

Appendix 3B

New issue announcement, application for quotation of additional securities and agreement

Information or documents not available now must be given to ASX as soon as available. Information and documents given to ASX become ASX's property and may be made public.

Introduced 01/07/96 Origin: Appendix 5 Amended 01/07/98, 01/09/99, 01/07/00, 30/09/01, 11/03/02, 01/01/03, 24/10/05, 01/08/12

Name of entity

AFFINITY ENERGY AND HEALTH LIMITED

ABN

16 124 544 190

We (the entity) give ASX the following information.

Part 1 - All issues

You must complete the relevant sections (attach sheets if there is not enough space).

- | | | |
|---|--|----------------------------|
| 1 | +Class of +securities issued or to be issued | Fully paid ordinary shares |
| 2 | Number of +securities issued or to be issued (if known) or maximum number which may be issued | 5,724,530 shares |
| 3 | Principal terms of the +securities (eg, if options, exercise price and expiry date; if partly paid +securities, the amount outstanding and due dates for payment; if +convertible securities, the conversion price and dates for conversion) | Ordinary shares |

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<p>4 Do the ⁺securities rank equally in all respects from the date of allotment with an existing ⁺class of quoted ⁺securities?</p> <p>If the additional securities do not rank equally, please state:</p> <ul style="list-style-type: none"> • the date from which they do • the extent to which they participate for the next dividend, (in the case of a trust, distribution) or interest payment • the extent to which they do not rank equally, other than in relation to the next dividend, distribution or interest payment 	<p>Shares rank equally in all respects from the date of issue with the existing class of fully paid ordinary shares.</p>
<p>5 Issue price or consideration</p>	<p>\$0.013120 per share</p>
<p>6 Purpose of the issue (If issued as consideration for the acquisition of assets, clearly identify those assets)</p>	<p>5,724,530 shares issued as partial conversion of convertible notes issued to MEF I LP as announced on 8 June 2018.</p>
<p>6a Is the entity an ⁺eligible entity that has obtained security holder approval under rule 7.1A?</p> <p>If Yes, complete sections 6b – 6h <i>in relation to the ⁺securities the subject of this Appendix 3B</i>, and comply with section 6i</p>	<p>Yes</p>
<p>6b The date the security holder resolution under rule 7.1A was passed</p>	<p>30 November 2017</p>
<p>6c Number of ⁺securities issued without security holder approval under rule 7.1</p>	<p>N/A</p>
<p>6d Number of ⁺securities issued with security holder approval under rule 7.1A</p>	<p>N/A</p>
<p>6e Number of ⁺securities issued with security holder approval under rule 7.3, or another specific security holder approval (specify date of meeting)</p>	<p>N/A</p>

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6f	Number of securities issued under an exception in rule 7.2	5,724,530 shares	
6g	If securities issued under rule 7.1A, was issue price at least 75% of 15 day VWAP as calculated under rule 7.1A.3? Include the issue date and both values. Include the source of the VWAP calculation.	N/A	
6h	If securities were issued under rule 7.1A for non-cash consideration, state date on which valuation of consideration was released to ASX Market Announcements	N/A	
6i	Calculate the entity's remaining issue capacity under rule 7.1 and rule 7.1A – complete Annexure 1 and release to ASX Market Announcements	Remaining 7.1 capacity – 131,618,134 Remaining 7.1A capacity – 92,412,089	
7	Dates of entering ⁺ securities into uncertificated holdings or despatch of certificates	28 August 2018	
8	Number and ⁺ class of all ⁺ securities quoted on ASX (<i>including</i> the securities in section 2 if applicable)	Number	⁺ Class
		789,229,957	Ordinary Shares
		210,092,326	Quoted options exercise price of \$0.05 expiring 28 July 2020
		134,890,940	Ordinary shares scrowed to 5 April 2019
	Number and ⁺ class of all ⁺ securities not quoted on ASX (<i>including</i> the securities in section 2 if applicable)	Number	⁺ Class
		28,728,607	Unlisted options exercisable at \$0.1636 on or before 20 January 2019
		1	Convertible Note maturing on 9 July 2016 with a conversion price at \$0.075 and subject to adjustments in accordance with the terms and conditions of the Convertible Notes.
		16,000,000	Unlisted options exercisable at \$0.09 on or before 30 June 2019
		1	Convertible Note: <ul style="list-style-type: none"> • Face value of US\$166,667 • A maturity date of 36 months from date of issue • Interest rate of 10% per annum • The note can be converted into shares at a conversion price that is the lower of <ul style="list-style-type: none"> • \$0.05 per share • A 10% discount to the 5 day

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		VWAP prior to the date of conversion
1		<p>Convertible Note:</p> <ul style="list-style-type: none"> • Face value of US\$166,666 • A maturity date of 36 months from date of issue • Interest rate of 10% per annum • The note can be converted into shares at a conversion price that is the lower of <ul style="list-style-type: none"> • \$0.05 per share • A 10% discount to the 5 day VWAP prior to the date of conversion
1		<p>Convertible Note:</p> <ul style="list-style-type: none"> • Face value of US\$166,667 • A maturity date of 36 months from date of issue • Interest rate of 10% per annum • The note can be converted into shares at a conversion price that is the lower of <ul style="list-style-type: none"> • \$0.05 per share • A 10% discount to the 5 day VWAP prior to the date of conversion
26,978,188		Unlisted options exercisable at \$0.075 on or before 31 December 2020, escrowed to 5 April 2019.
1,387,870		<p>Convertible notes</p> <p>Principle terms of convertible note:</p> <ul style="list-style-type: none"> • Total facility of A\$7M • Drawdowns <ul style="list-style-type: none"> ○ \$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 ○ \$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 • A commitment fee of 5% of the total aggregate amount of the drawdown is payable • A face value of US\$1.10 per convertible security • A conversion price of the lessor of:

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	<ul style="list-style-type: none"> ○ 80% of the lowest daily VWAP during the 5 trading days prior to a conversion notice date and ○ AU\$0.035 ○ Save tht the conversion price cannot be less than the floor price of AU\$0.01 ● 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 days ● All drawdown other than the initial drawdown of \$1M are subject to shareholder approval
7,000,000	Unlisted options exercisable at \$0.025 on or before 3 July 2023
30,000,000	Unlisted options exercisable at \$0.05 on or before 3 August 2022

10 Dividend policy (in the case of a trust, distribution policy) on the increased capital (interests)

No dividend policy established

Part 2 - Bonus issue or pro rata issue N/A

11 Is security holder approval required?

N/A

12 Is the issue renounceable or non-renounceable?

N/A

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13	Ratio in which the ⁺ securities will be offered	N/A
14	⁺ Class of ⁺ securities to which the offer relates	N/A
15	⁺ Record date to determine entitlements	N/A
16	Will holdings on different registers (or subregisters) be aggregated for calculating entitlements?	N/A
17	Policy for deciding entitlements in relation to fractions	N/A
18	Names of countries in which the entity has ⁺ security holders who will not be sent new issue documents <small>Note: Security holders must be told how their entitlements are to be dealt with. Cross reference: rule 7.7.</small>	N/A
19	Closing date for receipt of acceptances or renunciations	N/A
20	Names of any underwriters	N/A
21	Amount of any underwriting fee or commission	N/A
22	Names of any brokers to the issue	N/A
23	Fee or commission payable to the broker to the issue	N/A
24	Amount of any handling fee payable to brokers who lodge acceptances or renunciations on behalf of ⁺ security holders	N/A
25	If the issue is contingent on ⁺ security holders' approval, the date of the meeting	N/A
26	Date entitlement and acceptance form and prospectus or Product Disclosure Statement will be sent to persons entitled	N/A
27	If the entity has issued options, and the terms entitle option holders to participate on exercise, the date on which notices will be sent to option holders	N/A

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28	Date rights trading will begin (if applicable)	N/A
29	Date rights trading will end (if applicable)	N/A
30	How do ⁺ security holders sell their entitlements <i>in full</i> through a broker?	N/A
31	How do ⁺ security holders sell <i>part</i> of their entitlements through a broker and accept for the balance?	N/A
32	How do ⁺ security holders dispose of their entitlements (except by sale through a broker)?	N/A
33	⁺ Despatch date	N/A

Part 3 - Quotation of securities

You need only complete this section if you are applying for quotation of securities

34 Type of securities
(tick one)

(a) Securities described in Part 1

(b) All other securities

Example: restricted securities at the end of the escrowed period, partly paid securities that become fully paid, employee incentive share securities when restriction ends, securities issued on expiry or conversion of convertible securities

Entities that have ticked box 34(a)

Additional securities forming a new class of securities

Tick to indicate you are providing the information or documents

35 If the ⁺securities are ⁺equity securities, the names of the 20 largest holders of the additional ⁺securities, and the number and percentage of additional ⁺securities held by those holders

36 If the ⁺securities are ⁺equity securities, a distribution schedule of the additional ⁺securities setting out the number of holders in the categories
1 - 1,000
1,001 - 5,000

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5,001 - 10,000
10,001 - 100,000
100,001 and over

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A copy of any trust deed for the additional ⁺securities

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Entities that have ticked box 34(b)

38 Number of securities for which
+quotation is sought

39 Class of +securities for which
quotation is sought

40 Do the +securities rank equally in all
respects from the date of allotment
with an existing +class of quoted
+securities?

If the additional securities do not
rank equally, please state:

- the date from which they do
- the extent to which they
participate for the next dividend,
(in the case of a trust,
distribution) or interest payment
- the extent to which they do not
rank equally, other than in
relation to the next dividend,
distribution or interest payment

41 Reason for request for quotation
now

Example: In the case of restricted securities, end of
restriction period

(if issued upon conversion of
another security, clearly identify that
other security)

	Number	+Class
42 Number and +class of all +securities quoted on ASX (including the securities in clause 38)		

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Quotation agreement

1 +Quotation of our additional +securities is in ASX's absolute discretion. ASX may quote the +securities on any conditions it decides.

2 We warrant the following to ASX.

- The issue of the +securities to be quoted complies with the law and is not for an illegal purpose.
- There is no reason why those +securities should not be granted +quotation.
- An offer of the +securities for sale within 12 months after their issue will not require disclosure under section 707(3) or section 1012C(6) of the Corporations Act.

Note: An entity may need to obtain appropriate warranties from subscribers for the securities in order to be able to give this warranty

- Section 724 or section 1016E of the Corporations Act does not apply to any applications received by us in relation to any +securities to be quoted and that no-one has any right to return any +securities to be quoted under sections 737, 738 or 1016F of the Corporations Act at the time that we request that the +securities be quoted.
- If we are a trust, we warrant that no person has the right to return the +securities to be quoted under section 1019B of the Corporations Act at the time that we request that the +securities be quoted.

3 We will indemnify ASX to the fullest extent permitted by law in respect of any claim, action or expense arising from or connected with any breach of the warranties in this agreement.

4 We give ASX the information and documents required by this form. If any information or document not available now, will give it to ASX before +quotation of the +securities begins. We acknowledge that ASX is relying on the information and documents. We warrant that they are (will be) true and complete.



Sign here: Date: 28 August 2018
(Director/Company secretary)

Print name: Peter Hatfull
=====

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Appendix 3B – Annexure 1

Calculation of placement capacity under rule 7.1 and rule 7.1A for +eligible entities

Introduced 01/08/12

N/A

Part 1

Rule 7.1 – Issues exceeding 15% of capital	
Step 1: Calculate “A”, the base figure from which the placement capacity is calculated	
Insert number of fully paid ordinary securities on issue 12 months before date of issue or agreement to issue	635,388,038
<p>Add the following:</p> <ul style="list-style-type: none"> • Number of fully paid ordinary securities issued in that 12 month period under an exception in rule 7.2 • Number of fully paid ordinary securities issued in that 12 month period with shareholder approval • Number of partly paid ordinary securities that became fully paid in that 12 month period <p><i>Note:</i></p> <ul style="list-style-type: none"> • <i>Include only ordinary securities here – other classes of equity securities cannot be added</i> • <i>Include here (if applicable) the securities the subject of the Appendix 3B to which this form is annexed</i> • <i>It may be useful to set out issues of securities on different dates as separate line items</i> 	<p>63,953 Shares (11/09/17)</p> <p>25,500,000 Shares (29/09/17)</p> <p>26,367,500 Shares (13/10/17)</p> <p>236,578 Shares (25/01/18)</p> <p>2,062,500 Shares (25/01/18)</p> <p>5,000,000 Shares (25/01/18)</p> <p>62,263,422 Shares (25/01/17)</p> <p>7,500,000 Shares (16/02/18)</p> <p>134,890,940 Shares (03/04/18)</p> <p>6,547,619 Shares (14/06/18)</p> <p>2,719,283 Shares (17/07/18)</p> <p>4,891,741 Shares (31/07/2018)</p> <p>2,040,816 Shares (25/06/2018)</p> <p>2,923,977 Shares (10/08/2018)</p> <p>5,724,530 Shares (28/08/2018)</p> <p style="text-align: right;">Total: 288,732,859</p>
Subtract the number of fully paid ordinary securities cancelled during that 12 month period	
“A”	924,120,897

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Step 2: Calculate 15% of “A”	
“B”	0.15 [Note: this value cannot be changed]
Multiply “A” by 0.15	138,618,134
Step 3: Calculate “C”, the amount of placement capacity under rule 7.1 that has already been used	
Insert number of equity securities issued or agreed to be issued in that 12 month period <i>not counting</i> those issued: <ul style="list-style-type: none"> • Under an exception in rule 7.2 • Under rule 7.1A • With security holder approval under rule 7.1 or rule 7.4 <p>Note:</p> <ul style="list-style-type: none"> • <i>This applies to equity securities, unless specifically excluded – not just ordinary securities</i> • <i>Include here (if applicable) the securities the subject of the Appendix 3B to which this form is annexed</i> • <i>It may be useful to set out issues of securities on different dates as separate line items</i> 	7,000,000
	0
“C”	7,000,000
Step 4: Subtract “C” from [“A” x “B”] to calculate remaining placement capacity under rule 7.1	
“A” x 0.15 Note: number must be same as shown in Step 2	138,618,134
Subtract “C” Note: number must be same as shown in Step 3	7,000,000
Total [“A” x 0.15] – “C”	131,618,135

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Part 2

Rule 7.1A – Additional placement capacity for eligible entities	
Step 1: Calculate “A”, the base figure from which the placement capacity is calculated	
“A” <i>Note: number must be same as shown in Step 1 of Part 1</i>	924,120,897
Step 2: Calculate 10% of “A”	
“D”	0.10 <i>Note: this value cannot be changed</i>
Multiply “A” by 0.10	92,412,089
Step 3: Calculate “E”, the amount of placement capacity under rule 7.1A that has already been used	
<p><i>Insert</i> number of equity securities issued or agreed to be issued in that 12 month period under rule 7.1A</p> <p><i>Notes:</i></p> <ul style="list-style-type: none"> • <i>This applies to equity securities – not just ordinary securities</i> • <i>Include here – if applicable – the securities the subject of the Appendix 3B to which this form is annexed</i> • <i>Do not include equity securities issued under rule 7.1 (they must be dealt with in Part 1), or for which specific security holder approval has been obtained</i> • <i>It may be useful to set out issues of securities on different dates as separate line items</i> 	-
“E”	0

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Step 4: Subtract "E" from ["A" x "D"] to calculate remaining placement capacity under rule 7.1A	
"A" x 0.10 <i>Note: number must be same as shown in Step 2</i>	92,412,089
Subtract "E" <i>Note: number must be same as shown in Step 3</i>	-
Total ["A" x 0.10] – "E"	92,412,089 <i>Note: this is the remaining placement capacity under rule 7.1A</i>

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