

31 January 2024

Quarterly Activities Report: Melodiol delivers over \$21.5m in revenue during FY2023 – a 131% increase on last year

Highlights:

- **Q4 FY23 revenue of \$7.11m – marks a 176% increase on the prior corresponding period ('PCP')**
- **Takes total FY23 revenue to a record \$21.5m – FY23 revenue growth is a 141% rise on the PCP**
- **Growth underpinned by Mernova Medicinal Inc., which delivered \$2.13m in revenue during Q4 FY23 – a 15% uptick on last quarter and a 101% uptick on the PCP**
- **Wholly-owned operating division Health House International generated \$3.79m in revenue during the quarter – highlighting the Company's ability to deliver growth through strategic M&A**
- **Board and management remain committed to ongoing efforts to further reduce operating expenditure**
- **Melodiol continuing to deliver on its strategy of driving revenue growth through optimised operations and strategic M&A while maintaining a diligent cost focus**

Melodiol Global Health Limited (ASX:ME1) ('Melodiol' or 'the Company') is pleased to provide the following update on progress for the three month period ended 31 December 2023 (the 'quarter'), as well as its Appendix 4C. All financial results are in Australian dollars and unaudited (unless otherwise stated).

Financial performance:

During Q4 FY23, Melodiol delivered \$7,111,801 in unaudited revenue, which was a 176% increase on the previous corresponding period ('PCP') (Q4 FY22: \$2,571,756). This led to the Company generating total revenue of \$21,577,431 during FY23, a record for the Company. Total FY23 revenue was a 141% rise on the previous corresponding period (FY22: \$8,950,259) and highlights the Company's considerable ability to identify high growth opportunities and capitalise.

Q4 FY23 revenue was underpinned by Melodiol's 100%-owned Canadian subsidiary, Mernova Medicinal Inc. ('Mernova') which generated \$2.13m in revenue for the period. Pleasingly, Mernova's revenue continued to grow on a quarter on quarter ('QoQ') and was up 15% on the last quarter (Q3 FY2023 revenue: A\$1.85m) and 101% on the PCP (Q4 FY2022: A\$1.06m).

Further, wholly-owned operating division Health House International ('HHI' or 'HHI International') also contributed \$3,795,241 in revenue. HHI's ongoing contribution to the Company's revenue since its acquisition has further underpinned Melodiol's stated strategy of leveraging strategic M&A to fast track growth and profitability.

Receipts from customers for the period totalled \$6.62m, a 128% rise on the PCP and a slight decline on last quarter. Net cash used in operating activities was also reduced by 35% from \$3.43m in Q4 FY22 to \$2.20m in Q4 FY23.

Net cash used in operating activities comprised of product manufacturing and operating costs (\$4.51m), advertising and marketing (\$0.12m), staff costs (\$1.81m), administration and corporate costs (\$2.11m) and repayment of government grants and excise tax (\$0.25m).

At quarter end, the Company has cash at bank of \$691,000. The Company also completed a placement subsequent to the end of the period which raised \$215,000 (refer ASX announcement: 16 January 2024).

Payments to related parties and their associates as detailed in section six of the attached Appendix 4C relates to Directors Fees / expenses (\$157,000), loan repayment (\$3,000) and other services (\$51,000).

Melodiol remains increasingly focused on continuing to reduce operating cost, while pursuing high growth revenue opportunities to push towards profitability. The Company also continues to take active steps to refocus its efforts and resources into higher performing business units, whilst exploring opportunities to undertake a strategic divestment of assets.

The Board and management are also considering additional sources of capital, including but not limited to, other debt funding, further capital raising activities, divestment of non-core assets, and possible accretive divestment of core assets.

Corporate:

Resignation and appointment of Company Secretary:

During the quarter, Mrs Eryln Dawson has resigned as joint company secretary, effective immediately. The Company thanks Mrs Dawson for her invaluable contributions to the Company during her tenure.

La Plata Facility:

Further to the Company's announcement dated 4 September 2023, Melodiol provided the following update with respect to La Plata Capital, LLC's ("La Plata") secured note holding in the Company.

Per the terms of the previous extension, ME1 was granted the option, subject to shareholder approval, to satisfy the October and November monthly interest payments to La Plata by the issue of fully paid ordinary shares ('Shares') at an issue price equal to the Company's closing Share price on the trading day immediately prior to issuance, based on a value ratio of 1.5 times the interest due.

At the time, the Company also agreed to issue US\$80,000 of shares using the same mechanism in order to begin paying down principal, starting in November 2023. In exchange for these concessions, the Company agreed to make a one time cash payment of US\$160,000 to La Plata on or around 30 September 2023.

Due to the large volume of corporate activity undertaken by the Company, it was unable to achieve shareholder approval for these obligations prior to the commencement of the payment schedule. The Company has also not paid the modification fee to La Plata.

In order to address this breach, the Company sought shareholder approval on 15 January 2023 to adjust the value ratio from 1.5 times to 2.0 times for the October and November interest payments and November principal payments.

The parties have also agreed that the Company may satisfy the US\$160,000 modification fee and US\$18,700 of legal fees by the issue of fully paid ordinary shares ('Shares') at an issue price equal to the Company's closing Share price on the trading day immediately prior to issuance, based on a value ratio of 2.0 times the interest due. The Company has also agreed to reduce the floor price from A\$0.002 per Share to A\$0.001 per Share.

Secured notes:

Per the Company's announcement dated 26 October 2023, the Company notes that the maturity date of the Secured Notes was 30 November 2023. Melodiol's Board and management remain engaged with the noteholders regarding a further extension. Updates will be provided as developments materialise.

Management commentary:

CEO and Managing Director, Mr William Lay said: *"During Q4 FY23, the Company continued to deliver solid revenue, which underpinned a yearly record of \$21.5m. This is a major achievement for Melodiol, marking*

a significant increase over the previous corresponding period and highlighting the Company's ability to considerably streamline operations and leverage strategic M&A to unlock growth.

"The bulk of the company's revenue was generated by Mernova and Health House International. These two wholly-owned divisions continue to make strong operating progress and are emerging as market leaders across the industry. As previously advised, the Board have made the strategic decision to channel resources to further grow both operations and we look forward to providing additional updates on growth in the coming months."

Further Updates:

The Company advises that the board of the Company has entered into an agreement to sell certain intellectual property owned by Creso Pharma Switzerland ('CPS'), as well as certain assets owned by Sierra Sage Herbs, LLC ('SSH'), to Spry Life LLC ('Spry'), an entity controlled by the Company's director, Ms Jodi Scott. Spry will also acquire certain debts of SSH as part of the transaction. The sale of these assets is subject to prior shareholder approval.

The assets in question are considered non-core by the Company, and are at an earlier life cycle stage than the Company's core businesses, Mernova Medicinal Inc., and Health House International. The Company is confident that the sale of these assets will accelerate the Company's ability to execute on its long-term strategic objective of reaching a group cash flow positive state, while maintaining an interest in any upside generated by the sale assets.

The CPS owned intangible assets being sold include logos, slogans, taglines, copy and all other trademarks and copyrights specific to SSH, the Green Goo, Southern Butter and Good Goo trade names, all domains, website development and social media handles related to these trade names, product development and formulation information, unique product codes, certifications, registrations, copyrights on advertising content, product designs, videos, packaging photography, customer database, e-commerce platforms, ERP systems, and other IT software.

The select SSH assets being sold include integration platforms, office supplies, trucking and warehouse equipment, books and records, packaging materials and some inventory. Spry will also assume debts of SSH, including American Express and US Bank Debt valued at US\$320,906, in addition to liabilities related to employment benefits.

As part of the transaction, ME1 will be granted an option to purchase 4.99% of Spry for a consideration of US\$100 for a 5 year period.

Ms Jodi Scott is a related party of the Company and therefore ASX Listing Rules Chapter 10 apply to the proposed transaction. As such, the Company will seek shareholder approval for the proposed transaction and will provide shareholders with an independent expert's report as part of this approval. The Company expects to call a meeting of shareholders in March / April 2024 to consider these matters, and closing of the proposed transaction to occur shortly thereafter.

The Company has also provided Spry an exclusive no-cost license to utilise the CPS owned intangible assets that will terminate automatically on the closing date of the proposed transaction.

The closing of the proposed transaction is subject to customary closing conditions for a transaction of this nature, including prior shareholder approval, true and correct representations and warranties on the closing date, and the termination of the licensing agreement. As a result of agreeing to this proposal, Ms Jodi Scott has resigned as President of US Operations for the Company. Ms Scott will continue as a Non-Executive Director of the Company and continue to work closely with the Company to progress its long-term strategic objectives.

-Ends-

Authority and Contact Details

This announcement has been authorised for release by the Board of Directors of Melodiol Global Health Limited.

For further information, please contact:

Investor Enquiries

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About Melodiol

Melodiol Global Health Limited (ASX:ME1) brings the best of cannabis and other plant-based products to better the lives of people and animals. Melodiol strives for the highest quality in its products. It develops cannabis, hemp-derived and other plant based therapeutic, nutraceutical, and lifestyle products with wide consumer reach.

To learn more please visit: <https://melodiolglobalhealth.com/>

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Forward Looking statements

This announcement contains forward-looking statements with respect to Melodiol and its respective operations, strategy, investments, financial performance and condition.

These statements generally can be identified by use of forward-looking words such as "may", "will", "expect", "estimate", "anticipate", "intends", "believe" or "continue" or the negative thereof or similar variations. The actual results and performance of Melodiol could differ materially from those expressed or implied by such statements. Such statements are qualified in their entirety by the inherent risks and uncertainties surrounding future expectations. Some important factors that could cause actual results to differ materially from expectations include, among other things, general economic and market factors, competition and government regulation.

The cautionary statements qualify all forward-looking statements attributable to Melodiol and persons acting on its behalf. Unless otherwise stated, all forward-looking statements speak only as of the date of this announcement and Melodiol has no obligation to up-date such statements, except to the extent required by applicable laws.

Appendix 4C

Quarterly cash flow report for entities subject to Listing Rule 4.7B

Name of entity

Melodiol Global Health Limited

ABN

89 609 406 911

Quarter ended ("current quarter")

31 December 2023

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	6,626	22,629
1.2 Payments for		
(a) research and development	-	(117)
(b) product manufacturing and operating costs	(4,516)	(13,722)
(c) advertising and marketing	(126)	(659)
(d) leased assets	-	-
(e) staff costs	(1,819)	(9,189)
(f) administration and corporate costs	(2,116)	(7,541)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	5
1.5 Interest and other costs of finance paid	(5)	(74)
1.6 Income taxes paid	-	-
1.7 Government grants and refunds	(250)	(455)
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(2,206)	(9,123)
Note:		
During the quarter and the year to date, the Company issued shares in lieu of cash payments for debts outstanding comprising:		
	1,278,878,024 shares	1,917,514,744 shares
Deemed value in lieu of cash	7,874	14,672

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) entities	-	-
(b) businesses	-	103
(c) property, plant and equipment	(190)	(198)
(d) investments	-	-
(e) intellectual property	-	-
(f) other non-current assets	-	-
2.2 Proceeds from disposal of:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	-	-
(d) investments	-	-
(e) intellectual property	-	-
(f) other non-current assets	-	-
2.3 Cash flows from loans to other entities	(19)	(19)
2.4 Dividends received (see note 3)	-	-
2.5 Other (Cash received on acquisition)	-	-
2.6 Net cash from / (used in) investing activities	(209)	(114)

3. Cash flows from financing activities		
3.1 Proceeds from issues of equity securities (excluding convertible debt securities)	1,690	5,151
3.2 Proceeds from issue of convertible debt securities	-	-
3.3 Proceeds from exercise of options	-	-
3.4 Transaction costs related to issues of equity securities or convertible debt securities	(60)	(674)
3.5 Proceeds from borrowings	429	6,819
3.6 Repayment of borrowings	(236)	(1,807)
3.7 Transaction costs related to loans and borrowings	(13)	(808)
3.8 Dividends paid	-	-
3.9 Other (provide details if material)	-	-
3.10 Net cash from / (used in) financing activities	1,810	8,681

Quarterly cash flow report for entities subject to Listing Rule 4.7B

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	1,318	1,349
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(2,206)	(9,123)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(209)	(114)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	1,810	8,681
4.5	Effect of movement in exchange rates on cash held	(21)	(102)
4.6	Cash and cash equivalents at end of period	692	692

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'000	Previous quarter \$A'000
5.1	Bank balances	692	1,318
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)	692	1,318

6.	Payments to related parties of the entity and their associates	Current quarter \$A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	211
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-

Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments

Payments made to related parties and their associates comprise:	\$A'000
- Directors fees	157
- Loan Repayment	3
- Other services	51
Aggregate amount as above	211

Quarterly cash flow report for entities subject to Listing Rule 4.7B

7. Financing facilities

Note: the term "facility" includes all forms of financing arrangements available to the entity.

Add notes as necessary for an understanding of the sources of finance available to the entity.

	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
7.1 Secured Loan facilities	2,500	2,500
Unsecured Loan facilities	616	505
7.2 Credit standby arrangements	-	-
7.3 Other (details below)	-	-
7.4 Total financing facilities	3,116	3,005

7.5 Unused financing facilities available at quarter end

111

7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.

7.1 Secured Loan Facilities

Convertible securities agreement with SBC

Total Facility: \$2,500,000

Drawn down: \$2,500,000

Implied interest rate: 8%

Purchase date: 13 March 2023

Maturity date: The Company notes that the maturity date of the facility has passed and is undertaking ongoing discussions with SBC to address the situation and expects to provide an update in due course

Further details per ASX announcement 6 March 2023.

Unsecured Loan Facilities

Isidore 14 Pty Ltd

Total Facility: \$100,000

Drawn Down: \$100,000

Repayment Date: 21 February 2024

Interest Payable on settlement: 10%

Fee Payable on Settlement: \$40,000

Noraton Nominees Pty Ltd

Total Facility: \$150,000

Drawn Down: \$39,000

Repayment Date: 11 March 2024

Interest Payable on settlement: 20%

Fee Payable on Settlement: \$70,000

Corporate Mining Pty Ltd

Total Facility: \$366,000

Drawn Down: \$366,000

Repayment Date: 21 February 2024

Interest Payable on settlement: 50%

Fee Payable on Settlement: \$104,106

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (Item 1.9)	(2,206)
8.2 Cash and cash equivalents at quarter end (Item 4.6)	692
8.3 Unused finance facilities available at quarter end (Item 7.5)	111
8.4 Total available funding (Item 8.2 + Item 8.3)	803
8.5 Estimated quarters of funding available (Item 8.4 divided by Item 8.1)	0.36

8.6 If Item 8.5 is less than 2 quarters, please provide answers to the following questions:

1. Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?

Answer: The Company has clearly indicated a downwards trend in its operating outflows over the last two fiscal years (FY 21: \$21.3m, FY22: \$14.4m, FY23: \$9.1m). The Company expects this trend to continue as revenue growth continues and further steps are taken to rationalize costs and non-performing business units from the portfolio.

2. Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

Answer: The Company has consistently demonstrated that it has various avenues by which it can draw down further capital, and a track record of utilising these various avenues when required. In the near term, the Company will consider and take steps to secure additional funding with the goal of maximising shareholder value. Following shareholder approval, at the EGM on 23rd January 2024, for the Company to raise up to \$3 million, the Company is currently engaged in raising capital.

3. Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Yes, through a combination of actions 1 and 2 noted above.

Compliance statement

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

Date: 31 January 2024

Authorised by: The Board of Directors
(Name of body or officer authorising release – see note 4)

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow 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 cash flow 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.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.