

19 June 2024

Corporate Update

Highlights:

- **Two independent appraisals received for Mernova land and building, with values ranging from \$10.4 million to \$12.0 million (C\$9.5 million to C\$11.0 million)**
- **Appraisals follow strong revenue progress at Melodiol, with \$21.6m in revenue delivered for FY23 (a 148% increase on the PCP) and \$4.4m of unaudited revenue for Q1 FY24 (a 91% increase on the PCP)**
- **Health House group has been a strong contributor to group revenues since acquisition in FY23**
- **Up to \$5m convertible note facility entered into with Harbour Capital Opportunities Fund Pty Ltd**

Melodiol Global Health Limited (ASX:ME1) ('Melodiol' or 'the Company') is pleased to provide the following corporate update.

Mernova Valuation / Group Operational Progress

During May 2024, Mernova engaged two independent third party appraisal firms to ascertain the market value of the Mernova land and building. After a significant review process, these firms placed a market value on the Mernova property at a range of \$10.4 million to \$12.0 million. The Company is pleased with the result, which validates the significant investment it has made in this facility over the preceding years. The appraisals are subject to several assumptions and contain a reasonable exposure time of 3 to 6 months, further noting that the estimate of market value is based on its continued operation for its intended use as a cannabis production facility. As such, the Company is considering strategic alternatives to utilise the land and building valuation to simplify and improve its balance sheet, including, but not limited to a potential sale leaseback transaction or a new secured loan. The intention of this process would be to replace the existing secured noteholders with one group to simplify the structure of the Company's balance sheet, and to pursue a lower interest rate than the current secured note structures and potentially provide additional working capital above and beyond the refinancing. The Company is reviewing the credentials of various well renowned groups for this purpose and expects to engage one of them in the near term. The Company will provide further updates on this project in due course.

The appraisals underpin the value that the Company is driving at its core operational subsidiaries, Mernova and Health House. During FY23, the Company generated \$21.6m of revenue (a 148% increase on the PCP) and during Q1 FY24, the Company generated \$4.4m of unaudited revenue (a 91% increase on the PCP). The Company's strategy remains to focus on these business units in an effort to drive profitability as quickly as possible.

Convertible Notes

Further to the Company's announcement dated 21 February 2024, the Company is pleased to advise that it has entered into definitive agreements for an up to \$5m convertible note facility with Harbour Capital Opportunities Fund Pty Ltd ("HCOF"). Full details of the convertible notes are set out in Appendix A. The issue of the HCOF convertible notes is subject to shareholder approval, which will be sought at an upcoming General Meeting.

The funds will be deployed to support marketing and sales of the Company's existing products in Canada, Europe, and Australia, and general working capital. Proceeds of the issue may also be used to repay existing debt.

The new funding provides the Company with financial flexibility to continue its focus on revenue growth and consistent operating expense reduction. Melodiol has continued to demonstrate its ability to progress this strategic initiative, over recent quarters (please refer recent ASX announcements).

Strategic rationale and commentary with respect to ASX Listed Compliance Update no. 05/20:

In assessing the convertible notes, the Company has undertaken a significant review of the available sources of capital in the currently challenging and volatile capital markets environment, both in Australia and abroad. As communicated in ASX releases, Melodiol has made significant recent progress on multiple fronts, and over the entire course of FY23, including growing revenues 148% year over year to post \$21.6m in revenue in FY23.

As such, the Company believes that it has clearly identified a pathway to creating value for shareholders via ongoing revenue growth, debt reduction and reducing operating outflows in an effort to achieve a cash flow positive state.

While Melodiol continues its trajectory to a cash flow positive state on an aggregate basis, it will require additional capital to pursue its strategic objectives. The Company has considered with its corporate advisor, Oakley Capital Partners Pty Ltd ('Oakley') various options available for raising additional capital, ranging from traditional equity and debt raises, to convertible structures from several different parties. A summary of the options considered is set out in the table in Appendix B.

Ultimately, the Company considered three key factors in assessing its proposed path forward: aggregate size of capital available, timeline to receiving capital and overall cost of capital. In this assessment the Company determined that the funding from HCOF was the best available source of capital for the Company at the present time.

The Company notes that all issuances contemplated by the convertible notes will be subject to prior shareholder approval.

Lead Manager

Oakley acted as lead manager on the convertible notes. Per its mandate with the Company, Oakley, or its nominees, will earn a 6% cash fee on any amounts drawn (up to \$300,000). Subject to shareholder approval, Oakley, or its nominees, will also receive 6% of the face value of the Total Facility Size payable in shares at an issue price of 20% discount to 10-day VWAP as at day prior to issue, with 1 for 1 attaching options, and 35 million Loan Facilitation shares. The options will be the same class as the proposed Bonus Options issue (which is proposed to occur within approximately 90 days, and the terms of which will be announced to market separately). In the event shareholder approval is not obtained, a cash equivalent fee will be payable to Oakley based upon a Black and Scholes valuation model.

Appendix A:

HCOF Convertible Note to raise up to \$5 million

Key Indicative Terms

- Agreement for the issue of convertible securities with an aggregate purchase price of **A\$5,000,000**
- **Tranche 1 of \$1,000,000** to occur 30 business days after the Company issues the first half of the Facility Securities. ('First Purchase')
- **Tranche 2 of \$1,000,000** to occur 75 business days after the Company issues the first half of the Facility Securities. ('Second Purchase')
- **Tranche 3 of \$1,000,000** to occur 120 business days after the Company issues the first half of the Facility Securities. ('Third Purchase')
- **Tranche 4 of \$1,000,000** to occur 165 business days after the Company issues the first half of the Facility Securities. ('Fourth Purchase')
- **Tranche 5 of \$1,000,000** to occur 205 business days after the Company issues the first half of the Facility Securities. ('Fifth Purchase')
- **Face Value** = A\$1.20 per convertible security.
- **Maturity Date:** The date which is 18 months from the relevant purchase date.
- **Conversion Price:** The lower of (A) 30% discount to the 20-day VWAP immediately prior to the date of each conversion, and (B) \$0.08 (**Fixed Conversion Price**).
- **Floor Price:** A\$0.001.
- **Interest:** 7% of the Face Value, annually.
- **Redemption Amount:** 110% of the amount outstanding with respect to Early Redemption on Raise

Other Conditions

- **Facility Securities:** the Company will issue 45 million facility shares ("the first half") within 2 business days of shareholder approval, and 45 million facility shares immediately upon funding of Tranche 1. Each facility share will come with an attaching Option (same class as proposed Bonus Options issue).
- **Conversion at Election of Investor:** HCOF may at its discretion elect to convert one or more convertible notes by providing written notice to the Company. Such conversion would be based on the Conversion Price.
- **Early Redemption on Raise:** If the Company raises less than A\$2,500,000 from any source (other than the Investor), the Investor may require the Company to apply up to 20% of the proceeds from the funds raised, and up to 50% of the excess raised above A\$2,500,000
- **Options:** 90 million commitment options, as referenced in the Facility Securities definition. The options will be the same class as the proposed Bonus Options issue (which is proposed to occur within approximately 90 days, and the terms of which will be announced to market separately)
- **Conditions Precedent:** (a)(all purchases) - the Company is in a position to lodge the appropriate cleansing statement, The Company must deliver to the Investor all of the relevant forms and circular resolutions required to issue of the relevant securities under the agreement, the Company has received shareholder approval for the relevant issue; (b)(facility) –a takeover breach will not occur as a result of issuing the Facility Securities, the Company has issued to shareholders options in the same class as the options to be issued to the investor and these options have been quoted on the ASX at all times in the 3 months prior to the issue of the Placement Securities, written confirmation from the ASX that the terms and conditions of the Convertible Notes and issue of any other securities under the convertible securities agreement are appropriate and equitable for the purpose of Listing Rule 6.1; (c) First Purchase - the Facility Securities have been issued; and (d) Remaining

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	<p>Purchases – the prior purchase has been completed, the Company’s market capitalisation is at least A\$1,500,000 for each of the 20 actual trading days immediately prior to the relevant purchase.</p> <ul style="list-style-type: none">• The Investor is entitled to receive a 6% Lender Fee on the total facility size (payable in shares at a 30% discount to the 10-day VWAP as at issue date), to be issued upon the Investor’s request.
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Management commentary:

CEO and Managing Director, Mr William Lay said: *“We are pleased to see the strong appraisal results for Mernova. The group has seen significant step ups in revenue vs. prior fiscal years and with our focus on core subsidiaries, we are working hard to drive profitability as soon as possible. The new convertible notes will be a source of capital that assists us in pursuing this objective.”*

-Ends-

Authority and Contact Details

This announcement has been authorised for release by the board of directors of Melodiol Global Health Limited.

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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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