

APPENDIX 4E

Preliminary final report For the year ended 30 June 2019

1. Company Details

Affinity Energy and Health Limited
ACN 124 544 190

Reporting period: Year ended 30 June 2019
Previous reporting period: Year ended 30 June 2018

2. Results for announcement to the market

Comparison to previous period	Increase/ (Decrease)	Change %	To
Revenue from ordinary activities (Appendix 4E Item 2.1)	(975,073)	(37)	(1,663,563)
Profit/(Loss) from ordinary activities after tax attributable to members (Appendix 4E Item 2.2)	438,296	5.41	7,661,557
Net Profit/(Loss) for period attributable to members (Appendix 4E Item 2.3)	438,296	5.41	7,661,557
Earnings per share			
Basic loss per share (cents per share) (Appendix 4E Item 2.4)	-	-	0.84
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 2019.			

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

Major events during the year were as follows:

Change of Company Name

On 20 August 2018, the Company name change process was completed. Effective 6 August 2018, the Company changed its name from Algae.Tec Limited to Affinity Energy and Health Limited.

AEB enters R&D Partnership with The University of Sydney

On 30 August, the Company announced that it had executed an MOU with The University of Sydney to support its medicinal cannabis research and development activities in Australia.

Under the MOU, The University of Sydney will undertake research programs utilising AEB's considerable and unique bank of Australian Medicinal Cannabis cultivars. The initial focus will be on strategic stress and pain reduction (and management) in commercial livestock and the companion animal sector. It is intended that the successful development of animal targeted products will segue into the human sector.

AEB expands FeedMe™ Algae Product Range

On 2 October 2018 the Company announced the commercialisation of its fifth Affinity FeedMe™ algae product under its collaboration and distribution agreement with US-based Seachem Laboratories, Inc.

The innovatively formulated long shelf-life algae product will be promoted to key international aquarist markets through Seachem's extensive networks, with the first bulk order received and dispatched. Furthermore, the new product will also be supplied to Seachem's large network of US-based distribution centres and retailers.

The development of this latest Affinity FeedMe™ algae-based phytoplankton product represents a breakthrough in the global transportation of algae-based products, with inventory now able to be shipped worldwide without refrigeration.

AEB enter into MOU with Skin Elements

On 8 October 2018, the Company announced that they had entered into a Memorandum of Understanding to pursue the application of Affinity's algae biomass and oils, and cannabis oils for use in Skin Elements range of natural skin care products.

The MOU represents a significant opportunity for the two companies to collaborate on the development of a new range of algae and cannabidiol (CBD) based products for supply to key global markets and to deliver enhanced product specifications for Skin Elements skin care products.

Green Light from Maltese Government for Cannabis Cultivation Facility

On 4 December 2018, the Company announced the approval to establish a medicinal cannabis cultivation and manufacturing facility in the Republic of Malta.

The Company had executed a Letter of Intent with Malta Enterprise approving the Company's application to establish a fully automated, controlled environment hydroponic cultivation, manufacturing and distribution facility.

The Company is one of only a handful of entities to be issued with an LOI by Malta Enterprise.

AEB and SJGHC Sign Heads of Agreement to Research Medical Cannabis

On 6 December 2018, the Company announced the execution on a non-binding Heads of Agreement with St John of God Health Care Inc, to support Medical Cannabis research and development activities.

Under the 2-year HOA, AEB and SJGHC will collaborate to identify and undertake research projects and the development of medicinal cannabis products.

Trading Halt and Voluntary Suspension

On 1 February 2019, the Company's securities were placed in a trading halt and subsequent voluntary suspensions while the Company finalised a capital raising. The voluntary suspension remained as at 30 June 2019. During this time, a rationalisation of the board was conducted with appointments and resignations of Directors and Company Secretary.

Consolidated statement of financial position
As at 30 June 2019

	Notes	30 June 2019	30 June 2018
Assets		\$	\$
Cash and cash equivalents		20,046	886,256
Trade and other receivables	2	2,166,817	3,466,944
Prepayments		99,080	66,947
Total current assets		2,285,944	4,420,147
Property, plant and equipment		102,702	244,158
Prepayments		-	1,267,904
Intangible Assets	3	3,148,888	3,952,490
Deferred tax assets		-	675,491
Total non-current assets		3,251,590	6,140,043
Total assets		5,537,534	10,560,190
Liabilities			
Trade and other payables		3,104,527	1,622,939
Loans and borrowings	4	4,408,793	4,244,376
Provisions		345,766	281,119
Total current liabilities		7,859,087	6,148,434
Total liabilities		7,859,087	6,148,434
Net assets/(liabilities)		(2,321,553)	4,411,756
Equity			
Contributed equity	5	37,232,080	36,438,940
Reserves		992,289	857,181
Accumulated losses		(40,545,922)	(32,884,365)
Total equity		(2,321,553)	4,411,756

Consolidated statement of profit or loss and other comprehensive income
For the year ended 30 June 2019

	30 June 2019	30 June 2018
Revenue from operating activities	\$	\$
Provision of services and equipment	67,685	119,462
Interest	3,705	9,709
Other income		
R & D Tax incentive	1,592,173	2,509,465
	1,663,563	2,638,636
Expenditure		
Employee benefits	(3,647,141)	(3,471,167)
Directors share based payments	-	(139,031)
Depreciation expense	(154,486)	(202,504)
Amortisation Expense	(803,600)	(1,004,500)
Property, rent & lease expenses	(562,749)	(362,423)
Consultancy expenses	(531,021)	(1,428,205)
Consultancy share based payment	-	(240,000)
Insurance expenses	(133,560)	(131,761)
Materials and supplies	(126,329)	(909,988)
Professional fees	(349,981)	(723,180)
Travel expenses	(193,518)	(481,300)
Finance costs	(634,686)	(517,923)
Net foreign exchange gain/(loss)	(154,749)	(365,642)
Administration expenses	(181,926)	(478,961)
Other expenses	(79,147)	(241,034)
Non – current prepayment write-off	(1,075,438)	-
Provision bad debts	121,924	(5,000)
Loss before income tax	(6,842,844)	(8,063,983)
Income tax (expense)/benefit	(818,713)	(35,870)
Net loss attributable to members of the company	(7,661,557)	(8,099,853)
Loss for the year	-	-
Other comprehensive income/(loss)	-	-
Items that may be reclassified to the profit and loss		
Effect of exchange rate translation	110,905	167,949
Other comprehensive income/(loss) for the year	110,905	167,949
Total comprehensive income/(loss) for the year attributable to members of the company	(7,550,652)	(7,931,904)
Earnings per share		
Basic loss per share (cents per share)	(0.84)	(1.16)

Consolidated statement of changes in equity

	Contributed Equity \$	Accumulated losses \$	Foreign exchange reserve \$	Share based payment reserve \$	Equity other reserve \$	Total equity \$
Balance at 1 July 2018	36,438,940	(32,884,365)	55,168	802,013	-	4,411,756
Loss for the period	-	(7,661,557)	-	-	-	(7,661,557)
Discontinued Ops	-	-	-	-	-	-
Other comprehensive loss	-	-	110,905	-	-	110,905
Total comprehensive loss for the year	-	(7,661,557)	110,905	-	-	(7,550,652)
Transactions with owners in their capacity as owners						
Share issued during the period	793,140	-	-	-	-	793,140
Capital raising cost	-	-	-	-	-	-
Equity component of convertible notes issued	-	-	-	-	-	-
Value of share options issued	-	-	-	24,203	-	24,203
Balance at 30 June 2019	37,282,080	(40,545,922)	166,073	826,216	-	(2,321,553)

	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	-	(8,099,853)	-	-	-	(8,099,853)
Other comprehensive loss	-	-	167,949	-	-	167,949
Total comprehensive loss for the year	-	(8,099,853)	167,949	-	-	(7,931,904)
Transactions with owners in their capacity as owners						
Share issued during the period	16,332,481	-	-	-	-	16,332,481
Capital raising cost	(639,486)	-	-	-	-	(639,486)
Equity component of convertible notes issued	-	-	-	-	(248,955)	(248,955)
Value of share options issued	-	-	-	425,427	-	425,427
Balance at 30 June 2018	36,438,940	(32,884,365)	55,168	802,013	-	4,411,756

Consolidated statement of cash flows
For the year ended 30 June 2019

Notes	2019 \$	2018 \$
Cash flow from operating activities		
Cash receipts from customers	302,105	236,534
Cash paid to suppliers and employees	(4,446,345)	(6,814,441)
Interest paid	(206,009)	(326,244)
Interest received	25,005	4,709
Income taxes	(63,402)	2,117,702
R & D refund	2,430,921	
Net cash inflows/(outflows) from operating activities	(1,957,725)	(4,781,740)
Cash flows from investing activities		
Purchases of property, plant and equipment	(7,725)	(15,456)
Cash flows from loans to other entities	100,000	-
Net cash inflows/(outflows) from investing activities	92,275	(1,043,395)
Cash flows from financing activities		
Proceeds from issue of share capital	-	6,488,911
Transaction costs related to issues of shares, convertible notes or options	(52,373)	(626,986)
Proceeds from issue of convertible notes	1,400,000	3,412,550
Proceeds from borrowings	1,758,730	-
Repayment of borrowings	(2,107,117)	(2,670,091)
Net cash inflow/(outflow) in financing activities	999,240	6,604,384
Net increase/(decrease) in cash and cash equivalents	(866,210)	779,249
Cash and cash equivalents at beginning of financial period	886,256	102,882
Effect of exchange rate fluctuations on cash held	-	4,125
Cash and cash equivalents at end of financial period	20,046	886,256

The preliminary final report was 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.

Information about reportable segments	2019 \$	2018 \$
Reportable Segment profit/(loss) USA	(437,331)	351,677
Reportable Segment loss Australia	(4,280,391)	(4,412,663)
Reportable Segment loss	(4,717,722)	(4,060,986)
Interest	3,705	9,709
Net foreign exchange gain/(loss)	(154,749)	(365,642)
Corporate expenses	(1,974,078)	(3,647,064)
Loss before tax	(6,842,844)	(8,063,983)
Reportable segment assets USA	378,047	1,549,767
Reportable segment assets Australia	5,159,486	9,010,423
	5,537,533	10,560,190
Reportable segment liabilities USA	2,750,301	1,544,841
Reportable segment liabilities Australia	5,108,784	4,603,593
	7,859,085	6,148,434

2. Trade and other receivables

Current	2019 \$	2018 \$
Trade receivables	200,000	211,933
R & D incentives	1,681,874	2,509,465
GST refund	-	34,430
Deposits	26,785	-
Other receivables	258,158	711,116
Total receivables	2,166,817	3,466,944

3. Intangible assets

	2019	2018
Auberna Licence	1,500,000	1,808,100
Less Amortisation	(1,500,000)	(1,004,500)
Net Auberna Licence	-	803,600
MCL Licence	3,148,889	3,148,890
Intangible assets	3,148,889	3,952,490

4. Loans and borrowings

	2019 \$	2018 \$
Current liabilities		
Convertible notes at fair value through profit and loss	2,375,147	2,008,584
R & D loan facility	1,198,111	1,539,799
GE Nutrients Loan	766,898	645,382
Hunter Premium funding	68,637	50,611
Totals	4,408,793	4,244,376

5. Capital and reserves

Share capital		2019 \$	2019 Number	2018 \$	2018 Number
Movements in capital during the year were as follow:					
Issued capital at the beginning of the financial year	36,438,940	907,861,366	20,745,945	353,105,158	
Issue of shares pursuant of Conversion notice	725,640	-	219,748	8,646,577	
Issue of shares via Rights Issue	-	-	-	-	
Issue of shares pursuant to Auberna Collaboration	-	-	1,808,100	63,347,270	
Issue of shares via take up of options	-	-	-	-	
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	
Issue of shares in exchange for services provided	67,500	-	1,032,706	31,551,516	
Transfer from Equity Other Reserve	-	-	57,709	-	
Capital Raising Costs	-	-	(639,486)	-	
	37,232,080	907,861,366	36,438,940	907,861,366	

6. Group entities

Significant subsidiaries

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

7. Status of audit

This report is based on accounts that have not yet been audited.