

31 July 2024

Quarterly Activities Report: Melodiol delivers \$9.3m in revenue during H1 FY24 – a 33% increase the PCP

Highlights:

- Q1 FY24 unaudited revenue of \$4.8m – marks a 9% increase on the prior quarter
- H1 FY24 unaudited revenues of \$9.3m – a 33% increase on H1 FY23 (\$7.0m)
- Follows total FY23 record revenues of \$21.6m – a 148% rise on the PCP
- Results underpinned by Mernova Medicinal Inc., which delivered \$2.0m in revenue during Q1 FY24 – a 25%+ increase on Q2 FY23
- Wholly-owned operating division Health House International generated \$2.8m in revenue during the quarter – continues to generate significant revenues since acquisition
- Board and management remain committed to ongoing efforts to further reduce operating expenditure
- Subsequent to quarter end, the Company announced a non-binding LOI for an asset sale for C\$11m (A\$12m)

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 June 2024 (the 'quarter'), as well as its Appendix 4C. All financial results are in Australian dollars and unaudited (unless otherwise stated).

Financial performance:

During Q2 FY24, Melodiol delivered \$4.8m in unaudited revenue, which was a 9% increase on the previous quarter (Q1 FY24: \$4.4m). H1 FY24 revenues of \$9.3m are an increase of 33% vs. H1 FY23 (\$7.0m). The results follow record group revenues of \$21.6m in FY23, a 148% increase on the PCP.

Q1 FY24 revenue was underpinned by Melodiol's 100%-owned Canadian subsidiary, Mernova Medicinal Inc. ('Mernova') which generated \$2.0m in revenue for the period. Mernova's revenue was up 25% on the PCP (Q1 FY2024 revenue: \$1.5m).

Further, wholly-owned operating division Health House International ('HHI' or 'HHI International') also contributed \$2.8m 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 bolster operations.

Receipts from customers for the period totalled \$4.9m, in line with Q1 FY24 (\$5.0m). Net cash used in operating activities was \$1.9m. For H1 FY24, total cash used in operating activities was \$3.0m, significantly lower than H1 FY23 (\$6.6m).

Cash used in operating activities comprised mainly of product manufacturing and operating costs (\$3.3m), advertising and marketing (\$0.1m), staff costs (\$1.5m), and administration and corporate costs (\$1.7m).

At quarter end, the Company has cash at bank if \$0.6m. Payments to related parties and their associates as detailed in section six of the attached Appendix 4C relates entirely to Directors Fees / expenses of \$0.08m.

Melodiol remains resolutely focused on continuing to reduce operating costs, 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, having completed the closure of several non performing business units.

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

Corporate Activities:

During the quarter, the Company completed a 30:1 share consolidation (refer to ASX release: 12 June 2024). Subsequent to quarter end, the Company announced a non-binding LOI for the sale of one of its core assets for an initial \$12m in cash consideration (refer to ASX release: 23 July 2024).

Management commentary:

CEO and Managing Director, Mr William Lay said: *"We were pleased to see revenue grow in Q2, from a strong base in Q1. In Mernova and HealthHouse, we are focusing on our highest performing business units and have taken great steps to eliminate cash drag of non-performing business units. We are also pleased that a potential sale process has validated quality of the assets within the portfolio and remain highly focused on eliminating costs from the business model in order to pursue profitability."*

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.

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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 June 2024

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	4,925	9,939
1.2 Payments for		
(a) research and development	-	(19)
(b) product manufacturing and operating costs	(3,259)	(6,498)
(c) advertising and marketing	(133)	(229)
(d) leased assets	-	-
(e) staff costs	(1,520)	(2,994)
(f) administration and corporate costs	(1,705)	(2,846)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	(113)
1.7 Government grants and refunds	(33)	(53)
1.8 Other (provide details if material)	(140)	(140)
1.9 Net cash from / (used in) operating activities	(1,865)	(2,953)
Note:		
During the quarter and the year to date, the Company issued shares in lieu of cash payments for debts outstanding comprising:	298,018,170 shares	373,381,172 shares
Deemed value in lieu of cash	2,560	4,058

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
2.	Cash flows from investing activities		
2.1	Payments to acquire:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	(2)	(79)
	(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
2.4	Dividends received (see note 3)	-	-
2.5	Other (Cash received on acquisition)	-	-
2.6	Net cash from / (used in) investing activities	(2)	(60)
3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	952	2,193
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	-	(40)
3.5	Proceeds from borrowings	1,258	1,290
3.6	Repayment of borrowings	(335)	(493)
3.7	Transaction costs related to loans and borrowings	(22)	(34)
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	Net cash from / (used in) financing activities	1,853	2,916

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 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	599	692
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,865)	(2,953)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(2)	(60)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	1,853	2,916
4.5	Effect of movement in exchange rates on cash held	(3)	(12)
4.6	Cash and cash equivalents at end of period	582	582

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	582	599
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)	582	599

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	84
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	84
- Loan Repayment	-
- Other services	-
Aggregate amount as above	84

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.

7.1 Secured Loan facilities

Unsecured Loan facilities

7.2 Credit standby arrangements

7.3 Other

7.4 **Total financing facilities**

	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
	2,500	2,500
	3,521	1,377
	-	-
	-	-
	6,021	3,877

7.5 **Unused financing facilities available at quarter end**

2,144

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 LTC Long Short Fund Pty Ltd.

Total Facility: \$2,500,000

Drawn down: \$2,500,000

Implied interest rate: 8%

Purchase date: 13 March 2023

Maturity date: Standstill in place through 31 December 2024

Formerly the SBC convertible note, recently acquired by LTC with standstill provided. Further details per ASX announcement 6 March 2023 and 19 April 2024.

The Company notes that the majority of this facility has been repaid or converted to equity. The Tranche 2 notes have been converted in their entirety, and the remaining Tranche 1 notes carry a face value of ~\$390,000.

Unsecured Loan Facilities

Corporate Mining Pty Ltd

Total Facility: \$325,894

Drawn Down: \$325,894

Repayment Date: 21 February 2024

Interest Payable on settlement: 50%

Fee Payable on Settlement: \$104,106

The Company notes that this facility has been entirely converted to equity as at the date of release of this Appendix 4C.

External Lenders

Total Facility: \$755,000

Drawn Down: \$755,000

Repayment Date: 31 May 2024 – 4th July 2024

Interest Payable on settlement: 30%

Fee Payable on Settlement: N/A

External lenders

Total Facility: \$380,000

Drawn Down: \$236,000

Repayment Date: 30th June 2024 – 26th August 2024

Interest Payable on settlement: \$50,000

Fee Payable on Settlement: \$43,000

External Lenders: \$60,000

Drawn Down: \$60,000

Repayment Date: 5th September 2024 – 11th September 2024

Interest Payable on settlement: 27th June 2024

Fee Payable on Settlement: 25% of drawn-down

LTC: \$2,000,000

Drawn Down: Nil

Repayment Date: 12 months from the date of drawdown, for each individual drawdown

Interest: 20% per annum

Other Fees: Establishment fee of \$100,000 on first funds drawn, \$200,000 share issuance on first funds drawn

Convertibility: Can convert amounts outstanding at 30% discount to 20-Day VWAP at lender's election

Note: subsequent to quarter end, the Company drew down \$600,000 on this facility, with the establishment fee waived

The Company notes that the maturity dates for some unsecured loan facilities have passed. The Company has not received a formal letter of demand with respect to any of these facilities and is in active conversations with each lender. The Company intends to include resolutions in its upcoming AGM notice for the conversion of these amounts to equity, as has taken place in the past.

8.	Estimated cash available for future operating activities	\$A'000
8.1	Net cash from / (used in) operating activities (Item 1.9)	(1,865)
8.2	Cash and cash equivalents at quarter end (Item 4.6)	582
8.3	Unused finance facilities available at quarter end (Item 7.5)	2,144
8.4	Total available funding (Item 8.2 + Item 8.3)	2,726
8.5	Estimated quarters of funding available (Item 8.4 divided by Item 8.1)	1.46

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: The Company has clearly indicated a downwards trend in its operating outflows over the last two fiscal years (H1 FY23: \$6.6m, vs H1 FY24: \$3.0m, , a vast improvement). The Company expects this trend to continue as revenue grows 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. At its AGM on 31 May 2024, the Company's shareholders passed a resolution allowing for the raising of up to \$3m without utilising its placement capacity, providing additional capital raising flexibility. The Company has recently announced an inflow of funding of \$1m, and a non-binding LOI to sell one of its core assets for an initial \$12m cash consideration.

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

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

Date: 31 July 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.