



31 October 2019

ASX Announcement

September Quarterly Activities Report For Period Ended 30 September 2019

Plant-based health and well-being company Affinity Energy & Health Limited (“Affinity” or the “Company”) (ASX:AEB) is pleased to provide shareholders with its Quarterly Activities Report for the three months ended 30 September 2019 (**Period**).

Key Points:

Algae Operations

- Staffing reduced significantly
- Cost rationalisation reduces overheads

Medicinal Cannabis

- **Australian Update**
 - Cultivation and Manufacturing License applications are both in the Evaluation phase of the Office of Drug Control (“ODC”) process.
- **Malta Application**
 - Malta Industrial Parks (Maltese Government authority) has identified land and an existing building for the Company to establish medicinal cannabis facilities and the Company is progressing with formal documents and initial fit out plans.
- **Corporate**
 - Board and management rationalisation continued
 - Financing and relisting process underway and will be announced within the current Period



September Quarter Operational Summary:

Algae Division Overview

Production

The Company has now developed the proprietary algae technology for nutraceuticals to the point where negotiations are being undertaken to issue a sub-licence in North America. Discussions continue in this regard however the Company is targeting a cash payment and ongoing royalties for and from the sub-licence. These discussions include the possible sale of the Atlanta based product development plant.

As a result of ceasing production in the short term the ongoing costs at the Atlanta facility have been significantly reduced. The Company will update the market accordingly should any of these possibilities materially progress to the point where they become an announceable event.

Medicinal Cannabis Division Overview

Australian Medicinal Cannabis License

At the end of the Quarter under review the Company is still underway with the Office of Drug Control ("ODC"). The Company will update accordingly.

European Medicinal Cannabis License

In accordance with the Letter of Intent issued by Malta Enterprise (Maltese Government authority) the Company has been allocated a 2,200^m² parcel of land on which to establish the medicinal cannabis facilities in Malta.

AEB has been allocated factory space of 580sqm to start operations until such time the 2,200^m² parcel of land allocated is developed. The Company is progressing with formal documents and initial fit out plans.

Other Opportunities

The Company is in various discussions with potential strategic partners regarding the development of an algae/cannabis nutraceutical product as well as cannabis strain genetics to coincide with the development of the Australian (if and when issued) and Maltese licence.

Corporate Overview

Board Rationalisation

During the quarter under review the Company has undertaken further Board and management rationalisation with the resignation of Mr. Sonu Cheema and the appointment of Mr Qing Xu as Non-Executive Director.

Subsequent to the quarter the Company announced the appointment of Mr Terry Gardiner to the Board as Non-Executive Director and the resignation of Mr Josh Puckridge.

Mr Gardiner has more than 20 years' experience in the capital markets and provides corporate advisory services to listed companies in Australia and overseas. Mr Gardiner is an Executive Director of Barclay Wells Limited, a boutique stockbroking firm with offices in Perth and Melbourne.

Mr Gardiner is Non-Executive Director of Roto-Gro International Limited and was an integral contributor to Roto-Gro's successful IPO and continues to be a valuable adviser on Roto-Gro's strategies. AEB welcomes Mr Gardiner's relevant industry experience to the board of the Company.

Mr Gardiner is also Non-Executive Director of ASX listed Australian mineral resource explorers Galan Lithium Limited and Cazaly Resources Limited.

Financing

To facilitate the ongoing commercialisation of the Company's proprietary algae technology and medicinal cannabis operations in Malta and Australia, the Company is presently finalising discussions with regards how to best facilitate a significant capital injection to the Company that will ideally take the form of a small portion of convertible equity and a significant amount of direct normal equity. The Company's preference is to pursue a mechanism that supports current shareholders to participate.

-ENDS-

Appendix 4C

Quarterly report for entities subject to Listing Rule 4.7B

Introduced 31/03/00 Amended 30/09/01, 24/10/05, 17/12/10, 01/09/16

Name of entity

Affinity Energy and Health Limited

ABN

16 124 544 190

Quarter ended ("current quarter")

30 September 2019

Consolidated statement of cash flows	Current quarter \$A	Year to date (3 months) \$A
1. Cash flows from operating activities		
1.1 Receipts from customers	14,175	14,175
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	-	-
(c) advertising and marketing	-	-
(d) leased assets	-	-
(e) staff costs	(40,771)	(40,771)
(f) administration and corporate costs	(241,533)	(241,533)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	265	265
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(267,864)	(267,864)
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	-	-
(b) businesses (see item 10)	-	-
(c) investments	-	-

Consolidated statement of cash flows		Current quarter \$A	Year to date (3 months) \$A
	(d) intellectual property	-	-
	(e) other non-current assets	-	-
2.2	Proceeds from disposal of:		
	(a) property, plant and equipment	-	-
	(b) businesses (see item 10)	-	-
	(c) investments	-	-
	(d) intellectual property	-	-
	(e) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)		
2.5	Other (provide details if material)		
2.6	Net cash from / (used in) investing activities	-	-
3.	Cash flows from financing activities		
3.1	Proceeds from issues of shares	-	-
3.2	Proceeds from issue of convertible notes		
3.3	Proceeds from exercise of share options		
3.4	Transaction costs related to issues of shares, convertible notes or options		
3.5	Proceeds from borrowings	380,036	380,036
3.6	Repayment of borrowings		
3.7	Transaction costs related to loans and borrowings		
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	Net cash from / (used in) financing activities	380,036	380,036
4.	Net increase / (decrease) in cash and cash equivalents for the period	112,171	112,171
4.1	Cash and cash equivalents at beginning of quarter/year to date	21,498	21,498
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(267,864)	(267,864)
4.3	Net cash from / (used in) investing activities (item 2.6 above)		
4.4	Net cash from / (used in) financing activities (item 3.10 above)	380,035	380,035

Consolidated statement of cash flows		Current quarter \$A	Year to date (3 months) \$A
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of quarter	133,669	133,669

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A	Previous quarter \$A
5.1	Bank balances		
5.2	Call deposits	-	
5.3	Bank overdrafts	-	-
5.4	Other (provide details)		
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)		

6. Payments to directors of the entity and their associates

Current quarter \$A

- 6.1 Aggregate amount of payments to these parties included in item 1.2
- 6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

32,500

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7. Payments to related entities of the entity and their associates

Current quarter \$A

- 7.1 Aggregate amount of payments to these parties included in item 1.2
- 7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2

Nil

8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A	Amount drawn at quarter end \$A
8.1 Loan facilities	9,574,705	5,126,894
8.2 Credit standby arrangements		
8.3 Other – -		
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		-

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9. Estimated cash outflows for next quarter	\$A
9.1 Research and development	-
9.2 Product manufacturing and operating costs	-
9.3 Advertising and marketing	-
9.4 Leased assets	-
9.5 Staff costs	60,000
9.6 Administration and corporate costs	200,000
9.7 Other (provide details if material)	20,000
9.8 Total estimated cash outflows	280,000

10. Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)	Acquisitions	Disposals
10.1 Name of entity	-	-
10.2 Place of incorporation or registration	-	-
10.3 Consideration for acquisition or disposal	-	-
10.4 Total net assets	-	-
10.5 Nature of business	-	-

Please refer September Quarterly Activities Report

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Sign here:

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Director

Date: 31 October 2019

Print name: Qing Xu

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.