

31 October 2023

Quarterly Activities Report: Another consecutive quarter of record revenues

Highlights:

- ~\$7.5m in unaudited revenue achieved across the Melodiol Group of companies in Q3 FY23 – a 265% increase on the PCP (Q3 FY22: \$2.05m), and a 58% rise on last quarter (Q2 FY23: \$4.74m)
- Net cash used in operations of \$0.34m in Q3 FY23 vs. \$2.37m in Q2 FY23
- Total FY23 (unaudited) revenue generated to date now over \$14.54m – a record for the Company
- Consistent revenue growth underpinned by Mernova Medicinal Inc. which delivered \$1.85m in revenue for the quarter
- Recently acquired subsidiary, Health House International generated unaudited revenue of \$4.851m, including \$2.99m in net revenue from the division's Australian operations
- HHI's Australian operations delivered an unaudited net profit of \$312,548 during the quarter - +10% profit margin reflects well-established operating procedures on COGS and a strong sales network across several leading Australian pharmacies
- Record cash receipts from customers secured of \$8.27m – up 60% on the prior quarter (Q2 FY23: \$5.14m)
- Cash and cash equivalents of \$1.31m at the end of the quarter with commitments for an additional \$1m received post period end
- Melodiol continues to deliver on its stated strategy of driving revenue growth through optimised operations and strategic M&A while maintaining a stringent focus on costs

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 30 September 2023 (the 'quarter'), as well as its Appendix 4C. All financial results are in Australian dollars and unaudited (unless otherwise stated).

Financial performance:

During Q3 FY23, Melodiol delivered \$7,497,891 in unaudited net revenue, which was a 265% uplift on the previous corresponding period ('PCP') (Q3 FY22: \$2.05m), and a 58% increase on the prior quarter net revenue of \$4.74m. Total FY23 revenue to date currently stands at \$14.54m, a record for the Company.

The strong revenue growth was underpinned by 100%-owned Canadian recreational cannabis subsidiary, Mernova Medicinal Inc. ('Mernova') which delivered \$1.85m in revenue. Pleasingly, the division's revenue grew 20% on last quarter (Q2 FY2023 sales: A\$1.547m) and a 104% rise on the PCP (Q3 FY22: A\$907,042).

Additionally, wholly-owned operating division Health House International ('HHI' or 'HHI International') also achieved strong unaudited revenue of \$4.871m, which included \$2.99m in net revenue from the subsidiary's Australian operations.

Continuing strong momentum, HHI's Australian division also delivered a quarterly net profit before tax of \$312,548, when adjusted for Cost of Goods Sold (COGS) and operating expenses. This represents a net-profit-to-sales margin of 10.4% and highlight's Melodiol's stated strategy of leveraging strategic M&A to fast track growth and profitability.

Receipts from customers during the period were \$8.27m, which marked a 60% increase on the prior quarter (Q2 FY23: \$5.14m). Net cash used in operating activities declined from \$2.37m in Q2 FY23 to \$0.34m in Q3

FY23. Cash used in operating activities (before giving effect to revenue) comprised research and development (\$8,000), product manufacturing and operating costs (\$4,526,000), advertising and marketing (\$166,000), staff costs (\$2,072,000), administration and corporate costs (\$1,674,000), interest and other costs of finance paid (\$7,000) and repayment of government grants and excise tax (\$165,000).

At quarter end, the Company had cash at bank of \$1.31m. Payments to related parties and their associates as detailed in section six of the attached Appendix 4C relates to Directors Fees (\$154,000) and other services (\$75,000).

Melodiol remains increasingly focused on continuing to reduce operating cost, while pursuing high growth revenue opportunities to push towards profitability.

Corporate

Debt restructuring

During the quarter, the Company completed and agreed a number of activities to restructure, repay and extend repayment terms of existing debt, including:

- the conversion of 855,008 SBC Convertible Notes (with a face value of \$950,000) to fully paid ordinary shares ('Shares') (refer ASX announcements dated 8 August 2023 and 26 October 2023);
- the conversion of \$700,000 of existing secured loans under the secured note facility announced 1 November 2023 ('November Secured Notes'), to equity (refer to ASX announcement dated 4 September 2023 and Appendix 2A dated 18 September 2023 (relating to Resolution 16 under the Notice of Meeting released 12 September 2023));
- the in-principle agreement with a majority of the remaining November Secured Note holders to extend the maturity date of the November Secured Notes to 30 November 2023 (refer to ASX announcement dated 26 October 2023);
- the issue on 24 October 2023 of Shares in lieu of June and September 2023 interest payments due to La Plata Capital, LLC ('La Plata'), and subject to shareholder approval, the agreement to pay the December 2023, March 2024 and June 2024 interest payments in Shares, as well as a monthly USD80,0000 repayment of principal in Shares (refer to ASX announcement date 4 September 2023); and
- the agreement with La Plata to extend the maturity date of the majority of its debt to June 2024 (refer to ASX announcement date 4 September 2023).

During the quarter the Company undertook a capital raising and debt conversion, raising \$574,725 in cash, and repaying \$549,875 in existing loans and invoices, for the issue of 167,445,189 Shares and two free-attaching listed options (ASX:ME1O (\$0.25, expiring 2/11/2024)) for every one Share issued (which Options are expected to be issued shortly) (refer ASX announcement dated 8 August 2023).

Following the end of the quarter the Company has received firm commitments for a placement to raise \$1 million (before costs) and conversion of existing debts of \$724,206, each at an issue price of \$0.005 per Share, together with two free attaching Options (\$0.01, expiring 5 years from issue) for each Share issued (subject to shareholder approval). Refer to the ASX announcement released 26 October 2023 for full details.

Bonus Option Offer

During the quarter, the Company announced plans to undertake a pro-rata non-renounceable bonus issue of options (\$0.01, expiring 5 years from issue) ('Bonus Options') to eligible shareholders ('Offer'), on the basis of 1 Bonus Option for every 20 Shares held on a Record Date in early November 2023, for nil consideration per Bonus Option. The Company has today announced a Prospectus for the undertaking of

the Offer, with the Record Date set at Monday 6 November 2023, and Bonus Options to be issued on 13 November 2023.

Release of Securities from Escrow

During the quarter, 134,105,315 Shares were released from voluntary escrow. The Shares were issued as part consideration for the acquisition of Sierra Sage Herbs, LLC.

Management commentary:

CEO and Managing Director, Mr William Lay said: *"Melodiol's Q3 FY23 results showcase the Company's ability to deliver on its stated strategy of leveraging M&A to drive revenue, while maintaining a stringent focus on costs. Pleasingly, both Mernova and Health House International have made strong revenue contributions at the group level, with HHI's Australian division also achieving profitability.*

"I look forward to providing additional updates in the near term."

-Ends-

Authority and Contact Details

This announcement has been authorised for release by the Board 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.

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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")

30 September 2023

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	8,270	16,003
1.2 Payments for		
(a) research and development	(8)	(117)
(b) product manufacturing and operating costs	(4,526)	(9,206)
(c) advertising and marketing	(166)	(533)
(d) leased assets	-	-
(e) staff costs	(2,072)	(7,370)
(f) administration and corporate costs	(1,674)	(5,426)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	5
1.5 Interest and other costs of finance paid	(7)	(69)
1.6 Income taxes paid	-	-
1.7 Government grants and refunds	(165)	(205)
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(348)	(6,917)
Note:		
During the quarter and the year to date, the Company issued shares in lieu of cash payments for debts outstanding comprising:		
	184,763,573 shares	638,636,720 shares
Deemed value in lieu of cash	1,445	6,798

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
2.	Cash flows from investing activities		
2.1	Payments to acquire:		
	(a) entities	-	-
	(b) businesses	-	103
	(c) property, plant and equipment	-	(8)
	(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	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (Cash received on acquisition)	-	-
2.6	Net cash from / (used in) investing activities	-	95
3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	575	3,461
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	(6)	(614)
3.5	Proceeds from borrowings	233	6,400
3.6	Repayment of borrowings	(146)	(1,571)
3.7	Transaction costs related to loans and borrowings	(34)	(795)
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	Net cash from / (used in) financing activities	612	6,871

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 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	1,057	1,349
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(348)	(6,917)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	-	95
4.4	Net cash from / (used in) financing activities (item 3.10 above)	612	6,871
4.5	Effect of movement in exchange rates on cash held	(3)	(80)
4.6	Cash and cash equivalents at end of period	1,318	1,318

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	1,318	1,057
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)	1,318	1,057

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	229
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	154
- Loan Repayment	-
- Other services	75
Aggregate amount as above	229

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	1,125	525
7.2 Credit standby arrangements	-	-
7.3 Other (details below)	351	-
7.4 Total financing facilities	3,976	3,025

7.5 Unused financing facilities available at quarter end

951

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: 12 December 2023

Further details per ASX announcement 6 March 2023.

Unsecured Loan Facilities

Atlantic Capital Holdings Pty Ltd

Total Facility: \$900,000

Drawn Down: \$375,000

Interest free.

Following shareholder approval received 18 October 2023, the full facility will be drawn down and converted to shares at \$0.0122 cps, the price per the capital raising in May 2023. Further details per ASX Announcement 19 May 2023.

Nandil Pty Ltd

Total Facility: \$225,000

Drawn Down: \$150,000

Repayment date: 15 December 2023

Interest payable on settlement: 20%

Implied interest rate: 60%pa

Fee payable on settlement: \$100,000

Post quarter end, the lender has agreed to convert this facility to equity on the terms set out in the announcement dated 26 October 2023.

7.3 Other Financing Facilities

\$350,900 receivable from an investor in the capital raising in May 2023

To be converted upon receipt to shares at \$0.0122 cps.

Further details per ASX Announcement 19 May 2023.

As announced on 23 October 2023, following quarter end, the Company has determined that it does not expect to receive these funds.

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (Item 1.9)	(348)
8.2 Cash and cash equivalents at quarter end (Item 4.6)	1,318
8.3 Unused finance facilities available at quarter end (Item 7.5)	951
8.4 Total available funding (Item 8.2 + Item 8.3)	2,269
8.5 Estimated quarters of funding available (Item 8.4 divided by Item 8.1)	6.5

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

- 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:

- 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:

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

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 October 2023

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

Notes

- 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.
- 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.

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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.