

26 October 2023

Capital Raising & Corporate Update

Highlights:

- Firm commitments received to issue 200,000,000 Shares at an issue price of \$0.005 per Share to raise \$1m (before costs)
- Raise follows ~\$7.5m in unaudited revenue achieved across the Melodiol Group in Q3 FY23 – a 265% increase on the PCP (Q3 FY22: \$2.05m), and a 58% rise on last quarter (Q2 FY23: \$4.74m)
- Debt to equity conversions agreed for the issue of an additional 157,339,296 Shares at an issue price of \$0.005 per Share, with the Shares having a dollar value of \$786,696, on the same terms as the Placement
- Q3 FY23 revenue growth takes total FY23 unaudited net revenue to date to \$14.54m – new funding to underpin ongoing growth trajectory
- Corporate updates on the Extension of Secured Notes, SBC Convertible Note Facility and the Panacea Transaction, resulting in total T1 and T2 SBC Facilities being 79% repaid

Melodiol Global Health Limited (ASX:ME1) ('Melodiol' or 'the Company') is pleased to advise it has received firm commitments to raise approximately \$1m (before costs) through the issue of approximately 200,000,000 new fully paid ordinary shares ('Shares') at an issue price of \$0.005 per Share (the 'Placement'). The Company has also agreed with creditors to convert \$724,206 of amounts outstanding to equity, via the issuance of 157,339,296 Shares at an issue price of \$0.005 per Share, with the Shares having a dollar value of \$786,696, on the same terms as the Placement ('Debt Conversions').

Funds from the Placement will be used towards select marketing and sales initiatives, corporate costs, potential debt repayments, and costs associated with the potential restructuring of lower revenue generating operating divisions to accelerate group profitability potential.

Subject to shareholder approval, Placement participants and Debt Conversion participants will receive two free attaching Options for every one new Share issued under the Placement or Debt Conversion. The Options will be exercisable at \$0.01 with a five year expiry (on the same terms as the Bonus Option Offer announced on 23 October 2023) ('ME1OE Options'). The Company will seek to quote the attaching Options, subject to meeting ASX listing requirements.

Placement Shares will be issued under the Company's existing placement capacity, pursuant to ASX Listing Rule 7.1A. The issue price of the new Shares represents a 19.48% discount to the 15-day volume weighted average price ('VWAP') of \$0.00621. The Debt Conversion Shares will be issued under the Company's existing placement capacity, pursuant to ASX Listing Rule 7.1.

The Company notes that core subsidiaries, Mernova Medicinal Inc., and HealthHouse Australia have both demonstrated strong operating results during FY23 with each achieving at least one instance cash flow positive quarter during the year. With these encouraging results, the Company has taken active steps to refocus its efforts and resources into these higher performing business units, whilst exploring opportunities to undertake a strategic divestment of assets. Whilst it does so, it is likely that further capital will be required in the near term with the Company considering additional sources of capital, including but not limited to, other debt funding that has been previously announced and can be drawn down on, further capital raising activities, divestment of non-core assets, and possible accretive divestment of core assets.

Management commentary:

CEO and Managing Director, Mr William Lay said: *“I would like to take this opportunity to thank investors for their support of the Placement. This new capital comes at a critical juncture as the Company continues to drive strong operating results at Mernova and HHI, while also pursuing strategies to restructure debt and divest some of the Company’s lower revenue generating divisions to meet the group’s profitability goals.”*

Lead Manager:

EverBlu Capital Corporate Pty Ltd (“EverBlu”) acted as lead manager to the Placement and Debt Conversion, as well as assisting with the negotiations with SBC Global and Panacea. EverBlu will earn a 6% cash fee on the gross cash amount raised and converted under the Placement, to be satisfied by the issue of Shares at an issue price of \$0.005, together with one free attaching ME1OE Option for each Share issued, each subject to shareholder approval. Subject to shareholder approval, EverBlu will also receive 120,000,000 Shares, and 714,678,592 ME1OE Options (being the same number as issued to Placement and Debt Conversion participants), if feasible. If the issue of these Options is not feasible, the Company has agreed to work with EverBlu on a best efforts basis to come to an alternate arrangement. Where shareholder approval is not received, the cash equivalent of fees will be payable.

Other Corporate Updates

Extension of Secured Notes

The Company has reached an in-principle agreement with the majority of the remaining Secured Note lenders (refer to ASX announcements dated: 1 November 2022, and 19 May 2023) to extend the maturity and repayment date of the Secured Notes from 30 September 2023 to 30 November 2023. In return for agreeing to the extension, the lenders have been issued 100 million Shares at a deemed issue price of \$0.005 per Share, under the Company’s ASX Listing Rule 7.1 placement capacity. Subject to shareholder approval, the lenders will also receive 100 million free attaching options on the same terms as the Bonus Options. The Company has also agreed in good faith to work with the Secured Note lenders to reach an agreement by 30 November 2023 to create a pathway for full repayment of the Secured Notes.

The Company has agreed to issue Briant Nominees Pty Ltd and CPS Capital Group Pty Ltd an aggregate of 20,000,000 Shares, as a fee for facilitating the extension negotiations. These Shares will be issued imminently out of the Company’s ASX Listing Rule 7.1 Placement Capacity.

SBC Convertible Note Facility

The Company provides the following update with respect to the Secured Notes Facility (refer to ASX announcement dated 6 March 2023) (‘SBC Facility’) with SBC Global Investment Fund (‘SBC’). The result of these actions is that the entire SBC Facility is now 79% repaid.

The Company has agreed to repay \$700,000 of face value from the Tranche 2 notes, along with \$56,000 of interest via the issuance of 167,256,637 Shares, pursuant terms of the Convertible Securities Agreement.

Based on the items described above, and under the terms of the Convertible Securities Agreements, the Company will issue Shares to SBC as summarised in the following table, based on a Melodiol issue price of \$0.00452.

	Face Value	Shares	Issue Capacity
Face Value Conversion	\$700,000	154,867,257	Shareholder approval – 15 May 2023
Interest Component	\$56,000	12,389,381	Under the Company’s LR7.1 capacity

Standstill Fee	N/A	25,000,000	Under the Company's LR7.1 capacity
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The number of shares in the above table is based on a Melodiol issue price of \$0.00452. The issue price for the conversion is defined in the SBC Facility, and pursuant to section 15.5(d), is adjusted downward if the Company, after the Execution Date, issues or agrees to issue Shares to any person at a per Share price which is less than the Conversion Price or the Minimum Price at that time. In the event that this occurs, the Conversion Price or the Minimum Price or both as the context requires will be reduced to the Lesser Price.

At its General Meeting in May 2023, the Company received approval to issue the Tranche 2 Notes pursuant to the terms and conditions of these notes.

Pursuant to the Company's Appendix 2A dated 18 October 2023, the Company issued 110,619,469 Shares at an issue price of \$0.00452. The issuance of these Shares automatically triggered section 15.5(d) of the SBC Facility and became the Minimum Price.

The interest component associated with the conversion will be settled by the issue of Shares under the Company's Listing Rule 7.1 placement capacity.

The Company has also reached an agreement with SBC for a 45 day standstill (commencing on 24 October 2023) with respect to SBC's ability to undertake any actions against breaches of the transaction documents prior to 24 October 2023. In return for the standstill, the Company will issue SBC 25,000,000 Shares as a fee under the Company's Listing Rule 7.1 placement capacity.

As a result of the amortisation payment, 630,006 SBC T2 Second Purchase Convertible Notes under the Second Purchase will be redeemed, with a balance of 169,994 SBC T2 Second Purchase Convertible Notes remaining. It is anticipated that the Shares to SBC Global will be issued on or before 27 October 2023.

Taking into consideration both the T1 and T2 notes, 79% of the entire SBC Facility is now repaid.

Panacea Transaction

The Company announced on 2 August 2023 entry into a non-binding Letter of Intent ("LOI") with Panacea Life Sciences Holdings, Inc. ("Panacea") for the sale of Sierra Sages Herbs, LLC and Halucenex Life Sciences Inc ("Halucenex"). Negotiations with Panacea have been proceeding since the announcement to the market, however the Company expects that if the transaction is to take place, it will likely exclude Sierra Sage Herbs, LLC, and may be adjusted to include Creso impACTIVE Ltd., which would be likely to materially reduce the overall purchase price. The Company expects to be able to provide a detailed update on this transaction imminently.

Risk Disclosure

Prospective investors and Shareholders should be aware that there are a number of risk factors that may influence the performance of the Company and the value of its securities. The key risk factors of which prospective investors and Shareholders should be aware have been disclosed in prior disclosure documents released by the Company. These risks together with other general risks applicable to all investments in listed securities not specifically referred to, may affect the value of the securities in the future. Accordingly, an investment in the Company should be considered highly speculative. Prospective investors and Shareholders should consider consulting their professional advisers.

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').

The Company advises that it has issued ordinary fully paid shares in the capital of the Company, per the Appendix 2As lodged with the ASX on 24 October 2023 ("Shares"). The Shares were issued without disclosure 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 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 Managing Director, William Lay.

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.