

14 June 2023

## **Melodiol Significantly Strengthens Balance Sheet with Material Debt Extensions and Conversions**

### **Highlights:**

- Sum total of restructuring activities results in up to A\$1.8 million of debt and interest being converted into Melodiol equity, significantly strengthening the Company's balance sheet as it further grows its material portfolio of revenue generating assets
- Melodiol to make amortisation payment to SBC Global Investment Fund ("SBC") in equity for June payment and accelerate a further payment in equity
- Maturity date of US\$1,767,500 of existing debt with La Plata Capital LLC ("La Plata"), extended to June 2024
- Maturity date of US\$482,500 of existing debt with La Plata extended to October 2023, with automatic extension occurring on repayment non-La Plata Secured Noteholders (negotiations remain ongoing with this group)
- Option for Melodiol to make June 30 and Sep 30 interest payments to La Plata in equity
- Melodiol to pay a 40% extension fee to La Plata, in the form of additional secured notes, in exchange for extension
- Penalty structured as acquisition of La Plata's loan to Abby and Finn LLC ("Abby and Finn"), providing value to Melodiol, and offsetting extension fee
- Melodiol to repay A\$592,778 of other existing debt via the issuance of equity securities
- Significantly reduces Melodiol's near term non-operating cash flow requirements

Melodiol Global Health Limited (ASX:ME1) ('Melodiol' or 'the Company') is pleased to advise that it has taken significant steps to improve its balance sheet and reduce near term non-operating cash flow requirements.

### **Acceleration of SBC Amortisation Payments Under Tranche 1 Convertible Notes (First Purchase):**

The Company has agreed to repay the entire balance owing under the second amortisation payment (including interest) to SBC from the First Purchase (\$270,000) in shares, based on the terms of the convertible securities agreement. Furthermore, the Company has agreed to accelerate one additional payment of the same amount under the same mechanism.

Based on the items described above, and under the terms of the convertible securities agreements, the Company has today issued 67,500,000 shares to SBC as summarised in the following table, based on a Melodiol issue price of \$0.008, being 93% of the lowest 1-day VWAP in the actual 10 trading days preceding a redemption.

	<b>Face Value</b>	<b>Shares</b>	<b>Issue Capacity</b>
Second Amortisation Payment	\$250,000	31,250,000	Shareholder approval – 15 May 2023
Accelerated Payment	\$250,000	31,250,000	Shareholder approval – 15 May 2023

Interest Component	\$40,000	5,000,000	Under the Company's LR7.1 capacity
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At its General Meeting in May 2023, the Company received approval to ratify the issue of the First Purchase which permits the issuance of a maximum number of shares of 218,976,674 on conversion (or amortisation) of those convertible notes.

The interest component associated with the amortisation payments has also been settled by the issue of shares under the Company's Listing Rule 7.1 capacity.

As a result of the aforementioned amortisation payments, 450,004 SBC T1 Convertible Notes have under the First Purchase have been redeemed, with a balance of 574,989 SBC T1 Convertible Notes remaining.

**Restructuring of La Plata Debt:**

The Company has also agreed to significantly extend its existing debt with La Plata. Under the terms of the agreement, Melodiol will acquire the remaining interest in La Plata's secured loan to Abby and Finn LLC ("A&F") for US\$900,000 of secured notes. Resultantly, the Company will be the owner of all of A&F's secured debt. The new secured notes are on the same terms as those announced to the market on 27 January 2023, however mature in 2 June 2024. La Plata will be entitled to receive 13,333,320 investor options on this tranche of secured notes. The issue of the options will be subject to shareholder approval, and the Company will also seek shareholder approval to allow the secured notes to convert into Melodiol equity at based on a Melodiol share price of \$0.05. Additionally, La Plata will extend the maturity date of US\$800,000 of its existing second rank secured loans from July 2023 to 2 June 2024, with the balance of those loans (US\$482,500) extended from July 2023 to 17 October 2023. The portion extended to 17 October 2023 will automatically be extended to 2 June 2024 once Melodiol has repaid the secured loans announced to the market on 11 November 2022. La Plata will also extend the maturity of US\$500,000 of second ranking secured loans due March 2024 to 2 June 2024, and will extend the maturity of US\$467,500 of first rank secured loans from September 2023, to June 2024.

La Plata has also agreed that the Company may make its 31 March 2023, 30 June 2023 and 30 September 2023 interest payments in shares, based on a value of shares equal to 1.5 times the interest due and payable. The Company retains the option to make interest payments in cash. Resultantly, the Company has agreed to settle its 31 March 2023 interest payment to La Plata via the issuance of 18,981,000 shares at a deemed issuance price of A\$0.009 per share. The shares will be issued from the Company's existing Listing Rule 7.1 capacity.

The extension of maturity dates and the option to make interest payments in shares provides the Company significantly flexibility as it pursues its strategic growth initiatives.

**Debt to equity conversions:**

To strengthen its balance sheet, the Company has also entered into agreements with existing debtors to convert certain current liabilities of A\$592,778 into new equity via the issuance of stock. The majority of the agreements relate to corporate creditors of Health House International Ltd ("Health House"), and will further strengthen Health House's position within the Company's broader portfolio. 8,333,333 shares will be issued from the Company's existing Listing Rule 7.1 capacity, and 50,838,402 shares will be issued subject to shareholder approval. Additionally, the Company will issue 10,654,045 options with a strike price of \$0.022, expiring 4 years from the issue date, subject to shareholder approval.

## Management commentary:

**CEO and Managing Director, Mr William Lay said:** *“We are very pleased to have taken several steps to materially strengthen our balance sheet. As our underlying operating business continues to perform strongly in 2023, we are confident that the removal and extensions of debt from the balance sheet will assist the company in realising the value that the Company is building at the operational level.”*

## Secondary Trading Notice Pursuant to Section 708A(5)(e) of the Corporations Act

The Company gives this notice pursuant to section 708A(5)(e) of the Corporations Act 2001 (Cth) (“Corporations Act”), in connection with the issue of shares referred to in this announcement.

The Shares were issued without disclosure to investors under Part 6D.2 of the Act.

The Company, as at the date of this notice, has complied with:

- (a) the provisions of Chapter 2M of the Act as they apply to the Company; and
- (b) section 674 and section 674A of the Corporations Act.

As at the date of this notice, there is no information to be disclosed which is excluded information (as defined in section 708A(7) of the Corporations Act) that is reasonable for investors and their professional advisers to expect to find in a disclosure document.

**-Ends-**

## Authority and Contact Details

This announcement has been authorised for release by the Disclosure Committee 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/>

## Melodiol offices:

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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.