.1. Company Background

Algae.Tec Limited is an Australian public unlisted company incorporated in 2007. The Company is pursuing the commercialisation of the McConchie-Stroud algae production and processing system (**McConchie-Stroud System**).

To this end, the Company has been granted an exclusive, royalty free global licence by its major shareholder, Teco.Bio LLC (**Teco.Bio**), to exploit the intellectual property associated with the proprietary McConchie-Stroud System.

The Company has a highly experienced team in place with over 200 years of technical, professional and business expertise in key energy and environmental industries and core competencies in biofuel technologies, energy markets, project commercialisation and business management.

6.2. Corporate Structure

The Company is controlled by Teco.Bio, an entity that, as at the date of this Prospectus, holds approximately 90% of the Company's shares (Teco.Bio will hold approximately 76% of the Company's Shares if the Offer is fully subscribed). Entities controlled by Algae.Tec directors Mr Earl McConchie and Mr Roger Stroud each own 50% of Teco.Bio.

Teco.Bio was founded in 2008 with offices in Atlanta, Georgia and Perth, Western Australia, and is focused on the development and commercialisation of innovative and leading-edge technology for production of algae, and sequestration of carbon dioxide, targeting substitution of fossil fuels with sustainable algae biofuels.

Over the past seven years, Messrs Stroud and McConchie have studied and investigated methods and data relating to algae and biofuels as a pre-cursor to developing the McConchie-Stroud System. This research led them to pursuing an engineered industrial bioreactor process as opposed to a broadacre concept. During the last 3 years, systems have been designed and tested to overcome the various hurdles inherent in all closed photobioreactor systems. This has entailed laboratory and bench scale testing including evaluation of 50 different algae species. This research resulted in the development of a successful pilot scale reactor.

Messrs Stroud and McConchie established Teco.Bio in 2008 to assist with development of the McConchie-Stroud System. On 30 April 2010, they assigned all of their intellectual property rights in relation to the McConchie-Stroud System to Teco.Bio.

6.3. Overview of McConchie-Stroud System

The McConchie-Stroud System consists of a modular reactor in which minute plants, called microalgae, are grown (through the controlled supply of light, water, carbon dioxide gas (CO₂) and nutrients), and related infrastructure used for harvesting and refining into algae products.

The Company considers that, ideally, commercial plants will be built on the site of large scale CO₂ emitting companies, such as coal fired power stations. The number of modules on each site will be dependent upon the CO₂ available. Sites of over 1000 modules may be feasible as the modules may be stacked 4 high.

Light for growing the microalgae is supplied through a novel solar collector located adjacent to or in close proximity to the process. Research and development to date has shown that high yields of algae can potentially be produced by the McConchie-Stroud System, and converted into various products (at this stage, only on a small scale research basis). In particular:

- a. oils within the algae (oils can exceed 50% of algae weight) can be extracted and used as a feedstock to produce biodiesel; and
- b. once algal oils are extracted, the remaining biomass, which is high in carbohydrates and proteins, can be converted into various other products, including animal feedstocks and into bio-ethanol through fermentation.

An Australian patent has been applied for in relation to one key aspect of the McConchie-Stroud System. Additional process, equipment and utility patent applications are being prepared to protect additional novel features. Section 8 of this Prospectus contains a detailed report on the status of the patent application for the McConchie-Stroud System.

6.4. Pilot Plant Studies

The McConchie-Stroud System has been developed over a seven year period. Upon achieving several engineering solutions, bench scale studies were undertaken over a continuous period of 21 months.

Samples were collected and analysed every 30 day period. Many different algae species were tested. During the latter part of the bench scale programme a decision was made to conduct a larger pilot plant study. One of the high lipid (oil) yielding algae was selected for the pilot plant study.

The pilot plant study and trial was conducted over a 4 month period. On average, 11 kilos of dry algae was grown on the equivalent of one square metre of water surface area every 30 days.

The pilot plant volume was 76m³. The proposed "off the shelf" sea container that the Company intends to use in its demonstration plant and any commercial plant has a volume of approximately 86m³.

This Prospectus does not contain additional information in relation to the pilot plant studies because that information is confidential and, if disclosed, would prejudice the Company's prospects and have a material effect on the value of the Company. That information is not considered to be materially adverse from the point of view of an investor.

6.5. Commercial potential of the McConchie-Stroud System

The Company will, upon listing on ASX, be well positioned to pursue a significant market opportunity. The McConchie-Stroud System has the potential to provide a liquid transport fuel that can be produced industrially and commercially while diminishing the environmental impacts of fossil fuel derived fuels.

The McConchie-Stroud System has been successfully trialled in the research and development stage, but has not yet been operated as a full scale commercial facility. As such, commercialisation risks associated with the system exist (as detailed in Section 10).

6.6. Commercial production of algae

Algae grow and multiply through a process called photosynthesis. Photosynthesis is a biochemical process during which algae absorb light energy from sunlight and carbon dioxide from the atmosphere or a stackgas source, utilize water and critical nutrients (nitrogen, phosphorous and other key nutrients); and undergo multiple step light and dark phase reactions to biologically produce primarily lipids (fats and oils), carbohydrates (sugars), proteins and straight-chain hydrocarbons and subsequently, generates oxygen off-gas. The fundamentals of algae production and the downstream conversion to renewable fuels are relatively "old" chemistries, but the optimal path to feasible commercialisation does require step-changes in system design and process innovation for economic viability. Further information in relation to algae characteristics is provided in Section 6.12 of this Prospectus.

The McConchie-Stroud System combines closed control of algae production within an "engineered" modular environment and efficient downstream biofuel processing, with the potential to provide superior algae productivity, high quality biofuel products and significant capital and operating cost advantages over more traditional methods of algae production. The advantages are set out below:

- » modular photo-reactor system with unique and patentable engineering design, featuring superior mass/heat transfer dynamics and excellent productivity performance within a controlled environment;
- » preferred microalgae species with high lipid/oil content, productivity and product yield to algae oil, and system flexibility to utilize multiple species and produce high lipids for biodiesel, high carbohydrates for ethanol and high hydrocarbons for renewable distillate biofuel products;
- » potential for integration with power plant carbon dioxide sources for effective recovery of greenhouse emissions and recycle/recovery of stackgas emissions (sulfur and nitric oxides, chlorine and hydrocarbons) and use of waste heat conversion energy;
- » primary light energy supply via parabolic solar collection system, secondary artificial light system to extend daily production, control of light intensity and optimal wavelengths, and an indirect light distribution network; and
- » enhanced process technologies and proprietary know-how for algae harvesting, oil extraction, recovery of products and downstream conversion to biofuels and co-products.

6.0 COMPANY OVERVIEW

Worldwide, the growing of algae to produce feedstocks for such products as biodiesel is largely in the developmental stage. Substantial investment is being made into bringing commercial production on line. Some of the main methods of production (which range from open ponds to closed photobioreactors) known to the Company are set out below along with a comparison with the McConchie-Stroud System. The Company is not aware of any competitors to the Company with similar concepts for algae production as the McConchie-Stroud System.

Process Criteria	Ponds & Troughs	Enclosed Photo-Reactors	McConchie-Stroud System
Bio-Reactor System	Open Ponds Agitated Race-Tracks Greenhouse Ponds Covered Troughs	Vertical/Horizontal Tubes Rotating Plastic Bags Filter Plates Stirred Tanks	Enclosed Photo-Reactor with High Surface Area Internals Modular, Stackable & Mobile
Carbon Dioxide Sourcing	Primarily Atmospheric CO ₂ 30% Enhanced CO ₂ with Coverings	Stackgas (8-15% CO ₂)	Stackgas (8-15% CO ₂)
Light Energy	Direct Sunlight (limited to daylight hours)	70% Direct Sunlight 30% Indirect Sunlight (limited to extended daylight hours)	Indirect Filtered Sunlight & Artificial Light System (full-time operations)
Photosynthesis Environment	Temperature & Mass Transfer Limitations Light Dispersion Constraints External Contamination High Water Losses	Temperature & Mass Transfer Limitations Improved Light Dispersion Control of Nutrients & Water Usage Reduced Contamination	Control of Temperature & Nutrients Optimum Mass/Heat Transfer Dynamics Efficient Light Dispersion Minimum Water Usage No Contamination
Algae Harvesting	75% Conventional (Flocculation, Filtration, Drying & Oil Extraction) 25% Modified (Wet Extraction, Cell Fracturing)		Enhanced Harvesting Systems (Frothing, Paste Handling, Dry & Wet Oil Extraction)

The key challenges to achieving commercial production of algae and algal products are:

- Productivity and Yield:** producing large volumes of algae quickly with the algae containing a high yield of saleable products (eg algal oil); and
- Costs:** minimising production costs associated with large scale production, in particular costs to harvest the algae and the products they contain.

6.7. Productivity and Yield

The McConchie-Stroud System has achieved exceptional algal productivity and yields of algal products during the research and development phase for reasons that include:

- Innovative lighting system:** the McConchie-Stroud System contains a novel lighting system for optimal provision of light for growth of the algae. The system has excellent energy and mass transfer dynamics;
- Modular Reactor:** the enclosed module used to contain the McConchie-Stroud System enables the growth of algae to be more easily controlled and optimised;
- Controlled Environment:** the controlled environment allows a nutrient rich atmosphere for maximum growing conditions; and

6.0 COMPANY OVERVIEW

- d. **Optimum algae species:** extensive research and development has been conducted to select the optimum algae species to grow using the McConchie-Stroud System. Algae have been chosen that not only have high growth rates but that also contain high percentages of desired algal products such as algal oil, carbohydrates, proteins or hydrocarbons. The system is designed to allow different species to be selected and grown depending on the desired algal products.

The following table identifies the percentages of specific content of a selected type of high lipids/oil algae grown using the McConchie-Stroud System during the research and development phase, and the content of the algae products extracted from the algae.

Content	Algae	Algae Oil	Extracted Biomass
Oils	45.9%	92.3%	3.0%
Fatty Acids	4.0%	4.0%	0.3%
Other Lipids	5.7%	1.0%	3.7%
Other Hydrocarbons	1.1%	2.2%	0.5%
Proteins	14.2%	-	30.5%
Carbohydrates	23.6%	-	50.9%
Inorganics	3.5%	0.2%	7.1%
Water	2.0%	0.30%	4.0%
Carbon Content (dry basis)	61%	75%	43%

Algae oil may be refined to 99.3% oil purity by the McConchie-Stroud System and sold as refined oil to the biodiesel industry.

6.8. Production Costs

The McConchie-Stroud System has been carefully designed during the research and development phase with a view to minimising commercial production costs. In particular, key design features that are intended to enable commercial production costs to be minimised are the efficient use and reuse of all inputs, including the optimal use of light, and the use of a shipping container sized enclosed module. The advantages of this module include:

- Shared infrastructure and Re-use:** infrastructure such as utilities can be shared due to the ability to group modules in close proximity, helping to minimise capital and operating costs. The modules are also able to be relocated and re-used;
- Enhanced Harvesting:** specifically engineered harvesting systems can be readily incorporated into the process;
- Land requirements:** the McConchie-Stroud System requires minimal areas of land (unlike competitors such as open ponds), and up to 4 modules can be stacked on each other. This should minimise land leasing and purchase costs (although additional land is required for the solar collection system); and
- Efficient Resource Utilisation:** the enclosed module minimises evaporation of water and enables recycling of water, nutrients and heat, and reduces the risk of contamination of algae from external sources.

6.0 COMPANY OVERVIEW

6.9. Intellectual Property Position

The Company has acquired an exclusive, royalty free, global licence from its major shareholder, Teco.Bio LLC, of all intellectual property related to the McConchie-Stroud System and any improvements to that system for industrial applications (refer to Section 11.2 of this Prospectus for details).

The details of the Licence, and the status of the intellectual property related to the McConchie-Stroud System, are summarised in the Intellectual Property Report in Section 8 of this Prospectus and in Section 11.2 of this Prospectus.

Until recently, Teco.Bio and Messrs McConchie and Stroud have not pursued patents in relation to the McConchie-Stroud System on the basis that this would require the disclosure of confidential information that underpins the commercial potential of the McConchie-Stroud System.

Recently, Roger Stroud lodged a patent application in Australia for part of the McConchie-Stroud System. The Company has acquired all rights to this application and any patent under its Licence from Teco.Bio. While the Company is confident that this intellectual property is sufficiently unique to be patented, there can be no guarantee that a patent will be obtained as a result of this application. The Company notes that its patent attorneys are yet to form a view on this.

The Company also intends to lodge additional patent applications as part of moving to commercialisation of the McConchie-Stroud System. Again, while the Company is confident that this intellectual property is sufficiently unique to be patented, there can be no guarantee that any patents will be obtained as a result of any such applications.

6.10. Markets for algal products

The key algal products derived from the McConchie-Stroud System are algal oil and biomass. An indication of the potential market price and market for these algal products can be obtained from the market price for commodities (such as biodiesel and bioethanol) produced from algal products and the market price of feedstocks (such as sugar and palm oil) that are used to produce such commodities in competition to algal products. Recent global market prices for these commodities and for competing feedstocks, and estimated market size, are detailed below.

Product/Market	Market price range over 2009 (USD)	Est. Global current market size (Billion USD)	Applications
Sugar	\$350–550/tonne	\$64	Food, feed, fuel
Bioethanol (gasoline market)	\$80-130/barrel	\$38	Fuel substitute
Vegetable oil	\$800–1100/tonne	\$110	Food, feed, fuel
Animal feedstock	\$250-600/tonne	\$195	Protein, nutrient
Biodiesel (diesel market)	\$130-190/barrel	\$14	Fuel substitute
Jet fuel kerosene	\$90-150/barrel	\$192	Fuel

Algal oil market

Algal oil is predominantly used as a feedstock to produce biodiesel. Algal oil competes with vegetable oils (primarily palm, soybean and rapeseed oils) as a feedstock for biodiesel.

Vegetable oil prices ranged from approximately US\$800 to \$1100 per tonne in 2009, with current prices being approximately US\$850 per tonne in the US market.

In terms of the demand for biodiesel, the biodiesel market has expanded dramatically over the past 10 years to be approximately 12.5 billion litres per annum, valued at approximately US\$11 billion per year. Europe is by far the largest biodiesel market (approximately 80% of the 2009 global market), followed by the United States (approximately 15% of the 2009 global market). The biodiesel market is still only a fraction of the total crude oil derived middle distillates market (diesel, jet fuel, heating oil) of approximately 1.8 trillion litres per annum.

The price of biodiesel is predominantly driven by:

- a. the crude oil derived diesel market (which in turn is dictated by the crude oil price);
- b. the level of governmental subsidies or mandates for biodiesel; and
- c. the price of biodiesel feedstocks.

Biodiesel prices are currently approximately US\$1,000 per metric tonne in the US market. This compares with the crude oil derived middle distillate spot market ex-rack prices of approximately US\$630 per metric tonne in the US market.

The lower crude oil price in 2009 led to a reduced demand for biodiesel due to increased demand for cheaper, crude oil derived diesel. The higher cost of feedstock for biodiesel (particularly vegetable oils) has also adversely affected the biodiesel market. However, the biodiesel market may grow if crude oil prices increase.

Biomass market

Algal biomass has a variety of uses, depending on location and need. It can be used for applications such as animal protein feedstock, agricultural fertiliser, biomass power generation (as fuel for combustion) and can be distilled into ethanol. Algal biomass competes with vegetable based biomass (such as soybean) as an animal feedstock.

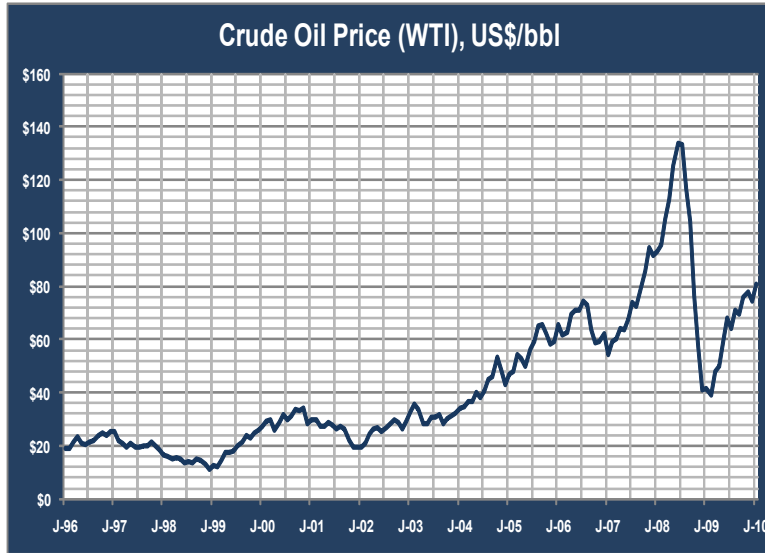
Algae Products	End-Use Markets
Lipids/Oils	» Algae oil substitution of vegetable oil feedstocks (e.g., soybean oil, palm oil) for biodiesel industry.
	» Refined glycerine produced via algae-biodiesel production, for pharmaceutical and consumer products industries.
	» Specialty oils and fatty acids for dietary supplements and consumer product applications.
Carbohydrates	» Substitution of agricultural sourced feedstocks for conversion of carbohydrates (sugars) to bio-ethanol (e.g., corn, sugar cane and sugar beets).
	» Production of bio-based polyolefin plastics for replacement of fossil fuel feedstocks.
Proteins	» High protein content algae biomass for the animal food market, replacing agricultural-based protein sources (e.g., soybean meal).
Hydrocarbons	» Production of renewable distillates via gasification and Fischer-Tropsch synthesis for substitution of diesel fuels.
	» Feedstock source for biomass power generation with substitution of fossil fuels.
Biomass	» Conversion of residual biomass following oil extraction to renewable distillates.
	» Biomass nutrients suitable for use in agricultural fertilizers.

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6.0 COMPANY OVERVIEW

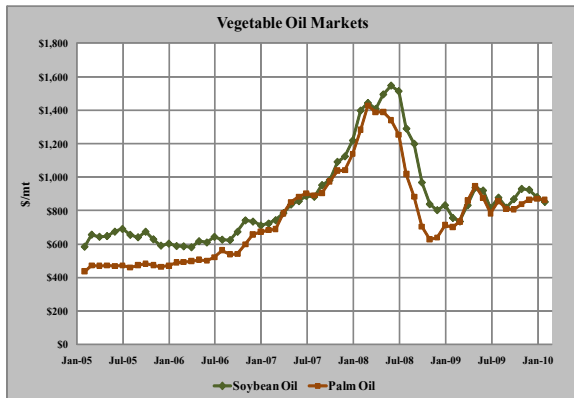
Biofuel Market

The following graphs present the historical prices for key biofuel markets and illustrate the driving forces for substitution of fossil fuel.

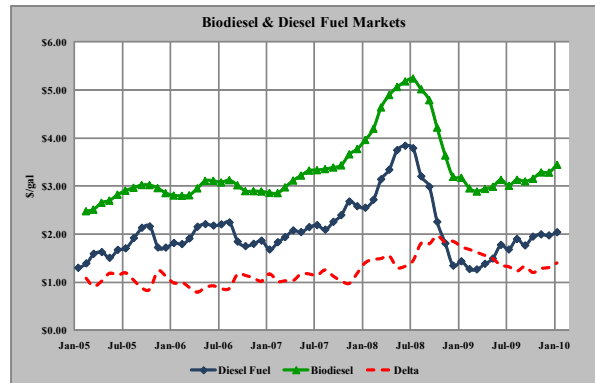


Crude oil prices have historically exhibited a highly cyclical nature, especially over the past few years, reaching a peak of >US\$130/bbl. The overall escalating trend for crude oil price is apparent, driven by rising demand, declining reserves and shifts in world economies. Crude oil prices are the major factor directly influencing downstream refinery products of gasoline and diesel fuel and indirectly, driving the biofuel market prices.

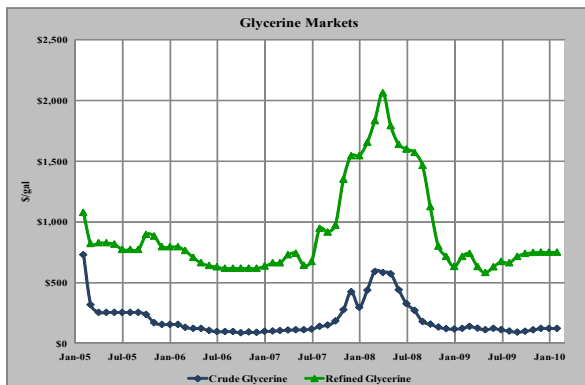
VEGETABLE OIL



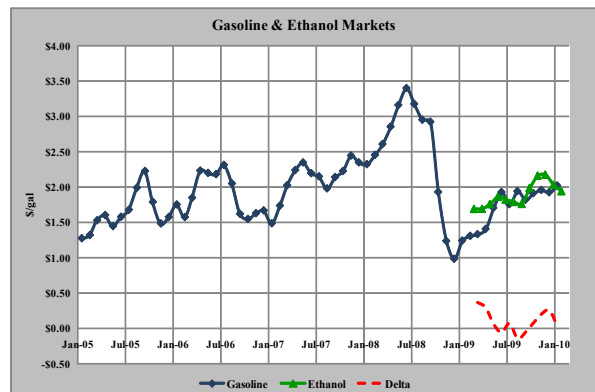
BIODIESEL & DIESEL FUEL



GLYCERINE



GASOLINE & ETHANOL



Sources: Energy Information Administration – U.S. Department of Energy (EIA-DOE) and U.S. Department of Agriculture (USDA).

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- » **Vegetable Oil Market** – 125 million metric tonnes per annual vegetable oil market (primarily, palm, soybean and rapeseed oils), representing a US\$110 billion per year market and has been growing at 3% to >5% per year dependent on geographic region.

Approximately 80% of the vegetable oil demand is for the food market, and consumer products and feedstock for biodiesel production account for approximately 25 million mta of the total demand. Vegetable oil prices have historically followed agricultural supply/demand balances, population growth and standard of living; however, crude oil pricing has also significantly influenced vegetable oil prices. Soybean and palm oil prices have escalated approximately 14% per year over the past five years (current vegetable oil prices are approximately US\$850/mt).

- » **Fatty Acid Market** – The world production of fatty acids from the hydrolysis of natural fats and oils total about 5 million mta and represents a US\$3 billion/yr market. Fatty acids are utilized in a wide variety of end-use industries, including rubber, plastics, detergents, soaps and consumer products. The consumption of fatty acids tends to approximate the growth in vegetable oils and economy of the region and the current fatty acid prices range from 50% to 70% of the vegetable oil prices or an average of >US\$500/mt.
- » **Distillate Fuel Market** – Global crude oil consumption in 2008 was approximately 85 million barrels of crude oil per day, of which 36% was converted to middle distillates (1.8 trillion litres/yr). Total vehicular diesel fuel consumption is approximately 1.3 trillion litres/yr (75% of middle distillate market) with remaining distillates used as heating oil, jet fuel and other energy sources.

6.11. Environmental Benefits

There is also the potential for environmental benefits from producing algae based-feedstocks for biofuels such as biodiesel, jet fuel and ethanol. These include:

- a. the biofuels produced from algae-based feedstocks can directly substitute certain fossil fuels, reducing the use of those fossil fuels and reducing dependence on external fossil fuel supplies;
- b. the McConchie-Stroud System has been designed with a view to using waste CO₂ gas from power stations and other CO₂ emitting sources, and may be capable of recovering stack gas pollutants;
- c. algae-based feedstocks are not based on human food crops. Common non-algae feedstocks (eg soybean, corn, sugar cane) are human food crops and have been argued to result in diversion of these crops for biofuel production causing increases in food prices;
- d. the production of algae using reactors such as the McConchie-Stroud System does not rely upon the use of arable land and can be cultivated virtually anywhere with the use of marginal land or industrialised areas. It has been argued that the production of non-algae feedstocks (eg palm oil) has resulted in the clearing of rainforest and use of arable land at the expense of human food crops;
- e. the McConchie-Stroud System uses significantly less water than traditional algal ponds as the modules do not suffer from evaporation losses;
- f. algae-based biofuels provide a significant reduction in vehicular exhaust emissions compared with fossil fuels;
- g. a potential for a net carbon off-set benefit for carbon emitters through the sequestration of carbon emissions and the offset of the use of fossil fuel derived liquid transport fuels. While the modelling does not attribute a value to carbon emission reduction, the Algae.Tec process has the potential to deliver a net reduction in emissions to carbon emitting industries; and
- h. algae-based biofuels require no artificial insecticides, herbicides, fungicides, or pesticides, unlike the production of non-algae feedstocks based on crops.

6.0 COMPANY OVERVIEW

6.12. Algae Characteristics

Algae production basically includes the sourcing of carbon dioxide, water, nutrients and light energy to the photosynthesis system for conversion to algae of a specific composition.

- » **Carbon Dioxide Source** – There are a number of potential carbon dioxide stackgas sources with high CO₂ concentrations preferable for algae production, including power plants and energy intensive manufacturing facilities. The stackgas typically contains from 5% to >15% CO₂ concentrations and other nutrients (nitric oxides, sulfur oxides and residual hydrocarbons) suitable for conversion to algae. Dependent on the algae species CO₂ consumption ranges from 1.5 to 2.9 mt per mt of algae production.
- » **Water Supply** – Water provides the critical hydrogen source for photosynthesis. Various algae species thrive in fresh water and/or high salinity water (3%-4% salt content of ocean water) environments. Certain wastewater streams, containing high levels of nutrients, may also be effectively utilized for algae production. Dependent on the algae species water consumption ranges from 0.5 to 1.0 mt per mt of algae production.
- » **Nutrient Source** – The primary nutrients required for photosynthesis include nitrogen and phosphorous, sourced from conventional N/P fertilizers. Dependent on the algae species other critical elements are required (e.g., silica, potassium, calcium, iron, manganese, zinc, and other trace materials). Dependent on the algae species nutrient requirements range from 0.04 to >0.12 mt per mt of algae production.
- » **Light Energy** – Sunlight provides the main energy source for conversion of CO₂ and water into algae, generally 70% to 85% of the total energy requirements. Nutrient addition, other chemical reactions and thermal energy also contribute to algae production. Only the visible light portion of sunlight is useful for algae production and more specifically certain wavelengths are more efficiently absorbed. Dependent on the algae species and the photosynthetic light efficiency of the system light energy requirements range from 4,500 to 7,000 kWh per mt of algae production.
- » **Algae Composition** – The composition of algae product is highly dependent on the specific species utilized and the photo-synthesis operating conditions employed. Algae products contain from 45% up to 80% carbon content in the form of lipids/oils, carbohydrates, proteins and hydrocarbons.

7.0 DIRECTORS AND CORPORATE GOVERNANCE

7.1. Directors

Roger Sydney Stroud (Executive Chairman)

Roger has over 35 years experience in a variety of industries. He spent over 10 years in finance in a number of areas including credit, money market and investment banking for CitiNational (Citibank/National Mutual) merchant bank, predominantly in Sydney.

Following the above, he floated a mining company, with a head office based in Sydney, and undertook the role of managing Director for 8 years. After floating a manufacturing company, and overseeing the building of a modern brickworks in Perth, Roger provided advisory services to mining and manufacturing businesses for a number of years. In the late 1990s, Roger began the process of building businesses in the renewable fuel sector, primarily biodiesel. This included floating two separate biodiesel companies. One of these companies, Natural Fuel Ltd (which was an ASX listed company), together with its subsidiaries, went into voluntary administration in April 2009. Roger was a director of Natural Fuel Ltd until October 2007. The other biodiesel company in which Mr Stroud was involved was Biofuels Corporation Plc which was floated on the Alternative Investment Market on the London Stock Exchange.

Roger is a founding director and 50% shareholder of Teco.Bio LLC, and is based in Perth, WA.

Roger has received a BSc from Sydney University, majoring in Chemistry and Geology, and a BA (Economics) from Macquarie University. He is currently chairman of the "Centre for Research into Energy for Sustainable Transport", a collaborative of Curtin and Murdoch Universities, based on Murdoch Campus.

Garnet Earl McConchie (Executive Director)

Earl has over 35 years experience over a broad field of chemistry and associated technologies, including global markets, bulk chemicals and plastics, differentiated commodities and intermediates, specialty chemicals, polymers and interaction with environmental sectors.

Earl's field experience includes international business management, plant operations, and project engineering in the US, Europe (especially Germany, Holland, Switzerland, UK and CIS), Latin America (Brasil, Argentina and Mexico) and Asia (Korea, China and Australia). Earl was employed with Dow Chemical Company for 25 years. He served as Global Director for chemicals and plastics in the latter part of his employment. Subsequently Earl was employed with Lockwood Greene and Foster Wheeler Corporation.

Earl has over 10 years of specific technical and business experience in the biodiesel and glycerine industry sectors. He is a founding director and 50% shareholder of Teco.Bio LLC, and is based in Atlanta, Georgia where he has co-ordinated the microalgae development.

Earl has received a BSc (Chem Eng) from Virginia Polytechnic Institute & State University, and a ME Chemical Engineering from Texas A & M University. He is a registered Professional Engineer, Member of the National Society of Professional Engineers, The American Institute of Chemical Engineers, and the Society of Plastic Engineers.

Peter Ernest Hatfull (Managing Director & Company Secretary)

Peter has over 30 years experience in a range of senior executive positions with Australian and International companies. He has an extensive skill-set in the areas of business optimisation, capital raising and company restructuring.

He was recently Managing Director of a leading integrated metal recycling and contracting company, CMA Corporation Ltd, based in Sydney, where he managed a period of dramatic growth and increased profitability. Prior to this appointment, he held senior financial and Board positions in Australia, Africa and the UK. He has particular experience in turnaround and slow growth situations, where companies have struggled to expand their business. This has required revitalising the business plan, attracting investor funding, and implementing profitable strategies. Peter is currently a director of Teco Pty Ltd, Kresta Holdings Ltd and Barmenco Pty Ltd and is based in Perth, WA.

Peter graduated as a Chartered Accountant in the United Kingdom, where he worked for Coopers and Lybrand (now PriceWaterhouseCoopers), and subsequently moved to Africa, where he spent 8 years in Malawi, where he was CFO of the Malawi operation of international trading group, Guthrie Limited. Peter moved to Perth in 1988.

7.0 DIRECTORS AND CORPORATE GOVERNANCE

Timothy Morrison (Non executive Director)

Mr Timothy Morrison has extensive experience in the technology development sector. Mr Morrison currently serves on the Boards of the ASX listed Biosignal Ltd and Australian unlisted technology companies Nemgenix Pty Ltd and Spirogene Pty Ltd. Mr Morrison plays a role with a number of early stage clean tech companies supporting these groups to raise early stage capital and structure merger and acquisition transactions. Through his engagement on an Australian based private equity investment fund, Mr Morrison plays a role in reviewing and investing in businesses seeking early stage venture finance. He also serves as the Director of Strategy, Commercialisation and Innovation at Murdoch University.

7.2. Corporate Governance

The Directors monitor the business affairs of the Company on behalf of Shareholders and have formally adopted a corporate governance policy which is designed to encourage Directors to focus their attention on accountability, risk management and ethical conduct.

7.2.1 The Board of Directors

The Company's Board of Directors is responsible for corporate governance of the Company. The Board develops strategies for the Company, reviews strategic objectives and monitors performance against those objectives. The goals of the corporate governance processes are to:

- a. maintain and increase Shareholder value;
- b. ensure a prudent and ethical basis for the Company's conduct and activities; and
- c. ensure compliance with the Company's legal and regulatory objectives.

Consistent with these goals, the Board assumes the following responsibilities:

- a. developing initiatives for profit and asset growth;
- b. reviewing the corporate, commercial and financial performance of the Company on a regular basis;
- c. acting on behalf of, and being accountable to, the Shareholders; and
- d. identifying business risks and implementing actions to manage those risks and corporate systems to assure quality.

The Company is committed to the circulation of relevant materials to Directors in a timely manner to facilitate Directors' participation in the Board discussions on a fully-informed basis.

7.2.2 Composition of the Board

Election of Board members is substantially the province of the Shareholders in general meeting. However, subject thereto, the Company is committed to the following principles:

- a. the Board is to comprise Directors with a blend of skills, experience and attributes appropriate for the Company and its business; and
- b. the principal criterion for the appointment of new Directors is their ability to add value to the Company and its business.

No formal nomination committee or procedures have been adopted for the identification, appointment and review of the Board membership, but an informal assessment process, facilitated by the Chairman in consultation with the Company's professional advisors, has been committed to by the Board.

7.2.3 Independent professional advice

Subject to the Chairman's approval (not to be unreasonably withheld), the Directors, at the Company's expense, may obtain independent professional advice on issues arising in the course of their duties.

7.0 DIRECTORS AND CORPORATE GOVERNANCE

7.2.4 Remuneration arrangements

The remuneration of an Executive Director will be decided by the Board, without the affected Executive Director participating in that decision-making process.

The total maximum remuneration of Non-executive Directors is the subject of a Shareholder resolution in accordance with the Company's Constitution, the Corporations Act and the ASX Listing Rules, as applicable. The determination of Non-executive Directors' remuneration within that maximum will be made by the Board having regard to the inputs and value to the Company of the respective contributions by each Non-executive Director. The current limit, which may only be varied by Shareholders in general meeting, is an aggregate amount of \$150,000 per annum.

The Board may award additional remuneration to Non-executive Directors called upon to perform extra services or make special exertions on behalf of the Company.

7.2.5 External audit

The Company in general meetings is responsible for the appointment of the external auditors of the Company, and the Board from time to time will review the scope, performance and fees of those external auditors.

7.2.6 Audit committee

The Company is to have a separate constituted audit committee.

7.2.7 Identification and management of risk

The Board's collective experience will enable accurate identification of the principal risks that may affect the Company's business. Key operational risks and their management will be recurring items for deliberation at Board meetings.

7.2.8 Ethical standards

The Board is committed to the establishment and maintenance of appropriate ethical standards.

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8.0 INTELLECTUAL PROPERTY REPORT



Contact: Nada Maltaric
Telephone: (08) 9216 5181

3 June 2010

Special Counsel: Paul Dewar

The Directors
Algae.Tec Limited
Suite 9
3 Centro Avenue
Subiaco WA 6008

Dear Directors

Report on Intellectual Property owned by Teco.Bio LLC (Licensor) and licensed to Algae.Tec Limited (Licensee)

Our Instructions

- 1) Wrays have been instructed by Algae.Tec Limited (**ATL**) to prepare a Report in respect of:
 - (a) certain intellectual property and confidential information owned by Teco.Bio, including know-how and other proprietary information, relating to the production of algae and algae products (especially algal oil and biomass) (**Confidential Information**), including a pending Australian patent application (**Patent Application**); and
 - (b) a license agreement between Teco.Bio LLC (**Teco.Bio**) and ATL dated 30 April 2010 for the use of the Confidential Information (including the Patent Application) (**Licence Agreement**).

Executive Summary

- 2) Wrays has reviewed a summary of the Confidential Information contained in a confidential report prepared by Teco.Bio entitled the *Algae Development Program* dated January 2010 (**ADP Report**). A summary of the Confidential Information from the ADP Report is contained in paragraph 18 of this Report.

Wrays Lawyers Pty Ltd ABN 6313 6975 552 trading as Wrays.
Lawyers and Trade Marks Attorneys. 56 Ord Street West Perth. Wrays Lawyers is an affiliated business of Wrays Patent & Trade Marks Attorneys.
ALL CORRESPONDENCE: P.O. Box Z5466 St Georges Terrace Perth WA 6831 Australia
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Intellectual Property Report

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- 3) The ADP Report indicates that Teco.Bio and its controlling shareholders, Mr Earl McConchie and Mr Roger Stroud, have developed proprietary and technical information from numerous bench-scale and pilot plant experiments into the production of algae, the yield of algae products (especially algal oil and biomass) and the harvesting of algae and algae products.
- 4) While the ADP Report indicates that the information is capable of being registered and protected as intellectual property, and that Teco.Bio intends to lodge patent applications in the near future, Wrays has not assessed whether this is the case and is unable to state whether the information is unique or whether it can be registered and protected as intellectual property.
- 5) As a result of two deeds of assignment drafted by Wrays dated 30 April 2010, one between Teco.Bio and Mr McConchie (and his controlled entity Dot-Bio, Inc), and the other between Teco.Bio and Mr Stroud (and his controlled entity Teco Proprietary Limited), Teco.Bio is now entitled to ownership of all of the intellectual property rights in relation to the Confidential Information previously owned by Messrs McConchie and Stroud and Dot-Bio, Inc and Teco Proprietary Limited, and any improvements to that intellectual property.
- 6) The Patent Application was duly filed in Australia by Wrays on 30 June 2008 on behalf of Mr Roger Stroud. Details of the Patent Application are set out in Annexure 2 of this Report. The Patent Application is awaiting a direction from the Australian Patent Office to request examination, which it is anticipated will occur in the next 12 months. Following execution of the Deeds of Assignment, Wrays has been instructed to register the transfer of the Patent Application to Teco.Bio and this will be attended to shortly. Wrays is not aware of any adverse issues regarding the ownership of the Patent Application.
- 7) Under the Licence Agreement (which was drafted by Wrays) ATL is granted a global, royalty free licence by Teco.Bio to use and exploit Teco.Bio's Intellectual Property (as defined) for industrial applications, including using any improvements and the right to manufacture, market and sell any equipment or process incorporating or based on the Intellectual Property to a sub-licensee. The Licence Agreement is subject to limited termination rights.

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8.0 INTELLECTUAL PROPERTY REPORT

Intellectual Property Report

3 June, 2010

Intellectual Property

Defining Intellectual Property

- 8) Intellectual property may be regarded as a collective term for a group of rights that convey varying degrees of exclusivity in relation to products, processes, names, designs and drawings in industry, science or commerce.
- 9) It may also be considered to be a right which vests in an original work in the fine arts, such as a literary, dramatic or musical work, otherwise known as copyright.
- 10) Intellectual property may also consist of designs, plans, drawings, know-how and other sources of information that is collected through trials, experiments and other research and development endeavours. This information is typically referred to as Confidential Information. Whilst this information may not (in some instances) be subject to formalised protection via a patent, trade mark or design right, it may be classified as confidential or proprietary in nature and therefore a trade secret. This information will generally be used for the purpose of applying for patent, design or trade mark protection.
- 11) A domain name may also be considered to be a limited form of intellectual property which is a unique name that corresponds with an Internet Protocol address.

Dealings with Intellectual Property

- 12) Pending and registered patents and trade marks are assets in the category of personal property and are capable of sale, transfer, licence, recordal of legal interest, or the like.

Patents

- 13) Patent rights constitute an important component of intellectual property, and provide protection for new, non-obvious and useful inventions for a limited period. Patents may be granted in respect of new or improved products, compositions and processes in almost all areas of current scientific, commercial and industrial activities.
- 14) The grant of a patent does not guarantee validity. A patent may be revoked on the grounds of invalidity during its life cycle. An explanatory note outlining the patent application process attached to this report at **Annexure 1**.

Intellectual Property Report

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Trade Marks

- 15) A trade mark is a form of intellectual property that is used to distinguish one trader's goods or services from another trader. Essentially, a trade mark acts as a 'badge of origin'.
- 16) The exclusive right of Trade Mark owners serves the function of consumer protection as well as protection of interests of traders in both the goodwill associated with their respective business and trade marks and the value of a registered Trade Mark as a property right.
- 17) A registered Australian trade mark gives the owner the legal right to use, license or sell it within Australia for the goods and services for which it is registered.

Confidential Information

- 18) As explained in paragraphs 2 and 3 of this Report, this section discusses the existence of certain proprietary information, otherwise referred to as the Confidential Information, summarised in the ADP Report and reviewed by Wrays.
- 19) The ADR Report summarises the Confidential Information which comprises process-related system information and process-operation information relating to the production of algae and algae products (especially algal oil and biomass).
- 20) The process-related system information is a collection of:
 - (a) drawings, documents, specifications and other data relating to the processes of the production algae and algae products and any process-related system or equipment to be used in the design, engineering, construction, use, operation or maintenance of such processes;
 - (b) trade secrets, proprietary know-how and experience and proprietary and technical information which includes without limitation information that relates to:
 - (i) operating procedures, operating methods, operating discipline, techniques, protocols, procedures, plans and work processes;

8.0 INTELLECTUAL PROPERTY REPORT

Intellectual Property Report

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- (ii) engineering and financial computational models and proprietary databases;
 - (iii) process design information, including equipment design, system design, lay-out, arrangement, configuration and specification;
 - (iv) process control design information including electronic control equipment, distributed control system, software and hardware configuration and computer operating systems; and
 - (v) quality control information, including analytical equipment, analytical procedures and techniques and quality control design parameters.
- 21) The process-operation information is a collection of proprietary technical data and confidential information (as set out at points (a) and (b) above) that relate to the process, product and operational technologies related to the production of algae and algae products from carbon dioxide, light and nutrients and comprises the following primary process operations being:
- (a) a continuous, modular bio-reactor process for photosynthetic production of algae including an integrated internal light system for bio-reactor photo-energy distribution;
 - (b) raw material systems for supply, distribution and control of carbon dioxide, nutrients and other chemical additives to the bio-reactor process;
 - (c) infrastructure processes for utilities, raw material, intermediates and algae product storage, distribution, logistics, environmental abatement and process controls; and
 - (d) all other support processes and systems related to bio-reactor, harvesting and purification process operations.
- 22) The Confidential Information summarised in the ADP Report as reviewed by Wrays indicates that bench-scale and pilot plant performance studies and screening have been conducted on microalgae to evaluate the influence of key variables on algae reaction rates and algae product yields.

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- 23) On the basis of those results, Teco.Bio believes that it understands and has identified the importance of these key variables. Teco.Bio further believes that it has identified the primary limiting factors for a step-change improvement in algae productivity and yields. On the basis of the results from the bench-scale and pilot plant tests, computer modelling has been performed by Teco.Bio which comprises of several proposed bio-reactor configurations. Wrays is unable to remark on whether the bio-reactor combinations are unique or patentable.
- 24) The Confidential Information which Wrays has reviewed for the purpose of preparing this Report contains technical data relating to the engineering specifications of the bio-reactor module design. Wrays is further unable to comment as to whether the design of the module is unique or patentable.
- 25) The Confidential Information indicates that Teco.Bio has enhanced proprietary configurations for harvesting and culturing of algae. Wrays is unable to state whether the extraction methods that are proposed in the Confidential Information are unique or enhanced.

Pending Australian Patent Application

- 26) On 13 June 2008, Wrays filed an international patent application under the provision of the Patent Co-operation Treaty (**PCT**) in the name of Mr Roger Stroud.
- 27) The pending Australian patent application was subsequently assigned to Teco.Bio LLC on 30 April 2010. Teco.Bio is yet to record its ownership of the pending Australian patent application. Wrays has been instructed to attend to this matter and an application recording the details of the new owner will be filed shortly.
- 28) The earliest priority date attached to the Patent Application under the PCT is 14 June 2007. The national phase of the PCT for Australia was entered into on 13 January 2010. The Patent Application is awaiting a direction from the Australian Patent Office to request examination. Wrays anticipates that a direction will issue in the next 12 months.

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Intellectual Property Report

3 June, 2010

- 29) The deadline for entering the national phase in all other jurisdictions as a result of the PCT ended on 14 December 2009 or in the case of some jurisdictions, 14 January 2010. It is still open to enter the national phase in Canada up to 14 December 2010.
- 30) The details of that pending Australian patent application are set out in Annexure 2 which is **attached** to this Report.

Inventorship and Ownership of Patents

- 31) A patent for an invention may only be granted to the inventor or inventors or to a person who has entitlement to the invention by way of an assignment of that right from the inventor or inventors.
- 32) The change of ownership of the pending Australian patent must be recorded at the Australian Patent Office. This is an administrative requirement under patent legislation in Australia. The assignment will be formally recorded at the Australian Patent Office at a time in the near future.
- 33) We are not aware of any adverse issues regarding the ownership or entitlement of Teco.Bio to license the pending Australian patent application to ATL which is set out in Annexure 2 **attached** to this Report.

License Agreement between Teco.Bio LLC and Algae.Tec Limited

- 34) Teco.Bio and ATL (the **Parties**) entered into the Licence Agreement with an effective date of 30 April 2010.
- 35) The Licence Agreement grants ATL a global, royalty free license to use and exploit Teco.Bio's Intellectual Property (as defined) for industrial applications, including using any improvements and the right to manufacture, market and sell any equipment or process incorporating or based on the Intellectual Property to a sub-licensee. The Licence Agreement is subject to limited termination rights.
- 36) The Agreement permits ATL to use all of the intellectual property including the pending Australian Patent application and all confidential information which is owned by Teco.Bio without restriction in its research and development of algae.

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Searching Intellectual Property

Patents

- 37) ATL has instructed Wrays that, apart from the Patent Application, there are no existing patents or patent applications in relation to the Confidential Information lodged for or on behalf of Teco.Bio or ATL. As such, Wrays has not been instructed to perform a patent search or to assess the ability of Teco.Bio and ATL to freely use the Confidential Information without potential infringement of a third party right.

Trade Marks

- 38) ATL has instructed Wrays there are no trade marks held or applied for by ATL or Teco.Bio and as such Wrays has not been instructed to perform a trade mark search to identify any pending or registered trade marks in the name of ATL or Teco.Bio (in its capacity as a licensee of intellectual property from Teco.Bio).

Currency of Report

- 39) To the best of Wrays' knowledge, which is based on the information available to it from its own records, this Report is current as at 3 June 2010.

Handling and Management of Confidential Information, Trade Secrets, Know-How and Other Proprietary Information

- 40) ATL may create or possess research and development information, activity or pool of knowledge information that has arisen or which may, or may not result in formalised protection (such as a patent) or which, may otherwise be retained as confidential information for its own internal use to aid subsequent development activities by ATL or the Parties pursuant to the earlier mentioned Agreement.
- 41) Wrays has not been instructed by ATL as to the methods and protective step it adopts in order to prevent leakage of any confidential information or other intellectual property.

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Intellectual Property Report

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Assumptions and Limitations of this Report

- 42) Wrays has not received instructions from ATL to search for any patent (future, pending or registered), trade mark (pending or registered), domain name or any other intellectual property or intellectual property right for the purpose of preparing this Report.
- 43) This Report is subject to certain limitations, qualifications and assumptions. In particular, the limitation extends to the information provided to Wrays by ATL for its review for the purpose of preparing this Report.
- 44) This Report is not to be construed as a legal opinion as to the registrability of any patent application, trade mark, design or any other intellectual property right.
- 45) This Report is not a validity opinion for the purpose of patent protection. No conclusions on patent validity based on this Report should be made. The Report does not provide any guarantee that the inventions subject to a future or pending patent application may be commercially exploited without risk of infringement of earlier patents.
- 46) Neither Wrays nor any of its principals or employees has any entitlement to any securities in ATL, or has any other interest in the promotion of ATL.

Wrays' Background

- 47) Wrays was established in 1920. It consists of a patent and trade mark attorney firm, a law firm and a management consultancy firm. It represents a significant number of Western Australia's largest businesses, in addition to numerous international and multinational clients. The team comprises intellectual property experts with advanced degrees in science, engineering and law.
- 48) Wrays' breadth and depth of expertise means it can provide tailored intellectual property solutions and commercially relevant advice across a broad range of technical disciplines.

Intellectual Property Report

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Each of the professional staff members holds a tertiary qualification in the field in which they practice; many have advanced degrees in these disciplines and each of the Partners is a Fellow of the Institute of Patent and Trade Mark Attorneys of Australia.

Yours faithfully


WRAYS



Paul Dewar
Special Counsel
Wrays Lawyers



Nada Maltaric
Associate
Wrays Lawyers



Brendan Peachey
Patent Attorney
*For Wrays Patent & Trade
Mark Attorneys*

Annexure 1

Patent Application Process

The Patent Process

- 1) Patent rights are essentially national rather than trans-national and a patent must be obtained in each country where protection of an invention is required. A fundamental requirement of the patent system is that the invention be 'new' at the time of lodging a patent application.
- 2) 'Newness' in this sense is judged in relation to what was publicly known or used at the date of the application. Another requirement is for a distinct inventive advance over what was previously known. This means that valid patent protection cannot be obtained for obvious developments.
- 3) The usual steps towards obtaining a patent in Australia and other countries in respect of an invention begin by filing of an application accompanied by a provisional specification. The filing of this provisional application establishes the priority date in respect of the invention disclosed in the provisional specification.
- 4) Within twelve months from the date of the filing of the provisional application, a complete application must be lodged as the provisional application lapses after 12 months. At this time, in order to obtain protection in other countries, the applicant may file separate national patent applications in each of the countries in which protection is required.
- 5) Alternatively, the applicant may file a single international application under the provisions of the Patent Cooperation Treaty (generally referred to as a 'PCT' application or an 'international' application) in which it is possible to designate countries or regions in which protection is required. The international application itself does not mature into a worldwide patent, but at the end of the international phase, steps can be taken to file the application into any or all of the countries or regions designated in the original International application.

- 6) In Australia and most other countries, patent rights may be kept in force for a maximum period of 20 years from the date of filing of the complete application on which the patent is granted.
- 7) In most countries, a patent application is subjected to examination for novelty (and obviousness) before a patent monopoly is granted. There can be no assurance that the patent application set out in **Annexure 2** will result in the grant of a patent, or that the scope of protection provided by any granted patent will be identical to the scope of the application as originally filed.
- 8) Furthermore, the scope of protection provided by a granted patent in one jurisdiction may differ from that provided by a granted patent in another jurisdiction, due to differences in examination and scope of available protection.

Grant of Patent Provide No Guarantee of Validity

- 9) A granted patent provides no guarantee of validity. In most jurisdictions, a patent application undergoes a substantive examination process before proceeding to grant which confers an initial presumption of validity. However, the validity of a patent may be challenged at any time after grant, by way of revocation proceedings filed in a Court of competent jurisdiction.

Grant of Patent Provides No Guarantee of Non-Infringement

- 10) The grant of a patent provides no guarantee that the owner is entitled to commercially exploit the patented invention, since the working of an invention, even if validly patented, may infringe an earlier patent or other intellectual property rights.
- 11) The grant of a patent does not guarantee that the patentee has freedom to operate and commercially exploit the patented invention, since the working of an patented invention is prevented by the existence of another patent or a patent application and which has an earlier priority date.

Scope of Claims May Vary during Examination

- 12) It is often necessary during the examination of a patent application to define the invention more specifically by amendment of the claims, so as to distinguish relevant prior art. As a result of this process, there may be variations in the claims between countries, reflecting in part the different examination procedures and threshold requirements for patentability, according to national laws. Whilst this is relatively standard procedure, in certain circumstances, such amendments may affect the scope and hence the commercial significance of the resultant patent protection.

Examination Reports in One Country Not Binding In Other Countries

- 13) In most countries, patent applications undergo an independent search and examination by the local Patent Office, the results of which are not binding in other jurisdictions. Similarly, international PCT search and examination reports are not binding on national patent applications during subsequent examination in the national phase. Such reports should therefore be regarded as indicative only and not determinative of patentability. It should also be appreciated that the grant of a patent in one country provides no guarantee that patents will grant in other jurisdictions.

Annexure 2**Pending Patent Application****1. Patent Application - Australia**

International Application Number	PCT/AU2008/000848
Australian Application No.	2008261616
Applicant	Teco.Bio LLC (The ownership of this pending Australian application was conveyed from Roger Stroud to Teco.Bio LLC by Deed of Assignment on 30 April 2010. The change in ownership details will be recorded at the Australian Patent Office).
Title	Apparatus and Method for the Culture of Photosynthetic Microorganisms.
Filing Date	13 June 2008
Priority Date	14 June 2007
Inventor	Roger Stroud
Patent Family Members (Number, Country, Brief Status)	See paragraph 48 of this Report.
Outline of the Technology	This patent technology is dedicated to culturing photosynthetic microorganisms comprising at least one bioreactor and at least one source of

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	electromagnetic radiation wherein the at least one source of electromagnetic radiation is a light emitting diode comprising an organic or polymeric emissive layer.
Status	<p>Pending.</p> <p>This application is awaiting a direction to request examination. It is anticipated that the direction will issue within the next 12 months.</p> <p>On issuance of the direction, the applicant has 6 months to request examination.</p>

9.0 INVESTIGATING ACCOUNTANT'S REPORT



11 June 2010

The Directors
Algae.Tec Limited
Suite 9
3 Centro Avenue
SUBIACO WA 6008

Dear Sirs

Investigating Accountant's Report

1. Introduction

The Directors of Algae.Tec Limited ("**Algae.Tec**" or the "**Company**") have requested PKF Corporate Advisory Services (WA) Pty Ltd ("**PKFCA**") to prepare an Investigating Accountant's Report ("**Report**") for inclusion in a Prospectus to be dated on or around 11 June 2010 ("**Prospectus**"), relating to the initial public offering of 37,500,000 shares in the Company at an issue price of \$0.20 each, to raise a maximum subscription of \$7.5 million, with a minimum subscription of \$5.0 million ("**the Offer**"). The Offer is not underwritten.

All amounts stated in this Report are in Australian Dollars unless otherwise indicated. All the terms used in this Report have the same meaning as the terms used and defined in the Prospectus unless otherwise defined in this Report.

2. Basis of Preparation

This Report has been prepared to provide investors with information on the historical statement of financial position and statement of comprehensive income of Algae.Tec as at and for the period ended 30 April 2010, and the pro-forma statement of financial position and statement of comprehensive income of Algae.Tec, assuming that transactions and assumptions detailed in Note 2 to Appendix 1 had occurred at 30 April 2010.

This Report does not address the rights attaching to the securities to be issued in accordance with the Prospectus, nor the risks associated with the investment. PKFCA has not been requested to consider the prospects for Algae.Tec, the prospects of successfully commercialising the McConchie - Stroud system, the securities on offer and related pricing issues, nor the merits and risks associated with becoming a shareholder and accordingly, have not done so, nor does it purport to do so. PKFCA accordingly, takes no responsibility for those matters or for any matter or omission in the Prospectus, other than responsibility for this Report. Risk factors are set out in Section 10 of the Prospectus.

PKF Perth is a member of the PKF International Limited network of legally independent member firms. PKF Perth is also a member of PKF Australia Limited, a national network of legally independent firms each trading as PKF. PKF Perth does not accept responsibility or liability for the actions or inactions on the part of any other individual member firm or firms.

Tel: 61 8 9278 2222 | Fax: 61 8 9278 2200 | www.pkf.com.au

PKF Corporate Advisory Services (WA) Pty Ltd | Australian Financial Services Licence 240566 | ABN 68 009 423 152

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PO Box Z5066 | St Georges Terrace | Perth | Western Australia 6831

9.0 INVESTIGATING ACCOUNTANT'S REPORT



3. Background

The Company was initially incorporated as Natural Oil Manufacturers Pty Ltd on 22 March 2007. It changed its name to Teco.Bio Pty Ltd on 18 August 2008, and subsequently changed its name to Algae.Tec Pty Ltd on 11 February 2010.

On 13 May 2010 the Company converted from a proprietary limited company to an unlisted public company and the Company's name then became Algae.Tec Limited.

The Company did not undertake any commercial activities prior to the licensing of algae production technology through its parent company, Teco.Bio LLC, a company incorporated in the United States of America, 50% owned by Dot-Bio Inc and 50% owned by Teco Pty Ltd.

The technology is specific for the production of algae. Based upon laboratory tests, the Company expects algae production to be possible at high yields. The process is denoted as the McConchie-Stroud system. This system has been tested at a research and development scale only. The Company proposes to construct a demonstration plant through the proceeds of the Offer to demonstrate that the algae yields achieved at research and development scale can be achieved at a commercial production scale.

4. FINANCIAL INFORMATION

4.1 Historical Financial Information

The Historical Financial Information comprises the reviewed Statement of Financial Position and Statement of Comprehensive Income as at and for the period ended 30 April 2010 and accompanying notes for Algae.Tec.

The Historical Financial Information is presented in Appendix A to this Report.

4.2 Pro-Forma Statement of Financial Position and Statement of Comprehensive Income

The Pro-Forma Statement of Financial Position comprises the reviewed Statement of Financial Position and Statement of Comprehensive Income of Algae.Tec as at and for the period ended 30 April 2010 and accompanying notes, assuming completion of the Pro Forma assumptions and events detailed in Note 2 of Appendix A ("**Pro Forma Assumptions**") had they taken place at 30 April 2010.

The Pro-Forma Statement of Financial Position is presented in Appendix A to this Report.

4.3 Responsibility for the Financial Information

The Historical Financial Information and the Pro-Forma Statement of Financial Position, together with the accompanying notes, are collectively referred to as the **Financial Information** for the purposes of this Report.

The Directors of Algae.Tec are responsible for the preparation and presentation of the Financial Information (including the determination of the Pro-Forma assumptions and adjusting transactions) set out in Appendix A.

The Financial Information has been prepared for inclusion in the Prospectus. We disclaim any assumption of responsibility for any reliance on this Report or on the Financial Information to which it relates, for any purpose other than for which it was prepared.

The Financial Information is presented in summarised form in that it does not include all of the disclosures required by Australian Accounting Standards applicable to annual financial reports prepared in accordance with the Corporations Act 2001.



5. Scope of Review

We have reviewed the Financial Information set out in Appendix A in order to report whether anything has come to our attention which causes us to believe that the Financial Information does not present fairly the financial position and performance of Algae.Tec, in accordance with the recognition and measurement principles (but not all disclosure requirements) prescribed in Australian Accounting Standards and other mandatory professional reporting requirements in Australia, and the accounting policies adopted by Algae.Tec.

Our review has been conducted in accordance with Australian Auditing Standard ASRE 2405 "Review of Historical Financial Information Other Than a Financial Report". Our review was limited to enquiries of Algae.Tec's Directors and consultants, review of the Directors' minutes, review of the material documents, analytical procedures applied to the financial data, the performance of limited verification procedures and comparison for consistency in application of Australian Accounting Standards.

These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance provided is less than given in an audit. For the purposes of this Report, we have not performed an audit and accordingly do not express an audit opinion on the Financial Information.

6. Statements

6.1 Review of Historical Financial Information

Based on the scope of our review, which is not an audit, nothing has come to our attention that causes us to believe that the Historical Financial Information as set out in Appendix A is not presented fairly in accordance with the recognition and measurement requirements (but not the disclosure requirements) of Australian Accounting Standards and other mandatory professional reporting requirements in Australia, and the accounting policies adopted by Algae.Tec.

6.2 Review of Pro-Forma Statement of Financial Position

Based on the scope of our review, which is not an audit, nothing has come to our attention that causes us to believe that the Pro-Forma Statement of Financial Position and Pro-forma Statement of Comprehensive Income as at and for the period ending 30 April 2010 as set out in Appendix A, assuming the Pro-Forma Assumptions had taken place on 30 April 2010, is not presented fairly in accordance with the recognition and measurement requirements (but not the disclosure requirements) of Australian Accounting Standards and other mandatory professional reporting requirements in Australia, and the accounting policies adopted by Algae.Tec.

7. SUBSEQUENT EVENTS

Other than the matters noted in Note 13 to Appendix A to this Report, to the best of our knowledge and belief, and based on the work we have performed in relation to the scope of work set out in Section 5 of this Report, there have been no material transactions or events, which would require a comment on, or adjustment to, the Financial Information referred to in our Report or that would cause the Financial Information included in this Prospectus to be misleading or deceptive.

8. DECLARATION

PKF Corporate Advisory Services (WA) Pty Ltd is responsible for this Report. The Financial Information presented in Appendix A has been prepared by the Company, and is the responsibility of the Directors of Algae.Tec. This Report is strictly limited to the matters contained herein and is not to be read as extending by implication or otherwise to any other matter.

PKF Corporate Advisory Services (WA) Pty Ltd does not have any interest that could reasonably be regarded as being capable of affecting its ability to give an unbiased opinion in relation to this matter.

9.0 INVESTIGATING ACCOUNTANT'S REPORT



Except for fees relating to this Report, which are based on normal commercial terms, PKF Corporate Advisory Services (WA) Pty Ltd does not have any interest in Algae.Tec nor in the outcome of the Offers.

The partners of PKF Chartered Accountants and Business Advisers are the owners of PKF Corporate Advisory Services (WA) Pty Ltd. PKF Chartered Accountants are the appointed auditor of Algae.Tec. All services to be performed will be at normal commercial rates.

PKF Corporate Advisory Services (WA) Pty Ltd has not made, and will not make, any recommendation through the issue of the Report to potential investors of Algae.Tec as to the merits of the investment.

The nature of this Report is such that it should be given by an entity which holds an Australian Financial Services licence under the Financial Services Reform Act 2001. PKF Corporate Advisory Services (WA) Pty Ltd holds an appropriate Australian Financial Services Licence.

Consent for the inclusion of this Report in the Prospectus in the form and context in which it appears has been given. At the date of this Report, this consent has not been withdrawn.

Yours faithfully

A handwritten signature in black ink, appearing to read 'Neil Smith', written in a cursive style.

Neil Smith
Director



Appendix 1

Financial Information

1. Statement of Financial Position

	Note	Reviewed as at 30/04/2010 \$	Minimum Subscription Reviewed Pro Forma 30/04/2010 \$	Maximum Subscription Reviewed Pro Forma 30/04/2010 \$
Assets				
Current Assets				
Cash and cash equivalents	5	73,424	4,613,424	6,963,424
Trade and other receivables		144,645	144,645	144,645
Prepayments and other assets	6	73,033	30,000	30,000
Total current assets		291,102	4,788,069	7,138,069
Non-current assets				
Plant and equipment		2,727	2,727	2,727
Intangible assets		20	20	20
Total non-current assets		2,747	2,747	2,747
Total assets		293,849	4,790,816	7,140,816
Liabilities				
Current liabilities				
Trade and other payables	7	-	300,000	300,000
Total current liabilities		-	300,000	300,000
Total liabilities		-	300,000	300,000
Net assets		293,849	4,490,816	6,840,816
Equity				
Issued capital	8	600,021	5,409,488	7,759,488
Share based payments reserve	9	-	2,676,586	2,810,086
Accumulated losses	10	(306,172)	(3,595,258)	(3,728,758)
Total Equity		293,849	4,490,816	6,840,816

The above statement of financial position should be read in conjunction with the accompanying notes

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9.0 INVESTIGATING ACCOUNTANT'S REPORT



2. Statement of Comprehensive Income

	Note	Reviewed for the period ended 30/04/2010 \$	Minimum Subscription Reviewed Pro Forma 30/04/2010 \$	Maximum Subscription Reviewed Pro Forma 30/04/2010 \$
Revenue		-	-	-
Expenditure				
Consultancy fees	10	130,143	742,643	742,643
Research expenses		102,019	102,019	102,019
Administration expenses		74,010	74,010	74,010
Share based payment expenses	9	-	2,676,586	2,810,086
Total expenditure		306,172	3,595,258	3,728,758
Loss from continuing operations before income tax		(306,172)	(3,595,258)	(3,728,758)
Income tax expense		-	-	-
Net Loss for the period		(306,172)	(3,595,258)	(3,728,758)
Other comprehensive income		-	-	-
Total comprehensive income for the period		(306,172)	(3,595,258)	(3,728,758)

The above statement of comprehensive income should be read in conjunction with the accompanying notes



3. Pro Forma Assumptions

The Pro-Forma Financial Information reflects the following transactions and events as if they had occurred at 30 April 2010:

- (i) In relation to the Maximum Subscription, the issue of 37,500,000 New Shares at \$0.20 each to raise \$7,500,000 under the Offer. In relation to the Minimum Subscription, the raising is assumed to be 25,000,000 new shares at \$0.20 each to raise \$5,000,000;
- (ii) Payment of capital raising costs in relation to the Offer totalling \$610,000 (Maximum Subscription) or \$460,000 (Minimum Subscription) accounted for as a deduction against equity;
- (iii) Prepaid capital raising costs in relation to the Offer totalling \$43,033 accounted for as a deduction against equity;
- (iv) Fee of \$300,000 to GEM Global Yield Fund Ltd ("**GEM**") and GEM Investment Advisors Ltd ("**GEM Advisors**") for providing a \$20 million equity line of credit payable on the earlier of the date the first drawdown is made and 1 February 2011. This was expensed as a consultancy fee;
- (v) The issue of options to GEM which represent 20% of the fully diluted issued capital of the Company at an exercise price of \$0.75 each and expiring 5 years after the date of issue for providing the line of credit. These options have been accounted for in accordance with Australian Accounting Standard AASB 2 applying option valuation methodology, resulting in a value of \$2,810,086 (Maximum Subscription) \$2,676,586 (Minimum Subscription).
- (vi) In relation to both subscriptions, the Company has agreed to issue 3,125,000 shares at an issue price of \$0.16 per Share to Empire Equity Limited ("**Empire**") or its nominees as a fee for arranging the Line of Credit and for providing corporate advice in relation to the Prospectus. In accordance with AASB 2 Share Based Payments this has been reflected at fair value (being \$0.20). Half of this fee has been deemed to be in relation to corporate advisory services in relation to the capital raising and half in relation to the Line of Credit. Accordingly \$312,500, being the portion attributed to the capital raising, has been deducted from equity in accordance with Australian Accounting Standard AASB 132. The remaining \$312,500 has been expensed as consultancy fees.
- (vii) The issue of 200,000 shares at \$0.20 as consideration for the preparation of a research report.

4. Summary of Significant Accounting Policies

The significant accounting policies adopted in the preparation of the Financial Information are as extracted from Algae.Tec's 30 April 2010 audited Financial Statements and are summarised below:

(a) Basis of Preparation

The Financial Information has been prepared in accordance with the recognition and measurement principles (but not all disclosure requirements) of Australian Accounting Standards (including Australian Interpretations) adopted by the Australian Accounting Standards Board ("**AASB**") and the *Corporations Act 2001*.

The Financial Information is presented in Australian dollars, the presentation currency of the Company, and is prepared on an historical cost basis. Cost is based on the fair values of the consideration given in exchange for assets.



(b) Going Concern Basis

The Financial Information has been prepared on the basis of a going concern which assumes that the Company will be able to pay its debts as and when they fall due and continue its operation in the ordinary course of business without any intention or necessity to liquidate or otherwise wind up its operations.

The Company's ability to continue as a going concern is dependent on raising capital through this Prospectus or other sources.

(c) Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand, cash in banks and short-term deposits with an original maturity of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(d) Transaction Costs on the Issue of Equity Instruments

Transaction costs arising on the issue of equity instruments are recognised directly in equity as a reduction of the proceeds of the equity instruments to which the costs relate. Transaction costs are the costs that are incurred directly in connection with the issue of those equity instruments and which would not have been incurred had those instruments not been issued.

(e) Taxation

(i) Current tax

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or tax loss for the year. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for current and prior years is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

(ii) Deferred tax

Deferred tax is accounted for using the comprehensive balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the Financial Information and the corresponding tax base of those items.

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities (other than as a result of a business combination) that affects neither taxable income nor accounting profit. Furthermore, a deferred tax liability is not recognised in relation to taxable temporary differences arising from goodwill.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year(s) when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.



(iii) Current and deferred tax for the year.

Current and deferred tax is recognised as an expense or income in the income statement, except when it relates to items credited or debited directly to equity, in which case the deferred tax is also recognised directly in equity, or where it arises from the initial accounting for a business combination, in which case it is taken into account in the determination of goodwill or excess.

(f) Impairment of Assets

The Company reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount.

An impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the reversal of the impairment loss is treated as a revaluation increase.

(g) Share Based Payments

Share based payments are provided to employees, directors and underwriters.

Equity-settled share-based payments in the form of share options are measured at fair value at grant date. Fair value is measured by the use of the Black-Scholes option pricing model. The various assumptions used in the model have been adjusted based on management's best estimate of the effects of non-transferability, exercise restrictions and behavioural considerations. The fair value at grant date is expensed on a straight line basis over the vesting period, based on management's estimate of the share options that will eventually vest. At each reporting date, the Company revises its estimates of the number of share options expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss over the remaining vesting period, with corresponding adjustment to the share option reserve.

9.0 INVESTIGATING ACCOUNTANT'S REPORT



5. Cash Assets

	Reviewed 30/04/2010 \$	Minimum Subscription Reviewed Pro Forma 30/04/2010 \$	Maximum Subscription Reviewed Pro Forma 30/04/2010 \$
The movements in cash assets are as follows:			
Reviewed 30 April 2010 balance	73,424	73,424	73,424
Add / (Less) : Pro forma adjustments			
- Proceeds from Public Offer	-	5,000,000	7,500,000
- Capital raising costs	-	(460,000)	(610,000)
	<u>73,424</u>	<u>4,613,424</u>	<u>6,963,424</u>

6. Prepayments and other assets

	Reviewed 30/04/2010 \$	Minimum Subscription Reviewed Pro Forma 30/04/2010 \$	Maximum Subscription Reviewed Pro Forma 30/04/2010 \$
The movements in prepayments and other assets are as follows:			
Reviewed 30 April 2010 balance	73,033	73,033	73,033
Add / (Less) : Pro forma adjustments			
- Prepaid capital raising costs	-	(43,033)	(43,033)
	<u>73,033</u>	<u>30,000</u>	<u>30,000</u>

7. Trade and other payables

	Reviewed 30/04/2010 \$	Minimum Subscription Reviewed Pro Forma 30/04/2010 \$	Maximum Subscription Reviewed Pro Forma 30/04/2010 \$
The movements in trade and other payables are as follows:			
Reviewed 30 April 2010 balance	-	-	-
Add / (Less) : Pro forma adjustments			
- Line of Credit costs	-	300,000	300,000
	<u>-</u>	<u>300,000</u>	<u>300,000</u>

9.0 INVESTIGATING ACCOUNTANT'S REPORT



8. Share Capital

8.1 Share Capital Reconciliation:

	Number of Ordinary Shares	\$
Capital raising at \$0.0000001	215,000,000	21
Capital raising at \$0.08	6,875,000	550,000
Capital raising at \$0.12	416,667	50,000
Reviewed 30 April 2010 balance	<u>222,291,667</u>	<u>600,021</u>

8.2 Minimum Subscription

	Number of Ordinary Shares	Reviewed 30/04/2010 \$	Minimum Subscription Reviewed Pro Forma 30/04/2010 \$
Reviewed 30 April 2010 balance	222,291,667	600,021	600,021
Add / (Less) : Pro forma adjustments			
- Issue of shares from Public Offer	25,000,000	-	5,000,000
- Issue of shares to Empire Equity	3,125,000	-	625,000
- Issue of shares to Wise-Owl.com for research report	200,000	-	40,000
- Capital raising costs incurred	-	-	(43,033)
- Capital raising costs to Empire	-	-	(312,500)
- Capital raising costs for research report	-	-	(40,000)
- Estimated capital raising costs	-	-	(460,000)
	<u>250,616,667</u>	<u>600,021</u>	<u>5,409,488</u>

8.3 Maximum Subscription

	Number of Ordinary Shares	Reviewed 30/04/2010 \$	Minimum Subscription Reviewed Pro Forma 30/04/2010 \$
Reviewed 30 April 2010 balance	222,291,667	600,021	600,021
Add / (Less) : Pro forma adjustments			
- Issue of shares from Public Offer	37,500,000	-	7,500,000
- Issue of shares to Empire	3,125,000	-	625,000
- Issue of shares to Wise-Owl.com for research report	200,000	-	40,000
- Capital raising costs incurred	-	-	(43,033)
- Capital raising costs to Empire	-	-	(312,500)
- Capital raising costs for research report	-	-	(40,000)
- Estimated capital raising costs	-	-	(610,000)
	<u>263,116,667</u>	<u>600,021</u>	<u>7,759,488</u>

9.0 INVESTIGATING ACCOUNTANT'S REPORT



9. Share Based Payments Reserve

	Reviewed 30/04/2010 \$	Minimum Subscription Reviewed Pro Forma 30/04/2010 \$	Maximum Subscription Reviewed Pro Forma 30/04/2010 \$
Share based payments	-	2,676,586	2,810,086

In consideration for GEM providing an equity line of credit, on the date the Company is listed on the ASX, the Company must issue GEM or its nominee with options which represent 20% of the fully diluted issued capital of the Company at an exercise price of \$0.75 each and expiring 5 years after the date of issue. The Company fair valued the options using a Black Scholes Model with the following inputs:

Term	5 years
Exercise Price	\$0.75
Asset Price	\$0.20
Volatility	62%

10. Accumulated losses

	Reviewed 30/04/2010 \$	Minimum Subscription Reviewed Pro Forma 30/04/2010 \$	Maximum Subscription Reviewed Pro Forma 30/04/2010 \$
The movements in accumulated losses are as follows:			
Reviewed 30 April 2010 balance	(306,172)	(306,172)	(306,172)
Add / (Less) : Pro forma adjustments			
- Consultancy fees to Empire	-	(312,500)	(312,500)
- Line of credit costs	-	(300,000)	(300,000)
- Share based payment expense	-	(2,676,586)	(2,810,086)
	<u>(306,172)</u>	<u>(3,595,258)</u>	<u>(3,728,758)</u>

11. Commitments

Algae.Tec has entered into a lease agreement with \$33,138 (Incl. GST) committed to in the first year from 30 April 2010, and \$14,438 (Incl. GST) committed to in the second year.

12. Contingencies

The Company has entered into a 3 year, \$20 million line of credit agreement dated 1 February 2010 with GEM Global Yield Fund Ltd (**GEM**) and GEM Investment Advisors Ltd (**GEM Advisors**) (**Line of Credit**). The full terms and conditions of this agreement are disclosed in section 11.3 of the prospectus.



The Company has appointed Ample Luck International Capital Group Ltd (**Ample Luck**) as a financial advisor in relation to fundraising and has agreed to pay a 3% success fee (payable in cash or through the issue of Shares). This fee will apply to any funds raised under the GEM Equity Line of Credit. The agreement has a 12 month term, expiring 9 November 2010, and can be terminated with 30 days notice. The success fee applies to fundraising completed with investors introduced by Ample Luck up to 12 months after the expiry or termination of the agreement.

The Company has appointed Empire Equity Limited (**Empire**) as a corporate advisor for a 12 month term commencing 5 October 2009. Empire is entitled to a cash fee equal to 2.5% of funds raised under any capital raising organised by Empire. This fee will apply to any funds raised under the GEM Equity Line of Credit. During the term of the agreement, the Company has agreed to give Empire the first right to negotiate any external funding (including capital raisings, underwriting or debt funding). The agreement can be terminated with one day's notice.

13. Related Parties

Current Directors

The Directors in office as at the date of this Prospectus are Messrs Roger Stroud, Garnet Earl McConchie, Peter Hatfull and Timothy Morrison. As at the date of this report the directors have relevant interest in shares and have received remuneration for consulting services as set out in the table below:

Director	Shares	Options	Consulting Fees
Roger Sydney Stroud	200 million ¹	-	\$69,089
Garnet Earl McConchie	204.5 million ²	-	\$102,019
Peter Ernest Hatfull	8 million	-	\$20,000
Timothy Morrison	2 million	-	-

1. By virtue of Section 608(3) of the Corporations Act, as Mr Stroud controls Teco Pty Ltd which holds 50% of Teco.Bio LLC which in turn holds 200 million Shares.
2. By virtue of Section 608(3) of the Corporations Act, as Mr McConchie controls Dot-Bio Inc which holds 50% of Teco.Bio LLC which in turn holds 200 million Shares. Related parties of Mr McConchie together hold 4.5 million Shares.

14. Subsequent Events

No other matters or circumstances have arisen since the end of the financial period which significantly affected or may significantly affect the state of affairs of the entity.

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9.0 INVESTIGATING ACCOUNTANT'S REPORT



Issue date: 11 June 2010

Financial Services Guide

What is a Financial Services Guide?

The purpose of the Financial Services Guide ("FSG") is to assist you in deciding whether to use any of the general financial product advice provided by PKF Corporate Advisory Services (WA) Pty Ltd ("PKFCA") (ABN 68 009 423 152). PKFCA is a holder of an Australian Financial Services Licence ("AFSL") No. 240566. The contents of this FSG include:

- who PKFCA is and how we can be contacted;
- what services PKFCA is authorised to provide under our AFSL;
- how PKFCA (and any other relevant parties) is remunerated in relation to any general financial product advice PKFCA may provide;
- details of any potential conflicts of interest; and
- details of PKFCA's internal and external dispute resolution systems and how you can access them.

Information About Us

We have been engaged by the Directors of Algae.Tec Limited ("the Company") to give general financial product advice in the form of a report to be provided to you in connection with our engagement as Investigating Accountant. A copy of this report is included in the Prospectus prepared by the Company. You are not the party or parties who engaged PKFCA to prepare the report.

PKFCA is a corporate advisory company owned by partners of the Western Australian partnership of PKF Chartered Accountants and Business Advisers ("PKF"). The directors of PKFCA may also be partners in the Western Australian partnership of PKF.

The Western Australian partnership of PKF and its related entities provide services primarily in the areas of external audit, internal audit, tax, consulting and through PKFCA, corporate advisory services.

The financial product advice in our report is provided by PKFCA and not by the West Australian partnership of PKF or its related entities.

We do not have any formal associations or relationships with any other entities that are issuers or sellers of financial products, other than PKF Financial Services Pty Ltd. However, you should note that PKFCA and the West Australian partnership of PKF (and its related bodies corporate) may from time to time provide professional services to financial product issuers or sellers in the ordinary course of business.

What financial services are we licensed to provide?

The AFSL that we hold authorises us to provide financial product advice in respect of securities only in the capacity of providing reports, for the purposes of acting for and on behalf of clients in relation to proposed or actual mergers, acquisitions, takeovers, corporate restructures or share issues.

Information about the general financial product advice we provide

The financial product advice provided in our report is known as "general advice" because it does not take into account your personal objectives, financial situation or needs. You should consider whether the general advice contained in our report is appropriate for you, having regard to your own personal objectives, financial situation or needs.

If our advice is being provided to you in connection with the acquisition or potential acquisition of a financial product issued or sold by another party, we recommend you obtain and read carefully the relevant offer document provided by the issuer or seller of the financial product. The purpose of the offer document is to help you make an informed decision about the acquisition of a financial product. The contents of the offer document will include details such as the risks, benefits and costs of acquiring the particular financial product.



How are we and our employees remunerated?

Our fees are usually determined on an hourly basis; however they may be a fixed amount or derived using another basis. We may also seek reimbursement of any out of pocket expenses incurred in providing the services.

Fee arrangements are agreed with the party or parties who actually engage us, and we confirm our remuneration in a written letter of engagement to the party or parties who engage us.

Neither PKFCA nor its Directors and officers, nor any related bodies corporate or associates and their Directors and officers, receives any commissions or other benefits, except for the fees for the services rendered to the party or parties who engage us. Our fee is expected to be \$18,000 excluding GST and is also be disclosed in the Prospectus prepared by the issuer or seller of the financial product. You have a right to request further information with regards to remuneration received by PKFCA or its representatives.

PKF Chartered Accountants have been appointed as auditors of Algae.Tec Limited. As at the date of this report no fees have been derived from audit services.

All of our employees receive a salary. Our employees are eligible for annual salary increases and bonuses based on overall performance but do not receive any commissions or other benefits arising directly from services provided by you. The remuneration paid to our Directors reflects their individual contribution to the company and covers all aspects of performance. Our Directors do not receive any commissions or other benefits in connection with our advice.

We do not pay commissions or provide other benefits to other parties for referring prospective clients to us.

Responsibility

The liability of PKFCA is limited to the contents of this FSG and the report referred to in this FSG.

Distribution

PKFCA authorises the distribution of this FSG.

What should you do if you have a complaint?

If you have any concerns regarding this report, you may wish to advise us. Our internal complaints handling process is designed to respond to your concerns promptly and equitably. Please address your complaint in writing to:

The Complaints Officer
PO Box Z5066 St George's Terrace
PERTH WA 6831

If you are not satisfied with the steps we have taken to resolve your complaint, you may contact the Financial Ombudsman Service ("FOS"). FOS provides free advice and assistance to consumers to help them resolve complaints relating to members of the financial services industry. Complaints may be submitted to FOS at:

Financial Ombudsman Service Limited
GPO Box 3
MELBOURNE VIC 3001
Telephone: 1300 780 808
Fax: +61 (03) 9613 6399

9.0 INVESTIGATING ACCOUNTANT'S REPORT



If your complaint relates to the professional conduct of a person who is a Chartered Accountant, you may wish to lodge a complaint in writing with the Institute of Chartered Accountants in Australia ("ICAA"). The ICAA is the professional body responsible for setting and upholding the professional, ethical and technical standards of Chartered Accountants and can be contacted at:

The Institute of Chartered Accountants
GPO Box Z5385 St Georges Terrace
PERTH WA 6831
Telephone (08) 9420 0400
Fax (08) 9321 5141

Specific contact details for lodging a complaint with the ICAA can be obtained from their website at:

<http://www.icaa.org.au/about/index.cfm>

The Australian Securities and Investment Commission ("ASIC") regulates Australian companies, financial markets, financial services organisations and professionals who deal and advise in investments, superannuation, insurance, deposit taking and credit. Their website contains information on lodging complaints about companies and individual persons and sets out the types of complaints handled by ASIC. You may contact ASIC as follows:

Info Line: 1300 300 630
Email: infoline@asic.gov.au
Internet: <http://www.asic.gov.au/asic/asic.nsf>

10.1. Introduction

An investment in the Company is not risk free and prospective new investors should consider the risk factors described below, together with information contained elsewhere in this Prospectus, before deciding whether to apply for Shares. The following is not intended to be an exhaustive list of the risk factors to which the Company is exposed.

10.2. Investment Speculative

The following list of risk factors ought not to be taken as exhaustive of the risks faced by the Company or by investors in the Company. The following factors, and others not specifically referred to below, may in the future materially affect the financial performance of the Company and the value of the Shares offered under this Prospectus.

Therefore, the Shares to be issued pursuant to this Prospectus carry no guarantee with respect to the payment of dividends, returns of capital or the market value of those Shares.

Potential investors should consider that the investment in the Company is speculative and should consult their professional advisers before deciding whether to apply for Shares.

10.3. Intellectual Property

The Company has yet to obtain a patent in relation to the McConchie-Stroud System. There is no guarantee that the current patent application in Australia for part of the McConchie-Stroud System will be granted, or that any other patent applications that may be lodged in relation to the McConchie-Stroud System will be granted.

The carrying amount of the non-current intangible assets of the Company (which includes its intellectual property) is \$20. This reflects the fact that the commercial value of the intellectual property is not proven at this stage.

Although the Company is not aware of any third party interests in relation to the McConchie-Stroud System, and has taken steps to protect and confirm the ownership of the intellectual property related to the McConchie-Stroud System, and its licence of that intellectual property, there is always a risk of third parties bringing a claim in relation to any aspect of the McConchie-Stroud System (including the issues detailed in Section 8). If any disputes arise, this could adversely affect the Company.

There can be no assurance that any patents in relation to the McConchie-Stroud System will afford the Company commercially significant protection of the McConchie-Stroud System or that competitors will not develop competing technologies that circumvents such patents.

Although the Company will implement all reasonable endeavours to protect its interest in the intellectual property related to the McConchie-Stroud System, there can be no assurance that these measures have been, or will be sufficient.

10.4. Additional Requirements for Capital

The Directors expect that the proceeds of the Offer will provide sufficient capital resources to enable the Company to achieve its initial business objectives. However, the Directors can give no assurances that such objectives will in fact be met without future borrowings or further capital raisings and if such borrowings or capital raisings are required, that they can be obtained on terms favourable to the Company or at all.

The Company is yet to build a demonstration facility so there can be no guarantee that the current provisions set aside for the demonstration facility will be sufficient.

If the Company does not list by 30 September 2010, the Company must pay Empire Equity Limited (which provided corporate advice in relation to the GEM Equity Line of Credit) with a cash fee equal to 4% of the value of the Equity Line of Credit (equating to \$800,000).

Funds raised under this Prospectus will not be sufficient to enable the Company to fully commercialise the McConchie-Stroud System. Any additional equity financing will dilute shareholdings, and debt financing, if available, may involve restrictions on financing and operating activities. If the Company is unable to obtain additional financing as needed, it may be required to reduce the scope of its operations and scale back its expansion and development programmes as the case may be.

10.0 RISK FACTORS

10.5. Commercialisation of the McConchie-Stroud System

The Company is relying on its ability to develop and commercialise the McConchie-Stroud System. While the system has shown excellent results during its research and development phase, there is no guarantee that the system will be able to be viably commercialised. In addition, the Company must first build and test a demonstration facility before it can test the McConchie-Stroud System on a commercial scale. A failure to achieve commercialisation of algal products from the McConchie-Stroud System will have a significant adverse impact on the Company's business model, operating results and financial position.

Given the Company is in the start up phase, it does not currently have any customers.

10.6. Equity Line of Credit

The Company's Equity Line of Credit of A\$20 million over 3 years with GEM Global Yield Fund Ltd (GEM):

- a. is subject to a number of conditions precedent, including that the Share price must be \$0.50 (or such other price as agreed by the Company and GEM) before the Company can draw down on the line of credit;
- b. will, if the facility is used, result in dilution of Shareholders who subscribe under the Prospectus as the Company will issue Shares to GEM in return for cash; and
- c. will, if GEM exercises the Options it is to be granted immediately before the Company lists, result in dilution of Shareholders who subscribe under the Prospectus. GEM is to be issued Options representing 20% of the fully diluted capital of the Company with an exercise price of \$0.75 and a term of 5 years.

If the conditions precedent to the Equity Line of Credit are not satisfied (or the Directors elect to not use this facility), the Company may need to source additional financing (debt or equity) to assist with the constructions of a commercial facility.

10.7. Licence of McConchie-Stroud System

The Company has secured an exclusive, global, royalty free licence from its major shareholder, Teco.Bio LLC, of all intellectual property related to the McConchie-Stroud System and any improvements to that system for industrial applications. While the licence has limited termination rights, if the licence is terminated by Teco.Bio, it is highly likely that the Company will be unable to continue its use of the McConchie-Stroud System.

10.8. Critical Personnel

The Company's ability to commercialise the McConchie-Stroud System is dependent on it retaining the services of its two directors, Messrs McConchie and Stroud, who developed the system. While these directors are major shareholders in the Company, if either of them were to cease their involvement with the Company, the Company's ability to commercialise the McConchie-Stroud System is likely to be adversely affected.

10.9. Liquidity

Teco.Bio currently holds approximately 90% of the Company, with other related parties of the Company holding approximately 6.5% of the Company's Shares, and the remainder being held by unrelated seed shareholders. The Company currently has a total of 24 Shareholders. If only the minimum subscription is raised, Teco.Bio will hold approximately 79.8% of the Company's Shares, other related parties will hold approximately 5.8% of the Company's Shares, promoters (Wise-owl.com and Empire Equity) will hold approximately 1.3%, unrelated seed shareholders will hold approximately 3.1% of the Company's Shares and the public will hold approximately 10% of the Company's Shares. Teco.Bio's shareholding, and those of other related parties and promoters (totalling approximately 86.9% of the Company's Shares), will be escrowed for 2 years from the date of listing. As such, the Company's Shares may have limited liquidity on the ASX.

10.10. Operating Risks

The demonstration and commercial plants proposed by the Company may be affected by various factors, including failure to locate or identify a suitable location; failure to achieve predicted yields of algae and algae products; operational and technical difficulties encountered in scaling up the McConchie-Stroud System to commercial production levels; difficulties in commissioning and operating plant and equipment; mechanical failure or plant breakdown; unanticipated bioreactor problems which may affect production costs; adverse weather conditions; industrial and environmental accidents; industrial disputes; and unexpected shortages or increases in the costs of consumables, spare parts, plant and equipment.

10.11. Research and Development

The Company can make no representation that any of its research into or development of the McConchie-Stroud System necessary to achieve commercial production will be successful, that the development milestones will be achieved, or that the McConchie-Stroud System will generate products that are commercially exploitable.

There are many risks inherent in the development of algal products, particularly where the products are in the early stages of development. Projects can be delayed or fail to demonstrate sufficient benefit, or research may cease to be viable for a range of scientific and commercial reasons.

10.12. Competition

The Company's current and future potential competitors include companies with substantially greater resources than it. There is no assurance that competitors will not succeed in developing products that are more effective or economic than the current products or any of those being developed by the Company or which would render the products obsolete and/or otherwise uncompetitive.

In addition, the Company may not be able to compete successfully against current or future competitors where aggressive pricing policies are employed to capture market share. Such competition could result in price reductions, reduced gross margins and loss of market share, any of which could materially adversely affect the Company's future business, operating results and financial position.

10.13. Forward looking information

Certain information in this Prospectus constitutes forward looking information that is subject to risks and uncertainties and a number of assumptions, which may cause the actual expenditure of the Company to be materially different from the expectations expressed or implied in this Prospectus.

10.14. Management of Growth

There is a risk that management of the Company will not be able to implement the Company's growth strategy. The capacity of the new management to properly implement and manage the strategic direction of the Company may affect the Company's financial performance.

10.15. Loss of Key Clients and Suppliers

The Company is yet to establish important client and supply relationships. Although the Company is expected to establish these relationships through development of the McConchie-Stroud System, the loss of one or more key clients or suppliers is likely to adversely affect the operating results of the Company.

10.16. Insurance Risks

The Company intends to insure its operations in accordance with industry practice. However, in certain circumstances, the Company's insurance may not be of a nature or level to provide adequate insurance cover. The occurrence of an event that is not covered or fully covered by insurance could have a material adverse effect on the business, financial condition and results of the Company.

Insurance against all risks associated with algae production is not always available and where available the costs may be prohibitive.

Further, the Company is exposed to the risk of catastrophic loss to necessary laboratory equipment, computer equipment or other facilities which would have a serious impact on the Company's operations.

10.17. Product Liability and Uninsured Risks

Through its intended business of algae production, the Company is exposed to potential product liability risks which are inherent in the research and development, manufacturing, marketing and use of its products. It will be necessary for the Company to secure sufficient levels of insurance to cover various product liability risks in the course of maintaining its business.

However, there can be no assurance that adequate or necessary insurance coverage will be available at an acceptable cost or in sufficient amounts, if at all, or that product liability or other claims would not materially and adversely affect the business or financial condition of the Company.

10.0 RISK FACTORS

Although the Company endeavours to work to rigorous standards there is still the potential for the products to contain defects which may result in system failures. These defects or problems could result in the loss of or delay in generating revenue, loss of market share, failure to achieve market acceptance, diversion of development resources, injury to the Company's reputation or increased insurance costs. If the Company fails to meet its clients' expectations, the Company's reputation could suffer and it could be liable for damages.

10.18. Economic Risks

General economic conditions, movements in interest and inflation rates and currency exchange rates may have an adverse effect on the Company's activities, as well as on its ability to fund those activities.

10.19. Regulatory Risk

The introduction of new legislation or amendments to existing legislation by governments, developments in existing common law, or the respective interpretation of the legal requirements in any of the legal jurisdictions which govern the Company's operations or contractual obligations, could impact adversely on the assets, operations and, ultimately, the financial performance of the Company and its shares. In addition there is a commercial risk that legal action may be taken against the Company in relation to commercial matters.

10.20. Share Market

Share market conditions may affect the value of the Company's quoted Shares regardless of the Company's operating performance. Share market conditions are affected by many factors such as:

- a. general economic outlook;
- b. interest rates and inflation rates;
- c. currency fluctuations;
- d. changes in investor sentiment toward particular market sectors;
- e. the demand for, and supply of, capital; and
- f. terrorism or other hostilities.

11.1. Deeds of Assignment

On 30 April 2010, Teco.Bio entered into separate deeds of assignment with:

- a. Garnet Earl McConchie and Dot-Bio, Inc; and
- b. Roger Sydney Stroud and Teco Proprietary Limited (together the **Assignors**),

under which Teco.Bio acquired all the right, title and interest in all intellectual property owned by the Assignors relating to the McConchie-Stroud System, including all future intellectual property rights in relation to any improvements to the McConchie-Stroud System (**Intellectual Property**).

Under the Deeds of Assignment, Teco.Bio has the right to transfer, assign, and license the Intellectual Property in its absolute discretion and is entitled, as between Teco.Bio and the Assignors, to all proceeds derived from or received in connection with any commercialisation of the Intellectual Property.

11.2. Intellectual Property Licence

On 30 April 2010, Teco.Bio granted the Company an exclusive, royalty free global licence to use and exploit the Intellectual Property for industrial applications (**Licence**). The Licence is for an indefinite period, subject to the following rights to terminate:

- a. Teco.Bio may terminate the Licence by giving 30 days notice if the Company is not admitted to the Official List of the ASX by 1 October 2010;
- b. Teco.Bio may terminate the Licence by giving 5 business days written notice if the Company commences legal proceedings, or assists any third party, to challenge the validity of the Intellectual Property;
- c. a party may terminate the Licence with 2 business days notice where the other party has suffered an insolvency event; and
- d. if a party commits a default in performance or observance of any material provision of the Licence and the default is not remedied within 10 business days notice from the non-defaulting party, the non-defaulting party may terminate the agreement with 5 business days written notice to the defaulting party.

Teco.Bio must use its best endeavours to obtain and maintain valid patents in relation to the Intellectual Property. The Company is entitled to grant sub-licences of the Licence without the prior consent of Teco.Bio and can manufacture, market and sell any equipment or process incorporating the Intellectual Property to a sub-licensee.

Teco.Bio is entitled to own any improvements to the Intellectual Property, whether developed by Teco.Bio or the Company. The Company may elect to extend the Licence to include a licence of any such improvement at no cost save that where Teco.Bio developed the improvement, the Company must reimburse Teco.Bio's development costs.

11.3. GEM Equity Line of Credit

On 1 February 2010, the Company entered into a 3 year, A\$20 million line of credit agreement with GEM Global Yield Fund Ltd (**GEM**) and GEM Investment Advisors, Ltd (**GEM Advisors**) (**Equity Line of Credit**). The material terms of the Equity Line of Credit are:

- a. subject to the satisfaction of a number of conditions precedent, the Company can require GEM to drawdown on the Equity Line of Credit (that is, require GEM to subscribe for Shares in the Company) at a price equal to 90% of the average closing price of Shares on the ASX over the Pricing Period (being the 15 trading days after the date the Company gives GEM a drawdown notice) subject to adjustment in certain cases. The number of Shares to be issued cannot exceed 7 times the trading volume of the Shares over the 15 trading days prior to the date the Company gives GEM a drawdown notice subject to adjustment in certain cases;

11.0 MATERIAL CONTRACTS

- b. the conditions precedent include:
 - i. the Company must be able to issue a Section 708A(6) cleansing statement in relation to the Shares to be issued;
 - ii. the closing price of Shares on the ASX on the last trading day before the drawdown notice is given must be at least \$0.50 per Share (or such other price as agreed by the parties); and
 - iii. GEM must have entered into a share lending agreement with an Australian tax resident (Lender) under which the Lender has lent to GEM (or its nominee) that number of Shares equal to the number of Shares to be issued under the drawdown notice, with the Share loan terminating on the date the Shares are issued under the drawdown notice;
- c. GEM has the right to reduce the proposed drawdown by up to 50% or increase the proposed drawdown by up to 200% of the number of Shares in the drawdown notice;
- d. unless required by law or the ASX Listing Rules, the Company requires GEM's consent, not to be unreasonably withheld, to carry out certain reorganisations, including the issue of new class of securities (other than employee options), any buyback or reduction or cancellation of securities, or to make a decision that will or is likely to cause a Material Adverse Effect on the Company;
- e. GEM may not hold more than 9.9% of all issued Shares at any one time during the term of the agreement;
- f. the Company must pay GEM Advisors a \$300,000 fee on the earlier of the date the first drawdown is made and 1 February 2011;
- g. immediately prior to listing of the Company's Shares on ASX, the Company must issue GEM or its nominee with Options representing 20% of the fully diluted issued capital of the Company (as at the date of admission) at an exercise price of \$0.75 each and expiring 5 years after the date of issue. If the Offer is fully subscribed, this equates to 52,623,333 Options. The terms of the Options are set out in Section 12.2; and
- h. except as required by law or the Listing Rules, the Company must use reasonable endeavours to ensure none of the following occurs without the prior written approval of GEM (such approval not to be unreasonably withheld):
 - i. a re-organisation, reclassification, reconstruction, consolidation or subdivision of the capital of the Company or the creation of any different class of securities other than employee options approved by the Company in general meeting or issued under any employee or executive share option plan;
 - ii. any buyback, redemption, reduction or cancellation of shares or share capital; or
 - iii. any decision that will, or is likely to have a material adverse effect on the Company or its business.

11.4. Financial Advisor

On 9 November 2009, the Company appointed Ample Luck International Capital Group Ltd (**Ample Luck**) to secure the Equity Line of Credit and as a financial advisor in relation to fundraising for a 12 month period. In consideration for its services, Ample Luck is entitled to a 3% success fee (payable in cash or through the issue of Options) on fundraising provided by investors introduced by Ample Luck, the fee to be pro rata to the drawdown of funds provided.

This fee is payable in relation to any funds raised under the Equity Line of Credit. Ample Luck has advised the Company that if the Equity Line of Credit is exercised, it will take its 3% success fee in cash and not Options.

The Company can terminate Ample Luck's services with 30 days notice. The success fee will still apply to fundraising completed up to 12 months after the expiry of the services with investors introduced by Ample Luck during the term of the agreement.

11.5. Corporate Advisor

On 5 October 2009, the Company appointed Empire Equity Limited (**Empire**) to assist secure the Equity Line of Credit and as corporate advisor to the Company for a term of 12 months. The agreement can be terminated with one day's notice. In consideration for its services, Empire is entitled to a fee equal to 2.5% of the value of the Equity Line of Credit (equating to \$500,000), payable in Shares at a 20% discount to the value of Shares issued under the Prospectus. Accordingly, Empire will be issued with 3,125,000 Shares at a deemed issue price of \$0.16 per Share immediately before listing of the Company's Shares on the ASX.

11.0 MATERIAL CONTRACTS

If the Company does not list on the ASX by 30 September 2010, Empire becomes entitled to a cash fee equal to 4% of the value of the Equity Line of Credit (equating to \$800,000).

During the term of the agreement, the Company has agreed to give Empire the first right to negotiate any external funding (including capital raisings, underwriting or debt funding) required by the Company.

11.6. MOU with Leighton Contractors

On 30 April 2010, the Company entered into a non binding 2 year memorandum of understanding (**MOU**) with Leighton Contractors Pty Ltd (**Leighton**) under which the Company and Leighton have agreed to co-operate with a view to:

- a. the Company establishing a proof of concept demonstration plant (at the Company's cost) for the production of algae, bio-products and/or carbon sequestration at a commercial scale using the McConchie-Stroud System at a suitable site (preferably where Leighton currently has operations); and
- b. establishing, subject to completion of feasibility studies, commercial facilities within Australia and New Zealand to produce algae, bio-products and /or carbon sequestration (**Projects**).

Under the MOU, the Company will gain access to Leighton's experience and skills in project identification, engineering, procurement and construction. In return, the Company has given non binding undertakings to provide Leighton with a first right of refusal to provide EPC and O&M services for commercially viable Projects developed within Australia and New Zealand and to subscribe for equity in a Project.

11.7. Research Mandate with Wise-owl.com Pty Ltd

On 27 April 2010, the Company entered into a research mandate (**Research Mandate**) with Wise-owl.com Pty Ltd (**Wise Owl**) under which Wise Owl will complete four quarterly research reports for the Company. In return, the Company will issue Wise Owl 200,000 Shares at a deemed issue price of \$0.20 per Share immediately before listing of the Company on the ASX.

11.8. Mandate with Minc Financial Services

The Company entered into a mandate with Minc Financial Services Pty Ltd (**Minc**), on 15 July 2010 under which Minc agreed to act as lead manager to the Offer on a best endeavours basis.

On successful completion of the Offer, the Company has agreed to pay Minc:

- a. a brokerage fee equal to 4% (plus GST) of the funds raised under the Offer;
- b. a management fee equal to 1% (plus GST) of the funds raised under the Offer; and
- c. a corporate advisory fee equal to 1% (plus GST) of the funds raised under the Offer.

11.9. Relationship between Minc and Wise-Owl.com Pty Ltd

Minc Financial Services has a profit sharing agreement with Wise-Owl.com Pty Ltd whereby the parties agree to refer business to each other and collaborate in the use of resources in order to provide to both existing and new customers / clients financial products and services. It is currently intended that the Managing Director of Wise-Owl.com Pty Ltd, Philip Shamieh, will also become a licensed representative of one of the entities within the Minc group of companies.

12.0 ADDITIONAL INFORMATION

12.1. Rights Attaching to Shares

The rights, privileges and restrictions attaching to Shares can be summarised as follows:

a. **General Meetings**

Shareholders are entitled to be present in person, or by proxy, attorney or representative to attend and vote at general meetings of the Company.

Shareholders may requisition meetings in accordance with Section 249D of the Corporations Act and the Constitution of the Company.

b. **Voting Rights**

Subject to any rights or restrictions for the time being attached to any class or classes of shares, at general meetings of shareholders or classes of shareholders:

- i. each shareholder entitled to vote may vote in person or by proxy, attorney or representative;
- ii. on a show of hands, every person present who is a shareholder or a proxy, attorney or representative of a shareholder has one vote; and
- iii. on a poll, every person present who is a shareholder or a proxy, attorney or representative of a shareholder shall, in respect of each fully paid share held by him, or in respect of which he is appointed a proxy, attorney or representative, have one vote for the share, but in respect of partly paid shares shall have such number of votes as bears the same proportion to the total of such shares registered in the shareholder's name as the amount paid (not credited) bears to the total amounts paid and payable (excluding amounts credited).

c. **Dividend Rights**

Subject to the rights of persons (if any) entitled to shares with special rights to dividend the Directors may declare a final dividend out of profits in accordance with the Corporations Act and may authorise the payment or crediting by the Company to the shareholders of such a dividend. The Directors may authorise the payment or crediting by the Company to the shareholders of such interim dividends as appear to the Directors to be justified by the profits of the Company. Subject to the rights of persons (if any) entitled to shares with special rights as to dividend all dividends are to be declared and paid according to the amounts paid or credited as paid on the shares in respect of which the dividend is paid. Interest may not be paid by the Company in respect of any dividend, whether final or interim.

d. **Winding-Up**

If the Company is wound up, the liquidator may, with the authority of a special resolution of the Company, divide among the shareholders in kind the whole or any part of the property of the Company, and may for that purpose set such value as he considers fair upon any property to be so divided, and may determine how the division is to be carried out as between the shareholders or different classes of shareholders. The liquidator may, with the authority of a special resolution of the Company, vest the whole or any part of any such property in trustees upon such trusts for the benefit of the contributories as the liquidator thinks fit, but so that no shareholder is compelled to accept any shares or other securities in respect of which there is any liability. Where an order is made for the winding up of the Company or it is resolved by special resolution to wind up the Company, then on a distribution of assets to members, shares classified by ASX as restricted securities at the time of the commencement of the winding up shall rank in priority after all other shares.

e. **Transfer of Shares**

Generally, shares in the Company are freely transferable, subject to formal requirements, the registration of the transfer not resulting in a contravention of or failure to observe the provisions of a law of Australia and the transfer not being in breach of the Corporations Act or the Listing Rules.

f. **Variation of Rights**

Pursuant to Section 246B of the Corporations Act, the Company may, with the sanction of a special resolution passed at a meeting of shareholders vary or abrogate the rights attaching to shares.

If at any time the share capital is divided into different classes of shares, the rights attached to any class (unless otherwise provided by the terms of issue of the shares of that class), whether or not the Company is being wound up may be varied or abrogated with the consent in writing of the holders of three-quarters of the issued shares of that class, or if authorised by a special resolution passed at a separate meeting of the holders of the shares of that class.

12.2. GEM Options

The Company has agreed to issue GEM with equal to 20% of the fully diluted share capital of the Company on the date of admission (being 52,623,333 Options if the Offer is fully subscribed) in accordance with the Equity Line of Credit. The key terms of the Options will be as follows:

- a. **Entitlement**
Subject to and conditional upon any adjustment in accordance with these conditions, each Option entitles the holder to subscribe for one Share upon payment of the Exercise Price.
- b. **Exercise Price**
The Exercise Price of each Option (the **Exercise Price**) is AUD \$0.75.
- c. **Exercise Period**
An Option is exercisable at any time on or before 5.00pm (Sydney time) on the fifth anniversary of the date of grant (the **Expiry Date**). Options not exercised by the Expiry Date lapse.
- d. **Ranking of Shares**
Shares issued on the exercise of Options will rank equally with all existing Shares on and from the date of issue in respect of all rights issues, bonus share issues and dividends which have a record date for determining entitlements on or after the date of issue of those Shares.
- e. **Options unlisted but transferrable**
Options will not be listed but may be transferred in the same manner as Shares.
- f. **Participation in new issues**
An Option holder may participate in new issues of securities to holders of Shares only if and to the extent that:
 - i. an Option has been exercised; and
 - ii. a Share has been issued in respect of the exercise before the record date for determining entitlements to the new issue.

The Company must give notice to the Option holder of any new issue not less than 10 Business Days before the record date for determining entitlements to the issue.
- g. **Adjustment for bonus issues of Shares**
If the Company makes a bonus issue of Shares or other securities to existing shareholders (other than an issue in lieu or in satisfaction, of dividends or by way of dividend reinvestment):
 - i. the number of Shares which must be issued on the exercise of a Option will be increased by the number of Shares which the Option holder would have received if the Option holder had exercised the Option before the record date for the bonus issue; and
 - ii. no change will be made to the Exercise Price.
- h. **Adjustment for rights issue**
If the Company makes an issue of Shares pro rata to existing Shareholders (other than an issue in lieu of in satisfaction of dividends or by way of dividend reinvestment) the Exercise Price of an Option will be reduced according to the formula in Listing Rule 6.22.2:
- i. **Reconstructions**
If there is any reconstruction of the issued share capital of the Company, the number of shares to which the Option holder is entitled, and/or the Exercise Price, must be reconstructed in a manner which complies with the Listing Rules (which will not result in any benefits being conferred on the Option holder which are not conferred on shareholders and subject to the provisions with respect to rounding of entitlements as sanctioned by the meeting of shareholders approving the reconstruction of capital), but in all other respects, the terms for the exercise of an Option will remain unchanged.

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12.0 ADDITIONAL INFORMATION

12.3. Disclosure of Interests

Directors are not required under the Company's Constitution to hold any Shares. As at the date of this Prospectus, the Directors have relevant interests in Shares as set out in the table below:

Director	Shares	Options
Roger Sydney Stroud	200 million ¹	-
Garnet Earl McConchie	200 million ²	-
Peter Ernest Hatfull	8 million	-
Timothy Morrison	2 million	-

Notes:

¹ By virtue of Section 608(3) of the Corporations Act, as Mr Stroud controls Teco Pty Ltd which holds 50% of Teco.Bio LLC which in turn holds 200 million Shares.

² By virtue of Section 608(3) of the Corporations Act, as Mr McConchie controls Dot-Bio Inc which holds 50% of Teco.Bio LLC which in turn holds 200 million Shares. Related parties of Mr McConchie together hold a further 4.5 million Shares.

12.4. Remuneration

The Company's Constitution provides that the remuneration of non-executive Directors will be not more than the aggregate fixed sum determined by a general meeting. The aggregate remuneration for non-executive Directors has been set at an amount not to exceed \$150,000 per annum. The Company intends to pay its non-executive Director, Mr Tim Morrison, a fee of \$20,000 per year.

The remuneration of executive Directors will be fixed by the Directors and may be paid by way of fixed salary or consultancy fee. The Company intends, subject to reaching agreement with the executive Directors and the disclosure in Section 4.4 of this Prospectus, to pay:

- Mr. Roger Stroud, the Executive Chairman, an amount of \$300,000 per year inclusive of superannuation; and
- Mr Earl McConchie, as an executive Director, an amount of \$400,000 per year inclusive of superannuation; and
- Mr Peter Hatfull, as managing Director, an amount of \$200,000 per year inclusive of superannuation.

The existing Directors have been paid consultancy fees for their services to the Company over the past two years. Mr Roger Stroud has been paid \$69,089. Mr Peter Hatfull has been paid \$20,000. Mr Earl McConchie has been paid \$102,019.

12.5. Fees and Benefits

Other than as set out below or elsewhere in this Prospectus, no:

- Director of the Company;
- person named in this Prospectus as performing a function in a professional advisory or other capacity in connection with the preparation or distribution of this Prospectus;
- promoter of the Company; or
- underwriter (but not a sub-underwriter) to the issue or a financial services licensee named in the Prospectus as a financial services licensee involved in the issue,

has, or had within 2 years before lodgement of this Prospectus with the ASIC, any interest in:

- the formation or promotion of the Company;
- any property acquired or proposed to be acquired by the Company in connection with its formation or promotion or in connection with the offer of Shares under this Prospectus; or
- the offer of Shares under this Prospectus,

12.0 ADDITIONAL INFORMATION

and no amounts have been paid or agreed to be paid and no benefits have been given or agreed to be given to any of those persons as an inducement to become, or to qualify as, a Director of the Company or for services rendered in connection with the formation or promotion of the Company or the offer of Shares under this Prospectus.

Minc Financial Services Pty Ltd (**Minc**), has acted as Lead Manager for the Offer under the Prospectus. The Company has agreed to pay Minc the fees in relation to the Offer as set out in Section 11.8 of this Prospectus.

PKF Corporate Advisory Services (WA) Pty Ltd has acted as Investigating Accountant and has prepared an Investigating Accountant's Report which has been included in Section 9 of this Prospectus. The Company estimates it will pay \$20,000 for these services. PKF Chartered Accountants & Business Advisors has been appointed Auditor of the Company but has yet to commence any services. During the 24 months preceding lodgement of this Prospectus with the ASIC, PKF Corporate Advisory Services (WA) Pty Ltd and PKF Chartered Accountants & Business Advisors have not received any other fees from the Company.

Steinepreis Paganin has acted as the solicitors to the Company in relation to the Offer and has been involved in due diligence enquiries on legal matters. The Company estimates it will pay Steinepreis Paganin \$40,000 for these services up to the date of lodgement of the Prospectus with the ASIC. During the 24 months preceding lodgement of this Prospectus with the ASIC, Steinepreis Paganin has not received any other fees for legal services.

Wrays Patent and Trade Marks Attorneys and Wrays Lawyers Pty Ltd (together **Wrays**) have acted as the Patent Attorneys and Intellectual Property Lawyers to the Company and have prepared the Report on Intellectual Property which has been included in Section 8 of this Prospectus. The Company estimates that it will pay Wrays a total of \$25,000 for these services. During the 24 months preceding lodgement of this Prospectus with the ASIC, Wrays has received fees from the Company of approximately \$15,600.

12.6. Consents

Each of the parties referred to in this Section:

- a. does not make, or purport to make, any statement in this Prospectus other than those referred to in this Section; and
- b. to the maximum extent permitted by law, expressly disclaim and take no responsibility for any part of this Prospectus other than a reference to its name and a statement included in this Prospectus with the consent of that party as specified in this Section.

Minc Financial Services Pty Ltd, has given its written consent to being named as Lead Manager to the Offer in this Prospectus. Minc has not withdrawn its consent prior to lodgement of this Prospectus with the ASIC.

PKF Chartered Accountants & Business Advisors has given their written consent to being named as Auditor of the Company in this Prospectus. PKF Chartered Accountants & Business Advisors has not withdrawn its consent prior to lodgement of this Prospectus with the ASIC.

PKF Corporate Advisory Services (WA) Pty Ltd has given their written consent to being named as Investigating Accountant of the Company in this Prospectus and to the inclusion of the Investigating Accountant's Report in Section 8 in the form and context in which the report is included. PKF Corporate Advisory Services (WA) Pty Ltd has not withdrawn its consent prior to lodgement of this Prospectus with the ASIC.

Steinepreis Paganin has given its written consent to being named as the solicitor to the Company in this Prospectus. Steinepreis Paganin has not withdrawn its consent prior to the lodgement of this Prospectus with the ASIC.

Wrays Patent and Trade Marks Attorneys and Wrays Lawyers Pty Ltd (together **Wrays**) have given their written consent to being named as the Patent Attorney and Intellectual Property Lawyers to the Company respectively in this Prospectus and to the inclusion of the Report on Intellectual Property in Section 8 in the form and context in which the report is included. Wrays has not withdrawn its consent prior to the lodgement of this Prospectus with the ASIC.

12.7. Restricted Securities

ASX has indicated that certain existing security holders may be required to enter into agreements which restrict dealings in Securities held by them. These agreements will be entered into in accordance with the Listing Rules.

12.8. Cash Expenses of the Offer

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12.0 ADDITIONAL INFORMATION

The total cash expenses of the Offer are estimated to be approximately \$629,000 (assuming the Offer is fully subscribed) and are expected to be applied towards the items set out in the table below:

Item of Expenditure	Amount (\$)
ASIC fees	\$2,010
ASX fees*	\$76,650
Capital Raising Fees*	\$450,000
Advisers' fees*	\$85,000**
Printing*	\$10,000
Miscellaneous*	\$5,340
TOTAL	\$629,000

Note

*GST exclusive amount

**Of this amount, only \$66,000 is to be paid out of funds raised from the Offer. The remainder (\$19,000) is to be paid, or has been paid, out of the Company's cash reserves. Accordingly, the Expenses of the Offer included in the Use of Funds table in Section 4.4 of this Prospectus is based on total expenses of \$610,000 (assuming the Offer is fully subscribed). The Company has also agreed to issue Wise-owl.com Pty Ltd with 200,000 Shares at a deemed issue price of \$0.20 per Share to complete quarterly research reports into the Company.

12.9. Litigation

As at the date of this Prospectus, the Company is not involved in any legal proceedings and the Directors are not aware of any legal proceedings pending or threatened against the Company.

12.10. Electronic Prospectus

Pursuant to Class Order 00/044, the ASIC has exempted compliance with certain provisions of the Corporations Act to allow distribution of an electronic prospectus and electronic application form on the basis of a paper prospectus lodged with the ASIC, and the publication of notices referring to an electronic prospectus or electronic application form, subject to compliance with certain conditions.

If you have received this Prospectus as an electronic Prospectus, please ensure that you have received the entire Prospectus accompanied by the relevant application forms. If you have not, you may obtain a copy of the Prospectus from the Company's website at www.algaetec.com.au.

The Company reserves the right not to accept an application form from a person if it has reason to believe that when that person was given access to the electronic application form, it was not provided together with the electronic Prospectus and any relevant supplementary or replacement prospectus or any of those documents were incomplete or altered.

12.11. Taxation

The acquisition and disposal of Shares in the Company will have tax consequences, which will differ depending on the individual financial affairs of each investor. All potential investors in the Company are urged to obtain independent financial advice about the consequences of acquiring Shares from a taxation viewpoint and generally.

To the maximum extent permitted by law, the Company, its officers and each of their respective advisors accept no liability and responsibility with respect to the taxation consequences of subscribing for Shares under this Prospectus.

12.12. Forecasts

The Directors have considered the matters set out in ASIC Policy Statement 170 and believe that they do not have a reasonable basis to forecast future earnings on the basis that the operations of the Company are yet to proceed past the Research and Development phase. Accordingly, any forecast or projection information would contain such a broad range of potential outcomes and possibilities that it is not possible to prepare a reliable best estimate forecast or projection.

13.0 DIRECTORS' AUTHORISATION

This Prospectus is issued by the Company and its issue has been authorised by a resolution of the Directors.

In accordance with Section 720 of the Corporations Act, each Director has consented to the lodgement of this Prospectus with the ASIC.

A handwritten signature in blue ink, appearing to read 'R Stroud', with a large loop at the top and a horizontal line across the middle.

Roger Stroud
Executive Chairman
For and on behalf of
Algae.Tec Limited

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14.0 GLOSSARY

Where the following terms are used in this Prospectus they have the following meanings:

A\$ or **\$** means an Australian dollar.

Application Form means the application form accompanying this Prospectus relating to the Offer.

ASIC means Australian Securities & Investments Commission.

ASX means ASX Limited (ABN 98 008 624 691) or the Australian Securities Exchange (as the context requires).

Biomass refers to any organic material used as a fuel or energy source.

Biofuel is a fuel made from biological materials (eg biodiesel, ethanol, biogas).

Bioreactor refers to a device or system that supports a biologically active environment.

Board means the board of Directors as constituted from time to time.

Business Day means a week day when trading banks are ordinarily open for business in Perth, Western Australia.

Company or **Algae.Tec** means Algae.Tec Limited (ABN 16 124 544 190).

Closing Date means the closing date of the Offer as set out in Section 4.3.

Constitution means the constitution of the Company.

Corporations Act means the Corporations Act 2001 (Cth).

Directors means the directors of the Company at the date of this Prospectus.

Equity Line of Credit means the equity line of credit granted by GEM to the Company dated 1 February 2010 as summarised in Section 11.3 of this Prospectus.

Exposure Period means the period of 7 days after the date of lodgement of this Prospectus, which period may be extended by the ASIC by not more than 7 days pursuant to Section 727(3) of the Corporations Act.

GEM means GEM Global Yield Fund Ltd.

Listing Rules means the official listing rules of ASX.

Minc means Minc Financial Services Pty Ltd.

Offer means the offer of Shares pursuant to this Prospectus as outlined in Section 4.

Official List means the Official List of ASX.

Official Quotation means official quotation by ASX in accordance with the Listing Rules.

Option means an option to acquire a Share.

Prospectus means this prospectus.

Securities means Shares and Options.

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

Share Registry means Computershare Investor Services Pty Ltd.

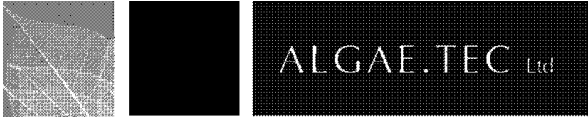
Shareholder means a holder of Shares.

WST means Western Standard Time, Perth, Western Australia.

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ABN 16 124 544 190

Application Form

This Application Form is important. If you are in doubt as to how to deal with it, please contact your stockbroker or professional adviser without delay. You should read the entire prospectus dated 16 July 2010 (Prospectus) carefully before completing this form. To meet the requirements of the Corporations Act, this Application Form must not be distributed unless included in, or accompanied by, the Prospectus.

Registry Use Only

Broker Code

Adviser Code

A

I/we apply for

Number of Shares in Algae.Tec Limited at A\$0.20 per Share or such lesser number of Shares which may be allocated to me/us

B

I/we lodge full Application Money

A\$

C

Individual/Joint applications - refer to naming standards overleaf for correct forms of registrable title(s)

Title or Company Name	Given Name(s)	Surname
<input type="text"/>	<input type="text"/>	<input type="text"/>

Joint Applicant 2 or Account Designation

Joint Applicant 3 or Account Designation

D

Enter your postal address - Include State and Postcode

Unit	Street Number	Street Name or PO Box /Other Information
<input type="text"/>	<input type="text"/>	<input type="text"/>

City / Suburb / Town	State	Postcode
<input type="text"/>	<input type="text"/>	<input type="text"/>

E

Enter your contact details

Contact Name

Telephone Number - Business Hours / After Hours
()

F

CHESSE Participant

Holder Identification Number (HIN)

X

Please note that if you supply a CHESSE HIN but the name and address details on your form do not correspond exactly with the registration details held at CHESSE, your application will be deemed to be made without the CHESSE HIN, and any securities issued as a result of the IPO will be held on the Issuer Sponsored subregister.

Payment details – Please note that funds are unable to be directly debited from your bank account

G

Drawer	Cheque Number	BSB Number	Account Number	Amount of cheque
<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	A\$ <input type="text"/>

Make your cheque or bank draft payable to “Algae.Tec Limited - Share Offer Account”

By submitting this Application Form, I/we declare that this application is completed and lodged according to the Prospectus and the declarations/statements on the reverse of this Application form and I/we declare that all details and statements made by me/us (including the declaration on the reverse of this Application Form) are complete and accurate. I/we agree to be bound by the Constitution of the Company.

How to complete this form

A Shares Applied for

Enter the number of Shares you wish to apply for. The application must be for a minimum of 10,000 Shares. Applications for greater than 10,000 Shares must be in multiples of 1,000 Shares.

B Application Monies

Enter the amount of Application Monies. To calculate the amount, multiply the number of Shares by the price per Share.

C Applicant Name(s)

Enter the full name you wish to appear on the statement of share holding. This must be either your own name or the name of a company. Up to 3 joint Applicants may register. You should refer to the table below for the correct forms of registrable title. Applications using the wrong form of names may be rejected. Clearing House Electronic Subregister System (CHES) participants should complete their name identically to that presently registered in the CHES system.

D Postal Address

Enter your postal address for all correspondence. All communications to you from the Registry will be mailed to the person(s) and address as shown. For joint Applicants, only one address can be entered.

E Contact Details

Enter your contact details. These are not compulsory but will assist us if we need to contact you.

F CHES

Algae.Tec Limited (the Company) will apply to the ASX to participate in CHES, operated by ASX Settlement and Transfer Corporation Pty Ltd, a wholly owned subsidiary of Australian Securities Exchange Limited. In CHES, the company will operate an electronic CHES Subregister of security holdings and an electronic Issuer Sponsored Subregister of security holdings. Together the two Subregisters will make up the Company's principal register of securities. The Company will not be issuing certificates to applicants in respect of Shares allotted. If you are a CHES participant (or are sponsored by a CHES participant) and you wish to hold Shares allotted to you under this Application on the CHES Subregister, enter your CHES HIN. Otherwise, leave this section blank and on allotment, you will be sponsored by the Company and allocated a Securityholder Reference Number (SRN).

G Payment

Make your cheque or bank draft payable to "Algae.Tec Limited - Share Offer Account" in Australian currency and cross it Not Negotiable. Your cheque or bank draft must be drawn on an Australian Bank.

Complete the cheque details in the boxes provided. The total amount must agree with the amount shown in box B. **Please note that funds are unable to be directly debited from your bank account.**

Cheques will be processed on the day of receipt and as such, sufficient cleared funds must be held in your account as cheques returned unpaid may not be re-presented and may result in your Application being rejected. Paperclip (do not staple) your cheque(s) to the Application Form where indicated. Cash will not be accepted. Receipt for payment will not be forwarded.

Before completing the Application Form the applicant(s) should read the Prospectus to which this application relates. By lodging the Application Form, the applicant agrees that this application for Shares in Algae.Tec Limited is upon and subject to the terms of the Prospectus and the Constitution of Algae.Tec Limited, agrees to take any number of Shares that may be allotted to the Applicant(s) pursuant to the Prospectus and declares that all details and statements made are complete and accurate. It is not necessary to sign the Application Form.

Lodgement of Application

Application Forms must be received by Computershare Investor Services Pty Limited Perth by no later than 5.00pm WST on 3 September 2010. You should allow sufficient time for this to occur. Return the Application Form with cheque(s) attached to:

Post

Computershare Investor Services Pty Limited
GPO Box D182
PERTH WA 6840

Delivery

Computershare Investor Services Pty Limited
Level 2 45 St. Georges Terrace
PERTH WA 6000

Neither CIS nor the Company accepts any responsibility if you lodge the Application Form at any other address or by any other means.

Privacy Statement

Personal information is collected on this form by Computershare Investor Services Pty Limited ("CIS"), as registrar for securities issuers ("the issuer"), for the purpose of maintaining registers of securityholders, facilitating distribution payments and other corporate actions and communications. Your personal information may be disclosed to our related bodies corporate, to external service companies such as print or mail service providers, or as otherwise required or permitted by law. If you would like details of your personal information held by CIS, or you would like to correct information that is inaccurate, incorrect or out of date, please contact CIS. In accordance with the Corporations Act 2001, you may be sent material (including marketing material) approved by the issuer in addition to general corporate communications. You may elect not to receive marketing material by contacting CIS. You can contact CIS using the details provided on the front of this form or e-mail privacy@computershare.com.au

If you have any enquiries concerning your application, please contact the Computershare Investor Services Pty Limited on 1300 557 010.

Correct forms of registrable title(s)

Note that ONLY legal entities are allowed to hold Shares. Applications must be made in the name(s) of natural persons, companies or other legal entities in accordance with the Corporations Act. At least one full given name and the surname is required for each natural person. The name of the beneficial owner or any other registrable name may be included by way of an account designation if completed exactly as described in the examples of correct forms of registrable title(s) below.

Type of Investor	Correct Form of Registration	Incorrect Form of Registration
Individual - Use given name(s) in full, not initials	Mr John Alfred Smith	J.A Smith
Joint - Use given name(s) in full, not initials	Mr John Alfred Smith & Mrs Janet Marie Smith	John Alfred & Janet Marie Smith
Company - Use company title, not abbreviations	ABC Pty Ltd	ABC P/L ABC Co
Trusts - Use trustee(s) personal name(s) - Do not use the name of the trust	Ms Penny Smith <Penny Smith Family A/C>	Penny Smith Family Trust
Deceased Estates - Use executor(s) personal name(s) - Do not use the name of the deceased	Mr Michael Smith <Est. John Smith A/C>	Estate of Late John Smith
Minor (a person under the age of 18) - Use the name of a responsible adult with an appropriate designation	Mr John Alfred Smith <Peter Smith A/C>	Peter Smith
Partnerships - Use partners personal name(s) - Do not use the name of the partnership	Mr John Smith & Mr Michael Smith <John Smith & Son A/C>	John Smith & Son
Clubs/Unincorporated Bodies/Business Names - Use office bearer(s) personal name(s) - Do not use the name of the club etc	Mrs Janet Smith <ABC Tennis Association A/C>	ABC Tennis Association
Superannuation Funds - Use the name of trustee of the fund - Do not use the name of the fund	John Smith Pty Ltd <Super Fund A/C>	John Smith Pty Ltd Superannuation Fund

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A Renewable Energy Business

Algae.Tec Limited
ABN 16 124 544 190

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Subiaco, Perth WA 6008

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