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Melodiol to streamline portfolio with Up To A\$30m asset sale to US Listed Panacea – Maintaining significant stake in spin-off vehicle

Highlights:

- **Melodiol secures a non-binding LOI with Panacea Life Sciences Holdings, Inc. ('Panacea') (OTCQB: PLSH), a US company specialising in manufacturing, R&D, and distribution of high-quality, GMP-certified health & wellness products, for the sale of Sierra Sages Herbs, LLC ('SSH') and Halucenex Life Sciences Inc. ("Halucenex") for an initial approximate US\$5m in cash and scrip**
- **LOI includes additional earn-out components valued at up to US\$15m, which will allow Melodiol to further increase its shareholding in Panacea should conditions be met following SSH's potential revenue growth**
- **Panacea's recent operational progress includes acquisitions of eight retail locations offering VAPE and CBD products in Tampa, Florida, generating US\$2.9m of annual revenues for the fiscal year ended 31 Dec 2022, and a research collaboration with Colorado State University's Cannabinoid Research Centre (CRC)**
- **Panacea, through its diverse trademark portfolio (PANA Health, PANA Beauty, PANA Sport, PANA Pet, & PANA Life), operates across the entire cannabinoid value chain and achieved significant customer growth during Q1 CY2023**
- **Panacea is headquartered in Golden, Colorado where it operates a sophisticated 51,000 square foot, cGMP-certified facility**
- **Melodiol's divestment of SSH and Halucenex allows for concentration on group profitability, via the substantial growth at Health House International and Mernova Medicinal Inc., with the purchase price including US\$2m in cash and the balance in Panacea common stock, promising further upside potential**
- **Post-transaction, Melodiol will be the largest shareholder in Panacea, enabling a strategic expansion into the US market. This aligns with the Company's long stated objective to increase exposure to US capital markets**
- **Panacea's expertise will aid in the growth of SSH and Halucenex, significantly reducing Melodiol's cash burn, and allowing MEI to focus on accelerating the group's near term profitability**

- **Transaction enables Panacea, a complementary US specialist business, to collaborate with SSH and Halucenex, driving growth and pursue cash flow positivity for SSH via potential synergies. Additionally, if completed, it would secure continued funding for Halucenex's progression into successful Phase II and forthcoming Phase III trials. This strategic move would also significantly decrease Melodiol's cash burn**
- **Consideration of A\$30m highlights management's view of Melodiol's operating subsidiary value – further value accretive transactions for shareholders are also being explored**

Strategic Rationale:

Melodiol's Letter of Intent (LOI) to sell its earlier stage business units, SSH and Halucenex, into the specialised US-based CBD firm, Panacea, is a strategic leap towards financial agility. This move decisively decreases cash outflows for Melodiol while leveraging Panacea's capacity to drive growth. This decision emphatically reaffirms Melodiol's direction and rationale to escalate sales and expedite profitability, as mirrored in CY2023 sales to date of \$8.6m nearing the previous year's record revenues of \$8.7m.

In synergy with Panacea, Melodiol is poised to unlock value from early-stage SSH and Halucenex, thereby strengthening its balance sheet and accelerating an overall cash-flow positive portfolio. Moreover, the divestment reduces significant operating expenditure and capital expenditure for ME1, facilitating significant cost savings as Panacea's highly skilled team accelerate the growth of SSH and Halucenex. Post-transaction, Melodiol's substantial stake in Panacea offers potential upside linked to SSH and Halucenex's operational progress and a non-dilutive funding source for scaling international operations. Crucially, this move amplifies Melodiol's visibility in the North American market, congruent with its ambition for a NASDAQ listing.

Melodiol Global Health Limited (ASX:ME1, FRA:1X8) ('Melodiol' or 'the Company'), is delighted to announce a non-binding Letter of Intent (LOI) with the US-based entity, Panacea Life Sciences Holdings, Inc. ('Panacea') (OTCQB: PLSH). The LOI pertains to the divestment of two of Melodiol's prominent business units, Sierra Sage Herbs, LLC ("SSH") and Halucenex Life Sciences Inc. ("Halucenex"), for an up-front aggregate consideration of approximately U\$5m in cash and scrip. The LOI also includes an additional US\$15m in earn-out clauses, which if met, will provide additional value to Melodiol.

Panacea Life Sciences Holdings (<https://panacealife.com/>), is an OTCQB-listed holding company specialising in the development, manufacturing, research, and distribution of GMP-certified health & wellness and pet care products, chiefly those originating from hemp and CBD.

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Its subsidiary, Panacea Life Sciences, Inc., driven by strong female leadership, prides itself on the research, production, and distribution of the highest-quality nutraceutical, cannabinoid, mushroom, kratom, and other natural, plant-based products. Panacea operates from a sophisticated 51,000 square foot, cGMP-certified facility in Golden, Colorado, ensuring unparalleled quality standards.

State-of-the-Art 51,000 sq.ft. cGMP Manufacturing Facility

Producing High Quality, Pharmaceutical Grade Products

- \$1.2B – Total capacity of production capabilities
- 500k-1M – Oval 7.5 Bovine softgel production per shift
- 150k – 300k – Oval 7.5 VEGAN softgel production per shift
- 10,000 – Liquid fills per day (tinctures, pens, etc.)
- 50-60/min – Bottling and Labeling Capabilities (30 Ct.)
- Complete turn-key fulfillment services upon request



The proposed divestment of SSH and Halucenex will not only furnish Melodiol with non-dilutive funding but also a strategic shareholding in Panacea. This creates an avenue for potential upside exposure to Panacea's thriving US health products business.

This agreement marks the initial phase of Melodiol's strategic plan to unlock intrinsic portfolio value, extend its footprint in the US markets, and underline the superiority of its assets. The proposed transaction serves as an affirmation of Melodiol's ability to divest itself of specific assets, thereby propelling growth and expediting the unlocking of shareholder value.

Management commentary:

Chief Executive Officer Mr William Lay said: *"We are pleased to announce this Letter of Intent, which sets out the proposed terms of the potential transaction that would add significant value for both Melodiol and Panacea.*

"The provisional consideration terms reflect the significant upside potential of SSH and Halucenex, and the deal has been structured to allow both counterparties to leverage their respective strengths while sharing in the opportunity for future growth.

"For Melodiol, the proposed transaction also provides the Company with a material non-dilutive cash consideration at an important juncture in its growth phase. It follows a consistent period of record revenue growth across our continuing operations, and presents the group with a strong strategic rationale to complete the transaction and deploy resources in pursuit of ongoing growth in top-line revenues and cash flow."

About Panacea

Panacea has made strong operational progress recently, which provides Melodiol with confidence in the group's ability to drive growth through SSH and Halucenex. This includes an ongoing research collaboration with Colorado State University's Cannabinoid Research Center (CRC) to solve important industry issues and to better understand how cannabinoids work in the body, 100% increases in its contract manufacturing customer growth during Q1 CY2023, exclusive distribution agreements targeting the UK market and retail agreements with US retail groups.

Panacea through its portfolio of trademarks, IP suite, and registrations (PANA Health™, PANA Beauty, PANA Sport, PANA Pet, & PANA Life) is able to operate in every segment of the cannabinoid product value chain. Due to Panacea's products containing little to no THC, their products are able to be sold across the US and internationally, through a multi-faceted sales strategy tailored to the growing demand for alternative life science therapies. This strategy includes:

- Global E-Commerce platform for fulfilling orders and shipping worldwide, where legally permitted.
- Direct pharmacy placement.
- Direct placement in retail stores, salons, spas, athletic facilities, etc.
- Intelligent vending machines.
- E-Commerce based systems and social media.

The group's recent developments highlight a number of opportunities to benefit SSH and Halucenex, while each division continues its operational trajectory.

Transaction terms:

Subject to due diligence being satisfied and the conditions set out below, Panacea would acquire SSH and Halucenex free and clear of all encumbrance for a purchase price totalling US\$20m based upon and subject to meeting certain milestones applicable to meeting forecasted revenue associated with sales by SSH following closing of the transaction, based on the 1x the 12 month trailing audited net sales of SSH as publicly reported and is payable as follows:

- US\$2m cash payment, upon closing of the transaction. At the election of Melodiol the cash payment may be converted into common stock in Panacea ("Panacea Stock") with a deemed issue price of the 20 day volume weighted average price ("VWAP") from the election date prior to the closing of the transaction;
- Estimated US\$3m worth of Panacea Stock with an issue price per Panacea Stock equal to the 20 day VWAP ending on and including the closing date of the transaction; and
- Subject to the following milestones (set out below) being met by SSH the Company will receive:
 - US\$10,000,000 worth of Panacea Stock with an issue price per Panacea Stock equal to the 20 day VWAP ending on and including the date the Milestone is achieved, if during a 36 month period commencing the date after the closing date of the transaction ("Earn Out Period") SSH's revenues are a gross margin of at least 30% and net margin of at least 20% ("Qualified Sales") equal or exceed US\$10,000,000 per year for two consecutive fiscal years; or
 - US\$10,000,000 worth of Panacea Stock with an issue price per Panacea Stock equal to the 20 day VWAP ending on and including the date the Milestone is achieved, if during the Earn Out Period the Qualified Sales are at least \$15,000,000 per year in any of the first or second fiscal year; and
 - US\$5,000,000 worth of Panacea Stock with an issue price per Panacea Stock equal to the 20 day VWAP ending on and including the date the Milestone is achieved, if during the Earn Out Period the Qualified Sales are at least US\$20,000,000 in any fiscal year prior to expiration of the Earn Out Period.

The cash component of the purchase price may, at the option of Melodiol, be converted into additional Shares in Panacea at the aforementioned VWAP price on the date of notice of exercise, prior to the closing date of the transaction.

The closing of the transaction will be subject to customary conditions, including, without limitation:

- Panacea's satisfactory completion of due diligence of SSH and Halucenex;
- receipt of applicable corporate approvals of the transaction by the board of directors and shareholders, as applicable;
- the execution of the definitive agreement and any ancillary agreements;

- the receipt of any regulatory approvals and third-party consents;
- financing (debt or equity) arrangements for Panacea's \$2m cash payment and projected cash flow deficits from the transaction, on terms satisfactory to Panacea;
- certain key management personnel and employees entering into consultancy and restrictive covenant agreements with Panacea on terms agreed to with Panacea;
- confirmation that SSH and Halucenex own their respective intellectual property or licenses and have all required approval for all business operations and ownership including legal and regulatory approvals, by all regulatory agencies; and
- there being no material adverse change in the business, results of operations, prospects, condition (financial or otherwise) or assets of SSH and Halucenex.

Sydney based, EverBlu Capital Corporate Pty Ltd acted as corporate advisor to Melodiol on the transaction and will receive a fee of 7.5% of the transaction, in line with its Corporate Advisory and Transaction Mandates which have been previously announced to the market. Steinepreis and Paganin acted as legal counsel to Melodiol.

Paradox Capital Partners, LLC acted as advisor to Panacea.

Next steps

Melodiol is working closely with Panacea management to assist the group's due diligence process. Per the LOI, both parties have agreed that until such time as the LOI is terminated Panacea has the sole and exclusive right to consider the transaction and any investment in or transaction related to SSH and Halucenex or the respective business or assets.

The LOI will automatically terminate upon the earlier of:

- the execution of the definitive agreement;
- Melodiol and Panacea mutually agree to terminate the LOI; or
- 90 days following the execution of the LOI (executed today, 2 August 2023)

Due diligence remains ongoing and should this be satisfied, both parties will enter into a definitive agreement for the sale.

-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:

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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.