

APPENDIX 4E

Preliminary final report For the year ended 30 June 2018

1. Company Details

Affinity Energy and Health Limited (formerly Algae.Tec Limited)
ACN 124 544 190

Reporting period: Year ended 30 June 2018
Previous reporting period: Year ended 30 June 2017

2. Results for announcement to the market

Comparison to previous period	Increase/ Decrease	Change %	To
Revenue from ordinary activities (Appendix 4E Item 2.1)	(149,268)	(5.4)	(2,638,636)
Profit/(Loss) from ordinary activities after tax attributable to members (Appendix 4E Item 2.2)	(4,058,055)	(107.1)	(7,845,849)
Net Profit/(Loss) for period attributable to members (Appendix 4E Item 2.3)	(3,819,626)	(99.0)	(7,677,175)
Earnings per share			
Basic loss per share (cents per share) (Appendix 4E Item 2.4)	-	-	(1.12)
Dividends It is not proposed to pay a dividend. There are no dividend or distribution investment plans in operation and there have been no dividend or distribution payments during the financial year ended 30 June 2018. (Appendix 4E Item 2.5)			
Significant Changes of Items 2.1 to 2.4 Amortisation has been taken into account with regard to the Auberna share issue transaction with the cost being amortised over the life of the licence. This represented a charge to the accounts of \$1,004,500 for the year (2017, \$0) Consultancy costs for the year significantly increased to cover costs associated with various agreements entered into by the Group and also to assist in the raising of Capital. Costs for the year amounted to \$1,428,205 (2017, \$126,245) Costs of materials and supplies increase from \$639,849 (2017) to \$909,988 (2018) and this is reflected in the increased R & D Tax incentive. With the increase in International exposure and collaboration travel costs increased from \$246,095 (2017) to \$481,300 (2018). The fall in the Value of the Australian dollar resulted in a foreign exchange loss in the year of \$365,642 against a gain of \$70,833 in the previous year. (Appendix 4E Item 2.6)			
	2018	2017	
Net tangible assets per ordinary security	(0.001)	(0.001)	

Commentary on results for the year and significant information

Principal Activities

Affinity Energy and Health Ltd is a leading diversified plant-based health and wellbeing company.

The Company's primary focus is on developing industry-leading growing technology to produce commercial quantities of algae and medicinal cannabis for supply to four key markets:

- Algae-based nutraceuticals
- Animal feed and aquaculture markets
- Medicinal cannabis
- Biofuels

Overview of the Group

The year under review has been a year in which the Company has worked actively, and successfully, to build on the proprietary technology that has been developed.

The Company has completed the majority of the equipment delivery phase of the contract with Reliance Industries (a +US\$100 billion Indian Company) and has now entered the commissioning phase. Based on current plans commissioning will be completed during the last quarter of C18.

As a result of the progress to commissioning on the Reliance contract, where revenue is received upon completion, combined with a focus on increasing the capacity of the Atlanta Product Development Plant (algae products) there has been a temporary decline in revenue. With the activities undertaken by the Company during the year revenue will increase during the current year and continue to build to substantial levels.

Within the health and wellbeing sector, one of the fastest growing markets internationally, the Company has expanded its activities to cover both algae-based products and medicinal cannabis – with a global reach.

In Atlanta the Product Development Plant has produced over 10 tonnes of algae biomass and is operating at full capacity on an annualised basis. The biomass is utilised in the aquarist (aquarium) market through our strategic relationship with Seachem, North America's largest distributor of aquarist products. Currently we have four products on the market with another two scheduled for release this quarter. The new products will open up the export market with products that have a long shelf life, thus enabling transportation internationally.

Initial testing of the Radiant Technologies Inc microwave assisted processing (MAP™) to extract high quality algae oil for the nutraceutical markets has returned extremely positive results. Phase two of the testing is now being developed. Upon completion the Company will supply high quality algae oil to Gencor under the offtake agreement.

On the medicinal cannabis front the Company has secured access to heirloom cultivars in Australia (with Medical Cannabis Ltd) and internationally with Ma Genetics and Auberna (Uruguay). The Company has also submitted an application for an Australian medicinal cannabis licence and is in the final stages of that process. We have secured suitable premises and designed the layout and production process for immediate construction on receipt of the Australian licence.

The Company has continued discussions and negotiations with several prominent research institutions, industry bodies and private enterprise to develop (in the first instance) products focussed on livestock and companion animals. The Company is targeting common ailments with animals as well as pain, stress and anxiety issues.

We are excited about the current year, a year in which the foundations established by the Company will deliver value for all stakeholders.

Major events during the year were as follows:

AEB Secures Funding to Fast-Track Development

On 8 June 2018, the company provided an update regarding a A\$7 million finance facility to drive key operational developments within algae and medicinal cannabis divisions respectively. The update included details of the proposed spin-off of Uruguay medicinal cannabis interests via in specie distribution to shareholders.

Partnership with Canadian-based Radiant Technologies Inc.

On 10 May 2018, the Company announced that it had entered into a Research Agreement with Radiant Technologies Inc (RTI). Under the agreement, the Company will utilise RTI's market-leading extraction technology as the final step in the production of its high-value algae-based products for supply into the rapidly growing global nutraceutical market. The key focus will be on the extraction of high quality lipid content from AEB's algae powders, with initial algae samples having already being shipped to Radiant's state-of-the-art facility in Edmonton, Canada. First results from this extraction testing are expected to be received by Q3 CY 18.

AEB Aqua Feed Division Update

On 23 April 2018, the Company provided updates on the Company's aqua feed division with the approval to use the Company's **FeedMe™** product range in the Georgia Aquarium, one of the largest aquariums globally, housing more than a hundred thousand animals representing several thousand species. The Company had collaborated with the Georgia Aquarium to provide refined algae-based products to support the nutritional and health needs of the marine animals and sea life, both in fresh and salt water environments. This has now provided the Company the operational flexibility to boost production of its aqua feed products in North America.

AEB Sign Distribution Agreement with USA Market Leader

On 19 February 2018, the Company announced that it had entered into an exclusive commercial supply and collaboration agreement with North America's largest aquarist supplier Seachem Laboratories Inc. Under the agreement, the Company will manufacture and package an exclusive line of aquarist products for sale through Seachem's established and large network of distribution outlets and retail customers in North America, and internationally. Also, under the agreement, the Company has the right of first offer to supply Seachem for all other products that may be used in Seachem formulations. The Company and Seachem have established the Collaboration Program for joint development and commercialisation of new products for supply into global aquarist and aqua feed markets respectively.

AEB to Exclusively License Pharmaceutical Delivery Platform

On 12 February 2018, the Company announced that it had entered into a binding Heads of Agreement to acquire a significant interest in private Australian-based company NS Technologies Pty Ltd, which has developed a unique drug delivery system.

AEB Funding and Operational Update

The Company announced on 25 January 2018 that it had completed \$2.5 million capital raising to advance existing nutraceutical and medicinal cannabis operations.

AEB to develop Cannabis veterinary medications

On 22 December 2017, the Company announced that it had entered into an agreement with Queensland Bauxite Limited whereby Affinity Energy and Health Limited (AEB) will exclusively licence Medical Cannabis Limited's (MCL) low THC Delta 9 Cannabis cultivars from the unique Australian Cannabis seed bank owned by MCL. MCL's licence to AEB is in order to establish a breeding program to identify cultivars for use in cannabinoid product development to research and develop stock and veterinary medications, supplements and sophisticated animal therapeutics. In return MCL received shares to the value of 15% of the then issued capital of AEB plus options with a further 4.9% to be issued on the date that AEB extracts oil from MCL cultivars.

Strong Take-up of AEB FeedMe™ Product in North America

On 24 August 2017, the Company updated on the sales and product development initiatives for its FeedMe™ algae product range. Since its launch in April 2017, the product had established a reputation as trusted, high quality brand in the growing North American aquarist market. The Company's high omega-3 products are currently on – the-shelf in five retail stores in the Southeast and over 50 additional retail stores had been supplied and are undergoing product testing and evaluations. The Company is targeting significant revenue growth in the 2018 calendar year from sales of FeedMe™ algae products in to the North American aquarist market.

AEB Appoints New Strategic Directors and Consultant

On 15 August 2017, the Company announced the appointment of Mr Jonathan Lim and Mr R.V. Venkatesh to the Board of Affinity Energy and Health Limited as Non-Executive Directors. The Company also announced the appointment of Mr James Vosper as Medical Marijuana consultant. These appointments of expertise support the roll out of the collaboration and licensing agreement with Wintergarden Biosciences and the development, production and sale of cannabis and algae products.

In addition, Mr Allan Tan and Mr Jith Veeravalli were appointed alternate directors to Mr Jonathan Lim and Mr R.V. Venkatesh respectively.

AEB Announces \$8 million Rights Issue

On 3 July 2017, the Company announced a renounceable pro-rate entitlement issue to eligible shareholders to raise up to approximate \$8.0 million.

On 12 October 2017, the Company announced that it had completed the placement oversubscribed raising over \$8 million.

Proceeds from the placement will be deployed towards scaling up the Company's vertically integrated cannabis business and algae growing operations respectively, and the retirement of debt.

Consolidated statement of financial position

As at 30 June 2018

	Notes	30 June 2018	30 June 2017
		\$	\$
Assets			
Cash and cash equivalents		886,256	102,882
Trade and other receivables	2	3,480,265	2,547,866
Prepayments		66,947	80,414
Total current assets		4,433,468	2,731,162
Property, plant and equipment	3	244,158	423,759
Prepayments	4	1,267,904	-
Intangible Assets	5	3,952,490	-
Deferred tax assets		676,899	649,372
Total non-current assets		6,141,451	1,073,131
Total assets		10,574,919	3,804,293
Liabilities			
Trade and other payables		1,622,939	901,921
Loans and borrowings	6	4,244,376	6,183,971
Provisions		281,119	244,208
Total current liabilities		6,148,434	7,330,100
Total liabilities		6,148,434	7,330,100
Net assets/(liabilities)		4,426,485	(3,525,807)
Equity			
Contributed equity	7	36,438,940	20,745,945
Reserves	7	617,906	512,760
Accumulated losses		(32,630,361)	(24,784,512)
Total equity		4,426,485	(3,525,807)

Consolidated statement of profit or loss and other comprehensive income

For the year ended 30 June 2018

	Notes	30 June 2018	30 June 2017
Revenue from operating activities		\$	\$
Provision of services and equipment		119,462	665,813
Interest		9,709	5,505
Other income		-	-
R & D Tax incentive		2,509,465	2,116,586
		<u>2,638,636</u>	<u>2,787,904</u>
Expenditure			
Employee benefits		(3,471,167)	(3,066,975)
Directors share based payments		(139,031)	(139,030)
Depreciation expense		(202,504)	(213,475)
Amortisation Expense		(1,004,500)	-
Property, rent & lease expenses		(362,423)	(347,446)
Consultancy expenses		(1,428,205)	(126,245)
Insurance expenses		(131,761)	(126,633)
Materials and supplies		(909,988)	(639,849)
Professional fees		(723,180)	(568,794)
Travel expenses		(481,300)	(246,095)
Finance costs		(517,923)	(679,772)
Net foreign exchange gain/(loss)		(365,642)	70,833
Administration expenses		(478,961)	(145,841)
Other expenses		(241,034)	(282,579)
Provision bad debts		(5,000)	(116,925)
Loss before income tax		<u>(7,823,983)</u>	<u>(3,840,922)</u>
Income tax (expense)/benefit		(21,866)	53,128
Net loss attributable to members of the company		<u>(7,845,849)</u>	<u>(3,787,794)</u>
Other comprehensive income/(loss)			
Items that may be reclassified to the profit and loss			
Effect of exchange rate translation		168,674	(69,755)
Other comprehensive income/(loss) for the year		<u>168,674</u>	<u>(69,755)</u>
Total comprehensive income/(loss) for the year attributable to members of the company		<u>(7,677,175)</u>	<u>(3,857,549)</u>
Earnings per share			
Basic loss per share (cents per share)		(0.01)	(0.01)

Consolidated statement of changes in equity

<i>For the year ended 30 June 2018</i>	Note	Contributed Equity \$	Accumulated losses \$	Foreign exchange reserve \$	Share based payment reserve \$	Equity other reserve \$	Total equity \$
Balance at 1 July 2017		20,745,945	(24,784,512)	(112,781)	376,586	248,955	(3,525,807)
Loss for the period		-	(7,845,849)	-	-	-	(7,845,849)
Other comprehensive loss		-	-	168,674	-	-	168,674
Total comprehensive loss for the year		-	(7,845,849)	168,674	-	-	(7,677,175)
Transactions with owners in their capacity as owners							
Share issued during the period	7)	15,692,995	-	-	-	-	15,692,995
Equity component of convertible notes issued		-	-	-	-	(248,955)	(248,955)
Value of share options issued	7(i)	-	-	-	185,427	-	185,427
Balance at 30 June 2018		36,438,940	(32,630,361)	55,893	562,013	-	4,426,485

	Contributed Equity \$	Accumulated losses \$	Foreign exchange reserve \$	Share based payment reserve \$	Equity other reserve \$	Total equity \$
Balance at 1 July 2016	20,156,981	(20,996,718)	(43,026)	237,555	-	(645,208)
Loss for the period	-	(3,787,794)	-	-	-	(3,787,794)
Other comprehensive loss	-	-	(69,755)	-	-	(69,755)
Total comprehensive loss for the year	-	(3,787,794)	(69,755)	-	-	(3,857,549)
Transactions with owners in their capacity as owners						
Share issued during the period	588,964	-	-	-	-	588,964
Equity component of convertible notes issued					248,955	248,955
Value of share options issued	-	-	-	139,031	-	139,031
Balance at 30 June 2017	20,745,945	(24,784,512)	(112,781)	376,586	248,955	(3,525,807)

Consolidated statement of cash flows

For the year ended 30 June 2018

Notes	2018 \$	2017 \$
Cash flow from operating activities		
Cash receipts from customers	236,534	338,156
Cash paid to suppliers and employees	(6,814,441)	(5,299,369)
Interest paid	(326,244)	(266,457)
Interest received	4,709	505
Income taxes R & D refund	2,117,702	2,427,928
Net cash inflows/(outflows) from operating activities	(4,781,740)	(2,799,237)
Cash flows from investing activities		
Purchases of property, plant and equipment	(15,456)	(51,156)
Prepaid Licence cost	(100,000)	-
Prepaid Investments	(927,939)	-
Net cash inflows/(outflows) from investing activities	(1,043,395)	(51,156)
Cash flows from financing activities		
Proceeds from issue of share capital	6,488,911	-
Share Issue Cost	(626,986)	-
Proceeds from borrowings	3,412,550	4,742,484
Repayment of borrowings	(2,670,091)	(2,053,990)
Net cash inflow/(outflow) in financing activities	6,604,384	2,688,494
Net increase/(decrease) in cash and cash equivalents	779,249	(161,899)
Cash and cash equivalents at beginning of financial period	102,882	269,796
Effect of exchange rate fluctuations on cash held	4,125	(5,015)
Cash and cash equivalents at end of financial period	886,256	102,882

The preliminary final report were authorised for issue by the Board of Directors.

1. Operating segments

The Group operates in the environmental energy industry. The Group operates in two geographical locations being Australia and USA. This internal reporting framework is the most relevant to assist the Board with making decisions regarding the Group and its ongoing activities.

	2018	2017
	\$	\$
Information about reportable segments		
USA Profit/(loss)	352,401	5,235
Australia Profit/(loss)	(4,412,662)	(1,806,199)
Reportable segment (Profit)	(4,060,261)	(1,800,964)
Interest	9,709	5,505
Net foreign exchange gain/(loss)	(365,641)	70,833
Corporate expenses	(3,407,790)	(2,116,296)
Loss before tax	(7,823,983)	(3,840,922)
Reportable segment assets		
Australia	9,010,422	2,571,206
USA	1,564,497	1,233,087
	10,574,919	3,804,293
Reportable segment liabilities		
Australia	4,603,593	6,828,633
USA	1,544,841	501,467
	6,148,434	7,330,100
Revenue by geographical segment		
India	4%	23%
Australia	96%	77%
USA	0%	0%

2. Trade and other receivables

	2018	2017
	\$	\$
Current		
Trade receivables	211,933	319,923
R & D incentives	2,509,462	2,116,586
GST refund	34,430	15,512
Other receivables	724,440	95,845
Total receivables	3,480,265	2,547,866

Due to the short-term nature of these receivables, their carrying value is assumed to approximate their fair value.

A receivable from Phoenix Energy in the amount of \$121,925 (being principal and interest) is past due. Whilst Affinity Energy and Health Limited believe that this debt will be repaid within the next 12 months the accounts provide 100% provision against non-payment at 30th June 2018. Interest continues to accrue on the principal at 5% per annum.

3. Property, plant and equipment

	2018	2017
Property, plant and equipment at cost	1,628,663	1,550,912
Less: Accumulated depreciation	(1,384,505)	(1,127,153)
Property, plant and equipment	244,158	423,759

4. Non current prepayments

	2018	2017
N S Technologies (Awaiting USA Patent)	347,500	-
Jardin de Inverno (Awaiting finalisation of collaboration agreement)	920,404	-
Non current prepayments	1,267,904	-

5. Intangible assets

	2018	2017
Auberna Licence (18 months)	1,808,100	-
Less Amortisation (10 months)	(1,004,500)	-
Net Auberna Licence	803,600	-
MCL Licence	3,148,890	-
Intangible assets	3,952,490	-

6. Loans and borrowings

This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings, which are measured at amortised cost.

	2018 \$	2017 \$
Current liabilities		
Convertible notes at fair value through profit or loss (i), (iv), (v)	2,008,584	4,382,183
R & D loan facility (ii)	1,539,799	1,650,000
GE Nutrients Loan (iii)	645,382	-
Hunter Premium funding	50,611	32,151
Directors Loans	-	119,637
Totals	4,244,376	6,183,971

Finance lease liabilities

There were no finance lease liabilities payable other than those noted above.

Convertible note

(i) China Finance Strategies Investment Holdings Ltd

On 9th January 2015 the Company entered into an agreement with China Finance Strategies Investment Holdings Ltd. ("CFS") under which Affinity Energy and Health Limited issued an initial USD 500,000 convertible bond. In addition, subject to the achievement of certain milestones further conditional options of USD 5,000,000 will be issued to CFS.

- The Bond Amount is unsecured
- Interest is paid annually in arrears at a rate of 12% per annum
- The agreement is for 18 months expiring on 9 July 2016, and as at 30 June 2018 is past due and payable
- The conversion price is set at \$0.075 per fully paid ordinary share in the capital of Affinity Energy and Health Limited
- In the event that there is any future issue of equity securities (other than the issue of equity pursuant to the conversion of any convertible security issued prior to the date of this agreement) at any time or times during the period before the Note is converted or redeemed and the consideration for such securities is less than the \$0.075 per equity security, then the

- Conversion price will be adjusted down to the lower of, if there is more than one occasion when such securities are issued, the lowest price.
- The lender may serve notice in writing on Affinity Energy and Health Limited requesting the Company to convert the Bond or any part thereof.
- If the share price at any one or more times have been above \$0.20 for 20 consecutive days, the subscriber will be entitled to convert all or a portion of the Convertible Note, subject to a minimum conversion of \$100,000 by delivering notice any time prior to the Maturity Date.
- If the share price has not been above \$0.20 for 20 consecutive days, the subscriber may exercise its rights during the 10 business days before the Maturity Date or any time after achievement of Milestone One.
- US\$250,000 was repaid during the year ended 30 June 2018 and a further payment of US\$50,000 was made in August 2018.

(ii) *R & D Loan – Innovation Structured Finance Co., LLC*

Following the full repayment of the previous year's facility, arrangements were made with Innovation Structured Finance for a series of Secured Loans. The key terms of the loan are:

- The funding is secured against the 30 June 2018 ATO tax refund
- The loan amount shall not exceed 80% of the eligible estimated expenditure for refund from the ATO in relation to R & D expenditure
- Interest is payable at a rate of 15% per annum and is deducted from the refund from the ATO following submission of the tax return estimated to be September 2018.
- The loan matures at the earlier of the date that the refund is received or 31 December 2018

The Loans received under the above conditions were:

- 18 December 2017 \$568,629 Covering R & D Expenditure July 2017 to October 2017
- 13 February 2018 \$267,900 Covering R & D Expenditure November 2017 and December 2017
- 27 April 2018 \$617,436 Covering R & D Expenditure January 2018 to March 2018
- A further sum was advanced on 8 August 2018 in the amount of \$526,150 to cover the R & D expenditure for April 2018 to June 2018

(iii) *GE Nutrients Inc.*

On 11 December 2017 Algae Energy agreed to borrow US\$480,000 from GE Nutrients Inc for the purposes of funding the completion of the Reliance Pilot Plant.

- The Loan is unsecured
- Algae Energy is to receive the loan funds in 3 tranches being US\$225,000 due 15 Dec 2017, US\$160,000 due 15 Jan 2018 and US\$95,000 due on 15 Feb 2018.
- The first tranche was received on 29 December 2017
- The remaining amounts (US\$255,000) were received in one payment on 29 March 2018
- Interest is payable at a rate of 10% per annum
- Repayment is due upon payment by Reliance for the completion of the project and which is anticipated to be August 2018

(iv) *707 Holdings Limited*

On 24 January 2017, Affinity Energy and Health Limited announced the potential raising of USD\$1,500,000 under convertible notes to be issued to 707 Holdings Ltd. At 31 March 2017, USD\$500,000 had been drawn.

- The funding is unsecured.
- Term: Three (3) years

- **Conversion right:** Convertible into fully paid ordinary shares in the Company at a conversion price that is the lower of (i) AUD0.05 per share and (ii) a 10% discount to the 5-day VWAP to the date of exercise of the conversion right;
- **Options:** If applicable, if the final tranche of US\$500,000 is converted, the noteholder will receive 45.5 million of separate unlisted options with a term of 12 months from the date of the notes maturity and be exercisable at the lower of AUD0.10 per share and a 10% discount to the 5-day VWAP to the date of exercise of the conversion right;
- **Interest rate:** 10% per annum;
- **Covenants:** The Company will be subject to a number of negative covenants during the term;
- **Break costs:** In the case of breach, the Company is potentially liable to redeem and repay any or all outstanding amounts due under the note plus a break cost equal to 10% of the redemption.

(v) MEF I LP (Magna)

On 8 June 2018, the Company announced it has secured up to \$7 million finance facility under convertible notes issued to MEF I LP.

Magna Convertible Securities Agreement – Terms & Conditions

- **Total Facility – A\$7M**
- **Drawdowns:**
 - \$1M 5 days after entry into the agreement;
 - \$1M 5 days after shareholder approval of all securities which can be issued by the Company under the Agreement
 - \$2M upon the first sale by the Company of nutraceutical algae oil and the receipt of all necessary ASX waivers and shareholder approval and;
 - \$3M upon the first sale by the Company of a new algae product or algae to a new market and the receipt of all necessary ASX waivers and subject to shareholder approval.
- A commitment fee of 5% of the total aggregate amount of the drawdowns is payable
- A face value of 110% per convertible security of drawn amount
- A conversion price of the lessor of:
 - 80% of the lowest daily VWAP during the 5 trading days prior to a conversion notice date; and
 - AU\$0.035
 - Save that the conversion price cannot be less than the floor price of AU\$0.01.
- Conversion of the convertible securities at the election of Magna
- Security over the Company's assets to be granted pursuant to a General Security Agreement
- A maturity date of 12 months following the 4th tranche (or 3 months following the 1st tranche where shareholder approval is not obtained)
- The notes are redeemable by the Company at 110% of face value for the 6 months following drawdown of the relevant tranche or 115% thereafter
- The notes are redeemable at 115% of face value at the election of Magna in the event the Company does not obtain shareholder approval within 75 days of the initial drawdown or where the Company's daily VWAP is less than \$0.01 on 5 consecutive trading days
- All drawdowns other than the initial drawdown of \$1M are subject to shareholder approval
- On 17 July 2018 Magna converted USD33,000 (A\$44,378.70) for 2,719,283 shares
- On 31 July 2018 Magna converted USD55,000 (A\$74,354.46) for 4,891,741 shares
- On 28 August 2018 Magna converted USD55,000 (A\$75,105.83) for 5,724,530 shares

7. Capital and reserves

Share capital

Movements in capital during the year were as follow:

		2018		2017
	\$	Number	\$	Number
Issued capital at the beginning of the financial year	20,745,945	353,105,158	20,156,981	339,879,095
Issue of shares pursuant of Conversion notice	219,748	8,646,577	429,564	10,000,310
Issue of shares pursuant to placement	9,837,628	307,979,621	-	-
Issue of shares pursuant to Auberna Collaboration	1,808,100	63,347,270	-	-
Issue of shares pursuant to NS Technologies Agreement	247,500	7,500,000	-	-
Issue of shares pursuant to MCL Collaboration	3,102,492	134,890,940	-	-
Issue of shares pursuant to exercise of options	3,473	69,453	-	-
Issue of shares via Conversion of Interest	23,125	770,831	92,500	1,887,753
Issue of shares in exchange for services provided	1,032,706	31,551,516	66,900	1,338,000
Transfer from Equity Other Reserve	57,709	-	-	-
Capital Raising Costs	(639,486)	-	-	-
	36,438,940	907,861,366	20,745,945	353,105,158

(i) Share options at year end

Number of options	Issued to	Class
28,728,607	The Reliance Group	Options exercisable at \$0.1636 on or before 20 January 2019
16,000,000	Employees/Directors	Options exercisable at \$0.09 on or before 30 June 2019.
26,978,188	Medical Cannabis Ltd	Options exercisable at \$0.075 on or before 31 December 2020
7,000,000	Neirin Technologies Ltd	Options exercisable at \$0.025 on or before 3 July 2023
30,000,000	Malcolm James	Options exercisable at \$0.05 on or before 3 August 2022
210,092,326	Listed Options	Options exercisable at \$0.05 on or before 28 July 2020

(ii) Translation reserve

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations, as well as the effective portion of any foreign currency differences arising from hedges of a net investment in a foreign operation.

	2018	2017
Foreign exchange reserve	55,893	(112,781)

	2018	2017
Share option reserve	\$	\$
Share option reserve	562,013	376,586

The share option reserve arises on the grant of shares options to employees, directors and consultants (share based payments) and to record issue, exercise and lapsing of listed options.

	2018	2017
Other reserve	\$	\$
Other reserve	-	248,955

The other reserve has arisen following the issue of convertible notes to Gencor with a fixed conversion rate for debt to equity, representing the equity component of the convertible note. This was removed following conversion of the Notes.

Fair value reserve

The fair value reserve comprises the cumulative net change in the fair value of available-for-sale financial assets until the investments are derecognised or impaired.

Share based payments

7,000,000 options were issued to Mr Peter Hatfull and 7,000,000 options to Mr Malcolm James during the financial year ended 30 June 2015. The options have been assessed in value at \$556,122. The value of the options was calculated using the Black and Scholes model.

- Grant Date of Options was 29 June 2015
- Expiry Date is 4 years after date of issue
- Exercise price of the options is \$0.09 per share
- The Share Based Payment expense has been split evenly between the Directors as follows;
 - Expense for Year end 30 June 2015 \$ 1,523.62
 - Expense for Year end 30 June 2016 \$ 139,030.50
 - Expense for Year end 30 June 2017 \$ 139,030.50
 - Expense for Year end 30 June 2018 \$ 139,030.50
 - Expense for Year end 30 June 2019 \$ 137,506.88

The expected volatility during the term of the options is based around assessments of the volatility of similar-sized listed, including newly listed entities in similar industries at grant date. For the purposes of the Black and Scholes valuation a 0% dividend yield has been used as a model input. At this time the Group does not have a dividend policy.

There were no options issued in return for goods or services during 2018.

8. Group entities

Significant subsidiaries

	Country of incorporation	Ordinary Share Consolidated Equity Interest 2018 %	2017 %
Controlled entity			
Algae Energy Inc	USA	100	100

9. Status of audit

This report is based on accounts that are in the process of being audited.

10. Subsequent events

An EGM was held on 3 August 2018 with the following resolutions approved:

- Approval of the Magna Convertible Note facility as per Note 4 (vi) above. This also gave rise to a further draw down of A\$1,000,000 on 10 August 2018.
- The issue of up to 30,000,000 incentive options to Mr Malcolm James.
- The Change of Name of the Company to Affinity Energy and Health Limited

On 17 July 2018 Magna converted USD33,000 (A\$44,378.70) for 2,719,283 shares

On 31 July 2018 Magna converted USD55,000 (A\$74,354.46) for 4,891,741 shares

On 28 August 2018 Magna converted USD55,000 (A\$75,105.83) for 5,724,530 shares