

AURORA ALGAE PTY LTD
Financial Statements
For the year ended 31 December 2016

Auditor's Independence Declaration

UNDER SECTION 307C OF THE CORPORATIONS ACT 2001

I declare that, to the best of my knowledge and belief, during the year ended 31 December 2016 there have been :

- (i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the Audit;
and
- (ii) no contraventions of any applicable code of professional conduct in relation to the audit

Cormac Sharkey & Co Audit Pty Ltd

Cormac Patrick Sharkey,

Level 1, 216 Stirling Hwy, CLAREMONT WA 6010

Statement of Profit or Loss and Other Comprehensive Income For the year ended 31 December 2016

	Note	<u>2016</u>	<i>In AUD</i> <u>2015</u>
Revenue	4	1,579,193	8,987,097
Gross profit		1,579,193	8,987,097
Administration expenses	5	(268,389)	(756,070)
Profit before income tax		1,310,804	8,231,027
Income tax (credit) expense		-	-
Profit for the year		1,310,804	8,231,027
Other comprehensive income:			
Items that will not be reclassified to profit or loss:			
Items that will be reclassified subsequently to profit or loss when specific conditions are met:			
Total other comprehensive income for the year, net of tax		-	-
Total comprehensive income for the year		1,310,804	8,231,027

Statement of Financial Position as at 31 December 2016

	Note	<u>2016</u>	<i>In AUD</i> <u>2015</u>
Assets			
Current Assets			
Cash assets	6	34,246	15,162
Receivables	7	169,056	169,056
Current tax assets	8	5,470	5,527
Total Current Assets		<u>208,772</u>	<u>189,746</u>
Total Assets		208,772	189,746
Liabilities			
Current Liabilities			
Payables	9	26,116,532	27,408,311
Total Current Liabilities		<u>26,116,532</u>	<u>27,408,311</u>
Non-Current Liabilities			
Financial liabilities	10	23,007,411	23,007,411
Total Non-Current Liabilities		<u>23,007,411</u>	<u>23,007,411</u>
Total Liabilities		<u>49,123,943</u>	<u>50,415,722</u>
Net Assets (Liabilities)		<u><u>(48,915,171)</u></u>	<u><u>(50,225,976)</u></u>
Equity			
Reserves	11	6,175,875	6,175,875
Retained profits / (Accumulated losses)		(55,091,046)	(56,401,851)
Total Equity (Deficiency)		<u><u>(48,915,171)</u></u>	<u><u>(50,225,976)</u></u>

Statement of Cash Flows for the year ended 31 December 2016

	Note	2016	<i>In AUD</i> 2015
Cash Flow From Operating Activities			
Receipts from other entities		1,496,227	8,715,843
Payments to Suppliers and employees		(1,560,109)	(9,002,420)
Interest received		82,966	271,154
Net cash provided by (used in) operating activities	3	19,084	(15,323)
Net increase (decrease) in cash held		19,084	(15,323)
Cash at the beginning of the year		15,162	30,486
Cash at the end of the year	2	34,246	15,162

Statement of Changes in Equity for the year ended 31 December 2016

	<u>Common Stock</u>	<u>Retained Profit</u>	<u><i>In AUD</i></u> <u>Total</u>
Balance as at 1 January 2015	6,175,875	(64,632,878)	(58,457,003)
Profit for the year	-	8,231,027	8,231,027
Total comprehensive loss for the year		<u>8,231,027</u>	<u>8,231,027</u>
Securities issued during the year	-	-	-
Capital issued costs	-	-	-
Cost of share based payments	-	-	-
Balance as at 31 December 2015	<u>6,175,875</u>	<u>(56,401,851)</u>	<u>(50,225,976)</u>
Profit for the year	-	1,310,804	1,310,804
Total comprehensive Profit for the year	-	<u>1,310,804</u>	<u>1,310,804</u>
Ordinary share – partly paid written off	-	-	-
Securities issued during the year	-	-	-
Capital issued costs	-	-	-
Cost of share based payments	-	-	-
Balance as at 31 December 2016	<u>6,175,875</u>	<u>(55,091,047)</u>	<u>(48,915,172)</u>

Notes to Financial Statements for the year ended 31 December 2016

Note 1: Summary of Significant Accounting Policies

AURORA ALGAE PTY LTD is a company limited by shares, incorporated and domiciled in Australia.

Basis of Preparation

The directors have prepared the financial statements on the basis that the company is a non-reporting entity because there are no users dependant on general purpose financial statements. The financial statements are therefore special purpose financial statements that have been prepared in order to meet the requirements of the Corporations Act 2001.

The company is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

These financial statements have been prepared in accordance with the recognition and measurement requirements specified by the Australian Accounting Standards and Interpretations and the disclosure requirements of AASB 101 Presentation of Financial Statements, AASB 107 Statement of Cash Flows, AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors and AASB 1054 Australian Additional Disclosures.

The financial statements, except for cash flow information, have been prepared on an accruals basis and are based on historical costs unless otherwise stated in the notes. The material accounting policies that have been adopted in the preparation of the statements are as follows:

Accounting Policies

(a) Financial Instruments

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions of the instrument and have been maintained at the initial value as presented in the financial statements.

(b) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the statement of financial position.

(c) Revenue and Other Income

Revenue is measured at the fair value of the consideration received or receivable after taking into account any trade discounts and volume rebates allowed. Any consideration deferred is treated as the provision of finance and is discounted at a rate of interest that is generally accepted in the market for similar arrangements. The difference between the amount initially recognised and the amount ultimately received is interest revenue.

Interest revenue is recognised using the effective interest method, which for floating rate financial assets is the rate inherent in the instrument.

(d) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO).

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the ATO is included with other receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to, the ATO are presented as operating cash flows included in receipts from customers or payments to suppliers.

(e) Trade and Other Payables

Trade and other payables represent the liability outstanding at the end of the reporting period for goods and services received by the company during the reporting period, which remain unpaid. The balance is recognised as a current liability with the amounts normally paid within 30 days of recognition of the liability.

Notes to Financial Statements for the year ended 31 December 2016

Note 2. Reconciliation of Cash

For the purposes of the statement of cash flows, cash includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts.

Cash at the end of the year as shown in the statement of cash flows is reconciled to the related items in the balance sheet as follows:

	<i>In AUD</i>	
	2016	2015
Westpac Banking Checking 400367	34,246	5,091
Westpac Bank R&D 368549	0	10,071
	<u>34,246</u>	<u>15,162</u>

Note 3. Reconciliation Of Net Cash Provided By/Used In Operating Activities To Net Profit

Operating profit (loss) after tax	1,310,804	8,231,027
Changes in assets and liabilities net of effects of purchases and disposals of controlled entities:		
Increase (decrease) in trade creditors and accruals	(41,056)	41,056
Increase (decrease) in other creditors	(1,250,723)	(8,280,193)
Increase (decrease) in lease liabilities	(0)	(7,102)
Increase (decrease) in sundry provisions	58	(111)
Net cash provided by (used in) operating activities	<u>19,083</u>	<u>(15,323)</u>

Note 4. Income

Interest received	82,966	271,154
R&D Tax Concession Grant	1,496,227	8,715,943
Total income	<u>1,579,193</u>	<u>8,987,097</u>

Notes 5. Expenses

Accounting and tax	79,205	416,188
Communication	6,398	16,779
Consulting, legal&outside professional services	157,553	221,058
Insurance	10,048	15,524
Office expenses, supplies & rentals	11,648	15,332
Office rental & janitorial	0	55,111
Travel, accommodation&transport	3,517	16,078
Total expenses	<u>268,389</u>	<u>756,070</u>
Profit from Ordinary Activities before income tax	<u>1,310,804</u>	<u>8,231,027</u>

Notes to Financial Statements for the year ended 31 December 2016

	2016	<i>In AUD</i> 2015
	<u> </u>	<u> </u>
Note 6. Cash Assets		
Westpac Banking Checking 400367	34,246	5,091
Westpac Bank R&D 368549	0	10,071
	34,246	15,162
Note 7. Receivables		
Inter-company receivable - US	169,056	169,056
	169,056	169,056
Note 8. Current Tax Assets		
Good and Services Tax (GST)	5,470	5,527
	5,470	5,527
Note 9. Payables		
Unsecured:		
Accounts Payable - Trade	(14)	41,042
Accrued A/P Unvouched liabilities	0	12,000
Inter-company Payables US	26,116,546	27,355,269
	26,116,532	27,408,311
Note 10. Financial Liabilities		
Secured:		
Inter-company Notes Payable LT	23,007,411	23,007,411
	23,007,411	23,007,411
Note 11. Reserves		
Common Stock	6,175,875	6,175,875
	6,175,875	6,175,875

Independent Auditor's Report

We have audited the accompanying financial report, being a special purpose financial report, of AURORA ALGAE PTY LTD (the company), which comprises the Directors' Declaration, the Statement of Profit or Loss and Other Comprehensive Income, the Statement of Financial Position, Statement of Cash Flows, Statement of Changes In Equity, notes comprising a summary of significant accounting policies and other explanatory information, for the year ended 31 December 2016.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view and have determined that the accounting policies described in Note 1 of the financial report are appropriate to meet the requirements of the Corporations Act 2001 and to meet the needs of the members. The directors' responsibility also includes such internal control as the directors determine is necessary to enable the preparation of a financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the financial report that gives a true and fair view, in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001. We confirm that the independence declaration required by the Corporations Act 2001, which has been given to the directors of AURORA ALGAE PTY LTD, would be in the same terms if given to the directors as at the time of the auditor's report.

Opinion

In our opinion the financial report of AURORA ALGAE PTY LTD is in accordance with the Corporations Act 2001, including:

- (a) giving a true and fair view of the company's financial position as at 31 December 2016 and of its performance for the year ended on that date in accordance with the accounting policies described in Note 1; and
- (b) complying with Australian Accounting Standards to the extent described in Note 1 and complying with the Corporations Regulations 2001.

Basis of Accounting

Without modifying our opinion, we draw attention to Note 1 to the financial report, which describes the basis of accounting. The financial report has been prepared for the purpose of fulfilling the directors' financial reporting responsibilities under the Corporations Act 2001. As a result, the financial report may not be suitable for another purpose.

Signed on : 9 March, 2017

Cormac Patrick Sharkey,

Cormac Sharkey & Co Audit Pty Ltd

Level 1, 216 Stirling Hwy, CLAREMONT WA 6010