
AFFINITY ENERGY AND HEALTH LIMITED

ACN 124 544 190

NOTICE OF ANNUAL GENERAL MEETING

TIME: 11.00am (WST)

DATE: 27 November 2018

PLACE: Bentleys (WA) Pty Ltd
London House, Level 3
216 St Georges Terrace
Perth 6000

This Notice of Meeting should be read in its entirety. If Shareholders are in doubt as to how they should vote, they should seek advice from their professional advisers prior to voting.

Should you wish to discuss the matters in this Notice of Meeting please do not hesitate to contact the Company Secretary on +61 8 9380 6790.

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IMPORTANT INFORMATION

Time and place of Meeting

Notice is given that the Meeting will be held at 11.00am (WST) on 27 November 2018 at:

Bentleys (WA) Pty Ltd, London House, Level 3, 216 St Georges Terrace, Perth 6000

Your vote is important

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

Voting eligibility

The Directors have determined pursuant to Regulation 7.11.37 of the *Corporations Regulations 2001* (Cth) that the persons eligible to vote at the Meeting are those who are registered Shareholders at 5pm (WST) on 25 November 2018.

Voting in person

To vote in person, attend the Meeting at the time, date and place set out above.

Voting by proxy

To vote by proxy, please complete and sign the enclosed Proxy Form and return by the time and in accordance with the instructions set out on the Proxy Form.

In accordance with section 249L of the Corporations Act, Shareholders are advised that:

- each Shareholder has a right to appoint a proxy;
- the proxy need not be a Shareholder of the Company; and
- a Shareholder who is entitled to cast 2 or more votes may appoint 2 proxies and may specify the proportion or number of votes each proxy is appointed to exercise. If the member appoints 2 proxies and the appointment does not specify the proportion or number of the member's votes, then in accordance with section 249X(3) of the Corporations Act, each proxy may exercise one-half of the votes.

Shareholders and their proxies should be aware that:

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

Proxy vote if appointment specifies way to vote

Section 250BB(1) of the Corporations Act provides that an appointment of a proxy may specify the way the proxy is to vote on a particular resolution and, **if it does**:

- the proxy need not vote on a show of hands, but if the proxy does so, the proxy must vote that way (ie as directed); and
- if the proxy has 2 or more appointments that specify different ways to vote on the resolution, the proxy must not vote on a show of hands; and
- if the proxy is the chair of the meeting at which the resolution is voted on, the proxy must vote on a poll, and must vote that way (ie as directed); and
- if the proxy is not the chair, the proxy need not vote on the poll, but if the proxy does so, the proxy must vote that way (ie as directed).

Transfer of non-chair proxy to chair in certain circumstances

Section 250BC of the Corporations Act provides that, if:

- an appointment of a proxy specifies the way the proxy is to vote on a particular resolution at a meeting of the Company's members; and
- the appointed proxy is not the chair of the meeting; and
- at the meeting, a poll is duly demanded on the resolution; and
- either of the following applies:
 - the proxy is not recorded as attending the meeting; or
 - the proxy does not vote on the resolution,

the chair of the meeting is taken, before voting on the resolution closes, to have been appointed as the proxy for the purposes of voting on the resolution at the meeting.

(Return of Proxy Form): To vote by proxy, please complete and sign the enclosed Proxy Form and return by:

Online	At www.investorvote.com.au
By Mail	Share Registry – Computershare Investor Services Pty Limited, GPO Box 242, Melbourne Victoria 3001, Australia
By Fax	1800 783 447 (within Australia) +61 3 9473 2555 (outside Australia)
By Mobile	Scan the QR Code on your proxy form and follow the prompts
Custodian Voting	For Intermediary Online subscribers only (custodians) please visit www.intermediaryonline.com to submit your voting intentions

so that it is received not less than 48 hours prior to commencement of the Meeting.

Proxy Forms received later than this time will be invalid.

BUSINESS OF THE MEETING

AGENDA

FINANCIAL STATEMENTS AND REPORTS

To receive and consider the annual financial report of the Company for the financial year ended 30 June 2018 together with the declaration of the directors, the director's report, the Remuneration Report and the auditor's report.

1. RESOLUTION 1 – ADOPTION OF REMUNERATION REPORT

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

"That, for the purpose of section 250R(2) of the Corporations Act, approval is given for the adoption of the Remuneration Report as contained in the Company's annual financial report for the financial year ended 30 June 2018."

Note: the vote on this Resolution is advisory only and does not bind the Directors or the Company.

Voting Prohibition Statement:

A vote on this Resolution must not be cast (in any capacity) by or on behalf of:

- (a) a member of the Key Management Personnel, details of whose remuneration are included in the Remuneration Report; or
- (b) a Closely Related Party of such a member.

However, a person (the **voter**) described above may cast a vote on this Resolution as a proxy if the vote is not cast on behalf of a person described above and either:

- (a) the voter is appointed as a proxy by writing that specifies the way the proxy is to vote on this Resolution; or
- (b) the voter is the Chair and the appointment of the Chair as proxy:
 - (i) does not specify the way the proxy is to vote on this Resolution; and
 - (ii) expressly authorises the Chair to exercise the proxy even though this Resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel.

2. RESOLUTION 2 – RE-ELECTION OF DIRECTOR – PETER HATFULL

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

"That, for the purposes of clause 13.2 of the Constitution, Listing Rule 14.4 and for all other purposes Mr Peter Hatfull, a Director, retires by rotation, and being eligible, is re-elected as a Director."

3. RESOLUTION 3 – RE-ELECTION OF DIRECTOR - RAMASAMY V. VENKATESH

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

"That, for the purposes of clause 13.2 of the Constitution, Listing Rule 14.4 and for all other purposes, Mr Ramasamy V Venkatesh, a Director, retires by rotation, and being eligible, is re-elected as a Director."

4. RESOLUTION 4 – RE-ELECTION OF DIRECTOR – ALLAN TAN

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

"That, for the purposes of clause 13.4 of the Constitution, Listing Rule 14.4 and for all other purposes, Mr Allan Tan, a Director who was appointed on 7 February 2018, retires, and being eligible, is re-elected as Director".

5. RESOLUTION 5 – APPROVAL OF 10% PLACEMENT CAPACITY

To consider and, if thought fit, to pass the following resolution as a **special resolution**:

"That, for the purpose of Listing Rule 7.1A and for all other purposes, approval is given for the issue of up to that number of Equity Securities equal to 10% of the issued capital of the Company at the time of issue, calculated in accordance with the formula prescribed in Listing Rule 7.1A.2 and otherwise on the terms and conditions set out in the Explanatory Statement."

Voting Exclusion: The Company will disregard any votes cast in favour of this Resolution by or on behalf of any person who is expected to participate in, or who will obtain a material benefit as a result of, the proposed issue of Equity Securities under this Resolution, except a benefit solely by reason of being a holder of ordinary securities, if the Resolution is passed and any associates of those persons. However, the Company will 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.

6. RESOLUTION 6 – RATIFICATION OF PRIOR ISSUE OF OPTIONS

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

"That, for the purpose of Listing Rule 7.4 and for all other purposes, Shareholders approve and ratify the issue of 7,000,000 Options to Neirin Technologies Limited on the terms and conditions set out in the Explanatory Statement."

Voting Exclusion: The Company will disregard any votes cast in favour of this Resolution by or on behalf of Neirin Technologies Limited or an associate of Neirin Technologies Limited. However, the Company will 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.

7. QUESTIONS AND COMMENTS

The Chair will allow reasonable opportunity for Shareholders to ask questions or make comments on the management of the Company.

Dated: 19 October 2018

By order of the Board

Peter Hatfull
Director/Company Secretary

EXPLANATORY STATEMENT

This Explanatory Statement has been prepared to provide information which the Directors believe to be material to Shareholders in deciding whether or not to pass the Resolutions.

1. FINANCIAL STATEMENTS AND REPORTS

In accordance with the Constitution, the business of the Meeting will include receipt and consideration of the annual financial report of the Company for the financial year ended 30 June 2018 together with the declaration of the directors, the directors' report, the Remuneration Report and the auditor's report.

The Company will not provide a hard copy of the Company's annual financial report to Shareholders unless specifically requested to do so. The Company's annual financial report is available on its website at [http:// www.affinityenergyandhealth.com.au/](http://www.affinityenergyandhealth.com.au/).

2. RESOLUTION 1 – ADOPTION OF REMUNERATION REPORT

2.1 General

The Corporations Act requires that at a listed company's annual general meeting, a resolution that the remuneration report be adopted must be put to the shareholders. However, such a resolution is advisory only and does not bind the company or the directors of the company.

The remuneration report sets out the company's remuneration arrangements for the directors and senior management of the company. The remuneration report is part of the directors' report contained in the annual financial report of the company for a financial year.

The chair of the meeting must allow a reasonable opportunity for its shareholders to ask questions about or make comments on the remuneration report at the annual general meeting.

2.2 Voting consequences

A company is required to put to its shareholders a resolution proposing the calling of another meeting of shareholders to consider the appointment of directors of the company (**Spill Resolution**) if, at consecutive annual general meetings, at least 25% of the votes cast on a remuneration report resolution are voted against adoption of the remuneration report and at the first of those annual general meetings a Spill Resolution was not put to vote. If required, the Spill Resolution must be put to vote at the second of those annual general meetings.

If more than 50% of votes cast are in favour of the Spill Resolution, the company must convene a shareholder meeting (**Spill Meeting**) within 90 days of the second annual general meeting.

All of the directors of the company who were in office when the directors' report (as included in the company's annual financial report for the most recent financial year) was approved, other than the managing director of the company, will cease to hold office immediately before the end of the Spill Meeting but may stand for re-election at the Spill Meeting.

Following the Spill Meeting those persons whose election or re-election as directors of the company is approved will be the directors of the company.

2.3 Previous voting results

At the Company's previous annual general meeting the votes cast against the remuneration report considered at that annual general meeting were less than 25%. Accordingly, a Spill Resolution will not be relevant for this Annual General Meeting.

3. RESOLUTIONS 2 AND 3 – RE-ELECTION OF DIRECTORS

3.1 General

Clause 13.2 of the Constitution provides that at the Company's annual general meeting, one-third of the Directors for the time being, or, if their number is not a multiple of 3, then the number nearest one-third (rounded upwards in case of doubt), shall retire from office, provided always that no Director (except a Managing Director) shall hold office for a period in excess of 3 years, or until the third annual general meeting following his or her appointment, whichever is the longer, without submitting himself or herself for re-election.

The Directors to retire at an annual general meeting are those who have been longest in office since their last election, but, as between persons who became Directors on the same day, those to retire shall (unless they otherwise agree among themselves) be determined by drawing lots.

The Company currently has 4 Directors subject to retirement by rotation, and accordingly 2 must retire. The Directors subject to retirement by rotation excludes Mr Malcolm James as Managing Director.

Messrs Peter Hatfull and Ramasamy V Venkatesh, the Directors longest in office since their last election, retire by rotation and seek re-election.

3.2 Qualifications and other material directorships

Mr Peter Hatfull

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

Mr Hatfull was appointed as Director of the Company on 18 January 2010 and also holds the position of Company Secretary.

Mr Hatfull is also non-executive director of Raffaella Resources Limited.

Mr Ramasamy V Venkatesh

Mr R.V. Venkatesh is one of the founders and managing director of Gencor Pacific Limited, part of the Gencor group worldwide, which is the Company's offtake partner for algae oils. He is a chemist with over 30 years' experience in key industries namely healthcare, pharmaceuticals and nutraceuticals. He has extensive experience in international business in the pharmaceutical and nutraceutical sectors worldwide, having done business in over 70 countries. His expertise includes R&D management, scientific reviews, product development, clinical trials, product branding, strategic partnerships and he has a track record of successful nutraceutical product launches worldwide.

Mr R.V. Venkatesh was appointed as Non-Executive Director on 15 August 2017.

Mr R.V Venkatesh is also a director of Gencor Pacific Ltd (a registered holder of Shares) and may be in a position to control the manner in which Gencor Pacific Ltd exercises its rights as a Shareholder.

3.3 Independence

If elected, the Board considers Messrs Peter Hatfull and Ramasamy V Venkatesh will not be independent Directors.

3.4 Board recommendation

The Board (other than Mr Peter Hatfull) recommend Shareholders vote in favour of Resolution 2.

The Board (other than Mr Ramasamy V Venkatesh) recommend Shareholders vote in favour of Resolution 3.

4. RESOLUTION 4 – RE-ELECTION OF DIRECTOR – ALLAN TAN

4.1 General

Clause 13.4 of the Constitution allows the Directors to appoint at any time a person to be a Director as an addition to the existing Directors.

In accordance with clause 13.4 of the Constitution, any Director so appointed holds office only until the next following general meeting and is then eligible for re-election.

Mr Allan Tan was appointed as a Director of the Company on 7 February 2018 and in accordance with the Constitution and Listing Rule 14.4, retires and is seeking re-election.

4.2 Qualifications and other material directorships

Mr Tan is a lawyer with 22 years of corporate and regulatory experience. He is currently lead independent director of Nico Steel Holdings Limited and independent director of CNMC Goldmine Holdings Limited, both listed on the Singapore Stock Exchange.

4.3 Independence

If elected the board considers Mr Allan Tan will be an independent director.

4.4 Board recommendation

The Board (other than Mr Allan Tan) recommend Shareholders vote in favour of Resolution 4.

5. RESOLUTION 5 – APPROVAL OF 10% PLACEMENT CAPACITY

5.1 General

Listing Rule 7.1A provides that an Eligible Entity (defined below) may seek shareholder approval by special resolution passed at an annual general meeting to have the capacity to issue up to that number of Equity Securities equal to 10% of its issued capital (**10% Placement Capacity**) without using the company's existing 15% annual placement capacity under Listing Rule 7.1.

An Eligible Entity for the purposes of Listing Rule 7.1A is one that, as at the date of the relevant annual general meeting:

- (a) is not included in the S&P/ASX 300 Index; and
- (b) has a maximum market capitalisation (excluding restricted securities and securities quoted on a deferred settlement basis) of \$300,000,000.

The Company is an Eligible Entity as it is not included in the S&P/ASX 300 Index and has a current market capitalisation of less than \$300,000,000.

The Company has a current market capitalisation of \$12,107,860. The calculation used for the purposes of this Notice is the number of Shares issued multiplied by \$0.013 (being the Share closing price on ASX on 4 October 2018).

Any Equity Securities issued must be in the same class as an existing class of quoted Equity Securities. The Company currently has 2 classes of quoted Equity Securities on issue, being:

- (a) 931,373,833 Shares (ASX Code: AEB); and
- (b) 210,092,326 listed Options (ASX Code: AEBO) at an exercisable price of \$0.05 each on or before 28 July 2020.

The Company also has 5 classes of unquoted Options on issue and 5 classes of convertible notes on issue.

If Shareholders approve Resolution 5, the number of Equity Securities the Company may issue under the 10% Placement Capacity will be determined in accordance with the formula prescribed in Listing Rule 7.1A.2.

Resolution 5 is a special resolution. Accordingly, at least 75% of votes cast by Shareholders eligible to vote at the Meeting must be in favour of Resolution 5 for it to be passed.

5.2 Information required by Listing Rule 7.3A

Pursuant to and in accordance with Listing Rule 7.3A, the information below is provided in relation to this Resolution:

(a) Minimum price

The minimum price at which the Equity Securities may be issued is 75% of the volume weighted average price of Equity Securities in that class, calculated over the 15 ASX trading days on which trades in that class were recorded immediately before:

- (i) the date on which the price at which the Equity Securities are to be issued is agreed; or
- (ii) if the Equity Securities are not issued within 5 ASX trading days of the date in Section 5.2(a)(i), the date on which the Equity Securities are issued.

(b) Date of Issue

The Equity Securities may be issued under the 10% Placement Capacity commencing on the date of the Annual General Meeting and expiring on the first to occur of the following:

- (i) 12 months after the date of the Annual General Meeting; and
- (ii) the date of approval by Shareholders of any transaction under Listing Rules 11.1.2 (a significant change to the nature or scale of the Company's activities) or 11.2 (disposal of the Company's main undertaking) (after which date, an approval under Listing Rule 7.1A ceases to be valid).

(c) Risk of voting dilution

Any issue of Equity Securities under the 10% Placement Capacity will dilute the interests of Shareholders who do not receive any Shares under the issue.

If Resolution 5 is approved by Shareholders and the Company issues the maximum number of Equity Securities available under the 10% Placement Capacity, the economic and voting dilution of existing Shares would be as shown in the table below.

The table below shows the dilution of existing Shareholders calculated in accordance with the formula outlined in Listing Rule 7.1A.2, and on the assumptions set out below the table.

The table also shows the dilution impact where the number of Shares on issue (Variable A in the formula) changes and where there are changes in the issue price of Shares issued under the 10% Placement Capacity.

Shareholders should note that there is a risk that:

- (i) the market price for the Company's Shares may be significantly lower on the issue date than on the date of the Annual General Meeting; and
- (ii) the Shares may be issued at a price that is at a discount to the market price for those Shares on the date of issue.

Number of Shares on Issue (Variable 'A' in Listing Rule 7.1A2)	DILUTION			
	Issue Price (per Share)	\$0.0065 50% decrease in Issue Price	\$0.013 Issue Price	\$0.026 100% increase in Issue Price
931,373,833 (Current Variable A)	Shares issued - 10% voting dilution	93,137,383 Shares	93,137,383 Shares	93,137,383 Shares
	Funds raised	\$605,393	\$1,210,786	\$2,421,572
1,397,060,750 (50% increase in Variable A)	Shares issued - 10% voting dilution	139,706,075 Shares	139,706,075 Shares	139,706,075 Shares
	Funds raised	\$908,089	\$1,816,179	\$3,632,358
1,862,747,666 (100% increase in Variable A)	Shares issued - 10% voting dilution	186,274,767 Shares	186,274,767 Shares	186,274,767 Shares
	Funds raised	\$1,210,786	\$2,421,572	\$4,843,144

The number of Shares on issue (Variable A in the formula) could increase as a result of the issue of Shares that do not require Shareholder approval (such as under a pro-rata rights issue or scrip issued under a takeover offer or upon the exercise of options or conversion of convertible notes) or that are issued with Shareholder approval under Listing Rule 7.1.

The table above uses the following assumptions:

1. There are 931,373,833 Shares on issue as at the date of this Notice of Meeting.
2. The issue price set out above is the closing price of the Shares on ASX on 4 October 2018.
3. The Company issues the maximum possible number of Shares under the 10% Placement Capacity.
4. The Company has not issued any Equity Securities in the 12 months prior to the Annual General Meeting that were not issued under an exception in Listing Rule 7.2 or with approval under Listing Rule 7.1.
5. The issue of Equity Securities under the 10% Placement Capacity consists only of Shares. It is assumed that no Options are exercised into Shares before the date of issue of the Equity Securities.
6. The calculations above do not show the dilution that any one particular Shareholder will be subject to. All Shareholders should consider the dilution caused to their own shareholding depending on their specific circumstances.
7. This table does not set out any dilution pursuant to approvals under Listing Rule 7.1.
8. The 10% dilution reflects the aggregate percentage dilution against the issued share capital at the time of issue. This is why the dilution is shown in each example as 10%.
9. The table does not show an example of dilution that may be caused to a particular Shareholder by reason of placements under the 10% Placement Capacity, based on that Shareholder's holding at the date of the Meeting.

(d) **Purpose of Issue under 10% Placement Capacity**

The Company may issue Shares under the 10% Placement Capacity for the following purposes:

- (i) as cash consideration in which case the Company intends to use funds raised for the acquisition of new assets and investments, continued development and implementation of the Company's algae technology, development and construction of the Atlanta facility, further development of the medicinal marijuana division and general working capital; and
- (ii) as non-cash consideration for the acquisition of new assets and investments. In such circumstances, the Company will provide a valuation of the non-cash consideration as required by Listing Rule 7.1A.3.

The Company will comply with the disclosure obligations under Listing Rules 7.1A(4) and 3.10.5A upon issue of any Equity Securities.

(e) **Allocation policy under the 10% Placement Capacity**

The Company's allocation policy for the issue of Equity Securities under the 10% Placement Capacity will be dependent on the prevailing market conditions at the time of the proposed placement(s).

The recipients of the Equity Securities to be issued under the 10% Placement Capacity have not yet been determined. However, the recipients of Equity Securities could consist of current Shareholders or new investors (or both), none of whom will be related parties of the Company.

The Company will determine the recipients at the time of the issue under the 10% Placement Capacity, having regard to the following factors:

- (i) the purpose of the issue;
- (ii) alternative methods for raising funds available to the Company at that time, including, but not limited to, an entitlement issue or other offer where existing Shareholders may participate;
- (iii) the effect of the issue of the Equity Securities on the control of the Company;
- (iv) the circumstances of the Company, including, but not limited to, the financial position of the Company;
- (v) prevailing market conditions; and
- (vi) advice from corporate, financial and broking advisers (if applicable).

Further, if the Company is successful in acquiring new assets or investments, it is possible that the recipients under the 10% Placement Capacity will be vendors of the new assets or investments.

(f) **Previous approval under Listing Rule 7.1A**

The Company previously obtained Shareholder approval under Listing Rule 7.1A at its 2017 annual general meeting held on 30 November 2017 (**Previous Approval**).

The Company has issued 62,263,422 Equity Securities pursuant to the Previous Approval.

During the 12 month period preceding the proposed date of the Meeting, being on and from 27 November 2017, the Company otherwise issued a total of 244,054,342 Shares, 132,290,688 Options and 1,337,870 convertible notes (convertible into 163,690,917 Shares based on conversion prices as set out in Annexure A) which represents approximately 50% of the total diluted number of Equity Securities on issue in the Company on 30 November 2017, which was 1,079,467,650 (being 687,319,491 Shares, a total of 141,779,826 Options and \$3,004,420 convertible notes (convertible into 250,368,333 Shares based on a conversion price of \$0.012 per Share).

The table at Annexure A details all issues of Equity Securities by the Company during the 12 months preceding the date of this Notice.

(g) **Compliance with Listing Rules 7.1A.4 and 3.10.5A**

When the Company issues Equity Securities pursuant to the 10% Placement Capacity, it must give to ASX:

- (i) a list of the recipients of the Equity Securities and the number of Equity Securities issued to each (not for release to the market), in accordance with Listing Rule 7.1A.4; and
- (ii) the information required by Listing Rule 3.10.5A for release to the market.

5.3 Voting Exclusion

A voting exclusion statement is included in this Notice. As at the date of this Notice, the Company has not invited any existing Shareholder to participate in an issue of Shares under Listing Rule 7.1A. Therefore, no existing Shareholders will be excluded from voting on Resolution 5.

6. RESOLUTION 6 – RATIFICATION OF PRIOR ISSUE OF OPTIONS

6.1 General

The Company previously issued 7,000,000 Options to Neirin Technologies Limited in return for corporate, strategic and administrative services provided to the Company. The Options are unlisted Options exercisable at \$0.025 on or before 3 July 2023. The Company issued the Options without prior Shareholder approval out of its 15% annual placement capacity.

Resolution 6 seeks Shareholder ratification pursuant to Listing Rule 7.4 for the issue of the Options to Neirin Technologies Limited.

6.2 Listing Rule 7.1

Listing Rule 7.1 provides that a company must not (subject to specified exceptions), without the approval of shareholders, issue or agree to issue during any 12 month period any Equity Securities, or other securities with rights to conversion to equity (such as an option), if the number of those securities exceeds 15% of the number of fully paid ordinary securities on issue at the commencement of that 12 month period.

6.3 Listing Rule 7.4

Listing Rule 7.4 permits the ratification of previous issues of Equity Securities made without prior shareholder approval under Listing Rule 7.1, provided the issue did not breach Listing Rule 7.1. The effect of such ratification is to restore a company's maximum discretionary power to issue further securities up to the limit imposed by Listing Rule 7.1.

The Company confirms the issue of the Options the subject of Resolution 6 did not breach Listing Rule 7.1.

The Company wishes to ratify the issue of the Options pursuant to Listing Rule 7.4, in order to allow the Company to have the right to place up to a further 15% of its issued capital under Listing Rule 7.1.

6.4 Technical information required by Listing Rule 7.4

The following information is provided to Shareholders for the purposes of Listing Rule 7.5 in relation to Resolution 6:

- (a) on 3 July 2018 the Company issued a total of 7,000,000 Options;
- (b) the Options were issued for nil consideration;
- (c) the Options were issued on the terms and conditions set out in Schedule 1;
- (d) the Options were issued to Neirin Technologies Limited, who is not a related party of the Company;
- (e) no funds were raised from the issue of the Options as the Options were issued as consideration for corporate, strategic and administrative services provided to the Company; and
- (f) a voting exclusion statement for Resolution 6 is included in the Notice.

7. QUESTIONS AND COMMENTS

In accordance with the Corporations Act at the Annual General Meeting the Chair will provide an opportunity for Shareholders to ask questions and make comments in relation to the management of the Company.

GLOSSARY

\$ means Australian dollars.

10% Placement Capacity has the meaning given in Section 5.1 of the Explanatory Statement.

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

ASX means ASX Limited (ACN 008 624 691) or the financial market operated by ASX Limited, as the context requires.

Board means the current board of directors of the Company.

Chair means the chair of the Meeting.

Closely Related Party of a member of the Key Management Personnel means:

- (a) a spouse or child of the member;
- (b) a child of the member's spouse;
- (c) a dependent of the member or the member's spouse;
- (d) anyone else who is one of the member's family and may be expected to influence the member, or be influenced by the member, in the member's dealing with the entity;
- (e) a company the member controls; or
- (f) a person prescribed by the *Corporations Regulations 2001* (Cth).

Company means Affinity Energy and Health Limited (ACN 124 544 190).

Constitution means the Company's constitution.

Corporations Act means the *Corporations Act 2001* (Cth).

Directors means the current directors of the Company.

Eligible Entity means an entity that, at the date of the relevant general meeting:

- (a) is not included in the S&P/ASX 300 Index; and
- (b) has a maximum market capitalisation (excluding restricted securities and securities quoted on a deferred settlement basis) of \$300,000,000.

Equity Securities includes a Share, a right to a Share or Option, an Option, a convertible security and any security that ASX decides to classify as an Equity Security.

Explanatory Statement means the explanatory statement accompanying the Notice.

Listing Rules means the Listing Rules of ASX.

Key Management Personnel has the same meaning as in the accounting standards issued by the Australian Accounting Standards Board and means those persons having authority and responsibility for planning, directing and controlling the activities of the Company, or if the Company is part of a consolidated entity, of the consolidated entity, directly or indirectly, including any director (whether executive or otherwise) of the Company, or if the Company is part of a consolidated entity, of an entity within the consolidated group.

Managing Director means the managing Director of the Company.

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

Option means an option to acquire a Share.

Previous Approval has the meaning given in section 5.2(f).

Proxy Form means the proxy form accompanying the Notice.

Remuneration Report means the remuneration report set out in the Director's report section of the Company's annual financial report for the year ended 30 June 2018.

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

Section means a section contained in this Explanatory Statement.

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

Shareholder means a registered holder of a Share.

Variable A means "A" as set out in the calculation in Section 5.2(c).

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

SCHEDULE 1 – TERMS OF OPTIONS

TERMS AND CONDITIONS OF OPTIONS EXPIRING 3 JULY 2023

a. Entitlement

Subject to and conditional upon any adjustment in accordance with these conditions, each Option entitles the holder to subscribe for one Share upon payment of the Exercise Price.

b. Exercise Price

The Exercise Price of each Option (the **Exercise Price**) is AUD \$0.025.

c. Exercise Period

An Option is exercisable at any time on or before 5.00pm (Sydney time) on the fifth anniversary of the date of grant (the **Expiry Date**). Options not exercised by the Expiry Date lapse.

d. Ranking of Shares

Shares issued on the exercise of Options will rank equally with all existing Shares on and from the date of issue in respect of all rights issues, bonus share issues and dividends which have a record date for determining entitlements on or after the date of issue of those Shares.

e. Options unlisted but transferrable

Options will not be listed but may be transferred in the same manner as Shares.

f. Participation in new issues

An Option holder may participate in new issues of securities to holders of Shares only if and to the extent that:

- i. an Option has been exercised; and
- ii. a Share has been issued in respect of the exercise before the record date for determining entitlements to the new issue. The Company must give notice to the Option holder of any new issue not less than 10 Business Days before the record date for determining entitlements to the issue.

g. Adjustment for bonus issues of Shares

If the Company makes a bonus issue of Shares or other securities to existing shareholders (other than an issue in lieu or in satisfaction, of dividends or by way of dividend reinvestment):

- i. the number of Shares which must be issued on the exercise of a Option will be increased by the number of Shares which the Option holder would have received if the Option holder had exercised the Option before the record date for the bonus issue; and
- ii. no change will be made to the Exercise Price.

h. Adjustment for rights issue

If the Company makes an issue of Shares pro rata to existing Shareholders (other than an issue in lieu of in satisfaction of dividends or by way of dividend reinvestment) the Exercise Price of a Option will be reduced according to the formula in Listing Rule 6.22.2:

i. Reconstructions

If there is any reconstruction of the issued share capital of the Company, the number of shares to which the Option holder is entitled, and/or the Exercise Price, must be reconstructed in a manner which complies with the Listing Rules (which will not result in any benefits being conferred on the Option holder which are not conferred on shareholders and subject to the provisions with respect to rounding of entitlements as sanctioned by the meeting of shareholders approving the reconstruction of capital), but in all other respects, the terms for the exercise of a Option will remain unchanged.

ANNEXURE A

ISSUES OF EQUITY SECURITIES BY THE COMPANY OVER THE LAST 12 MONTHS

Date of Issue	Number of Equity Securities Issued	Class of Equity Securities Issued and Summary of Terms of that Class	Names of Allottees or Basis on which Allottees Determined	Price at which Equity Securities Issued and Discount to Market Price ¹	Total Cash Consideration ²	Amount of Cash Spent and Use of Cash	Intended Use of Remaining Cash	Non-cash consideration	Current Value of Non-cash consideration ³
Issue 25/01/18 3B 29/01/18	69,562,500	Fully paid ordinary shares. The shares rank equally with existing quoted fully paid ordinary shares	Sophisticated investors	\$0.04 Market price \$0.048 Discount to market 1.6%	\$2,782,500	All cash received has been spent. The funds raised from this issue were used for general working capital and technology development	N/A	N/A	N/A
Issue 25/01/18 3B 29/01/18	68,312,500	Listed options exercisable at \$0.05 on or before 28 July 2020	Free attaching options	Nil	N/A	N/A	N/A	N/A	\$204,937
Issue 16/02/18 3B 21/02/18	7,500,000	Fully paid ordinary shares. The shares rank equally with existing quoted fully paid ordinary shares	NS Technologies	No issue price (non-cash consideration)	Nil	N/A	N/A	Issued in consideration to acquire 19.9% interest in NS Technologies	\$105,000 ²
Issue 06/04/18 3B 11/04/18	134,890,940	Fully paid ordinary shares. The shares rank equally with existing quoted fully paid ordinary shares	Medical Cannabis Limited	No issue price (non-cash consideration)	Nil	N/A	N/A	Issued for no money consideration as part of the deposit payable to MCL under the Licensing Heads of Agreement	\$1,888,473 ²

Date of Issue	Number of Equity Securities Issued	Class of Equity Securities Issued and Summary of Terms of that Class	Names of Allottees or Basis on which Allottees Determined	Price at which Equity Securities Issued and Discount to Market Price ¹	Total Cash Consideration ²	Amount of Cash Spent and Use of Cash	Intended Use of Remaining Cash	Non-cash consideration	Current Value of Non-cash consideration ³
Issue 06/04/18 3B 11/04/18	26,978,188	Unlisted options exercisable at \$0.075 on or before 31 December 2020	Medical Cannabis Limited	No issue price (non-cash consideration)	NIL	N/A	N/A	Issued for no money consideration as part of the deposit payable to MCL under the Licensing Heads of Agreement	\$46,397
Issue 14/06/18 3B 15/06/18	6,547,619	Fully paid ordinary shares. The shares rank equally with existing quoted fully paid ordinary shares	L1 Capital Global Opportunities Master Fund	\$0.021 Market Price \$0.025 Discount to market 16%	\$137,500	To fund the research and development of new products from medicinal marijuana and algae	N/A	N/A	N/A
Issue 26/06/18 3B 26/06/18	775,170	Convertible Notes	MEF I, L.P. (Magna)	\$1,000,000	\$1,000,000	To drive key operational developments within algae and medicinal cannabis divisions.	N/A	N/A	N/A
Issue 26/06/18 3B 26/06/18	2,040,816	Fully paid ordinary shares. The shares rank equally with existing quoted fully paid ordinary shares	MEF I, L.P. (Magna)	\$0.0245 Market Price \$0.022 No discount	\$50,000	N/A	N/A	Shares issued as consideration of a 5% commitment fee of Tranche A of the MEF I, L.P. (Magna) funding.	N/A

Date of Issue	Number of Equity Securities Issued	Class of Equity Securities Issued and Summary of Terms of that Class	Names of Allottees or Basis on which Allottees Determined	Price at which Equity Securities Issued and Discount to Market Price ¹	Total Cash Consideration ²	Amount of Cash Spent and Use of Cash	Intended Use of Remaining Cash	Non-cash consideration	Current Value of Non-cash consideration ³
Issue 03/07/18 3B 06/07/18	7,000,000	Unlisted options exercisable at \$0.025 on or before 3 July 2023	Neirin Technologies	No issue price (non-cash consideration)	NIL	N/A	N/A	Issued in consideration for professional services	\$67,200
Issue 17/07/18 3B 18/07/18	2,719,283	Fully paid ordinary shares. The shares rank equally with existing quoted fully paid ordinary shares	Partial conversion of convertible notes issued to MEF I, L.P. (Magna)	\$0.016320 Market Price \$0.020 Discount to market 18.4%	\$44,378	All cash received has been spent. The funds raised from this issue were used to drive key operational developments within algae and medicinal cannabis divisions.	N/A	N/A	N/A
Issue 31/07/18 3B 31/07/18	4,891,741	Fully paid ordinary shares. The shares rank equally with existing quoted fully paid ordinary shares	Partial conversion of convertible notes issued to MEF I, L.P. (Magna)	\$0.01520 Market Price \$0.018 Discount to market 15.5%	\$74,354	All cash received has been spent. The funds raised from this issue were used to drive key operational developments within algae and medicinal cannabis divisions.	N/A	N/A	N/A
Issue 03/08/18 3B 06/08/18	30,000,000	Unlisted options exercisable at \$0.05 on or before 3 August 2022	Incentive options issued to Malcolm James	No issue price (non-cash consideration)	NIL	N/A	N/A	Incentive options issued to Malcolm James	\$89,100

Date of Issue	Number of Equity Securities Issued	Class of Equity Securities Issued and Summary of Terms of that Class	Names of Allottees or Basis on which Allottees Determined	Price at which Equity Securities Issued and Discount to Market Price ¹	Total Cash Consideration ²	Amount of Cash Spent and Use of Cash	Intended Use of Remaining Cash	Non-cash consideration	Current Value of Non-cash consideration ³
Issue 10/08/18 3B 13/08/18	742,700	Convertible Notes	MEF I, L.P. (Magna)	\$1,000,000 Market Price	\$1,000,000	To drive key operational developments within algae and medicinal cannabis divisions.	N/A	N/A	N/A
Issue 10/08/18 3B 13/08/18	2,923,977	Fully paid ordinary shares. The shares rank equally with existing quoted fully paid ordinary shares	MEF I, L.P. (Magna)	\$0.01710 Market Price \$0.017 No discount	\$50,000	N/A	N/A	Shares issued as consideration of a 5% commitment fee of Tranche B of the MEF I, L.P. (Magna) funding.	N/A
Issue 28/08/18 3B 28/08/18	5,724,530	Fully paid ordinary shares. The shares rank equally with existing quoted fully paid ordinary shares	Partial conversion of convertible notes issued to MEF I, L.P. (Magna)	\$0.013120 Market Price \$0.016 Discount to market 18%	\$75,105	All cash received has been spent. The funds raised from this issue were used to drive key operational developments within algae and medicinal cannabis divisions.	N/A	N/A	N/A
Issue 20/09/18 3B 20/09/18	7,252,936	Fully paid ordinary shares. The shares rank equally with existing quoted fully paid ordinary shares	Partial conversion of convertible notes issued to MEF I, L.P. (Magna)	\$0.01056 Market Price \$0.014 Discount to market 24.57%	\$76,591	All cash received has been spent. The funds raised from this issue were used to drive key operational developments within algae and medicinal cannabis divisions.	N/A	N/A	N/A

¹ Market price is the closing price on the trading platform, excluding special crossings, overnight sales and ETO exercises. For the purposes of this table the discount is calculated on the Market Price on the last trading day on which a sale was recorded prior to the date of issue of the relevant Equity Securities.

² In respect of quoted Equity Securities the value is based on the closing price of the Shares (\$0.014) on ASX on 10 October 2018.

³ In respect of quoted options the value is based on the closing price of the options (\$0.03) on ASX on 10 October 2018. In respect of unquoted Equity Securities, the value of Options is measured using the Black – Scholes Options Pricing Model. Measurement inputs include risk free (2.5, 10 year Aus government bond rates), company share price and volatility were all extracted per the measurement date on the grant date.

AEB

MR SAM SAMPLE
FLAT 123
123 SAMPLE STREET
THE SAMPLE HILL
SAMPLE ESTATE
SAMPLEVILLE VIC 3030

Lodge your vote:



Online:

www.investorvote.com.au



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(outside Australia) +61 3 9473 2555

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Proxy Form

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Vote and view the annual report online

- Go to www.investorvote.com.au or scan the QR Code with your mobile device.
- Follow the instructions on the secure website to vote.

Your access information that you will need to vote:

Control Number: 9999999

SRN/HIN: I9999999999

PIN: 99999

PLEASE NOTE: For security reasons it is important that you keep your SRN/HIN confidential.



 **For your vote to be effective it must be received by 11:00am (WST) Sunday, 25 November 2018**

How to Vote on Items of Business

All your securities will be voted in accordance with your directions.

Appointment of Proxy

Voting 100% of your holding: Direct your proxy how to vote by marking one of the boxes opposite each item of business. If you do not mark a box your proxy may vote or abstain as they choose (to the extent permitted by law). If you mark more than one box on an item your vote will be invalid on that item.

Voting a portion of your holding: Indicate a portion of your voting rights by inserting the percentage or number of securities you wish to vote in the For, Against or Abstain box or boxes. The sum of the votes cast must not exceed your voting entitlement or 100%.

Appointing a second proxy: You are entitled to appoint up to two proxies to attend the meeting and vote on a poll. If you appoint two proxies you must specify the percentage of votes or number of securities for each proxy, otherwise each proxy may exercise half of the votes. When appointing a second proxy write both names and the percentage of votes or number of securities for each in Step 1 overleaf.

A proxy need not be a securityholder of the Company.

Signing Instructions for Postal Forms

Individual: Where the holding is in one name, the securityholder must sign.

Joint Holding: Where the holding is in more than one name, all of the securityholders should sign.

Power of Attorney: If you have not already lodged the Power of Attorney with the registry, please attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: Where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please sign in the appropriate place to indicate the office held. Delete titles as applicable.

Attending the Meeting

Bring this form to assist registration. If a representative of a corporate securityholder or proxy is to attend the meeting you will need to provide the appropriate "Certificate of Appointment of Corporate Representative" prior to admission. A form of the certificate may be obtained from Computershare or online at www.investorcentre.com under the help tab, "Printable Forms".

Comments & Questions: If you have any comments or questions for the company, please write them on a separate sheet of paper and return with this form.

**GO ONLINE TO VOTE,
or turn over to complete the form →**

MR SAM SAMPLE
FLAT 123
123 SAMPLE STREET
THE SAMPLE HILL
SAMPLE ESTATE
SAMPLEVILLE VIC 3030

☐

Change of address. If incorrect, mark this box and make the correction in the space to the left. Securityholders sponsored by a broker (reference number commences with 'X') should advise your broker of any changes.



I 9999999999

I ND

Proxy Form

Please mark ☒ to indicate your directions

STEP 1

Appoint a Proxy to Vote on Your Behalf

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I/We being a member/s of Affinity Energy and Health Limited hereby appoint

☐

the Chairman
of the Meeting OR



PLEASE NOTE: Leave this box blank if you have selected the Chairman of the Meeting. Do not insert your own name(s).

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chairman of the Meeting, as my/our proxy to act generally at the Meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, and to the extent permitted by law, as the proxy sees fit) at the Annual General Meeting of Affinity Energy and Health Limited to be held at Bentleys (WA) Pty Ltd, London House, Level 3, 216 St Georges Terrace, Perth, Western Australia on Tuesday, 27 November 2018 at 11:00am (WST) and at any adjournment or postponement of that Meeting.

Chairman authorised to exercise undirected proxies on remuneration related resolutions: Where I/we have appointed the Chairman of the Meeting as my/our proxy (or the Chairman becomes my/our proxy by default), I/we expressly authorise the Chairman to exercise my/our proxy on Resolution 1 (except where I/we have indicated a different voting intention below) even though Resolution 1 is connected directly or indirectly with the remuneration of a member of key management personnel, which includes the Chairman.

Important Note: If the Chairman of the Meeting is (or becomes) your proxy you can direct the Chairman to vote for or against or abstain from voting on Resolution 1 by marking the appropriate box in step 2 below.

STEP 2

Items of Business



PLEASE NOTE: If you mark the **Abstain** box for an item, you are directing your proxy not to vote on your behalf on a show of hands or a poll and your votes will not be counted in computing the required majority.

		For	Against	Abstain
Resolution 1	Adoption of Remuneration Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 2	Re-election of Director – Peter Hatfull	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 3	Re-election of Director - Ramasamy V. Venkatesh	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 4	Re-election of Director – Allan Tan	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 5	Approval of 10% Placement Capacity	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 6	Ratification of Prior Issue of Options	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

The Chairman of the Meeting intends to vote undirected proxies in favour of each item of business. In exceptional circumstances, the Chairman of the Meeting may change his/her voting intention on any resolution, in which case an ASX announcement will be made.

SIGN

Signature of Securityholder(s) *This section must be completed.*

Individual or Securityholder 1

Sole Director and Sole Company Secretary

Securityholder 2

Director

Securityholder 3

Director/Company Secretary

Contact
Name

Contact
Daytime
Telephone

Date

/ /

A E B

2 4 3 7 3 5 A

Computershare +