

30 April 2024

Quarterly Activities Report: Melodiol delivers \$4.4m in revenue during Q1 FY24 – a 91% increase the PCP

Highlights:

- Q1 FY24 unaudited revenue of \$4.4m – marks a 91% increase on the prior corresponding period ('PCP')
- Results underpinned by Mernova Medicinal Inc., which delivered \$1.6m in revenue during Q1 FY24
- Wholly-owned operating division Health House International generated \$2.4m in revenue during the quarter – highlighting the Company's ability to deliver growth through strategic M&A
- Non HHI European operations also contributed \$380k in revenue, more than 30x Q1 FY23 revenues, highlighting a good uptick on these operations
- Board and management remain committed to ongoing efforts to further reduce operating expenditure
- Follows total FY23 record revenues of \$21.6m – a 148% rise on the PCP

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

Financial performance:

During Q1 FY24, Melodiol delivered \$4.4m in unaudited revenue, which was a 91% increase on the previous corresponding period ('PCP') (Q1 FY23: \$2.3m). The results follow record group revenues of \$21.6m in FY23 and highlight the Company's ability to identify high growth opportunities and capitalise.

Q1 FY24 revenue was underpinned by Melodiol's 100%-owned Canadian subsidiary, Mernova Medicinal Inc. ('Mernova') which generated \$1.6m in revenue for the period. Pleasingly, Mernova's revenue continued was up 6% on the PCP (Q1 FY2024 revenue: \$1.5m).

Further, wholly-owned operating division Health House International ('HHI' or 'HHI International') also contributed \$2.4m 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 \$5m, a 94% rise on the PCP. Net cash used in operating activities was also reduced by 50% from \$2.2m in Q4 FY23 to \$1.1m in Q1 FY24.

Cash used in operating activities comprised mainly of product manufacturing and operating costs (\$3.2m), advertising and marketing (\$0.1m), staff costs (\$1.5m), and administration and corporate costs (\$1.1m).

At quarter end, the Company has cash at bank of \$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 \$0.1m.

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, whilst exploring opportunities to undertake a strategic divestment or closures of 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, divestment of non-core assets, and possible accretive divestment of core assets.

Corporate Activities:

During the quarter, the Company completed a 20:1 share consolidation (refer to ASX release: 2 February 2024) and completed a placement for gross proceeds of \$1.08m (refer to ASX release: 21 February 2024).

Management commentary:

CEO and Managing Director, Mr William Lay said: *“During Q1 FY24, the Company continued to deliver solid revenue, which followed record yearly revenues of \$21.5m in FY23. The Company remains committed to building on its significant revenue base while focusing equally diligently on reducing expenses.*

“The bulk of the company’s revenue was generated by Mernova and Health House International. These two wholly-owned divisions are considered by the Board to be the foundation for the business going forward. As previously advised, the Board have made the strategic decision to channel resources to optimise both operations and we look forward to providing additional updates in the coming months.”

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:

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.

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")

31 March 2024

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	5,014	5,014
1.2 Payments for		
(a) research and development	(19)	(19)
(b) product manufacturing and operating costs	(3,239)	(3,239)
(c) advertising and marketing	(96)	(96)
(d) leased assets	-	-
(e) staff costs	(1,474)	(1,474)
(f) administration and corporate costs	(1,143)	(1,143)
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)	(113)
1.7 Government grants and refunds	(20)	(20)
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(1,088)	(1,088)
Note:		
During the quarter and the year to date, the Company issued shares in lieu of cash payments for debts outstanding comprising:	75,363,002 shares	75,363,002 shares
Deemed value in lieu of cash	1,498	1,498

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3 months) \$A'000
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(77)	(77)
(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	19
2.4 Dividends received (see note 3)	-	-
2.5 Other (Cash received on acquisition)	-	-
2.6 Net cash from / (used in) investing activities	(58)	(58)

3. Cash flows from financing activities		
3.1 Proceeds from issues of equity securities (excluding convertible debt securities)	1,241	1,241
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)	(40)
3.5 Proceeds from borrowings	32	32
3.6 Repayment of borrowings	(158)	(158)
3.7 Transaction costs related to loans and borrowings	(12)	(12)
3.8 Dividends paid	-	-
3.9 Other (provide details if material)	-	-
3.10 Net cash from / (used in) financing activities	1,062	1,062

Quarterly cash flow report for entities subject to Listing Rule 4.7B

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 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	692	692
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,088)	(1,088)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(58)	(58)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	1,062	1,062
4.5	Effect of movement in exchange rates on cash held	(8)	(8)
4.6	Cash and cash equivalents at end of period	599	599

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	599	692
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)	599	692

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	119
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	119
- Loan Repayment	-
- Other services	-
Aggregate amount as above	119

Quarterly cash flow report for entities subject to Listing Rule 4.7B

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	576	465
7.2 Credit standby arrangements	-	-
7.3 Other (details below)	-	-
7.4 Total financing facilities	3,076	2,965

7.5 Unused financing facilities available at quarter end

111

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.

Unsecured Loan Facilities

Isidore 14 Pty Ltd

Total Facility: \$100,000

Drawn Down: \$100,000

Repayment Date: 21 February 2024

Interest Payable on settlement: 10%

Fee Payable on Settlement: \$40,000

Noraton Nominees Pty Ltd

Total Facility: \$150,000

Drawn Down: \$39,000

Repayment Date: 11 March 2024

Interest Payable on settlement: 20%

Fee Payable on Settlement: \$70,000

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 the maturity dates for the 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. Per the response to the ASX Aware Letter (ASX release: 19 April 2024), the Company intends to include resolutions in its upcoming AGM notice for the conversion of these amounts to equity, subject to agreement from the lenders.

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (Item 1.9)	(1,088)
8.2 Cash and cash equivalents at quarter end (Item 4.6)	599
8.3 Unused finance facilities available at quarter end (Item 7.5)	111
8.4 Total available funding (Item 8.2 + Item 8.3)	710
8.5 Estimated quarters of funding available (Item 8.4 divided by Item 8.1)	0.65

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

1. 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 (Q1 FY23: \$4.2m, vs Q1 FY24: \$1.1m, 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. Following shareholder approval, at the AGM on 31 May 2024, the Company expects resolutions to be passed allowing for the raising of up to \$3m without utilising its placement capacity.

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: 30 April 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.