

4 December 2018

Affinity Energy & Health Update

- **Green Light from Maltese Government for Cannabis Cultivation Facility**

Highlights:

- **Cannabis Cultivation Facility - Malta**
 - AEB one of only a small number of companies approved to develop a medicinal cannabis cultivation and manufacturing facility in the Republic of Malta
 - Allocation of ca. 2,200m² of industrial land to construct and operate a facility for the cultivation and processing of medicinal cannabis, including cannabis oil, cannabis plants or seeds or derivatives of cannabis
 - New facility to position AEB as a vertically integrated medicinal cannabis operator with direct exposure to growing European markets
 - Facility to be built to meet European Union GMP standards with targeted expansion from an initial 15 units to a total of 175 units producing ca. 3,000kg of cannabis oil p.a
 - Highly complimentary to the Company's global medicinal cannabis strategy which includes strategic alliances with key industry bodies and R&D partners

Plant-based health and wellbeing company **Affinity Energy & Health Limited ("the Company" or "AEB") (ASX: AEB)** is pleased to announce:

Cannabis Cultivation Facility – Republic of Malta:

The Company has been approved to establish a medicinal cannabis cultivation and manufacturing facility in the Republic of Malta.

The Company has executed a Letter of Intent ("**LOI**") with Malta Enterprise (the Republic of Malta's Investment Body), approving the Company's application to establish a fully automated, controlled environment hydroponic cultivation, manufacturing and distribution facility. As previously announced the Company's submission to Malta Enterprise was submitted during the September quarter.

The Company is one of only a handful of entities, including Aurora Cannabis Inc. (TSX:ACB) (a Canadian company with a market capitalisation of circa C\$7.5 billion), to be issued with a LOI by Malta Enterprise.

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Under the terms of the LOI the Company will be allocated industrial land, ca. 2,200m², by Malta Industrial Parks Ltd (a Malta Government body) (“MIPL”) to construct and operate a facility for the cultivation and subsequent processing into finished doses of medicinal cannabis, including cannabis oil, cannabis plants or seeds or derivatives of cannabis.

Malta, a member of the Commonwealth, joined the European Union in 2004 and provides a gateway to the enormous population (+500 million) with 23 of the 28 member countries having legalised medicinal cannabis (including the United Kingdom as of November 1, 2018).

The Company has selected a fully automated, modular hydroponic cultivation, growing and harvesting process developed and utilised in Canada, with the final engineering and design layout to be completed upon allocation of the land by MIPL. The facility will be built to meet European Union GMP standards. The initial planning details that, over a three year period, the Company will expand the facility from an initial 15 units to a total of 175. The initial build out will be funded through internal resources and expansions through cash generation.

An initial €200,000 (circa A\$310,000) will be invested directly by AEB in a 100% owned subsidiary company incorporated in Malta, and a further €3,400,000 (circa A\$5.3M) is expected to be invested in this company over the following 3 years to achieve the above production levels.

Initial funding for the construction of phase 1 in Malta will be sourced from available facilities and cash reserves, with expansions funded by cash flow.

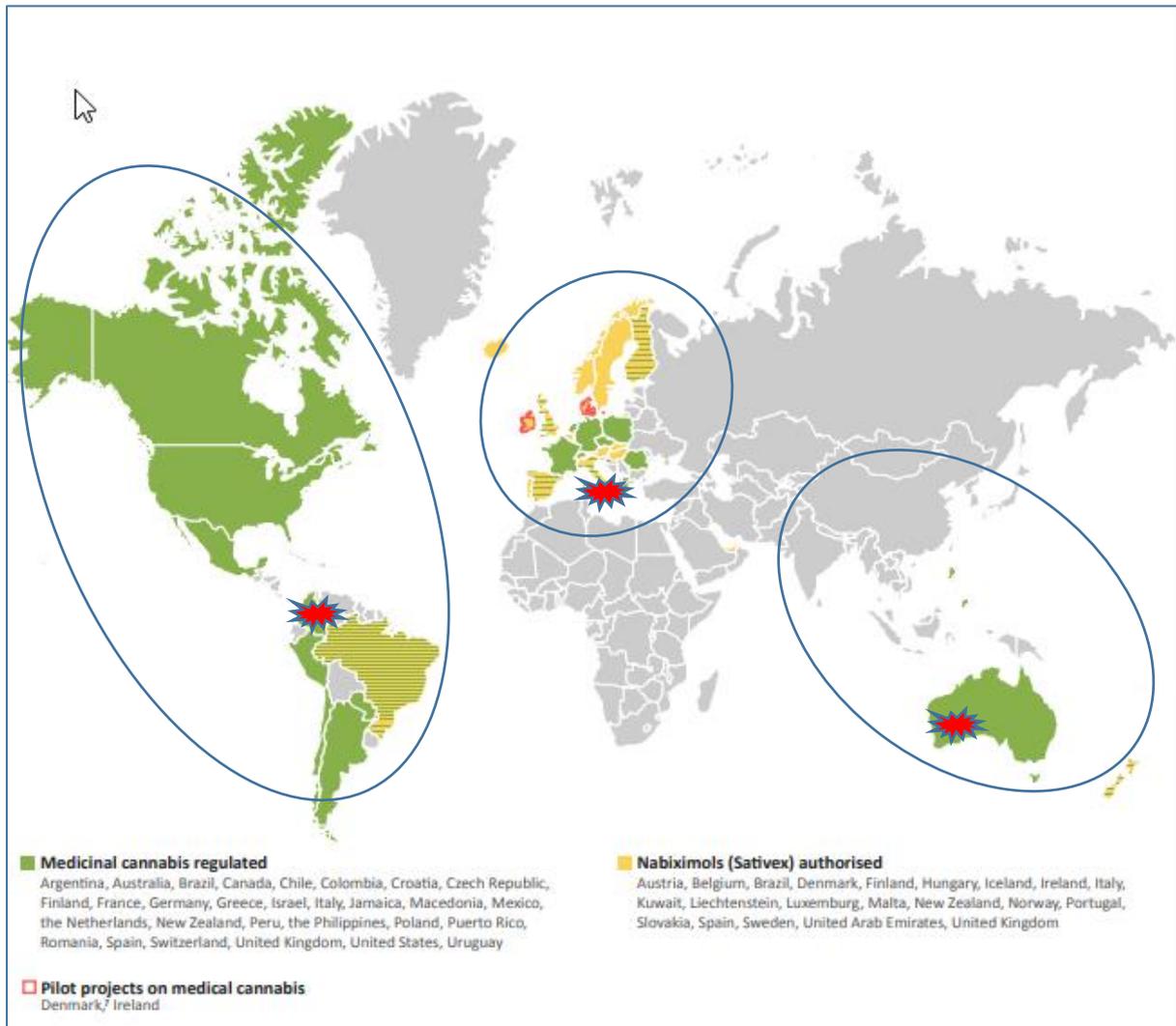
In addition the Company is working with Austrade and ProColombia (Colombian Government enterprise) and submitting a license application for the cultivation, manufacture and sale (internally and export) in Colombia. It is anticipated that the license will be issued during H1C19.

The Company has deliberately implemented a “global” strategy, carefully selecting countries that support and promote medicinal cannabis and have access to the largest individual and collective markets:

- Malta – European Union / Commonwealth countries
- Colombia – South and North America (NAFTA)
- Australia – Australia / Asia and Africa

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Cannabis Status Globally – continually expanding



Affinity Medicinal Cannabis Licenses/Applications and Sphere of Influence

Affinity Executive Chairman and Managing Director Mal James commented *“The approval of our plans to establish a vertically integrated cannabis operation in Malta is an exciting development which will position Affinity as a globally significant player in the medicinal cannabis sector.*

It also serves as a major endorsement of the Company’s strategic vision and expertise, and we are very grateful to be one of only a few companies to be issued with a license in Malta, alongside companies such as Canada-based Auror Cannabis Inc.

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Importantly, our plans for Malta are highly complementary to our existing medicinal cannabis initiatives currently being rolled out in Australia, with the Board already identifying a number of synergies that can be capitalised on in the future. I look forward to providing further updates on our medicinal cannabis division in due course."

-ENDS-

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About Affinity Energy and Health Limited (ASX. AEB)

Affinity Energy and Health Limited (ASX. AEB) is a plant-based health and wellbeing company that develops a broad range of plant-derived products for supply to three key markets:

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