



PITCHER PARTNERS

Pitcher Partners Accountants & Advisors WA Pty Ltd

ABN 30 620 118 005

Level 11, 12-14 The Esplanade
Perth WA 6000

Postal Address
PO Box 5622
St Georges Terrace
Perth WA 6831

Tel +61 8 9322 2022

Fax +61 8 9322 1262

www.pitcher.com.au

23 September 2020

ASX Perth
Level 40, 152-158 St Georges Terrace
Perth WA 6000

Re: Affinity Energy and Health Limited (Subject to Deed of Company Arrangement) A.C.N 124 544 190 "AEB" (the company)

We refer to our previous announcement on 24 August 2020, and now advise that a notice of meeting, explanatory memorandum and Independent Experts Report, for shareholders to consider the proposed share restructure of the company under the DOCA is available online. The meeting is convened for 26 October 2020.

Under *Corporations (Coronavirus Economic Response) Determination (No.3) 2020*, there are modifications to allow notices of meeting and materials to be provided online, not posted, where it can be viewed and downloaded.

The online access is via this ASX announcements portal at:
<https://www.asx.com.au/asx/share-price-research/company/AEB> or,
www.affinityenergyhealth.com.

If any shareholder requires a copy to be mailed to them, please call Steve Nicols of Benelong Capital Partners, being the proponent of the DOCA, on + 61 2 9299 2289, or email steve@benelong.com.

Authorisation:

This announcement is authorised by Daniel Bredenkamp as Joint and Several Deed Administrator.

**AFFINITY ENERGY AND HEALTH LIMITED
ACN 124 544 190**

(SUBJECT TO DEED OF COMPANY ARRANGEMENT)

NOTICE OF GENERAL MEETING OF SHAREHOLDERS AND EXPLANATORY STATEMENT

**For a General Meeting of Shareholders to be held on Monday, 26th October 2020 at 11:00am
(AEDT) at Nicols and Brien Chartered Accountants, Level 2, 350 Kent Street, Sydney, New
South Wales, Australia**

TO SHAREHOLDERS

Dear Shareholder

22 September 2020

As you may be aware, on 5 February 2019 the Company's Shares were suspended from quotation on the official list of the Australian Securities Exchange ("**ASX**").

On 1 July 2020, Mr Bryan Hughes and Mr Daniel Bredenkamp, of Pitcher Partners Perth, were appointed Voluntary Administrators of the Company.

A proposal from Benelong Capital Partners Pty Ltd ("**Benelong**"), for the restructure and recapitalisation of the Company via a Deed of Company Arrangement and Creditors Trust, was submitted on 27 July 2020 ("**Recapitalisation Proposal**"). A creditors meeting was convened by the Voluntary Administrators to consider the Recapitalisation Proposal. Creditors accepted the Recapitalisation Proposal on the 4 August 2020.

The Recapitalisation Proposal requires, and is subject to, various approvals being obtained from the Shareholders ("**Resolutions**"). A summary of the Resolutions being put forward at the Meeting are as follows:

- (1) The company to consolidate shares and options 1:286;
- (2) The company to allot and issue 96,591,000 shares to raise \$294,941;
- (3) New directors be appointed to the Company; and

Accordingly, the Directors, with the consent of the Deed Administrator, have called a General Meeting of the Company to consider the Resolutions ("**Meeting**"). The Meeting will be held at 11.00am (Sydney Time) at the premises of Nicols and Brien, Level 2, 350 Kent Street, Sydney NSW on Monday, 26th October 2020.

Enclosed with this letter are the Notice of General Meeting ("**Notice**"), the Explanatory Statement and a Proxy Form.

The Recapitalisation Proposal is also subject to the following conditions ("**Conditions**"), summarised as follows:

- (a) Payment of \$120,000 to the Deed Administrator, and shareholder approval to issue 1,250,000 post consolidated shares to the trustee of the Creditors Trust;
- (b) the Deed Administrator retiring from office upon collection of the \$120,000, and all creditors claims extinguished;
- (c) the Resolutions being approved without amendment; and
- (d) creditors with a security interest registered on the PPSR Register remove such interest from the personal property securities register established by the Personal Property Securities Act, 2009, upon payment by Benelong of a further \$120,000 and approval to issue them with 2,800,000 post consolidated shares.

If the Conditions are not met or waived by 31 October 2020 or such or other date as agreed by the Deed Administrator and Benelong or if it appears the terms of the DOCA cannot be fulfilled then the Deed Administrator may take steps to place the Company into liquidation.

In considering the Resolutions, Shareholders should bear in mind the Company's current financial circumstances. As mentioned above, the Company's Shares have been suspended from quotation on the ASX since 5 February 2019 and the Company requires recapitalisation in order to continue its operations and to seek reinstatement of its Shares to official quotation on the ASX. The company will have to comply with Chapters 1 and 2 of the ASX Listing Rules. ASX has absolute

discretion in deciding whether or not to re-admit the company to the official list and to quote its securities. This means the Company may not be reinstated and the shares may never be quoted. Also, new shares that are issued under the resolutions proposed in this notice of meeting, may be subject to escrow.

Ultimately, if the Resolutions are approved and implemented, the Company will be debt free, and in a position to seek opportunities to create shareholder wealth.

If the Resolutions are not approved and the Conditions have not been met by the time stated in the DOCA, the DOCA may terminate in which case the Company may be placed into liquidation. It is expected that there will be no return to Shareholders in a liquidation.

Preparation of and responsibility for this document

The Deed Administrators have given their consent to convene the meeting and to despatch this Notice and the Explanatory Statement, but expresses no opinion about any of the contents (including but not limited to, any statements regarding the Recapitalisation Proposal).

The Deed Administrators have not independently verified any of the information contained in this Notice or Explanatory Statement. Neither the Deed Administrators nor any servants, representatives, agents or employees of the Deed Administrator's firm make any representations or warranties (express or implied) as to the accuracy, reasonableness or completeness of the information contained in this Notice or the Explanatory Statement.

To the fullest extent permitted by law, all such parties and entities expressly disclaim any and all liability for, based on or relating to, any such information contained in or omissions from this Notice and the Explanatory Statement.

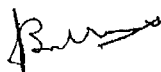
The Deed Administrators make no recommendation about how shareholders should vote on the resolutions contained in this Notice and they have not undertaken any due diligence in relation to the Recapitalisation Proposal and have relied upon discussions with the Proponent and their advisors.

The ASX does not take any responsibility for the contents of this Notice of Meeting, and the fact that the ASX may re-admit the Company's securities to quotation on its official list is not to be taken in any way as an indication of the merits of the Company.

Investment Decisions

This document does not take into account the individual investment objectives, financial situation or particular needs of any other person. Shareholders should seek professional advice from a licensed financial advisor, accountant, stockbroker, lawyer or other appropriate adviser.

Yours faithfully



Mr Bryan Hughes and Mr Daniel Bredenkamp – Deed Administrators

Affinity Energy and Health Limited (ACN 124 544 190)
(Subject to Deed of Company Arrangement)

BUSINESS OF THE MEETING

Agenda

Resolution 1 – Consolidation of Existing Shares and Options

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

“That, subject to the passing of Resolutions 2 to 8 for the purposes of Section 254H of the Corporations Act and Listing Rules 7.20 and 7.22.1 and for all other purposes, approval is given for the Company’s existing ordinary shares and Options be consolidated on a 1:286 basis, (“Consolidation”), with any fractions rounded down.”

Resolution 2 – Allotment and Issue of Shares to Enzion Pty Ltd

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

“That subject to the passing of Resolutions 1, 3 and 4 to 8, approval is given for the Company to issue 92,000,000 Shares at \$0.0032 per Share to Enzion Pty Ltd to raise \$294,400 on the terms and conditions set out in the Explanatory Statement and such an issue is approved under and for the purposes of ASX Listing Rule 7.1 and Item 7 of Section 611 of the Corporations Act”.

Note: The maximum level of voting power will be 92% (approx) if this resolution is passed along with all other resolutions.

Voting Exclusion: The Company will disregard any votes cast in favour of this resolution by or on behalf of Enzion Pty Ltd or their nominee or any associate of Enzion Pty Ltd. However, this does not apply to a vote cast in favour of a resolution by:

- a person as proxy or attorney for a person who is entitled to vote on the resolution, in accordance with directions given to the proxy or attorney to vote on the resolution in that way; or
- the chair of the meeting as proxy or attorney for a person who is entitled to vote on the resolution, in accordance with a direction given to the chair to vote on the resolution as the as the chair decides; or
- a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
 - the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting, on the resolution; and
 - the holder votes on the resolution in accordance with directions given by the beneficiary to the holder to vote in that way.

Resolution 3 – Allotment and Issue of Shares to secured creditor

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

“That, subject to the passing of Resolutions 1, 2 and 4 to 8, approval is given to the Company to allot and issue 2,800,000 fully paid ordinary shares in the capital of the Company to Magna, or M E F I, L.P or their nominee, at an issue price of \$Nil to raise \$Nil and otherwise on the terms set out in the Explanatory Statement accompanying this Notice and such an issue is approved under and for the purposes of ASX Listing Rule 7.1”

Note: The maximum level of voting power will be 2.8% (approx) if this resolution is passed along with all other resolutions.

Voting Exclusion: The Company will disregard any votes cast in favour of this resolution by or on behalf of Magna, or M E F I, L.P. or their nominees or any associates of that person. However, this does not apply to a vote cast in favour of a resolution by:

- a person as proxy or attorney for a person who is entitled to vote on the resolution, in accordance with directions given to the proxy or attorney to vote on the resolution in that way; or
- the chair of the meeting as proxy or attorney for a person who is entitled to vote on the resolution, in accordance with a direction given to the chair to vote on the resolution as the as the chair decides; or
- a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
 - the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting, on the resolution; and
 - the holder votes on the resolution in accordance with directions given by the beneficiary to the holder to vote in that way.

Resolution 4 – Allotment and Issue of Shares to the Creditors Trust

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

“That, subject to the passing of Resolutions 1, 2, 3 and 5 to 8, approval is given to the Company to allot and issue 1,250,000 fully paid ordinary shares in the capital of the Company to the Trustees of Affinity Energy and Health Creditors Trust, at an issue price of \$Nil to raise \$Nil and otherwise on the terms set out in the Explanatory Statement accompanying this Notice and such an issue is approved under and for the purposes of ASX Listing Rule 7.1”

Note: The maximum level of voting power will be 1.25% (approx) if this resolution is passed along with all other resolutions.

Voting Exclusion: The Company will disregard any votes cast in favour of this resolution by or on behalf of the Trustees of Affinity Energy and Health Creditors Trust or their nominees or any associates of that person. However, this does not apply to a vote cast in favour of a resolution by:

- a person as proxy or attorney for a person who is entitled to vote on the resolution, in accordance with directions given to the proxy or attorney to vote on the resolution in that way; or
- the chair of the meeting as proxy or attorney for a person who is entitled to vote on the resolution, in accordance with a direction given to the chair to vote on the resolution as the as the chair decides; or
- a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
 - the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting, on the resolution; and
 - the holder votes on the resolution in accordance with directions given by the beneficiary to the holder to vote in that way.

Resolution 5 – Allotment and Issue of Shares to Benelong Capital Partners Pty Ltd

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

“That, subject to the passing of Resolutions 1 to 4 and 6 to 8, approval is given to the Company to allot and issue 541,000 fully paid ordinary shares in the capital of the Company to Benelong Capital Partners Pty Ltd, at an issue price of \$0.001 to raise \$541.00 and otherwise on the terms set out in the Explanatory Statement accompanying this Notice and such an issue is approved under and for the purposes of ASX Listing Rule 7.1”

Note: The maximum level of voting power will be 0.05% (approx) if this resolution is passed along with all other resolutions.

Voting Exclusion: The Company will disregard any votes cast in favour of this resolution by or on behalf of Benelong Capital Partners Pty Ltd or their nominees or any associate of that person. However, this does not apply to a vote cast in favour of a resolution by:

- a person as proxy or attorney for a person who is entitled to vote on the resolution, in accordance with directions given to the proxy or attorney to vote on the resolution in that way; or
- the chair of the meeting as proxy or attorney for a person who is entitled to vote on the resolution, in accordance with a direction given to the chair to vote on the resolution as the as the chair decides; or
- a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
 - the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting, on the resolution; and
 - the holder votes on the resolution in accordance with directions given by the beneficiary to the holder to vote in that way.

Resolution 6 – Appointment of Mr Gregory Barry Starr as a Director

To consider and, if thought fit, to pass the following resolution as an **ordinary resolution**:

“That, subject to the passing of Resolutions 1 to 5, and 7 and 8, Gregory Barry Starr, being eligible and having consented to act, be elected as a director of the Company, with effect from close of the General Meeting.”

Resolution 7 – Appointment of Mr Steven Nicols as a Director

To consider and, if thought fit, to pass the following resolution as an **ordinary resolution**:

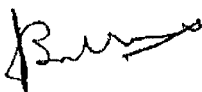
“That, subject to the passing of Resolutions 1 to 6, and 8, Steven Nicols, being eligible and having consented to act, be elected as a director of the Company, with effect from close of the General Meeting.”

Resolution 8 – Appointment of Mr Benson Zuo as a Director

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

“That, subject to the passing of Resolutions 1 to 7, Benson Zuo, being eligible and having consented to act, be elected as a director of the Company, with effect from close of the General Meeting.”

DATED: 22 September 2020



By order of the Board

Mr Bryan Hughes and Mr Daniel Bredenkamp
Deed Administrators

Affinity Energy and Health Limited (Subject to Deed of Company Arrangement).
ACN 124 544 190

NOTES:

1. A Shareholder of the Company who is entitled to attend and vote at a general meeting of Shareholders is entitled to appoint not more than two proxies. Where more than one proxy is appointed, each proxy must be appointed to represent a specified proportion of the Shareholder's voting rights. If the Shareholder appoints two proxies and the appointment does not specify this proportion, each proxy may exercise half of the votes. A proxy need not be a shareholder of the Company.
2. Where a voting exclusion applies, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote in accordance with the directions on the proxy form or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.
3. For the purposes of Regulation 7.11.37 of the Corporations Act, the Deed Administrators have determined that the shareholding of each Shareholder for the purposes of ascertaining their voting entitlements for the Meeting will be as it appears on the Company's share register at 11:00 am (Sydney Time) on Saturday 24th October 2020 (the Entitlement Time). Accordingly, only those persons registered as holders of Shares at the Entitlement Time will be entitled to attend and vote at the Meeting. Transactions registered after that time will be disregarded in determining Shareholders entitled to attend and vote at the Meeting.
4. In accordance with Section 250BA of the *Corporations Act 2001* the Company specifies the following information for the purposes of receipt of proxy appointments:

Mail and physical address

C/- Nicols and Brien Chartered Accountants
Level 2, 350 Kent Street,
Sydney NSW 2000
AUSTRALIA

Facsimile: +61 2 9299 2239

The instrument appointing the proxy must be received by the Company at the address specified above at least forty eight (48) hours before the time notified for the meeting (proxy forms can be lodged by facsimile). Any proxy form received after that time will not be valid for the scheduled meeting.

For any questions, please call Steve Nicols on phone +61 2 9299 2289 or email to steve@benelong.com

EXPLANATORY STATEMENT

1. GENERAL INFORMATION

This Explanatory Statement has been prepared for the Shareholders of Affinity Energy and Health Limited (**Company**)(**AEB**)(Subject to Deed of Company Arrangement) in connection with the Resolutions 1-8 (inclusive) to be considered at the General Meeting of the Company's Shareholders to be held Nicols and Brien, Level 2, 350 Kent Street, Sydney, New South Wales at 11.00a.m. (Sydney Time) on Monday, 26th October 2020 ("**Meeting**").

The purpose of this Explanatory Statement is to provide information to Shareholders which is considered to be material to them in deciding whether or not to pass the Resolutions in the Notice of General Meeting of the Company ("**Notice**").

Shareholders should read this Explanatory Statement in full because individual sections do not give a comprehensive review of the Resolutions. In addition, this Explanatory Statement should be read in conjunction with the accompanying Notice.

In considering the Resolutions, Shareholders must bear in mind the current financial circumstances of the Company. In this regard, Shareholders should note that reports have been made by the Company's appointed Administrator in accordance with the Corporations Act. The reports set out in detail the financial position of the Company, the actions and investigations to be taken by the Administrator and the reasons for the current status of the Company. The Administrator's reports are available by contacting Pitcher Partners on phone (08) 9322 2022 or Steve Nicols on phone (02) 9299 2289, who can arrange for copies to be sent.

If all of the Resolutions are passed and the Recapitalisation Proposal proposed by Benelong is completed, the Company will be debt free and solvent. Completion of the Benelong proposal will not be enough to meet the ASX Listing Rule requirements for re-quotations. Re-quotations is a difficult exercise (among other things, the company will be required to re-comply with Chapters 1 and 2 of the ASX Listing Rules), and the completion of the Recapitalisation Proposal will not guarantee the reinstatement of the company to the official list of the ASX. ASX has absolute discretion in deciding whether or not to re-admit the company to the official list and to quote its securities. This means the Company may not be reinstated and the shares may never be quoted. Also, new shares that are issued under the resolutions proposed in this notice of meeting, may be subject to escrow. If Shareholders do not approve the Resolutions and consequently and as a consequence the Recapitalisation Proposal is rejected, the Company will likely go into liquidation and it is likely that there will be no return to Shareholders .

1.1 Background

A general background in respect of the appointment of the Administrator is set out in the letter by the Deed Administrator to Shareholders accompanying the Notice ("**Letter**").

1.2 History of the Company

The Company was incorporated on 22 March 2007, and its initial business was biotechnology, natural oils and algae related technologies. The company was admitted to the ASX official list on 13 January 2011. These ventures were not successful and the company took a new direction into the cannabis business, with an attempt to commence a business in Malta. However, a lack of funding and accumulating losses led to the company appointing a voluntary administrator on 1 July 2020.

1.3 Summary of the terms of the Recapitalisation Proposal

Set out below is a detailed summary of the Recapitalisation Proposal.

The Recapitalisation Proposal provides for the appointment of three New Directors.

The essential terms of the Recapitalisation Proposal are as follows:

- (a) Consolidation of shares and options on a 1 : 286 basis;
- (b) Placement to exempt, professional and sophisticated investors, whom will subscribe in aggregate for 92,541,000 shares to raise \$294,941;
- (c) Placement of 4,050,000 shares to creditors for nil consideration;
- (d) The New Directors and a new company secretary for the Company will be appointed.
- (e) Payment of \$120,000 to the Deed Administrator to effectuate the Deed of Company Arrangement, plus Benelong will pay \$120,000 to the secured creditor to release its security.

The Benelong Recapitalisation Proposal was submitted to the company by Benelong on 27 July 2020. It was accepted by the creditors of the company on 4 August 2020. The recapitalisation proposal also needs shareholder approval. The Resolutions put forward in the Meeting are for the purposes of implementing the Recapitalisation Proposal. The key terms of the DOCA are that Benelong is to ensure \$120,000 is paid into the Deed Fund plus 1,250,000 post consolidation shares into the creditors trust; Benelong to pay \$120,000 to the secured creditor and ensure 2,800,000 post consolidation shares are issued to the secured creditor; ASX fees and ASIC fees paid from a \$38,000 non-refundable deposit paid by Benelong; Directors will be changed; creditors debts are extinguished; residual assets, if any, to be held by the Deed Administrator as Trustee of the creditors trust; the company is removed from External Administration; the Deed Administrator retires; the conditions precedent are that shareholders pass all resolutions of the recapitalisation proposal.

The Recapitalisation Proposal involves the simultaneous completion or “effectuation” of the Deed of Company Arrangement when the shareholders pass all the resolutions. The Company will also be released from all Creditors Claims estimated at \$6,521,000 and will have nil liabilities once Completion occurs.

1.4 New Directors

Proposed Director Mr Gregory Barry Starr BBus UTS, CPA

Mr Starr is an experienced public company director holding senior board positions in a number of ASX listed companies over 20 years. He has been involved in many M&A and debt and equity financial transactions.

Over the past 3 years Mr Starr has held executive and non-executive board positions on ASX listed companies, Diatrema Resources Limited, Azure Health Technology Limited, Ephraim Resources Ltd, World.Net Services Ltd and BIR Financial Limited.

Mr Starr brings significant corporate governance and investor relations experience in ASX listed companies to the Board.

Proposed Director Mr Steven Nicols B.Comm UNSW, Chartered Accountant

Mr Nicols is the founder of Benelong Capital Partners Pty Ltd, a firm that specialises in recapitalising ASX listed companies. Benelong has operated since 2010. Mr Nicols has

assisted in 25 re-capitalisations in this time. Several of these companies have re-quoted on the ASX and achieved market capitalisations of over \$100 million.

Mr Nicols has been a director of many ASX listed companies. Mr Nicols is also the founder of Nicols + Brien, an insolvency practice with offices in Sydney and Wollongong. It has 8 highly qualified staff, and was founded 22 years ago.

Mr Nicols brings a wealth of experience in managing the growth of junior listed companies. This includes corporate governance matters, as well as transaction structuring and execution.

In the three years immediately before the date of this Notice, Mr Nicols held three other ASX listed company directorship, namely BIR Financial Limited, Ephraim Resources Ltd and Anaeco Limited.

Proposed Director Mr "Benson" Zuo, a.k.a. Mr Zhi Bang Zuo, B Com Macquarie University

Mr Zuo is the founder and managing partner at Azores Capital, a firm that assists developing companies in Shanghai and Hong Kong. Mr Zuo is also the sole director and shareholder of Enzion Pty Ltd.

In the 3 years immediately before the date of this notice, Mr Zuo did not hold any ASX listed company directorships.

1.5 ASX Listing

The Company is admitted to the Official List of ASX. However trading in the Company's Shares was suspended on 5 February 2019. Trading in the Shares will not recommence until all Resolutions are passed and not until the Company complies with Chapters 1 and 2 of the Listing Rules, or until ASX advises otherwise.

The intention of the New Directors with regard to the business of the Company is to use the working capital to be injected into the Company via the Recapitalisation Proposal for the purposes described in Section 1.11 of this Statement. The New Directors' plan is to identify and assess potential acquisition opportunities of a material asset and undertake a reverse takeover. There is no certain timeframe as to when this may occur. There is no present intention for any party to inject further capital into the Company apart from that already stated in the Recapitalisation Proposal.

1.6 Advantages and Disadvantages of the Recapitalisation Proposal

Advantages

- 1.6.1 The passing and consummation of Resolutions 1 to 8 as part of the recapitalisation proposal would result in a net cash position of approximately \$30,000 (assuming the capital raising of the \$294,941 referred to above) and having a company with minimal or no liabilities, compared with the current position whereby the Company has one asset, namely a recoverable debtor of \$200,000, and significant debts of some \$6,521,000 to pay.
- 1.6.2 If the proposals per Resolutions 1 to 8 are consummated as part of the recapitalisation process, the net cash asset backing of a AEB share rises from nil cents to approximately \$0.0003 per share.
- 1.6.3 If Resolutions 1 to 8 are passed together with the completion of the recapitalisation proposal, the Company's chances to continue to investigate opportunities are enhanced as without the recapitalisation, it is likely that the Company may be dissolved and struck off. The Company would need to find a new business and raise additional funds so that it could meet the Listing Rules.

- 1.6.4 The proposed directors bring additional expertise to the Company in that such Directors have financial, legal, finance and corporate experience and/or experience as directors or managers of trading entities. Paragraph 1.4 above discloses the background of the proposed directors.

Disadvantages

- 1.6.5 A significant dilution of existing shareholders will occur. i.e. they will own approximately 4% as compared to 100% now of the expanded issued capital of the Company after the passing of Resolutions 1 to 8 (the passing of Resolutions 1 to 8 are dependent on all resolutions being passed). However, we note that AEB will be partly recapitalised with approximately \$30,000 in net cash (assuming completion of the \$294,941 total capital raising), will have no debt and will have the opportunity to consider the acquisition of other assets or businesses. It is assumed that all investors will obtain a benefit particularly if the Company's shares can be re-quoted on ASX (the Company will need to re-comply with Chapters 1 and 2 of the ASX Listing Rules). ASX has absolute discretion in deciding whether or not to re-admit the company to the official list and to quote its securities. This means the Company may not be reinstated and the shares may never be quoted. Also, any new shares that are issued under the resolutions proposed in this notice of meeting, may be subject to escrow.
- 1.6.6 The Company would only have approximately net cash of \$30,000 after the issue of the 92.45 million shares for a total capital raising of \$294,941 per Resolution 2 and 5. The Company would still need to find a new business and raise additional funds so that it could meet the Listing Rules. In the absence of a superior offer (made before shareholders vote on Resolutions 1 to 8) then shell value does not exist and it is quite possible in the absence of any other recapitalisation proposal, the Company could be placed into liquidation.
- 1.6.7 If the Company seeks new business opportunities, there is no guarantee that such businesses will be profitable.

1.7 Conclusion

The Resolutions 1 to 8 set out in the Notice are important and affect the future of the Company. All of the Resolutions 1 to 8 need to be approved in order to implement the Recapitalisation Proposal. Shareholders are therefore urged to give careful consideration to the Notice the contents of this Statement.

1.8 Capital Raising

The Company intends to raise \$294,941 by issuing approximately 92.541 million shares each to exempt, professional and sophisticated investors identified or introduced by Benelong (Placement).

Funds raised under the Placement will be used in accordance with the table set out in Section 1.11 below.

1.9 Financial Effect of Placement

The completion of the Placement will increase the Company's cash balance by \$294,941 (before costs) and also increase the Company's issued capital by the same amount.

The Company's only asset will be the cash raised under the Placement, less any amounts expended in accordance with the table set out in Section 1.11.

The Company has not presented pro forma financial information in relation to the transactions as recent historical audited financial information is not available owing to the

Company being in administration. In addition, the Deed Administrators are of the opinion that to present a financial position based on this historical information would not be representative of the Company's current financial position.

1.10 Control Implications

The Company is seeking shareholder approval under Corporations Act, Section 611 and Item 7 for the purposes of Resolution 2.

A table showing the impact of the various issues of securities pursuant to this Notice on the aggregated Shareholding interests of existing Shareholders is set out below (on a post Consolidation basis).

	Before		After	
	# Shares	% of Shares	# of Shares	% of Shares (Approx)
Change as a result of Share issue only				
Existing Shareholders	974,925,475	100%	3,409,000	3.41%
Magna U.S.A	0	0%	2,800,000	2.8%
Creditors Trust	0	0%	1,250,000	1.25%
Benelong Capital Partners Pty Ltd	0	0%	541,000	0.54%
Enzion Pty Ltd	0	0%	92,000,000	92%
		TOTAL	100,000,000	100%

1.11 Purpose of funds to be raised under the Recapitalisation Proposal

The Recapitalisation Proposal seeks to raise the sum of \$294,941 through issues of Shares to sophisticated, professional or other exempt investors who do not require a disclosure document under section 708 of the Corporations Act. The purpose of these capital raisings are to:

- pay for the Deed of Company Arrangement ("**DOCA**"), payment to creditors so as to remove the Company from Administration and to extinguish all liabilities;
- pay for the recapitalisation costs, detailed below;
- provide working capital to meet the administration costs of the Company.

An estimated budget is set out below.

Estimated Use of Funds – Expenditure Budget

Total funds raised \$294,941	\$
Deed of Company Arrangement Payment	120,000
Costs and fees of calling shareholders meeting, including printing, postage, and ASIC fees.	115,991
IER Report	15,200
ASX fee Jan 2021	13,750
Working Capital for proposed administration costs of the company including proposed accounting and proposed auditing and assessment of opportunities	30,000
Total funds utilised (\$)	\$294,941

The company's arrangement with Benelong Capital Partners Pty Ltd is the company will reimburse Benelong in cash, for payments Benelong pays to third parties to achieve the recapitalisation proposal. Therefore, Benelong is taking a risk that it may not be reimbursed payments Benelong pays to third parties if the recapitalisation proposal fails. To date Benelong has paid the Deed Administrator \$20,000.00, the ASX yearly listing fee due of \$13,750 and an ASIC fee of \$4,250, total paid by Benelong being \$38,000. Benelong will also pay all costs associated with calling the Shareholders meeting such as printing, postage and stationary for 2,767 shareholders. The estimated costs and reimbursements, of Nicols and Brien of \$94,200, plus G.S.T., will be paid only if the recapitalisation proposal is successful, from company funds.

The Deed Administrators arrangement with Benelong is that Benelong is required to procure payment of \$120,000 and 1,250,000 post consolidated shares, into the Deed Fund in order to pay creditors and extinguish all company liabilities, and to pay for all the costs of calling the Shareholders meeting. Benelong has paid a \$38,000 non-refundable deposit noted above. Benelong is required to pay an additional \$120,000 to the secured creditor and procure 2.8 million shares in order for them to release their security. When the full payment occurs, Benelong is entitled to be reimbursed by the company, as stated above. Benelong's arrangement with Enzion Pty Ltd is that Enzion Pty Ltd will pay a successful completion fee to Benelong only if the recapitalisation completes.

2. RESOLUTION 1 CONSOLIDATION OF CAPITAL

2.1 Background

If this Resolution is passed and excluding any Securities issued pursuant to the other Resolutions, the number of shares on issue will be reduced from 974,925,475 to 3,409,000 (subject to rounding).

2.2 Legal requirements

Section 254H of the Corporations Act provides that a company may, by resolution passed in a general meeting, convert all or any of its shares into a larger or smaller number.

2.3 Fractional entitlements

Not all Security Holders will hold that number of Shares which can be evenly divided by 286. Where a fractional entitlement occurs, the Company will round that fraction down to the nearest whole Security. This means some shareholders holding less than 286 shares will be rounded down to zero.

2.4 Taxation

It is not considered that any taxation implications will exist for Security Holders arising from the Consolidation. However, Security Holders are advised to seek their own tax advice on the effect of the Consolidation and the Company accepts no responsibility for the individual taxation implications arising from the Consolidation.

2.5 Holding statements

From the date of the Consolidation, all previous holding statements for Security will cease to have any effect, except as evidence of entitlement to a certain number of Securities on a pre-consolidation basis.

After the consolidation become effective, the Company will arrange for new holding statements for Securities to be issued to holders of those Securities.

It is the responsibility of each Security Holder to check the number of Securities held prior to disposal or exercise (as the case may be).

2.6 Proposed capital structure

Current Capital Structure

	Shares	Percentage %
Current Shares on Issue	974,925,475	100

Proposed Capital Structure

	Shares	Percentage % (Approx)
Existing Shares Consolidated 1:286	3,409,000	3.41%
Resolution 2 Issue of Shares to Enzion Pty Ltd	92,000,000	92%
Resolution 3 Issue of shares to secured creditor	2,800,000	2.8%
Resolution 4 Issue of shares to creditors trust	1,250,000	1.25%
Resolution 5 Issue of Shares to Benelong Capital Partners Pty Ltd	541,000	0.54%
TOTALS	100,000,000	100%

2.7 Indicative timetable

If this Resolution is passed, the Consolidation will take effect in accordance with the following timetable (as set out in Appendix 7A (paragraph 8) of the ASX Listing Rules):

Action	Date
Company announces Consolidation and sends out Notice of Meeting	25 September 2020
Company tells ASX that Shareholders have approved the Consolidation	26 October 2020
Effective Date	27 October 2020
Last day for trading in a pre-Consolidation securities	28 October 2020
Record date	30 October 2020
First day for the Company to register securities and issue holding statements reflecting the change in the number of securities	2 November 2020
Last day for Company to update its register and to send holding statements to security holders reflecting the change in the number of securities	6 November 2020

3. Resolution 2 – Allotment and Issue of Shares to Enzion Pty Ltd

3.1 General

Affinity Energy and Health Limited is proposing to issue 92 million shares at \$0.0032 per share to Enzion Pty Ltd to raise \$294,400 ("Issue").

Broadly speaking, and subject to a number of exceptions, Listing Rule 7.1 limits the amount of equity securities that a listed company can issue without the approval of its shareholders over any 12 month period to 15% of the fully paid ordinary shares it had on issue at the start of that period.

Resolution 2 seeks the required shareholder approval to the Issue under and for the purposes of Listing Rule 7.1.

If resolution 2 is passed, Affinity Energy and Health Limited will be able to proceed with the Issue and raise \$294,400. In addition, the Issue will be excluded from the calculation of the number of equity securities that Affinity Energy and Health Limited can issue without shareholder approval under Listing Rule 7.1.

If resolution 2 is not passed, Affinity Energy and Health Limited will not be able to proceed with the Issue, \$294,400 will not be raised and the DOCA may terminate in which case the Company may be placed into liquidation. Please note the DOCA requires all shareholder resolutions in this notice of meeting to be passed.

To this end, resolution 2 seeks shareholder approval to the Issue under and for the purposes of Listing Rule 7.1.

If resolution 2 is passed, the Issue can proceed without using up any of Affinity Energy and Health Limited's 15% limit on issuing equity securities without shareholder approval set out in Listing Rule 7.1.

3.2 Technical information required by ASX Listing Rule 7.1

Pursuant to and in accordance with ASX Listing Rule 7.3, the following information is provided in relation to the Placement:

- (a) the maximum number of Shares to be issued is 92 million;
- (b) the Shares will be issued no later than 3 months after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the ASX Listing Rules) and it is intended that issue of the Shares will occur on the same date;
- (c) the issue price will be \$0.0032 per Share;
- (d) the Shares will be issued to Enzion Pty Ltd
- (e) the Shares issued will be fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares; and
- (f) the Company intends to use the funds raised from the Placement towards funding the recapitalisation of the Company (including payment under the DOCA) with remaining funds being used for working capital purposes.

3.3 Section 611 of the Corporations Act

Shareholder approval of Resolution 2 is also required under Item 7 of Section 611 of the Corporations Act given Resolution 2 involves the issue of more than 20% of all Shares then on issue.

Pursuant to Section 606(1) of the Corporations Act, a person must not acquire a relevant interest in issued voting shares in a listed company if the person acquiring the interest does so through a transaction in relation to securities entered into by or on behalf of the person and because of the transaction, that person's or someone else's voting power in the company increases;

- (a) From 20% or below to more than 20%; or
- (b) From a starting point above 20% and below 90%.

The voting power of a person in a body corporate is determined in accordance with Section 610 of the Corporations Act. The calculation of a person's voting power in a company involves determining the voting shares in the company in which the person and the person's associates have a relevant interest.

The "associate" reference includes a reference to a person in concert with whom a primary person is acting or proposes to act,

A person has a relevant interest in securities if they:

- (a) are the holder of the securities;
- (b) have the power to exercise, or control the exercise of, a right to vote attached to securities; or
- (c) have power to dispose of, or control the exercise of a power to dispose of, the securities.

It does not matter how remote the relevant interest is or how it arises. If two or more people can jointly exercise one of these powers, each of them is taken to have that power.

Chapter 2E of the Corporations Act

Section 208(1) of the Corporations Act requires that for a public company to give a financial benefit to a related party of the public company, it must either fall within certain exceptions or obtain shareholder approval. A related party includes a party that does or may control a public company. Accordingly, Enzion Pty Ltd is a related party of the Company for the purposes of Chapter 2E of the Corporations Act.

Pursuant to Resolution 2 the company is seeking shareholder approval for the issue of 92 million shares to raise \$294,400.

The following information is provided:

- (a) The related party is Enzion Pty Ltd
- (b) The maximum number of shares, being the nature of the financial benefits being provided to be issued, will be 92 million shares;
- (c) The shares will be issued no later than 1 month after the date of the meeting (or such later date to the extent permitted by any ASX waiver or modification of the ASX Listing Rules state;
- (d) The issue price will be \$0.0032 per share;
- (e) The funds raised will be used for the same purposes as all other funds raised under the capital raising as set out in Section 1.11 this explanatory statement;
- (f) The shares issued under the capital raising will be fully paid ordinary shares in the capital of the company issued on the same terms and conditions as the company's existing shares;
- (g) The value of the financial benefit is calculated by the number of securities being issued multiplied by the issue price under General Placement and is set out below:

Securities	Value per Security	Financial Benefit	Amount Paid
92 million Shares	\$0.0032	\$294,400	\$294,400

The company has been suspended from trading since 5 February 2019 with the last trading price of the company prior to going into administration being \$0.009.

The company will be issuing shares at \$0.0032 and the directors therefore consider that \$0.0032 is a more appropriate valuation for the cost of the shares being issued, the subject of Resolution 2

- (h) The current relevant interests of Enzion Pty Ltd in the securities of the company are nil.
- (i) The remuneration and emoluments from the company to Enzion Pty Ltd for the previous financial year and the proposed remuneration and emoluments for the current financial year are also \$Nil.

Related Party	Financial Year ended 30 June 2020	Financial Year ended 30 June 2021
Enzion Pty Ltd	\$Nil	\$Nil

- (j) The trading history of the shares on ASX in the 12 months before the date of this notice is set out below:

	Price	Date
Highest	0	11 September 2019
Lowest	0	11 September 2019
Last	0	11 September 2019

Shareholders should note that the company's securities were suspended from quotation on 5 February 2019 and remain suspended.

- (k) The primary purpose of the issue of the shares is to raise fresh capital; and
- (l) none of the current directors have an interest in the outcome of Resolution 2. The directors make a positive recommendation because the company is subject to Deed of Company Arrangement and currently insolvent.
- (m) the directors and the Deed Administrators are not aware of any other information that would be reasonably required by shareholders to allow them to make a decision whether it is in the best interests of the company to pass Resolution 2.

Information required by Item 7 of the Section 611 of the Corporations Act

Also set out below are the matters required to be disclosed in accordance with Item 7(b) of Section 611 of the Corporations Act.

- (a) *the identity of the person proposing to make the acquisition and their associates:*
- It is proposed that 92 million Shares be issued to Enzion Pty Ltd as per Resolution 2. Enzion Pty Ltd, nor related parties, do not have relevant interests in any Shares existing as at the date of this notice.
- (b) *the maximum extent of the increase in that persons voting power in the company that would result from the acquisition:*
- If Resolution 2 is passed, Enzion Pty Ltd voting power in the Company will increase from 0% to 92% (approx).
- (c) *the voting power that the relevant allottees would have as a result of the acquisition:*
- If Resolution 2 is passed, Enzion Pty Ltd voting power in the Company will be 92% (approx).
- (d) *the maximum extent of the increase in the voting power of each of the allottee's associates that would result from the acquisition.*

As Enzion Pty Ltd has no holding or any relevant interest in existing Shares there is no increase in its voting power in the Company as a result of the acquisition.

- (e) *the voting power that each of the allottee's associates would have as a result of the acquisition:*

As Enzion Pty Ltd has no associates holding any relevant interest in existing shares, there is no increase in its voting power in the Company as a result of the acquisition.

Other Required Information – ASIC regulatory Guide 74

The following further information is disclosed:

- (a) The Company will review its current business activities. As part of the process, it is proposed that 3 New Directors will be elected to the Board. These elections form the subject of separate Resolutions. The current Directors and company secretary will be resigning;
- (b) In accordance with the Recapitalisation Proposal, the Company intends to raise capital to:
- (i) pay for the DOCA and recapitalisation costs and expenses so as to remove the Company from Administration and to extinguish all debt of the Company; and
- (ii) meet the administration and working capital costs of the Company.

The Company will have sufficient funds if all Resolutions are passed and share capital raised in order to meet the aims of the Recapitalisation Proposal;

- (c) There is no current intention to redeploy any other fixed assets of the Company or to change the Company's existing policies in relation to financial matters or dividends. At present, the Company does not pay a dividend. The dividend policy of the Company will be assessed in accordance with the future profitability of the Company's business; and
- (d) Proposed directors Mr Greg Starr, Mr Steve Nicols and Mr Benson Zuo do not intend to inject further capital into the company.
- (e) An Independent Expert's Report or IER is enclosed, and shareholders are urged to read it in full,

The Corporations Act provides that an independent expert's report of the transaction (as contemplated by Resolution 2 must be provided to Shareholders. The IER provides an opinion as to whether the acquisition of the voting power referred to in Resolution 2 and this section, is fair and reasonable to the non-associated Shareholders of the Company.

The IER is enclosed with the Notice and is attached to Annexure A.

Hall Chadwick has concluded that the acquisition of the voting power by Enzion Pty Ltd as contemplated by Resolution 2 ("**Acquisition**") **is fair and reasonable to the Shareholders of the Company.**

The advantages and disadvantages of the Recapitalisation Proposal are outlined in the IER and are provided to enable non-associated Shareholders of the Company to determine whether they are better off if the Acquisition proceeds than if not.

Shareholders are urged to carefully read the IER in deciding how to vote on the Resolutions, particularly Resolution 2

- (f) Enzion Pty Ltd will only have a right to compulsorily acquire the shares of minority shareholders pursuant to Section 664C of the Corporations Act if it owns more than 90%. However they have no intention whatsoever to compulsorily acquire the shares of minority shareholders.

Other required information – ASIC Regulatory Guide 76

The following further information is disclosed:

- (a) The related party is Enzion Pty Ltd.
- (b) The nature of the financial benefit is the issue of 92 million Ordinary Shares in the capital of the Company as set out in this Explanatory Memorandum;
- (c) The Directors of the Company make a positive recommendation in relation to whether Shareholders should or should not vote in favour of the Resolution;
- (d) No Directors have an interest in the outcome of the Resolution

All other information that is reasonably required by Shareholders to decide whether or not it is in the Company's interests to pass a resolution and that is known to the Company, is set out in this Explanatory Memorandum and in the Independent Expert's Report.

4. Resolution 3 - Allotment and Issue of Shares to secured creditor

Affinity Energy and Health Limited is proposing to allot and issue 2,800,000 fully paid ordinary shares in the capital of the Company to Magna, or M E F I, L.P or their nominee at an issue price of \$Nil per share to raise \$Nil ("Issue").

Broadly speaking, and subject to a number of exceptions, Listing Rule 7.1 limits the amount of equity securities that a listed company can issue without the approval of its shareholders over any 12 month period to 15% of the fully paid ordinary shares it had on issue at the start of that period.

Resolution 3 seeks the required shareholder approval to the Issue under and for the purposes of Listing Rule 7.1.

If resolution 3 is passed, Affinity Energy and Health Limited will be able to proceed with the Issue. In addition, the Issue will be excluded from the calculation of the number of equity securities that Affinity Energy and Health Limited can issue without shareholder approval under Listing Rule 7.1.

If resolution 3 is not passed, Affinity Energy and Health Limited will not be able to proceed with the Issue and the DOCA may terminate in which case the Company may be placed into liquidation. Please note the DOCA requires all shareholder resolutions in this notice of meeting to be passed.

To this end, resolution 3 seeks shareholder approval to the Issue under and for the purposes of Listing Rule 7.1.

If resolution 3 is passed, the Issue can proceed without using up any of Affinity Energy and Health Limited's 15% limit on issuing equity securities without shareholder approval set out in Listing Rule 7.1.

This Resolution is required to be approved by Shareholders in accordance with ASX Listing Rule 7.1 and Resolution 3, seeks approval for the issue of 2,800,000 shares at \$Nil a share to M E F I, L.P. (Magna U.S.A) to raise \$Nil. The secured creditor has agreed to remove their PPSR Charge against the company provided they receive \$120,000 cash, from Benelong, and shareholders approve an issue of 2,800,000 shares to them.

Information required by ASX Listing Rules

- (a) The following information is provided to Shareholders in accordance with Listing Rule 7.3 for the purpose of obtaining shareholder approval under Listing Rule 7.1 for Resolution 3:
- (b) The maximum number of shares to be issued by the Company to M E F I, L.P. (Magna U.S.A) is 2,800,000 in shares at an issue price of \$Nil to raise \$Nil;
- (c) It is anticipated that the issue of the shares will occur on one date and will not be later than three months after the date of the meeting;
- (d) It is proposed that 2,800,000 shares be issued to M E F I, L.P. (Magna U.S.A);
- (e) The new shares will rank equally with the existing shares;
- (f) \$Nil will be raised from the issue of the shares; and
- (g) The date of allotment of the shares will be the same date on which they are issued.
- (h) The shares issued will be fully paid ordinary shares in the capital of the company issued on the same terms and conditions as the company's existing shares.

5. Resolution 4 - Allotment and Issue of Shares to the Creditors Trust

Affinity Energy and Health Limited is proposing to allot issue 1,250,000 fully paid ordinary shares in the capital of the Company to the Trustees of Affinity Energy and Health Creditors Trust, at an issue price of \$Nil to raise \$Nil ("Issue").

Broadly speaking, and subject to a number of exceptions, Listing Rule 7.1 limits the amount of equity securities that a listed company can issue without the approval of its shareholders over any 12 month period to 15% of the fully paid ordinary shares it had on issue at the start of that period.

Resolution 4 seeks the required shareholder approval to the Issue under and for the purposes of Listing Rule 7.1.

If resolution 4 is passed, Affinity Energy and Health Limited will be able to proceed with the Issue. In addition, the Issue will be excluded from the calculation of the number of equity securities that Affinity Energy and Health Limited can issue without shareholder approval under Listing Rule 7.1.

If resolution 4 is not passed, Affinity Energy and Health Limited will not be able to proceed with the Issue and the DOCA may terminate in which case the Company may be placed into liquidation. Please note the DOCA requires all shareholder resolutions in this notice of meeting to be passed. The purpose of the Issue is to comply with the DOCA terms.

To this end, resolution 4 seeks shareholder approval to the Issue under and for the purposes of Listing Rule 7.1.

If resolution 4 is passed, the Issue can proceed without using up any of Affinity Energy and Health Limited's 15% limit on issuing equity securities without shareholder approval set out in Listing Rule 7.1.

This Resolution is required to be approved by Shareholders in accordance with ASX Listing Rule 7.1 and Resolution 4, seeks approval for the issue of 1,250,000 shares at \$Nil a share to the Trustee of Affinity Energy and Health Creditors Trust to raise \$Nil. This share issue is required under the DOCA conditions.

Information required by ASX Listing Rules

- (a) The following information is provided to Shareholders in accordance with Listing Rule 7.3 for the purpose of obtaining shareholder approval under Listing Rule 7.1 for Resolution 4:
- (b) The maximum number of shares to be issued by the Company to the Trustee of Affinity Energy and Health Creditors Trust is 1,250,000 in shares at an issue price of \$Nil to raise \$Nil;
- (c) It is anticipated that the issue of the shares will occur on one date and will not be later than three months after the date of the meeting;
- (d) It is proposed that 1,250,000 shares be issued to the Trustee of Affinity Energy and Health Creditors Trust;
- (e) The new shares will rank equally with the existing shares;
- (f) \$Nil will be raised from the issue of the shares; and
- (g) The date of allotment of the shares will be the same date on which they are issued.
- (h) The shares issued will be fully paid ordinary shares in the capital of the company issued on the same terms and conditions as the company's existing shares.

6. Resolution 5 - Allotment and Issue of Shares to Benelong Capital Partners Pty Ltd

Affinity Energy and Health Limited is proposing to allot and issue 541,000 fully paid ordinary shares in the capital of the Company to Benelong Capital Partners Pty Ltd, at an issue price of \$0.001 to raise \$541.00 ("Issue").

Broadly speaking, and subject to a number of exceptions, Listing Rule 7.1 limits the amount of equity securities that a listed company can issue without the approval of its shareholders over any 12 month period to 15% of the fully paid ordinary shares it had on issue at the start of that period.

Resolution 5 seeks the required shareholder approval to the Issue under and for the purposes of Listing Rule 7.1.

If resolution 5 is passed, Affinity Energy and Health Limited will be able to proceed with the Issue and raise \$541. In addition, the Issue will be excluded from the calculation of the number of equity securities that Affinity Energy and Health Limited can issue without shareholder approval under Listing Rule 7.1.

If resolution 5 is not passed, Affinity Energy and Health Limited will not be able to proceed with the Issue, \$541 will not be raised and the DOCA may terminate in which case the Company may be placed into liquidation. Please note the DOCA requires all shareholder resolutions in this notice of meeting to be passed. The purpose of the issue is to raise \$541. The intended use of the funds is contained in paragraph 1.11 above.

To this end, resolution 5 seeks shareholder approval to the Issue under and for the purposes of Listing Rule 7.1.

If resolution 5 is passed, the Issue can proceed without using up any of Affinity Energy and Health Limited's 15% limit on issuing equity securities without shareholder approval set out in Listing Rule 7.1.

Information required by ASX Listing Rules

- (a) The following information is provided to Shareholders in accordance with Listing Rule 7.3 for the purpose of obtaining shareholder approval under Listing Rule 7.1 for Resolution 5:
- (b) The maximum number of shares to be issued by the Company to Benelong Capital Partners Pty Ltd or its nominee is 541,000 in shares at an issue price of \$0.001 to raise \$541;
- (c) It is anticipated that the issue of the shares will occur on one date and will not be later than three months after the date of the meeting;
- (d) It is proposed that 541,000 shares be issued to Benelong Capital Partners Pty Ltd;
- (e) The new shares will rank equally with the existing shares;
- (f) \$541 will be raised from the issue of the shares; and
- (g) The date of allotment of the shares will be the same date on which they are issued.
- (h) The shares issued will be fully paid ordinary shares in the capital of the company issued on the same terms and conditions as the company's existing shares.

7. Resolution 6 to 8 – Appointment of new Directors

7.1 General

Clause 13.3 of the Company's constitution provides that:

- (a) the Company's Shareholders in general meeting may appoint new Directors of the Company;
- (b) the appointment of a person as a Director at a general meeting will take effect from the end of the meeting unless the Resolution otherwise states;
- (c) the appointment of a person as a Director at a general meeting is subject to the Company receiving at its registered office at least 30 business days before the meeting a written nomination from the person or a Shareholder duly signed by the nominee and giving his or her consent to the nomination; and
- (d) notice of every candidature for election as Director shall be given to Shareholders with or as part of the notice of meeting.

Having received nominations for the following persons to be appointed as new Directors of the Company, and having received consents to act as a Director from each such person, Resolutions 6 to 8 respectively seek Shareholder approval for the appointment of the following persons as Directors effective from the close of the General Meeting:

- (a) Mr Gregory Barry Starr – Resolution 6;
- (b) Mr Steven Nicols – Resolution 7; and
- (c) Mr Benson Zuo – Resolution 8.

A summary of experience of each of the proposed Directors is set out in paragraph 1.4 above.

8. ENQUIRIES

Shareholders are invited to contact Mr Steve Nicols of Benelong Capital Partners Pty Ltd on phone +61 2 9299 2289 if they have any queries in respect of the matters set out in these documents.

TIME AND PLACE OF MEETING AND HOW TO VOTE

Venue

A General Meeting of the shareholders of Affinity Energy and Health Limited (Subject to Deed of Company Arrangement) will be held at 11.00 am (Sydney Time) on Monday 26th October 2020 at:-

Nicols and Brien
Level 2
350 Kent Street
SYDNEY NSW 2000
AUSTRALIA
Phone +61 2 9299 2289

How to Vote

You may vote by attending the Meeting in person, by proxy or authorised representative.

Voting in Person

To vote in person, attend the Meeting on the date and at the place set out above. The Meeting will commence at 11.00 a.m. (Sydney Time).

Voting by Proxy

To vote by proxy, please complete and sign the proxy form enclosed with this Notice of General Meeting as soon as possible and either:

- send the proxy by facsimile to the Company on facsimile number (International: + 61 2 9299 2239); or
- deliver the proxy to the Company at c/- Nicols and Brien, Level 2, 350 Kent Street, Sydney, New South Wales, Australia.

so that it is received not later than 11.00am (Sydney Time) on Saturday, 24th October 2020.

Your proxy form is enclosed.

GLOSSARY

Administrators or Voluntary Administrators means Mr Bryan Hughes and Mr Daniel Bredenkamp from Pitcher Partners.

AEB means the company.

ASIC means Australian Securities and Investments Commission.

ASX means ASX Limited (ACN 008 624 691) or the financial market known as the Australian Securities Exchange, operated by ASX Limited, as the context requires

ASX Listing Rules or Listing Rules means the Listing Rules of ASX.

Benelong means Benelong Capital Partners Pty Ltd (ACN 145 496 233)

Board means the board of directors of the Company.

Company means Affinity Energy and Health Limited (Subject to Deed of Company Arrangement) (ACN 124 544 190).

Constitution means the Company's constitution.

Corporations Act means the Corporations Act 2001 (Cth).

Creditor means a creditor of the Company as at the date of the Notice.

Creditor's Trust means the trust to be established in accordance with the terms of the Recapitalisation Proposal and the DOCA for the purpose of satisfying approved Creditor's claims.

Deed Administrator means Mr Bryan Hughes and Mr Daniel Bredenkamp from Pitcher Partners.

Deed of Company Arrangement or DOCA means the Deed of Company Arrangement between Deed Administrators and Benelong Dated 24 August 2020 and includes any variation to such.

Director means a director of the Company.

Dollar or \$ means Australian dollars.

Explanatory Statement or Statement means the explanatory statement to the Notice of General Meeting.

Glossary means this glossary.

IER means Independent Experts Report annexed hereto

Meeting means the general meeting of the Shareholders convened by the Notice to be held on Monday, 26 October 2020.

New Directors means the Directors to be appointed under Resolutions 6, 7 and 8.

Notice means this notice of general meeting of the Shareholders in respect of the Meeting to be held on Monday, 26 October 2020.

Recapitalisation Proposal means the Recapitalisation Proposal submitted by Benelong to the Administrators on 27 July 2020 relating to the restructure and recapitalisation of the Company.

Resolutions means the resolutions described in the Notice.

Shareholder means the holder of Shares.

Shares means ordinary class shares in the capital of the Company.

Sydney Time means time in Sydney NSW Australia from time to time.

**PROXY FORM
APPOINTMENT OF PROXY
AFFINITY ENERGY AND HEALTH LIMITED
(Subject to Deed of Company Arrangement)
ACN 124 544 190**

GENERAL MEETING

I/We

being a Member of Affinity Energy and Health Limited (Subject to Deed of Company Arrangement) entitled to attend and vote at the Meeting, hereby

Appoint

Name of proxy

or failing the person so named or, if no person is named, the Chairman of the Meeting or the Chairman's nominee, to vote in accordance with the following directions or, if no directions have been given, as the proxy sees fit at the General Meeting to be held at Nicols and Brien, Level 2, 350 Kent Street, Sydney, New South Wales on Monday 26th October 2020 at 11.00 a.m. (Sydney Time) and at any adjournment thereof. If no directions are given, the Chairman will vote in favour of all of the resolutions.

Voting on Business of the General Meeting

	FOR	AGAINST	ABSTAIN
Resolution 1 Consolidation of shares and options	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 2 Allotment and Issue of Shares to Enzion Pty Ltd	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 3 Allotment and Issue of Shares to secured creditor	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 4 Allotment and Issue of Shares to creditors trust	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 5 Allotment and Issue of Shares to Benelong Capital Partners Pty Ltd	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 6 Election of Mr Gregory Barry Starr as a Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 7 Election of Mr Steven Nicols as a Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 8 Election of Mr Benson Zuo as a Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

OR

If you do **not** wish to direct your proxy how to vote, please place a mark in this box ☐

By marking this box, you acknowledge that the Chairman may exercise your proxy even if he has an interest in the outcome of the resolution and votes cast by him other than as proxy holder will be disregarded because of the interest. The Chairman will vote in favour of all of the resolutions if no directions are given.

If you mark the abstain box for a particular item, you are directing your proxy not to vote on that item on a show of hands or on a poll and that your shares are not to be counted in computing the required majority on a poll.

If two proxies are being appointed, the % of voting rights this proxy represents is _____ %

Dated this _____ day of _____ 20____

Individuals and joint holders Companies (affix common seal if appropriate)

Signature
Signature

Director
Sole Director and Sole Company Secretary

Instructions for Completing 'Appointment of Proxy' Form

1. A Shareholder entitled to attend and vote at a Meeting is entitled to appoint not more than two proxies to attend and vote on their behalf. Where more than one proxy is appointed, such proxy must be allocated a proportion of the Shareholder's voting rights. If the Shareholder appoints two proxies and the appointment does not specify this proportion, each proxy may exercise half the votes.
2. A duly appointed proxy need not be a Shareholder of the Company. In the case of joint holders, all must sign.
3. Corporate Shareholders should comply with the execution requirements set out on the Proxy Form or otherwise with the provisions of Section 127 of the Corporations Act. Section 127 of the Corporations Act provides that a company may execute a document without using its common seal if the document is signed by:
 - 2 directors of the company;
 - a director and a company secretary of the company; or
 - For a proprietary company that has a sole director who is also the sole company secretary – that director.

For the Company to rely on the assumptions set out in Section 129(5) and (6) of the Corporations Act, a document must appear to have been executed in accordance with Section 127(1) or (2). This effectively means that the status of the persons signing the document or witnessing the affixing of the seal must be set out and conform to the requirements of Section 127(1) or (2) as applicable. In particular, a person who witnesses the affixing of a common seal and who is the sole director and sole company secretary of the company must state that next to his or her signature.

4. Completion of a Proxy Form will not prevent individual shareholders from attending the Meeting in person if they wish. Where a Shareholder completes and lodges a valid proxy form and attends the Meeting in person, then the proxy's authority to speak and vote for that shareholder is suspended while the shareholder is present at the Meeting.
5. Where a Proxy Form or form of appointment of corporate representative is lodged and is executed under power of attorney, the power of attorney must be lodged in like manner as this proxy.
6. You may fax the Proxy form to: Facsimile No. +61 2 9299 2239 or mail to Benelong Capital Partners Pty Ltd, Level 2, 350 Kent Street, Sydney NSW 2000.
7. The instrument appointing the proxy must be received by the Company at the address specified above at least forty eight (48) hours before the time notified for the meeting (proxy forms can be lodged by facsimile).
8. Any questions, please call Steve Nicols on phone +61 2 9299 2289, or email to steve@benelong.com

16 September 2020

The Directors
Affinity Energy and Health Limited
Level 2, 350 Kent Street
Sydney NSW 2000
Dear Sirs,

Independent Expert's Report on the proposed issue of shares

1. INTRODUCTION

1.1 Affinity Energy and Health Limited ("AEB" or the "Company") has previously been involved in diversified renewable energy and plant based health and wellbeing products. These activities have not been profitable and a lack of funding and accumulating losses led to the Company appointing a voluntary administrator on 1 July 2020. The Company's shares have been suspended from trading on the ASX since 31 January 2019.

1.2 As part of a restructure and recapitalisation of the Company detailed at section 2, Enzion Pty Ltd ("Enzion") will subscribe for 92,000,000 AEB shares at \$0.0032 per share, totalling a capital investment of \$294,400 (referred to in this report as the "Transaction"). The new shares issued to Enzion will equate to 92% of the post issue share capital of the Company.

Purpose of Report

1.3 You have requested Hall Chadwick Corporate (NSW) Limited ("HCC") to prepare an Independent Expert's Report to advise the shareholders of AEB other than those associated with the proposed Transaction ("Non-Associated Shareholders"), whether the Transaction is fair and reasonable when considered in the context of the interests of Non-Associated Shareholders and to set out the reasons for our conclusions.

1.4 HCC understands and has agreed that this report will accompany the notice to convene a meeting of AEB shareholders, to assist the Non-Associated Shareholders in their consideration of the resolutions associated with the Transaction.

Opinion

1.5 In our opinion, the proposed Transaction is fair and reasonable to the Non-Associated Shareholders of AEB.

HALL CHADWICK
CORPORATE (NSW) LIMITED

ACN 080 462 488

SYDNEY

Level 40, 2 Park Street
Sydney NSW 2000 Australia

GPO Box 3555 Sydney NSW
2001

Ph: (612) 9263 2600

Fx: (612) 9263 2800

E: hcsyinfo@hallchadwick.com.au

com.au

www.hallchadwick.com.au

 **PrimeGlobal**
An Association of
Independent Accounting Firms

- 1.6 The ultimate decision however on whether to accept the proposed Transaction should be based on AEB shareholders' own assessment of their circumstances.

2. THE PROPOSED TRANSACTION

- 2.1 On 1 July 2020, Mr Bryan Hughes and Mr Daniel Bredenkamp, of Pitcher Partners Perth, were appointed Voluntary Administrators of the Company.
- 2.2 A proposal from Benelong Capital Partners Pty Ltd ("Benelong"), for the restructure and recapitalisation of the Company via a Deed of Company Arrangement and Creditors Trust, was submitted on 27 July 2020 ("Recapitalisation Proposal"). A creditors meeting was convened by the Voluntary Administrators to consider the Recapitalisation Proposal. Creditors accepted the Recapitalisation Proposal on the 4 August 2020.
- 2.3 The Recapitalisation Proposal requires, and is subject to, various approvals being obtained from the Shareholders ("Resolutions"). A summary of the Resolutions being put forward at the Meeting are as follows:
- 1) The company to consolidate shares and options 1:286;
 - 2) The company to allot and issue 96,591,000 shares to raise \$294,941, split as per the table at section 2.5 below;
 - 3) New directors to be appointed to the Company.
- 2.4 The Recapitalisation Proposal is also subject to the following conditions ("**Conditions**"), summarised as follows:
- (a) Payment of \$120,000 to the Deed Administrator, and shareholder approval to issue 1,250,000 post consolidated shares to the trustee of the Creditors Trust;
 - (b) the Deed Administrator retiring from office upon receipt of the \$120,000, and all creditors claims extinguished;
 - (c) the Resolutions being approved without amendment; and
 - (d) creditors with a security interest registered on the PPSR Register remove such interest from the personal property securities register established by the Personal Property Securities Act, 2009, upon payment by Benelong of a further \$120,000 and approval to issue them with 2,800,000 post consolidated shares.
- 2.5 The table below shows the impact of the various issues of securities pursuant to the Transaction on the aggregated Shareholding interests (on a post Consolidation basis).

	Before		After	
	# Shares	% of Shares	# of Shares	% of Shares (Approx)
Change as a result of Share issue only				
Existing Shareholders	974,925,475	100%	3,409,000	3.41%
Magna U.S.A	0	0%	2,800,000	2.8%
Creditors Trust	0	0%	1,250,000	1.25%
Benelong Capital Partners Pty Ltd	0	0%	541,000	0.54%
Enzion Pty Ltd	0	0%	92,000,000	92%
		TOTAL	100,000,000	100%

STRUCTURE OF REPORT

Our report is set out under the following headings:

- 3 PURPOSE OF REPORT
- 4 OPINION
- 5 BASIS OF EVALUATION
- 6 OVERVIEW OF AEB
- 7 VALUATION METHODOLOGIES
- 8 VALUE OF AEB
- 9 ADVANTAGES AND DISADVANTAGES OF THE TRANSACTION
- 10 CONCLUSION AS TO FAIRNESS AND REASONABLENESS

APPENDICES

- I SOURCES OF INFORMATION
- II STATEMENT OF DECLARATION & QUALIFICATIONS
- III FINANCIAL SERVICES GUIDE

3 PURPOSE OF REPORT

- 3.1 The purpose of this report is to advise the Non-Associated Shareholders of AEB of the fairness and reasonableness of the Transaction. This report provides an opinion on whether or not the terms and conditions in relation to the Transaction is fair and reasonable to the AEB shareholders whose votes are not to be disregarded in respect of the Transaction (that is, the Non-Associated Shareholders).
- 3.2 The ultimate decision whether to accept the terms of the Transaction should be based on each shareholders' assessment of their own circumstances, including their risk profile, liquidity preference, tax position and expectations as to value and future market conditions. If in doubt about the Transaction or matters dealt with in this report, shareholders should seek independent professional advice.
- 3.3 This report has been prepared to satisfy the requirements of the Corporations Act 2001 ("Corporations Act") and the ASX Listing Rules.

Corporations Act Requirements

- 3.4 If the Transaction is approved, Enzion will be entitled to a 92% interest in AEB's issued ordinary shares. Section 606(1) of the Corporations Act states that a person must not acquire an interest in issued voting shares in a listed company if that person's or any other person's voting power increases to above 20%, or increases from a starting point that is above 20% and below 90%. Section 606(1) prohibits Enzion from acquiring the issued ordinary shares in AEB unless one of the exemptions under Item 7 of Section 611 of the Corporations Act applies.
- 3.5 The exceptions set out in Item 7 of Section 611 of the Corporations Act include an acquisition that is approved by a resolution of shareholders of AEB passed at a general meeting as per Section 611. Therefore the Board seeks shareholder approval of the Transaction for the purposes of item 7 of section 611.
- 3.5 Australian Securities and Investments Commission ("ASIC") Regulatory Guide 111 "Content of Experts Reports" requires, amongst other things that directors of a company need to provide shareholders with an analysis of whether a proposed transaction is fair and reasonable, when considered in the context of the interests of the non-associated shareholders. Regulatory Guide 111 recommends that this analysis should include an independent expert's report. The independent expert is required to state whether, in their opinion, the proposal is fair and reasonable having regard to the interests of non-associated shareholders and state the reasons for forming that opinion. This report provides such an opinion.

4. OPINION

4.1 In our opinion, the proposed Transaction is fair and reasonable to the Non-Associated Shareholders of AEB.

4.2 Our opinion is based solely on information available as at the date of this report. The principal factors that we have considered in forming our opinion are summarised below.

Fairness

4.3 For the Transaction to be fair, the value of the consideration being paid by Enzion must be equal to or greater than the value of the AEB ordinary shares to be issued to Enzion.

4.3.1 Based on the analysis contained in section 8 of this report, the indicative value of the AEB shares is *nil*.

4.3.2 The cash consideration being paid by Enzion for the ordinary shares in AEB is \$0.0032 per share.

4.3.3 Therefore, based on a comparison of the value attributed to AEB shares and the cash consideration being paid by Enzion, in our opinion the Transaction is fair.

Reasonableness

4.4 ASIC Regulatory Guide 111 states that a transaction is reasonable if:

- The Transaction is fair; or
- Despite not being fair the expert believes that there are sufficient reasons for security holders to accept the offer in the absence of any higher bid before the close of the offer.

4.4.1 We have concluded that the Transaction is reasonable. In forming our opinion we have considered the following relevant factors.

- The Transaction will raise \$294,941 which will be used to cover administration costs.
- The Transaction would result in a net cash position of approximately \$30,000, with the Company having no liabilities, compared with the current position where the Company has one asset, being a recoverable debtor of \$200,000, and significant debts in excess of \$6 million to pay.
- If the Transaction is completed, the Company's chances to continue to investigate opportunities are enhanced as without the recapitalisation, it is likely that the Company would be liquidated. The Company would need to find a new business and raise additional funds so that it could meet the Listing Rules.
- The Administrator sought the best offer for the Company through an auction type process to obtain the best result for creditors and shareholders of the Company.
- The proposed directors bring additional expertise to the Company as they have financial, legal, finance and corporate experience as directors or managers of other entities.

4.5 *Accordingly, in our opinion, the Transaction is fair and reasonable to the Non-Associated Shareholders of AEB.*

5 BASIS OF EVALUATION

- 5.1 In our assessment of whether the Transaction is fair and reasonable to AEB Non-Associated Shareholders, we have given due consideration to the Regulatory Guides issued by the ASIC, in particular, Regulatory Guide 74 “Acquisitions Agreed to by Shareholders”, Regulatory Guide 111 “Content of Experts Reports” and Regulatory Guide 112 “Independence of Experts Reports”.
- 5.2 ASIC Regulatory Guide 74 requires, amongst other things, that shareholders are provided with sufficient information to make an effective, informed decision on whether the proposed Transaction is fair and reasonable. Under Regulatory Guide 111, a transaction is “fair” if the value of the asset being acquired or consideration received is equal to or greater than the value of the shares being issued. Additionally, under Regulatory Guide 111 an offer is “reasonable” if it is fair or if shareholders would obtain an overall benefit if the transaction proceeds. It is possible for an offer to be reasonable despite being unfair, if after considering other non-financial factors the shareholders should still accept the offer.
- 5.3 Our report has compared the likely advantages and disadvantages to non-associated shareholders if the Transaction is agreed to, with the advantages and disadvantages to those shareholders if it is not. Comparing the consideration to be paid under the proposal and the value of the shares being issued is only one element of this assessment.
- 5.4 Additionally we have considered whether any shareholder will obtain a level of control in AEB as a result of the proposed transaction. In the event that a change in control arises from the proposed transaction, proportionately greater benefits to non-associated shareholders must be demonstrated. In this case there is a change in control from the perspective of the Non-Associated Shareholders of AEB, therefore this issue needs to be considered in comparing the value received by Non-Associated Shareholders in comparison to the value being paid.
- 5.5 Normal valuation practice is to determine the fair market value of an asset assuming a counter party transaction between a willing and not anxious buyer and a willing but not anxious seller, clearly at arm’s length. We have adopted this approach in determining the market value of AEB.
- 5.6 We consider that the Transaction will be reasonable if, on balance, the Non-Associated Shareholders in AEB will be better off if the Transaction is approved. We will also consider the Non-Associated Shareholder’s interests should the Transaction not proceed.
- 5.7 In our assessment of the Transaction we have considered, in particular the following:
- The operational and financial position of AEB;
 - The value of AEB shares, under various methodologies;
 - Any control premium associated with the Transaction;
 - The advantages and disadvantages associated with approving the Transaction;
 - Share trading history of AEB shares;
 - The likely value and liquidity of AEB shares in the absence of the acquisition.
- 5.8 The documents and information relied on for the purpose of this valuation are set out in Appendix I. We have considered and relied upon this information and believe that the information provided is reliable, complete and not misleading and we have no reason to

believe that material facts have been withheld. The information provided was evaluated through analysis, enquiry and review for the purpose of forming an opinion as to whether the Transaction is fair and reasonable. However, in assignments such as this, time is limited and we do not warrant that our enquiries have identified or verified all of the matters which an audit or more extensive examination might disclose. None of these additional tasks have been undertaken.

- 5.9 We understand the accounting and other financial information that was provided to us has been prepared in accordance with generally accepted accounting principles.
- 5.10 An important part of the information used in forming an opinion of the kind expressed in this report is the opinions and judgement of management. This type of information has also been evaluated through analysis, enquiry and review to the extent practical. However, it must be recognised that such information is not always capable of external verification or validation.
- 5.11 HCC are not the auditors of AEB. We have analysed and reviewed information provided by the directors and advisers of AEB and made further enquiries where appropriate.
- 5.12 This report has been prepared after taking into consideration the current economic and market climate. We take no responsibility for events occurring after the date of this report which may impact upon this report or which may impact upon the assumptions referred to in the report.

6 OVERVIEW OF AEB

6.1 Corporate History

- 6.1.1 The Company was incorporated on 22 March 2007, and its initial business was biotechnology, natural oils and algae related technologies. The company was admitted to the ASX official list on 13 January 2011.
- 6.1.2 AEB engaged in cultivation of algae for the production of biofuels and high-quality nutraceuticals in Australia, India, and the United States. This included developing technology for supply of algae-based nutraceuticals, animal feed and aquaculture bio-fuel and medicinal cannabis.
- 6.1.3 The algae ventures were not successful and the company took a new direction into the cannabis business, with an attempt to commence a business in Malta. However, a lack of funding and accumulating losses led to the Company appointing a voluntary administrator on 1 July 2020.
- 6.1.4 The company was formerly known as Algae.Tec Limited and changed its name to Affinity Energy and Health Limited in August, 2018.

6.2 Financial Information

- 6.2.1 The completion of the Transaction will increase the Company's cash balance by \$294,941 (before costs) and also increase the Company's net assets by the same amount. The Company's only asset will be the cash raised, less any amounts expended in accordance with the table set out below:

Total funds raised \$294,941	\$
Deed of Company Arrangement Payment	120,000
Costs and fees of calling shareholders meeting, including printing, postage, and ASIC fees.	115,991
IER Report	15,200
ASX fee Jan 2021	13,750
Working Capital for proposed administration costs of the company including proposed accounting and proposed auditing and assessment of opportunities	30,000
Total funds utilised (\$)	\$294,941

- 6.2.2 Following the Transaction and amounts expended above, the cash balance and net assets of the Company will be approximately \$30,000.
- 6.2.3 The Company has not presented a current balance sheet or pro forma financial information in relation to the Transaction as recent historical audited financial information is not available owing to the Company being in administration. In addition, the Company is of the opinion that to present a financial position based on this historical information would not be representative of the Company's current financial position.

6.2.4 The Directors disclosed the following assets and liabilities to the Administrators in their Report on Company Activity and Property (“ROCAP”):

- Total realisable assets of \$50,000, which the Administrators have found to have an estimated realisable value of \$200,730 with an unknown recoverable amount for the Company’s debtors;
- Total liabilities of \$6,928,538, which the Administrators now estimate to be \$7,521,300 based on the Claims received to date; and
- A shortfall of (\$6,878,538), which the Administrators currently estimate to be a shortfall of (\$7,320,570).

6.2.5 The Transaction would result in a net cash position of approximately \$30,000, with the Company having no liabilities, compared with the current position where the Company has one asset, being a recoverable debtor of \$200,000, and significant debts in excess of \$6 million to pay.

6.2.6 Set out below is the Audited Consolidated Profit and Loss Statements of AEB for the last two financial years. Due to the Company being placed in Administration, a profit and loss statement is not available for the 2020 financial year.

	2019	2018
	\$	\$
Revenue	67,685	119,462
Research and development	933,929	2,509,464
Interest income	3,705	9,709
Total income	1,005,319	2,638,635
Operating expenses	(6,224,127)	(6,288,744)
Loss before tax	(5,218,808)	(3,650,109)
Loss from discontinued operations	(4,428,381)	(4,413,874)
Deferred income tax expense	(743,012)	(35,870)
Loss after tax	(10,390,201)	(8,099,853)
Foreign currency movement	273,368	167,949
Total comprehensive income *	(10,116,833)	(7,931,904)

* All business activities in the Company have now been discontinued.

7 VALUATION METHODOLOGIES

7.1 Selection of Methodology

7.1.1 In order to assess the fairness of the Transaction a value needs to be attributed to AEB shares.

7.1.2 In assessing the value of AEB we have considered a range of valuation methods. ASIC Regulatory Guide 111 *Content of Expert Reports* states that in valuing a company the expert should consider the following commonly used valuation methodologies:

- Market Value of Shares: the quoted price for listed securities in a liquid and active market;
- Capitalisation of Future Maintainable Earnings: the value of trading operations based on the capitalisation of future maintainable earnings;
- Discounted Cash Flow: the net present value of future cash flows;
- Realisation of Assets: the amount that would be available for distribution to security holders on an orderly realisation of assets.

7.1.3 *Financial information relied upon in assessing valuation methods:* We have reviewed the financial information for the last three years of AEB. Ultimately, the Management of AEB are responsible for the preparation and presentation of the financial information provided. The purpose of our review is to establish that the financial information used is not materially misstated. This review does 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. We have not performed an audit and, accordingly, we do not express an audit opinion. We also note that historical financial information does not represent the current business and therefore would not be relevant to this Transaction.

We consider each of these valuation methodologies below.

7.1.4 *Market Value of Shares as Quoted on the ASX*

This method involves the valuation of an entity based on its actively traded equities, which represent the market capitalisation of the share capital of the entity, in a liquid and knowledgeable market.

If a quoted ordinary equity is traded in an active, liquid and knowledgeable market, then the market price of the quoted ordinary equity should represent the 'fair' market value of the quoted ordinary equity.

A premium may also need to be applied to the value of the quoted ordinary equity to determine the value of the equity holding in the circumstances where a party is acquiring or increasing a controlling equity position.

The AEB shares have been suspended from trading on the ASX since 31 January 2019. Therefore this method is not appropriate for the valuation of AEB shares.

7.1.5 Capitalisation of Future Maintainable Earnings

Under the earnings-based valuation method, the value of the business is determined by capitalising the estimated future maintainable earnings of the business at an appropriate capitalisation rate or multiplier of earnings. The multiple is a coefficient, representing the risk that the business may not achieve projected earnings.

This method is appropriate in valuing a business when there is a history of earnings, the business is established and it is assumed the earnings are sufficiently stable to be indicative of ongoing earnings potential.

This method is not considered to be appropriate for the valuation of AEB due to the losses being incurred and inherent uncertainty of future earnings.

7.1.6 Discounted Cash Flow – Net Present Value

Discounted cash flow valuations involve calculating the value of a business on the basis of the net cash flow that will be generated from the business over its life. The cash flows are discounted to reflect the time value of money and the risk involved with achieving the forecast cash flows. A terminal value at the end of the explicit forecast period is then determined and that value is also discounted back to the valuation date to give an overall value of the business.

Management of AEB are unable to forecast future cash flows as there is no business, and therefore a value cannot be placed on the company using the discounted cash flow method.

7.1.7 Realisation of Assets

The net assets or cost based approach to value is based on the assumption that the value of all assets (tangible and intangible) less the value of all liabilities should equal the value of the entity. The net asset value is determined by marking every asset and liability on and off the company's balance sheet to current market values.

This approach is generally not appropriate where assets are employed productively and are earning more than the cost of capital. It is often used as a cross check to assess the relative riskiness of the business.

Given the lack of business activity, we have considered the book value of the net assets given the lack of other appropriate valuation methods.

8 VALUE OF AEB

8.1 AEB valuation considerations

8.1.1 In considering the valuation of the AEB shares we have considered the following:

- a) AEB currently has no business;
- b) AEB is in a negative net asset position as detailed at section 6.2. Even if a premium for the value of the AEB listing was considered, it would not be sufficient to result in a positive net asset value.

8.2 Conclusion on the Value of AEB Shares

8.2.1 Given that a net asset based valuation would result in a negative value of AEB, we are of the opinion that the value of the AEB shares for the purpose of this report is *nil* prior to the Transaction occurring.

8.2.2 Following completion of the Transaction, the Company will have a net asset position of approximately \$30,000 and 100,000,000 shares on issue, equating to a net asset backing of \$0.0003 per share. This compares to the cash consideration being paid by Enzion for the ordinary shares in AEB of \$0.0032 per share.

9 ADVANTAGES & DISADVANTAGES OF THE TRANSACTION

9.1 Approach to assessing Fairness and Reasonableness

HCC has followed the guidelines of ASIC Regulatory Guide 111 in assessing the fairness and reasonableness of the Transaction. In forming its conclusions in this report, HCC compared the advantages and disadvantages for Non-Associated Shareholders if the Transaction proceeds.

9.2 Advantages of the Transaction

- 9.2.1 The Transaction will raise \$294,941 which will be used to cover administration costs.
- 9.2.2 The Transaction would result in a net cash position of approximately \$30,000, with the Company having no liabilities, compared with the current position where the Company has one asset, being a recoverable debtor of \$200,000, and significant debts in excess of \$6 million to pay.
- 9.2.3 If the Transaction is completed, the Company's chances to continue to investigate opportunities are enhanced as without the recapitalisation, it is likely that the Company would be liquidated. The Company would need to find a new business and raise additional funds so that it could meet the Listing Rules.
- 9.2.4 The Administrator sought the best offer for the Company through an auction type process to obtain the best result for creditors and shareholders of the Company.
- 9.2.5 The proposed directors bring additional expertise to the Company as they have financial, legal, finance and corporate experience as directors or managers of other entities.

9.3 Disadvantages of the Transaction

- 9.3.1 There may be other opportunities AEB will not be able to undertake to realise the value of its listing if it accepts the Transaction due to the controlling interest being obtained by Enzion.
- 9.3.2 An opportunity may be lost to obtain a takeover premium for the Company's shares unless Enzion sold their interest in AEB or subscribed for a 100% interest.
- 9.3.3 The Transaction will result in the dilution of current shareholders ownership percentages down to approximately 3.4%.
- 9.3.4 ASX has absolute discretion in deciding whether or not to re-admit the Company to the official list and to quote its securities. This means the Company may not be reinstated and the shares may never be quoted.
- 9.3.5 The Company would only have net cash of approximately \$30,000 following completion of the Transaction. The Company would still need to find a new business and raise additional funds so that it could meet the Listing Rules. In the absence of a superior offer the shell has no value and it is quite possible in the absence of any other recapitalisation proposal, the Company would be placed into liquidation.
- 9.3.6 If the Company seeks new business opportunities, there is no guarantee that such businesses will be profitable.

10 CONCLUSION AS TO FAIRNESS AND REASONABLENESS

10.1 Fairness

10.1.1 For the Transaction to be fair, the value of the consideration being paid by Enzion must be equal to or greater than the value of the AEB ordinary shares to be issued to Enzion.

10.1.2 Based on the analysis contained in section 8 of this report, the indicative value of the AEB shares is *nil*.

10.1.3 The cash consideration being paid by Enzion for the ordinary shares in AEB is \$0.0032 per share.

10.1.4 Therefore, based on a comparison of the value attributed to AEB shares and the cash consideration being paid by Enzion, in our opinion the Transaction is fair.

10.2 Reasonableness

10.2.1 ASIC Regulatory Guide 111 states that a transaction is reasonable if:

- The Transaction is fair; or
- Despite not being fair the expert believes that there are sufficient reasons for security holders to accept the offer in the absence of any higher bid before the close of the offer.

10.2.2 We have concluded that the Transaction is reasonable. In forming our opinion we have considered the fact that the Transaction is fair, as well as the advantages and disadvantages of the Transaction detailed at section 9.

10.2.3 Accordingly, in our opinion, having considered the advantages of the Transaction and the alternatives of not proceeding with the Transaction, in our opinion the Non-Associated Shareholders of AEB should benefit if the Transaction proceeds and therefore, in our opinion, the Transaction is reasonable.

Yours faithfully
Hall Chadwick Corporate (NSW) Limited



DREW TOWNSEND

APPENDIX I - SOURCES OF INFORMATION

- Affinity Energy and Health Limited Audited Financial Reports for FY2018 and FY2019;
- Affinity Energy and Health Limited Deed of Company Arrangement and Creditors Report;
- Affinity Energy and Health Limited Notice of General Meeting and Explanatory Memorandum;
- AEB Company registry details;
- AEB share trading history provided by ASX;
- Regulatory Guide 74 'Acquisitions Agreed to by Shareholders';
- Regulatory Guide 111 'Content of Expert Reports';
- Regulatory Guide 112 'Independence of Expert's Reports'; and
- APES 225 'Valuation Services'.

APPENDIX II - STATEMENT OF DECLARATION & QUALIFICATIONS

Confirmation of Independence

Prior to accepting this engagement HCC determined its independence with respect to AEB and Enzion with reference to ASIC Regulatory Guide 112 (RG 112) titled "Independence of Expert's Reports". HCC considers that it meets the requirements of RG 112 and that it is independent of AEB.

Also, in accordance with s648 (2) of the Corporations Act we confirm we are not aware of any business relationship or financial interest of a material nature with AEB or Enzion, its related parties or associates that would compromise our impartiality.

Mr Drew Townsend, director of Hall Chadwick Corporate (NSW) Limited, who is a registered company auditor, has prepared this report. Neither they nor any related entities of Hall Chadwick Corporate (NSW) Limited have any interest in the promotion of this Transaction nor will Hall Chadwick Corporate (NSW) Limited receive any benefits, other than normal professional fees, directly or indirectly, for or in connection with the preparation of this report. The fee is not contingent upon the success or failure of the proposed Transaction and has been calculated with reference to time spent on the engagement at normal professional fee rates for work of this type. Accordingly, HCC does not have any pecuniary interests that could reasonably be regarded as being capable of affecting our ability to give an unbiased opinion under this engagement.

HCC provided a draft copy of this report to the Directors of AEB for their comment as to factual accuracy, as opposed to opinions, which are the responsibility of HCC alone. Changes made to this report, as a result of the review by the Directors of AEB have not changed the methodology or conclusions reached by HCC.

Reliance on Information

The statements and opinions given in this report are given in good faith and in the belief that such statements and opinions are not false or misleading. In the preparation of this report HCC has relied upon information provided on the basis it was reliable and accurate. HCC has no reason to believe that any information supplied to it was false or that any material information (that a reasonable person would expect to be disclosed) has been withheld from it. HCC evaluated the information provided to it by AEB as well as other parties, through enquiry, analysis and review, and nothing has come to our attention to indicate the information provided was materially mis-stated or would not afford reasonable grounds upon which to base our report. Accordingly, we have taken no further steps to verify the accuracy, completeness or fairness of the data provided.

Our procedures and enquiries do not include verification work, nor constitute an audit or review in accordance with Australian Auditing Standards. HCC does not imply and it should not be construed that it has audited or in anyway verified any of the information provided to it, or that its enquiries could have verified any matter which a more extensive examination might disclose.

The sources of information that we relied upon are outlined in Appendix I of this report.

AEB has provided an indemnity to HCC for any claims arising out of any mis-statement or omission in any material or information provided by AEB to HCC in preparation of this report.

Qualifications

Hall Chadwick Corporate (NSW) Limited ("HCC") carries on business at Level 40, 2 Park Street, Sydney NSW 2000. HCC holds Australian Financial Services Licence No. 227902 authorising it to provide financial product advice on securities to retail clients. HCC's representatives are therefore qualified to provide this report.

Consent and Disclaimers

The preparation of this report has been undertaken at the request of the Directors of AEB. It also has regard to relevant ASIC Regulatory Guides. It is not intended that the report should be used for any other purpose than to accompany the Notice of General Meeting to be sent to AEB shareholders. In particular, it is not intended that this report should be used for any purpose other than as an expression of HCC's opinion as to whether or not the Proposed Transaction is fair and reasonable. HCC consent to the issue of this report in the form and context in which it is included in the Notice of General Meeting to be sent to AEB shareholders.

Shareholders should read all documents issued by AEB that consider the proposed Transaction in its entirety, prior to proceeding with a decision. HCC had no involvement in the preparation of these documents, with the exception of this report.

This report has been prepared specifically for the non-associated shareholders of AEB. Neither HCC, nor any member or employee thereof undertakes responsibility to any person, other than a non-associated shareholder of AEB, in respect of this report, including any errors or omissions howsoever caused. This report is "General Advice" and does not take into account any person's particular investment objectives, financial situation and particular needs. Before making an investment decision based on this advice, you should consider, with or without the assistance of a securities advisor, whether it is appropriate to your particular investment needs, objectives and financial circumstances.

Our procedures and enquiries do not include verification work, nor constitute an audit or review in accordance with Australian Auditing Standards (AUS).

Our opinions are based on economic, market and other conditions prevailing at the date of this report. Such conditions can change significantly over relatively short periods of time. Furthermore, financial markets have been particularly volatile in recent times. Accordingly, if circumstances change significantly, subsequent to the issue of the report, our conclusions and opinions may differ from those stated herein. There is no requirement for HCC to update this report for information that may become available subsequent to this date.

APPENDIX VI - FINANCIAL SERVICES GUIDE

Dated 16 September 2020

What is a Financial Services Guide (FSG)?

This FSG is designed to help you to decide whether to use any of the general financial product advice provided by Hall Chadwick Corporate (NSW) Limited ABN 28 080 462 488, Australian Financial Services Licence Number 227902 (HCC).

This FSG includes information about:

- HCC and how they can be contacted
- the services HCC is authorised to provide
- how HCC are paid
- any relevant associations or relationships of HCC
- how complaints are dealt with as well as information about internal and external dispute resolution systems and how you can access them; and
- the compensation arrangements that HCC has in place.

This FSG forms part of an Independent Expert's Report (Report) which has been prepared for inclusion in a disclosure document or, if you are offered a financial product for issue or sale, a Product Disclosure Statement (PDS). The purpose of the disclosure document or PDS is to help you make an informed decision in relation to a financial product. The contents of the disclosure document or PDS, as relevant, will include details such as the risks, benefits and costs of dealing in the particular financial product.

Financial services that HCC is authorised to provide

HCC holds an Australian Financial Services Licence, which authorises it to provide, amongst other services, financial product advice for securities and interests in managed investment schemes, including investor directed portfolio services, to retail clients.

We provide financial product advice when engaged to prepare a report in relation to a transaction relating to one of these types of finance products.

HCC's responsibility to you

HCC has been engaged by the independent directors of Affinity Energy and Health Limited ("AEB" or the "Client") to provide general financial product advice in the form of a Report to be included in the Notice of Meeting (Document) prepared by AEB in relation to the proposed Transaction.

You have not engaged HCC directly but have received a copy of the Report because you have been provided with a copy of the Document. HCC nor the employees of HCC are acting for any person other than the Client.

HCC is responsible and accountable to you for ensuring that there is a reasonable basis for the conclusions in the Report.

General Advice

As HCC has been engaged by the Client, the Report only contains general advice as it has been prepared without taking into account your personal objectives, financial situation or needs.

You should consider the appropriateness of the general advice in the Report having regard to your circumstances before you act on the general advice contained in the Report.

You should also consider the other parts of the Document before making any decision in relation to the Transaction.

Fees HCC may receive

HCC charges fees for preparing reports. These fees will usually be agreed with, and paid by, the Client. Fees are agreed on either a fixed fee or a time cost basis. In this instance, the Client has agreed to pay HCC \$15,000 (excluding GST and out of pocket expenses) for preparing the Report. HCC and its officers, representatives, related entities and associates will not receive any other fee or benefit in connection with the provision of this Report.

HCC officers and representatives receive remuneration from Hall Chadwick and associated entities. Remuneration and benefits are not provided directly in connection with any engagement for the provision of general financial product advice in the Report.

Further details may be provided on request.

Referrals

HCC does not pay commissions or provide any other benefits to any person for referring customers to them in connection with a Report.

Associations and relationships

HCC is controlled by and operates as part of the Hall Chadwick Sydney Partnership. HCC's directors may be partners in the Hall Chadwick Sydney Partnership. Mr Drew Townsend, director of HCC and partner in the Hall Chadwick Sydney Partnership, has prepared this report. The financial product advice in the Report is provided by HCC and not by the Hall Chadwick Sydney Partnership.

From time to time HCC, the Hall Chadwick Sydney Partnership and related entities (HC entities) may provide professional services, including audit, tax and financial advisory services, to companies and issuers of financial products in the ordinary course of their businesses. Over the past two years no professional fees have been received from the Client.

No individual involved in the preparation of this Report holds a substantial interest in, or is a substantial creditor of, the Client or has other material financial interests in the Transaction.

Complaints resolution

If you have a complaint, please let HCC know. Formal complaints should be sent in writing to:
The Complaints Officer
Hall Chadwick Corporate (NSW) Limited
GPO Box 3555
Sydney NSW 2001

If you have difficulty in putting your complaint in writing, please telephone the Complaints Officer on 02 9263 2600 and they will assist you in documenting your complaint.

Written complaints are recorded, acknowledged within 5 days and investigated. As soon as practical, and not more than 45 days after receiving the written complaint, the response to your complaint will be advised in writing.

External complaints resolution process

If HCC cannot resolve your complaint to your satisfaction within 45 days, you can refer the matter to the Australian Financial Complaints Authority (AFCA). AFCA provides free advice and assistance to consumers to help in resolving complaints relating to the financial services industry.

Further details about AFCA are available at their website www.afca.org.au or by contacting them directly at:

Australian Financial Complaints Authority Limited
GPO Box 3, Melbourne Victoria 3001
Telephone: 1800 931 678
Facsimile (03) 9613 6399
Email: info@afca.org.au

The Australian Securities and Investments Commission also has a free call infoline on 1300 300 630 which you may use to obtain information about your rights.

Compensation arrangements

HCC has professional indemnity insurance cover as required by the Corporations Act 2001(Cth).

Contact Details

You may contact HCC at:
Hall Chadwick Corporate (NSW) Limited
GPO Box 3555
Sydney NSW 2001
Telephone: 02 9263 2600
Facsimile: 02 9263 2800