MELODIOL GLOBAL HEALTH LIMITED

(formerly Creso Pharma Limited)

ACN 609 406 911

ANNUAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2023

Annual Report
For the year ended 31 December 2023

Contents

About Melodiol Global Health

Melodiol Global Health Limited ("Melodiol") is predominantly a global cannabis company with operations in Canada, Europe and Australia. Melodiol strives for the highest quality in its products. It develops, cultivates and distributes both recreational and medical cannabis products, as well as having a medical supplies business.

www.melodiolglobalhealth.com

Corporate Directory

Board of Directors

Mr Boaz Wachtel	Non-Executive Chairman
Mr William Lay	CEO and Managing Director
Mrs Micheline MacKay	Executive Director
Ms Jodi Scott	Non-Executive Director
Mr Bruce Linton	Non-Executive Director
Mr Ben Quirin	Non-Executive Director
Mr Peter Hatfull	Non-Executive Director

Secretary

Mr Winton Willesee

Registered Office

Suite 5 CPC, 145 Stirling Highway
Nedlands, WA 6009
Australia

Telephone: +61 8 9389 3180
Website: www.melodiolglobalhealth.com

Stock Exchange Listings

Listed on the Australian Securities Exchange (ASX Code: ME1)
Listed on the Frankfurt Stock Exchange (FRA Code: 1X8)

Auditors

Crowe Audit Australia
Level 24, 1 O'Connell Street
Sydney, NSW 2000
Australia

Solicitors

Steinepreis Paganin
Level 4, The Read Buildings
16 Milligan Street
Perth WA 6000
Australia

Bankers

Westpac Banking Corporation
Level 4, Brookfield Place, Tower Two
123 St Georges Terrace
Perth WA 6000
Australia

Share Registry

Automic Share Registry
Level 5, 191 St Georges Terrace
Perth WA 6000
Australia
Email: hello@automic.com.au
Telephone: 1300 288 664

Chairman's Address

Dear Shareholders,

I am pleased to present Melodiol Global Health Limited's Annual Report and financial statements for 2023. Throughout the year, the company has accomplished several significant milestones, demonstrating its unwavering commitment to its defined strategy and resulting in record revenue growth.

Strategic M&A Growth

During the past year, Melodiol completed the acquisition of Health House International Limited (ASX:HHI). HHI's Australian business is a leading distributor of medical cannabis products in the rapidly growing Australian market. Additionally, HHI's European business operates a medical supplies distribution channel. The acquisition of HHI was highly significant for Melodiol, as it allowed the Company to increase its geographical diversification and significant expand its revenue base.

Overall, Melodiol's M&A activities, combined with its core existing operating divisions, have enabled the company to build a strategic portfolio of businesses that have the potential to generate significant revenue growth and potential near-term profitability.

Organisational Structure & Efficiency

The Board and management have been focusing on stringent cost management initiatives across the company's divisions. The Boards overarching objective is for the Company to reach a state of cash flow positive as soon as practically possible. This strategy hinges on revenue growth, corporate cost optimisation, and the rationalisation of business units that produce a drag on cash flow.

During the course of the year, revenue from core operating units grew substantially, while non-core operating units Sierra Sage Herbs, LLC, impACTIVE Ltd. and Halucenex Life Sciences were discontinued. These businesses were at a life cycle stage that was capital intensive while having limited contribution to the group's revenue profile.

The rationalisation of these business units, combined with the strong growth observed at both Mernova and HHI are expected to assist the company in achieving its overarching objectives.

In conclusion, the Board expresses its gratitude to all of the dedicated employees, fellow directors, and shareholders for their ongoing support throughout 2023. The company's strong leadership team, diverse operations, and expanding international presence positions it well for continued growth and success in the years to come.

Yours faithfully,

B. Wachtel.

Signature

Mr Boaz Wachel

Non-Executive Chairman

CEO's REPORT

I would like to thank all shareholders for their ongoing support of the company and invite you to read the full Annual Report.

I am very pleased to report on Melodiol's progress for the 2023 fiscal year, which was a transformative year for the company.

Due to the hard work of our talented global teams and a significant acquisition, Melodiol was able to report a record year for revenue of $21,564,000, an increase of 148% on prior revenue from the 2022 fiscal year. Additionally, Adjusted EBITDA loss improved to $13.8 million in 2023 vs. $17.6 million in 2022 (21.6% loss reduction) from operations. The Company is committed to continuously reducing operating expenses and increasing revenues to contribute to further improvements in Adjusted EBITDA in 2024.

Melodiol Global Health Limited is pleased to provide the following report detailing the considerable progress achieved during 2023 ("FY2023"). These milestones have allowed the Company to continue its transition to an international global cannabis company with the future achievement of business unit profitability being a core focus. Over the course of the year, not only did the Company materially increase revenue, but it also reduced costs across the entire business, and this effort remains ongoing.

Financial summary:

Summary of revenue by operating division

Operating Division	2023 $000's	Change	2022 $000's	Change	2021 $000's
Mernova Medicinal Inc.	6,936	58%	4,390	21%	3,638
Sierra Sage Herbs[i]	2,643	8%	2,453	n/a	-
Creso Pharma Switzerland	538	-71%	1,846	-28%	2,580
Health House International	11,447	n/a	-	-	-
Total sales of products	**21,564**	**148%**	**8,689**	**40%**	**6,218**

(i) Sierra Sage Herbs is now a discontinued operation.

Results of Operations

The Company's ongoing growth was achieved through strong performances in key divisions such as Mernova Medicinal Inc., and via M&A and performance at Health House International. Notably Total Revenue from continuing operations increased 203.4% year on year to $18.9 million and Adjusted EBITDA (loss) from continuing operations improved to $13.8 million from $17.6 million in 2022 (21.6% loss reduction). The Company is committed to further reductions in operating expenses and increasing revenues to contribute to further improvements in Adjusted EBITDA in 2024. Adjusted EBITDA from continuing operations is defined as net earnings before interest, taxes, depreciation, amortisation, impairment charges, finance costs, and losses attributable to business that were paused at the end of 2023 (Sierra Sage Herbs LLC, impACTIVE and Halucenex). Management considers adjusted EBITDA to be the most accurate representation of the Company's go-forward position. As described below, during FY23, the Company paused several business units in order to focus on Mernova Medicinal and Health House International, which are the key contributors to the Company's growing revenue base and demonstrate the strongest cash flow attributes of any operations within the Company's portfolio.

Mernova Medicinal

Under the leadership of Micheline MacKay, Mernova posted $6.9 million in revenues in 2023, a 58% increase over 2022. The division continues to expand its product range and customer base. During FY23, Mernova delivered several consecutive quarters of record revenue. It listed a variety of new products in existing markets, and entered the following provincial markets for the first time: Manitoba, Alberta, Newfoundland and Prince Edward Island. The Company expects that Mernova will continue to increase its breadth of product range in existing markets, and continue to enter new markets during FY24. The Company looks forward to providing further updates on Mernova Medicinal throughout the course of FY24.

CEO's REPORT

Health House International

During FY23, the Company closed the acquisition of Health House International ("HHI"). HHI is comprised of a well established medical cannabis distribution business in the growing Australian market and a medical products company based in the UK. The acquisition of HHI contributed significant revenues of $11.5 million to the group's results and validated the Company's strategy of growth through strategic M&A. The acquisition of HHI demonstrated the Company's ability to pursue accretive, strategic M&A to bolster its revenue base and geographic diversification. As the Australian medicinal cannabis market continues to grow, the Company believes that HHI can continue to be a significant contributor to the Company's revenue base.

Sierra Sage Herbs

Over the course of the year, the Company recognised the challenges of competing in a highly competitive environment for consumer packaged goods products in a challenging capital markets environment. As a result of this analysis, the Company made the decision to pause operations at Sierra Sage Herbs pending a sale or closure of the business to focus on its highest potential business units.

Creso Pharma Switzerland

Revenues from Swiss operations in 2023 declined by 75% from 2022 to $0.5 million due mainly to changes made to restructure the business in 2022 in order to operate it in a more sustainable manner. During 2023 The business continued its European business, in addition to achieving a breakthrough sale of products to South Korea.

Creso ImpACTIVE Inc

Over the course of the year, the Company recognised the challenges of competing in a highly competitive environment for consumer packaged goods products in a challenging capital markets environment. As a result of this analysis, the Company made the decision to pause operations at Creso impACTIVE pending a sale or closure of the business to focus on its highest potential business units.

Halucenex Life Sciences Inc

Despite significant progress at Halucenex, the Company recognised the challenges of investing in a clinical stage R&D in a challenging capital markets environment. As a result of this analysis, the Company made the decision to pause operations at Halucenex pending a sale or closure of the business to focus on its highest potential business units.

Mr William Lay
Managing Director and Group CEO

Director's Report

The Directors of Melodiol Global Health Limited ("Melodiol" or the "Company") present their report, together with the financial statements of the Group, consisting of Melodiol Global Health Limited and its controlled entities (the "Group") for the financial year ended 31 December 2023.

CHANGE OF COMPANY NAME

On 31 May 2023, the Company announced that at the Annual General Meeting held on that date a resolution was passed by shareholders to change the Company's name from Creso Pharma Limited (ASX: CPH) to Melodiol Global Health Limited (ASX: ME1). The change of name took effect on ASX from the commencement of trading on 13 June 2023

DIRECTORS

The names and particulars of the Company's directors in office at any time during or since the end of the reporting period are:

Mr Boaz Wachtel	Non-Executive Chairman (appointed Chairman on 17 November 2022)
Mr William Lay	CEO and Managing Director (appointed on 17 January 2022)
Mrs Micheline MacKay	Executive Director (appointed on 17 January 2022)
Mr Bruce Linton	Non-Executive Director (appointed on 17 January 2022)
Ms Jodi Scott	Non-Executive Director (appointed on 4 January 2024, previously an Executive Director)
Mr Ben Quirin	Non-Executive Director (appointed on 10 October 2022)
Mr Peter Hatfull	Non-Executive Director (appointed on 30 November 2022)

The Directors held office during the entire reporting period unless otherwise stated.

Boaz Wachtel, MA.
Non-Executive Chairman
Member of Audit and Risk Committee
(Appointed Chairman on 17 November 2022)

Mr Wachtel was Co-Founder and former Managing Director of MMJ-PhytoTech Ltd, Australia's first publicly traded Medical Cannabis Company. Co-founder of IMCPC – International Medical Cannabis Patient Coalition. He is an Israeli medical cannabis pioneer/activist, who formulated and assisted the Ministry of Health with the implementation of the National Medical Cannabis Program – one of only few national programs in the world. He is a frequent lecturer and adviser to governments, national committees, business and NGO's on medical cannabis program formulation, grow operations, international laws and UN drug convention compliance, as well as the founder (1999) and former Chairman of the Green Leaf Party, an Israeli political party for cannabis legalisation/medicalisation, human rights and ecology. Mr Wachtel is a certified clinical research manager and holds an MA in Management and Marketing from the University of Maryland.

During the past three years, Mr Wachtel held a directorship in the following other listed entity:

Company	Appointed	Resigned
Roots Sustainable Agricultural Technologies Limited (ASX:ROO)	April 2009	Current

William Lay, B.Com (Hons.)
Managing Director and Chief Executive Officer
(Appointed 17 January 2022)

Mr William Lay is an experienced cannabis executive and previously served as Executive Vice President – Strategy, Origination & Operations at Melodiol. Mr Lay began his career with leading Canadian full service financial investment bank, BMO Capital Markets through roles across Canada and London. During his time with BMO Capital Markets, Mr Lay participated in M&A, equity financing and debt financing transactions totaling >C$3 bn in cumulative value.

Shortly after his time with BMO Capital Markets, Mr Lay joined Canopy Growth Corporation (TSE: WEED, NASDAQ: CGC) as an M&A Associate, before being promoted to Associate Director, M&A, in 2019. In this role, he assessed and effected multiple transactions locally and internationally, while concurrently progressing corporate strategy initiatives across the group. During his time at Canopy Growth, Mr Lay built a strong working relationship with Mr Linton, working on many high-profile initiatives together. Over the last six years, Mr Lay has managed and supported over C$5 billion in cannabis M&A transactions, including leading the largest acquisition in the history of the cannabis sector.

Mr Lay has not been a director of any other listed entity within the last three years.

Director's Report

Micheline MacKay, M.Sc., B.Sc. (Hons.), PMP
Executive Director
(Appointed on 17 January 2022)

Mrs MacKay has 23 years of experience in regulatory environments, including pharmaceuticals, medical devices, and government regulated industries. She has held leadership positions for many years in different areas with a strong focus on business improvements and product development from laboratory scale to commercial operations.

Mrs MacKay is currently the Managing Director of Melodiol's wholly owned Canadian subsidiary, Mernova Medicinal Inc. ("Mernova"). She has been in the position for two years and oversees and manages all functions of this business unit. Prior to this apppintment, Mrs MacKay was the Corporate Manager for Mernova for nearly three years. Mrs MacKay is also the Health Canada designated Responsible Person in Charge at Mernova. Leveraging past experience, she has played a significant role in successfully growing Mernova and has implemented best industry standards. She has practical experience in managing a business through specified key performance indicators, managing budgets, conducting regular audits and performance management.

Mrs MacKay has not been a director of any other listed entity within the last three years.

Bruce Linton, BPA
Non-Executive Director
(Appointed on 17 January 2022)
Member of Remuneration and Nomination Committee (appointed on 17 January 2023)

Bruce Linton is the founder, former CEO, and Chairman of Canopy Growth Corporation.
Bruce is currently Co-Chairman and former CEO of Martello Technologies Group Inc., and Chairman of the Advisory Board for Red Light Holland Corp. Holds positions of Advisor with Celadon Pharmaceuticals and Above Foods. Board member of the Canadian Olympic Foundation and is an active member of The Ottawa Hospital Foundation, Campaign Executive Committee.

Formerly, Bruce was the founding Executive Chairman of Gage Growth Corp., prior to being acquired by TerrAscend. Founding and former Board of Director member and Chairman of the Governance and Compensation Committee at Mind Medicine Inc and was also Chairman and Chief Executive Officer of Collective Growth Corporation (SPAC) IPO in May 2020 completing its business combination transaction with Innoviz Technologies Ltd. in April 2021.

During the past three years, Mr Linton held a directorship in the following other listed entites:

Company	Appointed	Resigned
Martello Technologies Group Inc. (TSXV: MTLO)	August 2018	February 2023
Mind Medicine Inc. (NEO: MMED)	September 2019	September 2021

Jodi Scott, M.Sc.TSU
Executive Director
(Appointed 10 October 2022)

Ms Scott has been employed in the position of President US operations by Melodiol Global Health and was respoonsible for all executive and management matters affecting US retail, manufacturing and distribution of products. Ms Scott has over 20 years of consumer package goods experience working with all the major national retailers. She has launched mutpiple brands and products throughout the US. Ms Jodi Scott was co-founder and CEO of Sierra Sage Herbs LLC, based in Colorado USA. Her in-country presence is expected to unlock several additional value accretive opportunities for Melodiol Global Health in the USA.

Ms Scott has not been a director of any other listed entity within the last three years.

Director's Report

Ben Quirin
Non-Executive Director
(Appointed 10 October 2022)
Member of Remuneration and Nomination Committee (appointed on 17 January 2023)
Member of Audit & Risk Committee (appointed on 17 January 2023)

Mr Quirin is Australia-based and has over 20 years experience of global leadership in the telecommunications, technology and pharmaceutical sectors. He has launched multiple new products and led business development in new and emerging markets including Europe, the Middle East, Africa and the Asia Pacific. Mr Quirin was previously Regional Managing Director for Canopy Growth Corporation in APAC, one of the world's largest cannabis companies.

Mr Quirin has not been a director of any other listed entity within the last three years.

Peter Hatfull, MAICD
Non-Executive Director
(Appointed 30 November 2022)
Chairman of the Remuneration and Nomination Committee (appointed on 17 January 2023)
Chairman of the Audit and Risk Committee (appointed on 17 January 2023)

Mr Hatfull has over 30 years' experience in a range of senior executive positions with Australian and International companies. He has an extensive skill-set in the areas of business optimisation, capital raising and company restructuring.

Mr Hatfull has held senior financial and Board positions in Australia, Africa and the UK. He has particular experience in revitalising business plans, attracting investor funding, and implementing profitable strategies.

Mr Hatfull graduated as a Chartered Accountant in the United Kingdom, where he worked for Coopers and Lybrand (now PriceWaterhouseCoopers), and subsequently moved to Africa, where he spent 8 years in Malawi. Mr Hatfull moved to Perth in 1988.

During the past three years, Mr Hatfull held a directorship in the following other listed entities:

Company	Appointed	Resigned
Roots Sustainable Agricultural Technologies Limited (ASX:ROO)	July 2020	August 2022
Esense-Lab Limited (ASX:ESE) (delisted August 2021)	July 2020	August 2021
Pivotal Metals Limited (ASX:PVT)	May 2018	August 2023
Roto-Gro International Limited (ASX:RGI)	April 2022	Current

Director's Report

DIRECTORS INTERESTS IN EQUITY SECURITIES OF THE COMPANY AND RELATED BODIES CORPORATE

The following table sets out each Director's relevant interest in shares, options and performance rights of the Company or a related body corporate as at the year end.

	Ordinary Shares	Listed Options	Unlisted Options	Performance Rights
Directors				
Mr Boaz Wachtel(i)	10,800,000	2,933,334	-	-
Mr William Lay(ii)	42,500,000	6,291,667	30,000,000	57,500,000
Mr Bruce Linton(iii)	13,144,097	8,389,417	40,000,000	-
Mrs Micheline MacKay	3,119,667	155,983	-	-
Ms Jodi Scott	267,393,981	11,038,499	-	-
Mr Ben Quirin(iv)	-	-	2,000,000	-
Mr Peter Hatfull	-	-	3,000,000	-
Total	**336,957,745**	**28,808,900**	**75,000,000**	**57,500,000**

Unless stated below, the interests noted above are held directly:

(i) 10,800,000 ordinary shares and 2,933,334 listed options are held by International Water and Energy Savers Ltd, a related party of Boaz Wachtel.

(ii) 42,500,000 ordinary shares, 6,291,667 listed options, 30,000,000 unlisted options and 57,500,000 performance rights are held by Noble House Consulting Ltd, a related party of William Lay.

(iii) 5,000,000 ordinary shares and 5,250,000 listed options are held by HSBC Custody Nominees (Australia) Ltd and 10,000,000 ordinary shares are held by Canaccord Genuity Corp, both are related parties of Bruce Linton.

(iv) 2,000,000 unlisted options are hold by BKAH Pty Ltd, a related party of Ben Quirin.

Director's Report

DIRECTORS' MEETINGS

The number of Director's meetings held during the financial year and the number of meetings attended by each Director during the time the Director held office are:

Director	Board Meetings		Audit and Risk Committee Meetings		Remuneration and Nomination Committee Meetings	
	Number Eligible to Attend	Number Attended	Number Eligible to Attend	Number Attended	Number Eligible to Attend	Number Attended
Mr Boaz Wachtel	12	8	2	2	-	-
Mr William Lay	12	12	-	-	-	-
Mr Bruce Linton	12	11	-	-	2	1
Mrs Micheline MacKay	12	12	-	-	-	-
Ms Jodi Scott	12	10	-	-	-	-
Mr Ben Quirin	12	9	2	2	2	2
Mr Peter Hatfull	12	12	2	2	2	2

In addition to the scheduled Board meetings, Directors regularly communicate with each other and, where necessary, circular resolutions are executed to effect decisions.

EXECUTIVES

Chris Grundy B.Com. FCA. FGIA/FCIS. GAICD.
Chief Financial Officer
(Appointed 21 November 2017)

Chris Grundy is a career CFO with more than 25 years' experience in the life sciences sector in Australia, including listed and large multi-national companies, in addition to early-stage, rapidly growing businesses. His previous experience includes roles as CEO and in marketing, including periods in the U.K. and Southern Africa. He qualified as a Chartered Accountant with Ernst & Young.

COMPANY SECRETARY

Winton Willesee BBus. DipEd. PGDipBus. MCom. FFin. CPA. GAICD. FGIS/FCIS.
Company Secretary
(Appointed 19 October 2018)

Mr Willesee is an experienced company director and secretary with over 20 years' experience in various roles within the Australian capital markets. Mr Willesee has considerable experience with ASX listed and other companies over a broad range of industries having been involved with many successful ventures from early stage through to large capital development projects. He has a core expertise in strategy, company development, corporate governance, company public listings, merger and acquisition transactions and corporate finance. Mr Willesee holds formal qualifications in Commerce, Economics and Finance, Accounting, Applied Finance and Investment, Applied Corporate Governance and Education. He is a Fellow of the Financial Services Institute of Australasia, the Governance Institute of Australia and the Institute of Chartered Secretaries and Administrators, Graduate of the Australian Institute of Company Directors and a Member of CPA Australia.

Director's Report

PRINCIPAL ACTIVITIES

The principal activities of the Group during the year were:

a) the cultivation, processing and sale of cannabis products;
b) the distribution of pharmaceuticals internationally, specialising in, but not limited to, the distribution of medicinal cannabis products across Australasia, and non-cannabis products in the United Kingdom and Europe; and
c) the development and sale of beauty and personal care products, produced using proprietary plant-based processes including under the brands Green Goo, Southern Butter and Good Goo.

Business Risk

The Company's risk management approach involves the ongoing assessment, monitoring and reporting of risks that could impede the Company's progress in delivering the Company's strategic priorities.

Business risks are identified through best practice methodology using industry and professional expertise. All material business risks have an appropriate mitigation strategy to reduce the risk to an acceptable level for the Company and its investors. At every board meeting, the Company's Board of Directors reviews strategy, performance, and business risk.

Such risks include:

- Going concern – see Note 1 to the Consolidated Financial Statements on Page 49 for further explanation.
- Competition – the industries in which the Company operates, specifically cannabis and nutraceuticals, are highly competitive and subject to rapid change. The Company's strategies require it to compete successfully.
- Intellectual property rights and proprietary technology – the Company may need to defend its rights and to protect its trade secrets and proprietary technology, possibly in foreign jurisdictions, against infringement and unauthorised use.
- Potential acquisition risk – the Company's strategies include growth by acquisition, which involves risks and costs commonly encountered in making acquisitions of businesses and assets, e.g. integrating cultures and business systems, retaining key personnel and customer and supplier relationships.
- Strategic alliances – the Company's operations include strategic alliances with third parties which are subject to periodic negotiation and renewal.
- Legal and Regulatory changes – many of the Company's operations and products require compliance with governmental regulations. The applicable regimes are undergoing significant changes which may affect or restrict the Company's operations.
- Cultivation risks – part of the Company's business is the cultivation of cannabis, a perishable agricultural product, which has attendant risks associated with the health of live plants and the quality and quantity of end-products.
- Access to active ingredients – some of the Company's products contain full plant extracts. The Company needs access to these materials which depends upon securing supplies and supplier relationships.
- Product liability – the Company's businesses expose it to risks inherent in the R&D, manufacturing, marketing and use of its products. The Company endeavours to work to rigorous standards and maintains insurance cover, but these may not be sufficient to protect it from large claims, public controversy or reputational damage.
- Supply chain logistic and relationships – the Company has an international pharmaceutical distribution business that relies on suppliers, transporters and customers to work to ensure the distribution channels work in unison. The Company works tirelessly to ensure these relationships are maintained.

Director's Report

OPERATING AND FINANCIAL REVIEW

Operating Results

The operating results of the Group for the year ended 31 December 2023 were as follows:

	31-Dec-2023 $000's	31-Dec-2022 $000's
Cash and cash equivalents	**692**	**1,388**
Net (liabilities)/assets	**(4,058)**	**22,294**
Divisional revenue from sale of products from:		
Continuing operations		
- Canada	6,936	4,390
- Asia Pacific	7,349	-
- Switzerland	4,636	1,846
Total revenue from continuing operations	**18,921**	**6,236**
Discontinued operations		
- United States	2,643	2,453
Total revenue	**21,564**	**8,689**
Adjusted EBITDA from operations	**(13,778)**[1]	**(17,618)**[2]
Net loss after tax from operations	**(35,520)**	**(32,782)**[2]

[1] Adjusted EBITDA from operations is defined as net earnings before interest, taxes, depreciation, amortisation, impairment charges, finance costs, and losses attributable to business that were paused at the end of 2023 (Sierra Sage Herbs LLC, impACTIVE and Halucenex).
[2] As stated in 2022.

The Company's ongoing growth was achieved through strong performances in key divisions such as Mernova Medicinal Inc., and via M&A and performance at Health House International. Notably Total Revenue from continuing operations increased 203.4% year on year to $18.9 million and Adjusted EBITDA (loss) from continuing operations improved to $13.8 million from $17.6 million in 2022 (21.6% loss reduction). The Company is committed to further reductions in operating expenses and increasing revenues to contribute to further improvements in Adjusted EBITDA in 2024. Adjusted EBITDA from continuing operations is defined as net earnings before interest, taxes, depreciation, amortisation, impairment charges, finance costs, and losses attributable to business that were paused at the end of 2023 (Sierra Sage Herbs LLC, impACTIVE and Halucenex). Management considers adjusted EBITDA to be the most accurate representation of the Company's go-forward position.

Director's Report

OPERATING AND FINANCIAL REVIEW (CONTINUED)

Results of Operations

Mernova Medicinal
Mernova posted $6.9 million in revenues in 2023, a 57% increase over 2022. The division continues to expand its product range and customer base. During FY23, Mernova delivered several consecutive quarters of record revenue.

Health House International
During FY23, the Company closed the acquisition of Health House International (HHI). HHI is comprised of a well established medical cannabis distribution business in the growing Australian market and a medical products company based in the UK. The acquisition of HHI contributed significant revenues of $11.5 million to the group's results and validated the Company's strategy of growth through strategic M&A.

Sierra Sage Herbs and Creso impACTIVE Inc.
Over the course of the year, the Company recognised the challenges of competing in a highly competitive environment for consumer packaged goods products in a challenging capital markets environment. As a result of this analysis, the Company made the decision to pause operations at Sierra Sage Herbs and Creso impACTIVE Inc, pending a sale or closure of the business to focus on its highest potential business units. A similar decision was made with respect to Halucenex Life Sciences Inc, noting the cash flow challenges associated with investing in clinical stage R&D initiatives.

A more detailed review of the operations of the Group and its financial results is set out in the CEO's Report on page 7.

Dividends
No dividends have been paid or declared by the Group during the year (2022: Nil).
No dividend is recommended in respect of the current financial year (2022: Nil).

Director's Report

IMPAIRMENT TESTING

The Board recognises that dependent on market conditions and specific circumstances businesses face may result in the carrying amounts of the Group's business units exceeding their carrying amount, therefore, the Company implemented impairment assessments of its operating assets according to its accounting policies, which are detailed in the notes to the financial statements.

Specifically, the Company determined that the separable cash generating units of the Group were:

- Mernova Cannabis Facility;
- Health House International Australia;
- Health House International UK/Europe;
- Switzerland nutraceutical R&D and marketing business;
- Switzerland Intellectual Property business;
- Halucenex Psilocybin business; and
- Sierra Sage Herbs consumer packaged goods business.

Each of these cash generating units was subject to impairment assessment. Management concluded that there were indicators of impairment for the Switzerland IP business and Health House UK/Europe, these assets have been fully impaired. It is noted that operations at Halucenex, Impactive and Sierra Sage were discontinued during the year and have therefore been fully impaired. Management's 5-year cashflow forecasts for Mernova and Health House Australia have been carefully reviewed for known and anticipated risks and opportunities. Similarly, the discount rates applied to the forecasts, which were based upon operational and market risk assessments and assumptions, were determined to be reasonable and appropriate. It was concluded that no impairment is required for either company.

As a result of the impairment testing, the Company determined that an impairment to the carrying value of intangible assets of $17,612,000 (2022: $12,521,000) was required for the financial year ending 31 December 2023. Details of this impairment are disclosed in the notes to the financial statements.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

There have been no significant changes in state of affairs during and subsequent to the end of the financial year other than disclosed in the Directors' Report.

Capital Management and Funding

Obsidian Convertible Notes
On 9 January 2023, the Company secured A$500,000 in funding from Obsidian Global GP, LLC ('Obsidian') via the issuance of an additional 340,850 convertible notes under the Second Purchase of the convertible note facility announced on 1 November 2022.

On 24 March 2023, the Company paid AUD$137,580 in partial settlement of the convertible note facility.

During the period, Obsidian converted 500,000 of its First Purchase convertible notes into 41,528,239 Shares, and subsequently redeemed the remaining existing 968,025 First Purchase and Second Purchase convertible notes for an aggregate of 69,096,662 Shares (plus the retention of the 57,857,143 Collateral Shares previously issued).

On 24 May 2023, the remaining 260,850 notes were satisfied by the issue of 55,655,738 shares.

August 2022 Placement – Related Party Issues
In January 2023, the Company issued 43,500,000 Shares to Directors and a former Director for their participation in the placement undertaken in August 2022, which raised $1,740,000 (before costs).

Director's Report

La Plata Capital, LLC Debt

On 27 January 2023, the Company announced that it had agreed with La Plata Capital LLC ('La Plata'), an existing lender to SSH, to repay USD$717,500 in cash by 31 January 2023, and swap USD$1,282,500 for secured notes valued at USD$1,282,500. A cash payment of USD$250,000 (of the USD$717,500) was made to La Plata on 27 February 2023, and on 6 March 2023, the Company announced that La Plata had agreed to rollover its entire remaining loan of USD$467,500 into secured notes, extending the maturity date by 6 months.

On 6 March 2023, the Company agreed to acquire a USD$500,000 interest in a loan from La Plata to (then) acquisition target, Abby & Finn, LLC ('A&F') (refer to Matters Subsequent to the Reporting Period below for further updates on this proposal) for USD$500,000 of secured notes, issuable to La Plata. On 14 June 2023, the Company announced that La Plata had agreed to extend the maturity date of USD$1,767,500 of its existing secured notes to June 2024, with the maturity date of the balance (USD$482,500) extended to October 2023 (to be automatically extended to June 2024 upon the repayment of non-La Plata secured noteholders). In consideration for the maturity date extensions, the Company acquired the remaining USD$900,000 of La Plata's loan to A&F, for USD$900,000 of secured notes, issuable to La Plata, with a maturity of June 2024. The Company and La Plata also agreed for the Company to make its March 2023 interest payment to La Plata in equity at a deemed issue price of $0.009 per Share, for which the Company issued 18,981,000 Shares on 26 June 2023.

February Placement

On 17 February 2023, the Company secured firm commitments from new and existing institutional, professional and sophisticated investors to raise $2m (before costs) through the issue of approximately 132,859,356 fully paid ordinary shares at an issue price of $0.01506 per Share. The total amount raised included a $100,000 commitment from group CEO and Managing Director Mr William Lay (or his nominee), which remains subject to shareholder approval. The raising was satisfied on 24 February 2023 by $1.63 million subscriptions in cash and ~$368,000 subscriptions offset against outstanding invoices owed by the Company.

SBC Convertible Notes

On 6 March 2023, the Company secured commitments to raise $2.5m through the issuance of secured Convertible Notes to SBC Global Investment Fund ('SBC'), comprising of one tranche (issued 15 March 2023) with an aggregate purchase price of $1,700,000 pursuant to a convertible securities agreement and a second tranche (issued 2 June 2023) with an aggregate purchase price of $800,000 pursuant to a second convertible securities agreement (together, 'SBC Convertible Note Facility').

Proceeds of the issue were used in part to repay a portion of debt due to Obsidian Global GP, LLC. On 24 May 2023, the Company announced that it had paid its first amortisation payment, and two accelerated amortisation payments under the SBC Convertible Note Facility (plus accrued interest) totalling $810,000, in equity, at a deemed issue price of $0.009 per Share for an aggregate of 90,000,000 Shares, redeeming 675,007 of the SBC Convertible Notes.

On 14 June 2023, the Company announced it had paid its second amortisation payment, and one accelerated amortisation payment under the SBC Convertible Note Facility (plus accrued interest) totalling $540,000, in equity, at a deemed issue price of $0.008 per Share for an aggregate of 67,500,000 Shares, redeeming 450,004 of the SBC Convertible Notes.

May Placement

On 19 May 2023, the Company announced firm commitments to raise $2.5 million through the issue of 204,918,033 Shares at an issue price of $0.0122 per Share, including a commitment of $900,000 from Mr Adam Blumenthal, which remains subject to shareholder approval. As at the date of this report, in addition to the commitment from Mr Blumenthal, $350,000 remains outstanding under the May placement.

May Debt-to-Equity Conversions

On 19 May 2023, the Company also announced that it had agreed with existing debtors to convert liabilities of $368,333 into equity via the issuance of 36,748,607 Shares (plus free attaching Options) on the same terms as the May placement, and that it had agreed with Director Bruce Linton, subject to shareholder approval, to convert $33,333 worth of Directors fees into equity, on the same terms as the May placement.

Director's Report

November Secured Notes - Extensions

On 19 May 2023 the Company also announced that it had reached an in principle agreement with a majority of its existing November secured note lenders, to extend the maturity date and repayment date of the secured notes to 30 September 2023, in consideration for an aggregate of 80,901,639 Shares (plus free attaching Options), of which 14,344,262 Shares (and all Options) remain subject to shareholder approval.

June Debt-to-Equity Conversions

On 14 June 2023 the Company announced that it had agreed to pay $592,778 of existing debt via the issuance of 59,171,735 Shares, 8,333,333 of which were issued on 21 June 2023 (the balance of which remain subject to shareholder approval). Separately, on 15 June 2023, the Company issued 17,777,777 Shares in lieu of payment of invoices totalling $160,000, as approved by shareholders in May 2023.

March 2022 Placement – Related Party Participation

On 15 June 2023, the Company issued 4,612,320 Shares to a nominee of Adam Blumenthal, for his participation in the placement undertaken in March 2022 (as approved by shareholders on 15 May 2023), which raised $318,250(before costs).

The Company also agreed to issue a number of free-attaching Options in connection with the above securities issues throughout the period, which are detailed further in the relevant announcements.

On 8 August 2023, Melodiol announced it received firm commitments to issue 167,445,189 Shares at an issue price of $0.00821 per Share totalling $1,374,725 for a cash placement and agreements to convert debt to equity.

The Company also agreed to satisfy its obligations under the third amortisation payment to SBC Global Investment Fund under the existing Convertible Note Facility via the issuance of 33,750,000 Shares, totalling $270,000 (including interest), redeeming 225,002 Convertible Notes following which, the first tranche of the facility is now two thirds repaid.

September Debt Restructure

On 4 September 2023 the Company announced that it had agreed with La Plata to pay all future interest payments in equity, extend October maturity date of USD$482,500 to June 2024 in addition to regular offsets against principal. Additionally, the Company has reached an agreement to convert AUD$200,000 of existing secured notes in addition to accrued interest (AUD$40,438) to equity via the issue of 53,571,429 shares.

On 18 October 2023, the Company issued the following; 24,847,217 Broker shares to Everblu in relation to the May Placement; 14,344 262 shares to Adam Blumenthal in relation to the extension of the secured notes announced in the May Placement; 42,200,183 shares to Everblu in relation to the August Placement; 110,619,469 shares in settlement of the Atlantic secured loan; 45,000,000 shares to Everblu for corporate advisory services and 26,966,292 shares to Everblu for their retainer fee.

On 23 October 2023, the Company announced a bonus issue of options to all eligible shareholders on the basis of 1 option for each 20 shares held, the bonus options are to be issued for nil consideration and will be exercisable at $0.01 up to 5 years from the date of issue.

October Secured Notes – Extension and Interest

On 24 October 2023, the Company issued 100,000,000 shares in consideration for the agreement to extend the maturity date of existing secured notes from 30 September 2023 to 30 November 2023. The Company also issued 185,675,804 shares to La Plata in lieu of June and September interest payments.

October Placement and Debt Conversion

On 26 October 2023, the Company announced firm commitments to raise $1.0 million through the issue of 200,000,000 Shares at an issue price of $0.005 per Share. The Company also agreed to issue 157,339,296 to creditors having a value of $786,696 on the same terms as the placement.

Director's Report

October Debt Conversion
On 27 October 2023, the Company issued the following; 154,867,257 shares for the conversion of 630,006 T2 Notes; 37,389,381 shares to SBC. Totalling $700,000, in lieu of interest and standstill agreement; 42,616,180 shares to unrelated creditors in lieu of cash and 36,405,312 shares to directors in relation salaries and remuneration.

November Re-Price of October Placement and Debt Conversions
On 13 November 2023, the Company announced that it had repriced the October Placement and Debt Conversion from $0.005 per Share to $0.002904 per Share.

On 16 November 2023, the Company issued 30,737,705 shares for settlement of the Atlantic loan.

On 17 November 2023, the Company issued the following; 183,161,158 shares in relation to the October Placement, amended by the November Re-Price; 44,972,436 shares in lieu of cash for repayment of a loan and 43,032,787 shares relating to the May Placement.

On 20 November 2023, the Company issued 32,713,497 shares in relation to the October Placement, amended by the November Re-Price.

On 27 November 2023, the Company issued the following; 132,233,470 shares in relation to the October Placement, amended by the November Re-Price; 48,209,366 shares in relation to the October Debt Conversion, amended by the November Re-Price and 34,435,262 shares for a loan settlement.

On 29 November 2023, the Company issued 180,000,000 shares in consideration for broking services.

December Placement
On 7 December 2023, the Company issued 115,904,030 shares at an issue price of $0.002 per share for gross proceeds of $231,808.

December Share Consolidation
On 22 December 2023, the Company announced a proposed share consolidation of 1 share for every 20 shares currently held, subject to shareholder agreement. The shareholder meeting is planned to be on 23 January 2024.

The above reflects the material issues affecting the Company's funding position over the period. A number of additional securities were issued over the period in respect of various matters as announced on the Company's ASX announcements platform and as reflected in the accounts, including as part of the HHI acquisition, broker and lender fees, director (and former director) and advisor/ambassador remuneration and fees, conversion of performance rights and exercises of options and free-attaching options to previous placements.

Acquisitions
On 16 May 2023 the Group acquired 100% of the voting equity instruments of Health House International Limited ("HHI"), a company whose principal activity is the distribution of medicinal cannabis and other controlled drugs.

Completion of the acquisition follows approval from the second Supreme Court of Western Australia, 100% of the shares in HHI were acquired, see note 28 for further details.

Director's Report

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

On 16 January 2024, the Company issued 167,315,175 shares at an issue price of $0.00128 per share for gross proceeds of $214,163.

On 2 February 2024, the Company announced that the consolidation of the issued capital on the basis of 1 security for every 20 securities held had been completed.

On 27 February 2024, the Company issued 91,126,313 shares at an issue price of $0.01019 per share for gross proceeds of $928,577.

Other than the above, there has been no other matter or circumstance that has arisen since the end of the financial year that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations, or the state of affairs of the Group.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

Comments on the results of operations and future prospects of the Group are included in the Chairman's Address, the CEO's Report and in Matters Subsequent to the End of the Financial Year – all above.

Further information on likely developments in the operations of the Group and the expected results of operations have not been included in this Annual Report because the Directors believe it would result in unreasonable prejudice to the Group.

ENVIRONMENTAL REGULATION

The operations of the Group are not subject to any particular and significant environmental regulations under a law of the Commonwealth or state. There have been no known significant breaches of any environmental requirement.

The National Greenhouse and Energy Reporting Act ("NGER") legislation was considered and determined not to be applicable to the entity.

AUDITED REMUNERATION REPORT

The Audited Remuneration Report comprises a part of this Directors' Report and is set out in pages 22 to 35.

INDEMNIFICATION AND INSURANCE OF OFFICERS AND AUDITORS

During the year ended 31 December 2023, the Company paid premiums in respect of a contract insuring the directors and officers of the Company against liabilities incurred as directors or officers to the extent permitted by the Corporations Act 2001.

The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of entities in the Group, and any other payments arising from liabilities incurred by the officers in connection with such proceedings. This does not include such liabilities that arise from conduct involving a wilful breach of duty by the officers or the improper use by the officers of their position or of information to gain advantage for them or someone else or to cause detriment to the Company. It is not possible to apportion the premium between amounts relating to the insurance against legal costs and those relating to other liabilities.

OFFICERS OF THE COMPANY WHO ARE FORMER PARTNERS OF THE AUDITOR

There are no officers of the Company who are former partners of Crowe Audit Australia.

Director's Report

AUDITOR'S INDEPENDENCE DECLARATION

The lead auditor's independence declaration for the year ended 31 December 2023 has been received and included within the financial statements section of this report.

NON-AUDIT SERVICES

The Company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Company and/or the Group are important.

Details of the amounts paid or payable to the auditor for non-audit services provided during the year by the auditor are outlined in note 26 to the financial statements.

The Board of Directors has considered the position and is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The Directors are satisfied that the provision of non-audit services by the auditors, as set out below, did not compromise the auditor independent requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services have been reviewed by the Board of Directors to ensure they do not impact the impartiality and objectivity of the auditor; and

- None of the services undermine the general principles relating to the auditor independence as set out in APES 110 Code of Ethics for Professional Accountants.

ANNUAL GENERAL MEETING

The Company will hold its next Annual General Meeting ('AGM') on 31 May 2024.

In accordance with ASX Listing Rule 3.13.1, the closing date for the receipt of nominations from persons wishing to be considered for election as a director of the Company is 9 April 2024.

Any nominations must be received in writing no later than 5.00pm (WST) on 9 April 2024 at the Company's registered office.note

PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied for leave to the Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a part for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

CORPORATE GOVERNANCE STATEMENT

The Company's Corporate Governance Statement and its Key to Disclosures, Corporate Governance Council Principles and Recommendations (ASX Appendix 4G) are provided separately to the ASX on the date that this Annual Report is provided to the ASX. The Corporate Governance Statement is available on the Company's website: www.melodiolglobalhealth.com

This report, which includes the Remuneration Report, is made in accordance with a resolution of directors, pursuant to section 298(2)(a) of the Corporations Act 2001.

On behalf of the directors

William Lay
CEO and Managing Director
28 March 2024

Remuneration Report

This remuneration report for the year ended 31 December 2023 comprises a part of the Directors' Report. It outlines the remuneration arrangements of the Group in accordance with the requirements of the Corporations Act 2001 ("the Act") and its regulations. This information has been audited as required by section 308(3C) of the Act.

The Remuneration Report details the remuneration arrangements for Key Management Personnel ("KMP") who are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Group, directly or indirectly, including any Director (whether executive or otherwise) of the Parent company.

All monetary amounts stated in this report are in Australian Dollars unless otherwise indicated.

a) Key Management Personnel Disclosed in this Report

The Directors of the Group during or since the end of the financial year were:

Mr Boaz Wachtel	(Non-Executive Chairman) – Appointed Chairman on 17 November 2022
Mr William Lay	(Managing Director and CEO) – Appointed on 17 January 2022
Mrs Micheline MacKay	(Executive Director) – Appointed on 17 January 2022
Mr Bruce Linton	(Non-Executive Director) – Appointed on 17 January 2022
Ms Jodi Scott	(Executive Director) – Appointed on 10 October 2022
Mr Ben Quirin	(Non-Executive Director) – Appointed on 10 October 2022
Mr Peter Hatfull	(Non-Executive Director) – Appointed on 30 November 2022
Dr James Ellingford	(Executive Chairman) – Resigned on 30 November 2022
Mr Adam Blumenthal	(Non-Executive Director) Resigned on 10 October 2022

Senior Executives of the Group during or since the end of the financial year were:

Mr Chris Grundy	Chief Financial Officer

There have been no other changes after reporting date and up to the date that the financial report was authorised for issue.

The Remuneration Report is set out under the following main headings:

A Remuneration Governance, Structure and Approvals
B Remuneration Philosophy
C Remuneration and Performance
D Details of Remuneration
E Service Agreements
F Share-based Compensation
G Equity Instruments Issued on Exercise of Remuneration Options
H Loans with KMP
I Other Transactions with KMP

A Remuneration Governance, Structure and Approvals

The Remuneration and Nomination Committee ("RNC") is a sub-committee of the Board. It is primarily responsible for making recommendations to the Board on:

- the over-arching executive remuneration framework;
- operation of the incentive plans which apply to executive directors and senior executives, including key performance indicators and performance hurdles;
- remuneration levels of executives; and
- Non-Executive Director fees.

The Committee reviews and determines the Group's remuneration policy and structure annually to ensure it remains aligned to business needs, meets the Group's remuneration principles and is reflective of generally acceptable market practices.

Remuneration Report

A Remuneration Governance, Structure and Approvals (continued)

In particular, the RNC and Board aim to ensure that remuneration practices are:

- competitive and reasonable, enabling the Company to attract and retain key talent;
- aligned to the Company's strategic and business objectives and the creation of shareholder value;
- transparent and easily understood; and
- acceptable to shareholders.

❖ **Non-Executive Directors' Remuneration Structure**

Remuneration of Non-Executive Directors is based on fees approved by the Board of Directors and is set at levels to reflect market conditions and encourage the continued services of the Directors. The nature and amount of remuneration is collectively considered by the Board of Directors with reference to relevant employment conditions and fees commensurate to a company of similar size and level of activity, with the overall objective of ensuring maximum stakeholder benefit from the retention of high performing Directors.

The total aggregate fixed sum per annum to be paid to Non-Executive Directors in accordance with the Company's Constitution shall initially be no more than $500,000 and may be varied by ordinary resolution of the Shareholders in a General Meeting.

In accordance with the Company's Constitution, the Directors may at any time, subject to the Listing Rules, adopt a scheme or plan which they consider to be in the interests of the Company and which is designed to provide superannuation benefits for both present and future Non-Executive Directors, and they may from time to time vary this scheme or plan.

Remuneration may also include an invitation to participate in share-based incentive programmes in accordance with Company policy.

The remuneration of Non-Executive Directors is detailed in Table 1 in "Section D – Details of Remuneration" and their contractual arrangements are disclosed in "Section E – Service Agreements".

❖ **Executive Remuneration Structure**

The nature and amount of remuneration of executives are assessed on a periodic basis with the overall objective of ensuring maximum stakeholder benefit from the retention of high- performing executives.

The main objectives sought when reviewing executive remuneration is that the Company has:

- Coherent remuneration policies and practices to attract and retain Executives;
- Executives who will create value for shareholders;
- Competitive remuneration offered benchmarked against the external market; and
- Fair and responsible rewards to Executives having regard to the performance of the Group, the performance of the Executives and the general pay environment.

The remuneration of Executives is detailed in Table 1 in "Section D – Details of Remuneration" and their contractual arrangements are disclosed in "Section E – Service Agreements".

❖ **Executive Remuneration Approvals**

The Company aims to reward Executives with a level and mix of remuneration commensurate with their position and responsibilities within the Company and aligned with market practice. Executive contracts are reviewed annually by the Remuneration and Nomination Committee. The process consists of a review of company, business unit and individual performance, relevant comparative remuneration internally and externally and where appropriate, external advice independent of management.

Executive remuneration and incentive policies and practices must be aligned with the Company's vision, values and overall business objectives. Executive remuneration and incentive policies and practices must be designed to motivate management to pursue the Company's long-term growth and success and demonstrate a clear relationship between the Company's overall performance and performance of the executives.

Remuneration Report

B Remuneration Philosophy

KMP have authority and responsibility for planning, directing and controlling the activities of the Group. KMP of the Group comprise of the Directors and other senior executives.

The Group's broad remuneration policy is to ensure the remuneration package properly reflects the person's duties and responsibilities and that remuneration is competitive in attracting, retaining and motivating people of the highest quality.

No remuneration consultants were employed during the financial year.

C Remuneration and Performance

The following table shows the gross revenue, losses, earnings per share ("EPS") and share price of the Group for the years ended 31 December 2023 and 31 December 2022.

	31-Dec-2023	31-Dec-2022
Revenue from continued operations ($000's)	**18,921**	**6,236**
Revenue from discontinued operations ($000's)	**2,643**	2,453
Net loss after tax ($000's)	**(52,446)**	(32,782)
EPS (cents)	**(1.88)**	(2.24)
Share price ($)	**0.004**	0.020

Relationship between Remuneration and Company Performance
Given the current phase of the Company's development, the Remuneration and Nomination Committee does not consider earnings during the current and previous financial years when determining the nature and amount of remuneration of KMP.

The pay and reward framework for key management personnel may consist of the following areas:

a) Fixed Remuneration – base salary
b) Variable Short-Term Incentives
c) Variable Long-Term Incentives

A combination of these comprises the key management personnel's total remuneration.

a) Fixed Remuneration – Base Salary

The fixed remuneration for each senior executive is influenced by the nature and responsibilities of each role and knowledge, skills and experience required for each position. Fixed remuneration provides a base level of remuneration which is market competitive and comprises a base salary inclusive of statutory superannuation. It is structured as a total employment cost package.

Key management personnel are offered a competitive base salary that comprises the fixed component of pay and rewards. External remuneration consultants may provide analysis and advice to ensure base pay is set to reflect the market for a comparable role. No external advice was taken this year. Base salary for key management personnel is reviewed annually to ensure the executives' pay is competitive with the market. The pay of key management personnel is also reviewed on promotion. There is no guaranteed pay increase included in the contract of any KMP.

b) Variable Remuneration – Short Term Incentives (STI)

Discretionary cash bonuses may be paid to senior executives annually, subject to the requisite Board and shareholder approvals where applicable.

c) Variable Remuneration – Long Term Incentives (LTI)

Employee Incentive Plan

The Melodiol Global Health Limited Employee Incentive Plan ("Plan") was adopted by the Company during the year ended 31 December 2021.

Remuneration Report

C Remuneration and Performance (continued)

The current Plan provides the Board with the discretion to grant Plan Securities to eligible participants which will vest subject to the achievement of performance hurdles as determined by the Board at the time the Plan Securities are granted.

The objective of the Plan is to attract, motivate and retain employees and it is considered that the Plan will enable the Group to make grants to Eligible Participants so that long-term incentives form a key component of their total annual remuneration.

The Board believes that grants under the Plan will serve a number of purposes including:

- to act as a key retention tool; and
- to focus attention on the generation of shareholder value.

Any grants under the Plan will be subject to the achievement of vesting conditions. Appropriate vesting conditions may be formulated for each Eligible Participant to participate in the Plan based on their role and responsibilities in the Group.

Performance will be assessed at the end of the performance period. Refer to Schedule 6 of the Notice of Annual General Meeting dated 19 May 2021 for further information on the Plan.

D Details of Remuneration

Details of the nature and amount of each major element of the remuneration of each KMP of the Group during the financial year are:

Table 1 – Remuneration of KMP of the Group for the year ended 31 December 2023 is set out below:

31 December 2023	Short-term Employee Benefits				Post-Employment	Share Based Payments	Total
	Salary & fees	Non-monetary benefits	Other/ bonus	Termination payments	Superannuation & Insurance	Performance Rights/Options(vi)	
	$	$	$	$	$	$	$
Directors							
William Lay	411,514	-	-	-	-	483,361	894,875
Micheline MacKay	184,517	-	53,305	-	-	28,077	265,899
Jodi Scott	318,390	-		-	-	91,242	409,633
Boaz Wachtel	80,000	-	-	-	-	-	80,000
Bruce Linton	80,000	-	-	-	-	2,720	82,720
Ben Quirin	80,000	-	-	-	-	2,802	82,802
Peter Hatfull	72,235	-	-	-	7,765	3,256	83,256
Senior Executives							
Chris Grundy	306,667	-	-	-	26,346	295,000	628,012
Total	1,533,323	-	53,305	-	34,111	906,458	2,527,197

Remuneration Report

D Details of Remuneration (continued)

Table 2 – Remuneration of KMP of the Group for the year ended 31 December 2022 is set out below:

31 December 2022	Short-term Employee Benefits				Post-Employment	Share Based Payments	Total
	Salary & fees	Non-monetary benefits	Other/ bonus	Termination payments	Superannuation & Insurance	Performance Rights/Options[vi]	
	$	$	$	$	$	$	$
Directors							
William Lay [iii]	389,043	-	-	-	-	-	389,043
Micheline MacKay [iii]	157,434	-	27,701	-	-	-	185,135
Jodi Scott [iv]	87,732	-	456	-	-	-	88,188
James Ellingford [i]	133,833	-	-	144,000	13,688	80,000	371,521
Adam Blumenthal [ii]	112,888	-	-	-	11,461	-	124,349
Boaz Wachtel	80,000	-	-	-	-	40,000	120,000
Bruce Linton [iii]	76,825	-	-	-	-	16,679	93,504
Ben Quirin [iv]	18,413	-	-	-	-	-	18,413
Peter Hatfull [v]	6,307	-	-	-	662	-	6,969
Senior Executives							
Chris Grundy	290,000	-	-	-	24,430	-	314,430
Total	1,352,475	-	28,157	144,000	50,241	136,679	1,711,552

(i) Mr Ellingford stepped down as an executive on 26 April 2022 and resigned as a director on 30 November 2022.
(ii) Mr Blumenthal's Kunna SAS, Kunna Canada fee ceased effective from 14 March 2022, and he resigned as a director on 10 October 2022.
(iii) Mr Lay, Ms Mackay and Mr Linton were appointed directors on 17 January 2022.
(iv) Ms Scott and Mr Quirin were appointed directors on 10 October 2022.
(v) Mr Hatfull was appointed as a director on 30 November 2022.
(vi) Authorisation of shares issued to Mr Ellingford, Mr Boaz and Mr Linton was obtained on 29 December 2022. The shares were issued after 31 December 2022.

The following table shows the relative proportions of remuneration that are linked to performance and those that are fixed, based on the amounts disclosed as statutory remuneration expense in the tables above:

Table 3 – Relative proportion of fixed vs variable remuneration expense

Name	Fixed Remuneration		At Risk – STI (%)		At Risk – LTI (%)	
	2023	2022	2023	2022	2023	2022
Directors						
William Lay	46%	100%	-	-	54%	-
Micheline MacKay	69%	85%	20%	15%	11%	-
Jodi Scott	78%	99%	-	1%	22%	-
James Ellingford	-	78%	-	-	-	22%
Adam Blumenthal	-	100%	-	-	-	-
Boaz Wachtel	100%	67%	-	-	-	33%
Bruce Linton	97%	82%	-	-	3%	18%
Ben Quirin	97%	100%	-	-	3%	-
Peter Hatfull	96%	100%	-	-	4%	-
Senior Executives						
Chris Grundy	53%	100%	-	-	47%	-

Remuneration Report

D Details of Remuneration (continued)

Table 4 – Shareholdings of KMP (direct and indirect holdings)

31 December 2023	Balance at 01/01/2023	Granted as Remuneration	Exercised	Net Change – Other[i]	Sold	Balance at 31/12/2023
Directors						
William Lay	10,000,000	25,000,000	5,000,000	2,500,000	-	42,500,000
Micheline MacKay	-	3,119,667	-	-	-	3,119,667
Jodi Scott	209,364,678	11,405,312	-	46,623,991	-	267,393,981
Boaz Wachtel	10,800,000	-	-	-	-	10,800,000
Bruce Linton	5,411,884	2,732,213	-	5,000,000	-	13,144,097
Ben Quirin	-	-	-	-	-	-
Peter Hatfull	-	-	-	-	-	-
Senior Executives						
Chris Grundy	940,000	19,000,000	-	-	(19,000,000)	940,000
Total	**236,516,562**	**61,257,192**	**5,000,000**	**54,123,991**	**(19,000,000)**	**337,897,745**

iWilliam Lay - placement participation 2,500,000.
Jodi Scot - loan repayment 44,972,436 and purchase 1,651,555.
Bruce Linton - placement participation 5,000,000.

Table 5 – Unlisted Option holdings of KMP (direct and indirect holdings)

31 December 2023	Balance at 01/01/2023	Granted as Remuneration	Exercise	Net Change – Other	Sold	Balance at 31/12/2023	Vested & Exercisable
Directors							
William Lay	20,000,000	10,000,000	-	-	-	30,000,000	30,000,000
Micheline MacKay	-	-	-	-	-	-	-
Jodi Scott	-	-	-	-	-	-	-
Boaz Wachtel	-	-	-	-	-	-	-
Bruce Linton	40,000,000	-	-	-	-	40,000,000	40,000,000
Ben Quirin	-	2,000,000	-	-	-	2,000,000	2,000,000
Peter Hatfull	-	3,000,000-	-	-	-	3,000,000	3,000,000-
Senior Executives							
Chris Grundy	-	-	-	-	-	-	-
Total	**60,000,000**	**15,000,000**	**-**	**-**	**-**	**75,000,000**	**75,000,000**

Remuneration Report

D Details of Remuneration (continued)

Table 6 – Listed Option holdings of KMP (direct and indirect holdings)

31 December 2023	Balance at 01/01/2023	Granted as Remuneration	Exercised	Net Change – Other	Sold	Balance at 31/12/2023	Vested & Exercisable
Directors							
William Lay	1,666,667	-	-	4,625,000	-	6,291,667	6,291,667
Micheline MacKay	-	-	-	155,983	-	155,983	155,983
Jodi Scott	-	-	-	11,038,499	-	11,038,499	11,038,499
Boaz Wachtel	2,933,334	-	-	-	-	2,933,334	2,933,334
Bruce Linton	-	2,732,213	-	5,657,204	-	8,389,417	8,389,417
Ben Quirin	-	-	-	-	-	-	-
Peter Hatfull	-	-	-	-	-	-	-
Senior Executives							
Chris Grundy	313,334	-	-	47,000	(313,334)	47,000	47,000
Total	**4,913,335**	**2,732,213**	**-**	**21,523,686**	**(313,334)**	**28,855,900**	**28,855,900**

Table 7 – Performance rights holdings of KMP (direct and indirect holdings)

31 December 2023	Balance at 01/01/2023	Granted as Remuneration	Vested and Exercised	Others-Lapsed	Balance not Vested at 31/12/2023	Balance Vested not Exercised at 31/12/2023
Directors						
William Lay	10,000,000	57,500,000	(5,000,000)	(5,000,000)	32,500,000	25,000,000
Micheline MacKay	-	-	-	-	-	-
Jodi Scott	-	-	-	-	-	-
Boaz Wachtel	-	-	-	-	-	-
Bruce Linton	-	-	-	-	-	-
Ben Quirin	-	-	-	-	-	-
Peter Hatfull	-	-	-	-	-	-
Senior Executives						
Chris Grundy	-	15,000,000	-	-	-	15,000,000
Total	**10,000,000**	**72,500,000**	**(5,000,000)**	**(5,000,000)**	**32,500,000**	**40,000,000**

Remuneration Report

E Service Agreements

Current Key Management Personnel

The following individuals were considered key management personnel as at 31 December 2023:

❖ **Mr Boaz Wachtel – Non-Executive Chairman**
- Contract: Commenced on 18 October 2016.
- Appointed Chairman on 17 November 2022.
- Director's Fee: $80,000 per annum from 22 May 2021.
- Director's Fees are paid to International Water and Energy Savers Limited.
- Term: 3 years or as extended per the Consultant Agreement.
- Notice Period: 12 months.
- Performance Based Bonus: Mr Wachtel is entitled to a discretionary bonus equal to 50% of the Fee on an annual basis, subject to meeting performance criteria agreed by the Board each year.

❖ **Mr William Lay – Managing Director and Chief Executive Officer**
- Contract: Commenced on 17 January 2022.
- Base Salary: Initially CAD$350,000 per annum increased to CAD$386,000 from 1 August 2022
- Performance bonus: None.
- Long term incentives: Subject to shareholder approval Mr Lay is entitled to 7,500,000 performance rights conditional upon Group revenue meeting or exceeding $30 million Australian dollars within 24 months of his appointment. Subject to shareholder approval Mr Lay is entitled to 10,000,000 unlisted options with an exercise price of $0.20 per share and an expiry date of 17 January 2024. The options vest on condition that Mr Lay has maintained continuous employment with the Group for 12 months from the date of his appointment.
- Term: 4 years.
- Notice Period: 2 months.

❖ **Mrs Micheline MacKay – Executive Director**
- Contract: Commenced on 17 January 2022.
- Base Salary: Initially CAD$122,400 per annum increased to CAD$150,000 from 1 March 2022 and then increased to CAD$175,000 from 11 March 2023.
- Performance bonus: Determined at the sole discretion of the Melodiol Board.
- Long term incentives: None
- Term: Ongoing.
- Notice Period: 4 weeks.

❖ **Ms Jodi Scott– Executive Director**
- Contract: Commenced on 10 October 2022.
- Base Salary: $250,000 per annum
- Performance bonus: Determined at the sole discretion of the Board.
- Long term incentives: None
- Term: The initial term is 3 years from the appointment of Ms Scott within the role of President, US Operations of Sierra Sage Herbs LLC ("Initial Term") and will be automatically extended by two years ("First Renewal Term") and a further two years following the First Renewal Term("Second Renewal Term"), unless SSH provides notice of its intention not to renew within at least 90 days before the end of the Initial Term, First Renewal Term or Second Renewal Term.
- Notice Period: 3 months.

❖ **Mr Bruce Linton– Non-Executive Director**
- Contract: Commenced on 17 January 2022.
- Base Salary: $80,000 per annum
- Performance bonus: Nil
- Long term incentives: Mr Linton was issued 10,000,000 unlisted options with an exercise price of $0.09 per share and an expiry date of 17 January 2024. The options were to vest and become exercisable on the date that is six months after Mr Linton's appointment date.
- Term: Ongoing, subject to shareholder approval.
- Notice Period: None.

Remuneration Report

E Service Agreements (continued)

❖ **Mr Ben Quirin– Non-Executive Director**
- Contract: Commenced on 10 October 2022.
- Base Salary: $80,000 per annum
- Performance bonus: None.
- Long term incentives: Subject to shareholder approval, Mr Quirin is entitled to 2,000,000 unlisted options with an exercise price of $0.04 per share and an expiry date of 10 October 2024. The Options vest and become exercisable as follows:
  - 1/3 of the options will vest on the date that is six months after the appointment date;
  - 1/3 of the options will vest on the date that is twelve months after the appointment date; and
  - 1/3 of options will vest on the date that is eighteen months after the appointment date.
- Term: Ongoing, subject to shareholder approval.
- Notice Period: None.

❖ **Mr Peter Hatfull– Non-Executive Director**
- Contract: Commenced on 30 November 2022.
- Base Salary: $80,000 per annum
- Performance bonus: None.
- Long term incentives: None.
- Term: Ongoing, subject to shareholder approval.
- Notice Period: None.

❖ **Mr Chris Grundy – Chief Financial Officer**
- Contract: Commenced on 21 November 2017.
- Base Salary: $290,000 per annum (plus statutory superannuation entitlements) from 26 March 2021 and increased to $315,000 per annum (plus statutory superannuation entitlements) from 01 May 2023.
- Performance bonus: Determined at the sole discretion of the Board.
- Term: No fixed term.
- Notice Period: 12 weeks.
- Bonus: Mr Grundy is entitled to a discretionary bonus on an annual basis as determined by the Company.

Former Key Management Personnel

The following individuals are no longer key management personnel (KMP) but were considered to have been KMP during the financial year ending 31 December 2022:

❖ **Dr James Ellingford – Executive Chairman (resigned)**
- Contract: Commenced on 20 November 2015.
- Contract: Terminated on 30 November 2022
- Director's Fee: $60,000 per annum (plus statutory superannuation entitlements) from 1 June 2020.
- Mernova Medicinal Inc.- Consultancy fee of $5,000 per month.
- Audit and Risk Committee Fee: $6,000 per annum.
- Remuneration and Nomination Committee Fee: $20,000 per annum.
- Term: No fixed term.

❖ **Mr Adam Blumenthal – Non-Executive Director (resigned)**
- Contract: Commenced on 20 November 2015.
- Contract: Terminated 19 October 2022
- Director's Fee: $48,000 per annum (plus statutory superannuation entitlements).
- Mernova Medicinal Inc.- Consultancy fee of $5,000 per month.
- Kunna Canada Limited and Kunna S.A.S – Director's fee of $6,000 per month.
- Remuneration and Nomination Committee Fee: $20,000 per annum.
- Term: No fixed term.

Remuneration Report

F Share-based Compensation

The Company rewards Directors for their performance and aligns their remuneration with the creation of shareholder wealth by issuing shares, options and/or performance rights. Share-based compensation is at the discretion of the Board and no individual has a contractual right to receive any guaranteed benefits.

Issue of shares

During the current financial year, shareholders the Company approved the issue of 61,257,192 shares to KMP as part of their remuneration. refer to Table 4.

Options

During the current financial year, the Company approved the issue of 12,000,000 unlisted options and 2,732,213 listed options to KMP as part of their remuneration, refer to Table 5 and Table 6.

Performance Rights

The performance rights are expensed over the performance period to which is consistent with the period over which the services have been performed.

The fair value of the rights is determined based on the market price of the company's shares at the grant date, with an adjustment made to take into account the vesting period and expected dividends during that period that will not be received by the employees.

The terms and conditions of each grant of performance rights affecting remuneration in the current or future reporting period are as follows:

Code	Grant Date	Vesting date	Performance period	Expiry date	Value per Performance Right at Grant Date[i]
ME1PERR43	6 September 2021	17 September 2022	17 September 2021– 17 September 2023	17 September 2023	$0.125
ME1PERR43	6 September 2021	17 September 2022	17 September 2021– 17 September 2023	17 September 2023	$0.125
ME1PERR51	30 June 2023	17 Jan 2024	30 June 2023 – 17 January 2024	17 January 2024	$0.010
ME1PERR52	27 October 2023	31 Dec 2023 & 30 Jun 2024	17 January 2022 – 30 June 2024	27 October 2028	$0.007
ME1PER53	10 November 2023	31 Dec 2023	01January 2022– 30 June2023	10 November 2028	$0.007

(i) The assessed fair value at grant date of Performance Rights granted to the individuals is allocated equally over the period from grant date to vesting date, and the amount is included in the remuneration tables above.

Remuneration Report

F Share-based Compensation (continued)

The performance rights that were granted, vested and forfeited during the year are as follows:

		Balance at start of year	Granted during year	Rights to performance rights				Balance at end of year (unvested)	Maximum value yet to vest[i]
				Vested/Exercised		Forfeited			
Name/code	Year granted	Number	Number	Number	%	Number	%	Number	$
William Lay									
ME1PERR43	2021	5,000,000	-	(5,000,000)[ii]	100		-	-	-
ME1PERR43	2021	5,000,000	-	-	-	(5,000,000)	-	-	-
ME1PERR51	2023	-	7,500,000	-	-	-	-	7,500,000	75,000
ME1PERR52	2023	-	50,000,000	25,000,000[iii]	50	-	-	25,000,000	175,000
Chris Grundy									
ME1PER53	2023	-	15,000,000	15,000,000[iii]				-	-

(i) The maximum value of the performance rights yet to vest has been determined as the amount of the grant date fair value of the rights that is yet to be expensed. For the 2021 grant, the maximum value yet to vest for this grant was estimated based on the share price of the company at the grant date. The minimum value of performance rights yet to vest is nil, as the shares will be forfeited if the vesting conditions are not met.

(ii) Exercised.

(iii) Vested.

Further information on the performance rights is set out in note 24 to the financial statements.

G Equity Instruments Issued on Exercise of Remuneration Options

No remuneration options were exercised by KMP during the financial year (2022: Nil).

Remuneration Report

H Transactions with KMP and Related Parties

(a) Key Management Personnel Compensation

Details relating to key management personnel, including remuneration paid, are below.

	2023 **$**	2022 $
Short-term benefits	**1,586,628**	1,380,632
Termination payments	**-**	144,000
Post-employment benefits	**34,111**	50,241
Share-based payments	**906,458**	136,679
	2,527,197	1,711,553

(b) Transactions and balances with related parties

During the year, the Group had transactions with related parties as follows:

	2023 **$**	2022 $
EverBlu Capital Pty Ltd[(i)] – a company of which Adam Blumenthal is the Chairman		
Capital raising fees payable in cash	**-**	308,996
Capital raising fees payable in shares	**-**	829,258
Legal fees	**-**	-
Corporate advisory payable in shares	**-**	70,000
Monthly retainer	**-**	495,000
IRESS service fees	**-**	3,399
Out of scope fees	**-**	-
Cash component of share issues	**-**	-
	-	1,706,653
Balance owing to EverBlu Capital Pty Ltd at 31 December	**-**	899,258
Balance owing to Melodiol at 31 December	**-**	-
Everblu Capital Corporate Pty Ltd[(i)] – a company of which Adam Blumenthal is the Chairman		
Capital raising fees	**-**	149,838
Capital raising fees payable in shares	**-**	3,774,815
Monthly retainer	**-**	13,095
Debt restructuring fees	**-**	-
Business development and investor relations	**-**	-
Facilitation fees	**-**	-
Out of scope fees, including restructuring and corporate advice	**-**	-
	-	3,937,748
Balance owing to EverBlu Capital Corporate Pty Ltd at 31 December	**-**	3,774,815
Balance owing to Melodiol at 31 December	**-**	-

The above fees are inclusive of GST.

(i) Mr Blumenthal resigned as a director on 10 October 2022. Any transactions past this date, including through companies that he controls, have not been disclosed above as they ceased being a related party.

Remuneration Report

H Transactions with KMP and Related Parties (continued)

	2023 $	2022 $
Suburban Holdings Pty Ltd – related party		
Amount drawn down by Melodiol	**-**	1,000,001
Amount repaid	**-**	-
Balance owing at 31 December	**-**	-
International Water and Energy Savers Ltd - a company controlled by Boaz Wachtel		
Director's Fees for Boaz Wachtel	**80,000**	80,000
Bonus for Boaz Wachtel payable in shares	**-**	40,000
Balance owing from Melodiol at 31 December	**53,333**	40,000
HBAM Holdings Inc - a company controlled by Bruce Linton		
Director's Fees for Bruce Linton	**82,720**	93,504
Balance owing from Melodiol at 31 December	**46,667**	23,346
BQ Advisory - a company controlled by Ben Quirin		
Director's Fees for Ben Quirin	**80,000**	18,413
Director remuneration options	**2,802**	-
Balance owing from Melodiol at 31 December	**82,802**	-
Jodi Scott		
Loan repayments	**363,863**	136,861
Interest on loan	**42,691**	7,136
Lease payments	**71,343**	17,306
Extinguished debt	**(453,980)**	
Balance owing from Melodiol at 31 December	**-**	386,680
Kelly Hoyt – a person related to Jodi Scott		
Salary	**163,465**	**-**
Bonus	**-**	-
Balance owing from Melodiol at 31 December	**163,465**	-
Kathleen Scott– a person related to Jodi Scott		
Salary	**142,493**	-
Bonus	**-**	-
Balance owing from Melodiol at 31 December	**142,493**	-
William Lay		
Consulting fee	**222,538**	**-**
Director remuneration	**75,028**	**-**
Director incentive	**408,333**	**-**
Loan to ME1	**(102,517)**	**-**
Loan to SSH	**-**	18,327
Loan to Mernova	**-**	81,673
Balance owing from Melodiol at 31 December	**102,517**	**100,000**

(ii) Mr Blumenthal resigned as a director on 10 October 2022. Any transactions past this date, including through companies that he controls, have not been disclosed above as they ceased being a related party.

Remuneration Report

H Transactions with KMP and Related Parties (continued)

Other Share and Option Transactions with Related Parties					
	2023			2022	
	Shares	**Options**	**Performance Rights**	Shares	Options
EverBlu Capital Pty Ltd[i]					
Broker fees	-	-		-	-
Issue of Shares - Corporate Advisory Mandate[ii]	-	-		2,000,000	-
Share issue cost in February-22 Placement	-	-		-	57,971,032
Subtotal	-	-		2,000,000	57,971,032
EverBlu Capital Corporate Pty Ltd [i]	-	-			
Share issue cost in August-22 Placement	-	-		-	175,000,000
Subtotal	-	-		-	175,000,000
International Water and Energy Savings					
Director bonus – Boaz Watchel	-	-		2,000,000	-
Subtotal	-	-		2,000,000	-
James Ellingford					
Director bonus – James Ellingford[(ii)]	-	-		4,000,000	-
Subtotal	-	-		4,000,000	-
HBAM Holding Inc					
Equity incentive to Director's remuneration – Bruce Linton[iii]	**2,732,213**	**2,732,213**		-	10,000,000
Subtotal	**2,732,213**	**2,732,213**		-	10,000,000
Quitin Alleaume Trust					
Director's fee – Ben Quirin		**2,000,000**			
Subtotal		**2,000,000**			
Noble House Consulting					
Director's remuneration -Will Lay		**10,000,000**	**7,500,000**		
Director incentive	**25,000,000**		**50,000,000**		
Consulting fee					
Subtotal	**25,000,000**	**10,000,000**	**62,500,000**		
Jodi Scott					
Loan and loan interest repayment	**44,972,436**				
Subtotal	**44,972,436**				

(i) Mr Blumenthal resigned as a director on 10 October 2022. Any transactions past this date, including through companies that he controls, have not been disclosed above as they ceased being a related party.

(ii) Mr Ellingford resigned as a director on 30 November 2022. Any transactions past this date, including through companies that he controls, have not been disclosed above as they ceased being a related party.

Terms and conditions
All transactions with related parties were reviewed by the Board and were made on normal commercial terms and conditions and at market rates.

Other than the above, there were no other transactions with KMP or related parties during the year ended 31 December 2023.

I Additional Information

Voting and comments made at the Company's 2023 Annual General Meeting ("AGM"):

At the 2023 AGM, 91.83% of the votes received supported the adoption of the remuneration report for the year ended 31 December 2022. The Company did not receive any specific feedback at the AGM regarding its remuneration practices.

End of Audited Remuneration Report

Crowe Audit Australia
ABN 13 969 921 386
Level 24, 1 O'Connell Street
Sydney NSW 2000
Main +61 (02) 9262 2155
Fax +61 (02) 9262 2190
www.crowe.com.au

Auditor's Independence Declaration Under Section 307c of the *Corporations Act 2001* to the Directors of Melodiol Global Health Limited

As lead engagement partner, I declare that, to the best of my knowledge and belief, during the year ended 31 December 2023 there have been:

(i) no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

(ii) no contraventions of any applicable code of professional conduct in relation to the audit.

Yours sincerely,

Crowe Audit Australia

Crowe Audit Australia

J Haydon

John Haydon
Senior Partner

28 March 2024
Sydney

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the Financial Year Ended 31 December 2023

	Note	2023 $000's	2022 $000's
Revenue from continuing operations			
Revenue	4	**18,921**	6,236
Other income	4	**799**	305
Expenses			
Raw materials and consumables used		**(16,586)**	(6,865)
Loss on fair value adjustments	12	**(1,518)**	(407)
Administrative expenses	5(a)	**(9,430)**	(9,600)
Depreciation and amortisation expenses	5(b)	**(675)**	(1,404)
Employee benefit expenses	5(c)	**(4,459)**	(3,151)
Impairment of intangibles and PPE	13/14	**(8,618)**	(5,891)
Impairment of loan	10	**(2,762)**	-
Other expenses		**(1,451)**	(350)
Loss on disposal of assets		**(53)**	(307)
Finance costs	5(d)	**(9,691)**	(426)
(Loss) from continuing operations before income tax		**(35,523)**	(21,861)
Income tax expense		**3**	(2)
(Loss) from continuing operations after income tax		**(35,520)**	(21,863)
(Loss) from discontinued operations	29	**(16,926)**	(10,919)
Net result for the period		**(52,446)**	(32,782)
Other comprehensive income			
Exchange differences on translation of foreign operations		**1,027**	1,525
Other comprehensive income for the year, net of tax		**1,027**	1,525
Total comprehensive (loss) for the year		**(51,419)**	(31,257)
(Loss) for the year attributable to:			
Non-controlling interest		**-**	-
Owners of Melodiol Global Health Australia Limited		**(52,446)**	(32,782)
		(52,446)	(32,782)
Total comprehensive (loss) for the year attributable to:			
Non-controlling interest		**-**	-
Owners of Melodiol Global Health Australia Limited		**(51,419)**	(31,257)
		(51,419)	(31,257)
(Loss) per share for the year attributable to the members of Melodiol Global Health Limited:			
Basic and Diluted loss per share from continuing and discontinued operations (cents)	7	**(1.88)**	(2.24)
Basic and Diluted loss per share from continuing operations (cents)	7	**(0.61)**	(0.74)

The Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the notes to the financial statements.

Consolidated Statement of Financial Position

As at 31 December 2023

	Note	2023 $000's	2022 $000's
ASSETS			
Current assets			
Cash and cash equivalents	8	**692**	1,388
Trade and other receivables	10	**2,976**	2,563
Inventories	11	**1,461**	5,508
Biological assets	12	**391**	265
Other assets	15	**-**	2,146
Total current assets		**5,520**	11,870
Non-current assets			
Property, plant and equipment	13	**9,655**	9,978
Intangible assets	14	**3,595**	15,848
Other assets	15	**274**	286
Total non-current assets		**13,524**	26,112
Total assets		**19,044**	37,982
LIABILITIES			
Current liabilities			
Trade and other payables	16	**12,974**	8,642
Provisions	17	**482**	375
Lease liability		**149**	-
Borrowings	18	**9,413**	6,671
Total current liabilities		**23,018**	15,688
Non-Current liabilities			
Lease liability		**84**	-
Total non-current liabilities		**84**	-
Total liabilities		**23,102**	15,688
Net assets		**(4,058)**	22,294
EQUITY			
Issued Capital	19	**150,470**	128,382
Reserves	20	**15,332**	20,510
Accumulated losses		**(169,860)**	(126,598)
Total equity		**(4,058)**	22,294

The Consolidated Statement of Financial Position should be read in conjunction with the notes to the financial statements.

Consolidated Statement of Changes in Equity

For the Financial Year ended 31 December 2023

Group	Issued Capital $000's	Share-based Payment Reserve $000's	Foreign Currency Translation Reserve $000's	Accumulated Losses $000's	Total $000's
At 1 January 2022	109,951	11,248	1,383	(94,823)	27,759
Loss for the year	-	-	-	(32,782)	(32,782)
Other comprehensive income	-	-	1,525	-	1,525
Total comprehensive income/(loss) for the year after tax	-	-	1,525	(32,782)	(31,257)
Transactions with owners in their capacity as owners:					
Issue of share capital	9,942	-	-	-	9,942
Issue of shares for the acquisition (see note 28)	12,874	-	-	-	12,874
Issue of equity for services	504	2,561	-	-	3,065
Share-based payments	-	130	-	-	130
Shares issued to Directors	120	17	-	-	137
Exercise of options	20	-	-	-	20
Embedded derivative - Convertible Notes Options	-	49	-	-	49
Share issuance costs	(5,029)	4,604	-	-	(425)
Expired options	-	(1,007)	-	1,007	-
At 31 December 2022	128,382	17,602	2,908	(126,598)	22,294
At 1 January 2023	**128,382**	**17,602**	**2,908**	**(126,598)**	**22,294**
Loss for the year	**-**	**-**	**-**	**(52,446)**	**(52,446)**
Other comprehensive income	**-**	**-**	**1,027**	**-**	**1,027**
Total comprehensive income/(loss) for the year after tax	**-**	**-**	**1,027**	**(52,446)**	**(51,419)**
Transactions with owners in their capacity as owners:					
Issue of share capital	**5,286**	**-**	**-**	**-**	**5,286**
Issue of shares for the acquisitions	**1,342**	**136**	**-**	**-**	**1,478**
Conversion of convertible notes	**5,693**	**-**	**-**	**-**	**5,693**
Issue of equity for services	**5,608**	**1,939**	**-**	**-**	**7,547**
Issue of equity to settle loans	**2,827**	**-**	**-**	**-**	**2,827**
Issue of equity for loan extensions	**1,490**	**2**	**-**	**-**	**1,492**
Issue of equity to extinguish liability	**1,245**	**-**	**-**	**-**	**1,245**
Share-based payments	**484**	**445**	**-**	**-**	**929**
Shares issued to Directors	**333**	**-**	**-**	**-**	**333**
Embedded derivative	**-**	**7**	**-**	**-**	**7**
Share issuance costs	**(2,845)**	**1,075**	**-**	**-**	**(1,770)**
Expired options	**625**	**(9,809)**	**-**	**9,184**	**-**
At 31 December 2023	**150,470**	**11,397**	**3,935**	**(169,860)**	**(4,058)**

The Consolidated Statement of Changes in Equity should be read in conjunction with the notes to the financial statements.

Consolidated Statement of Cash Flows

For the Financial Year ended 31 December 2023

	Note	2023 $000's	2022 $000's
Cash flows from operating activities			
Receipts from customers		**19,250**	6,484
Payments to suppliers and employees		**(22,426)**	(20,463)
Payments for research		**(6)**	(86)
Interest received		**5**	-
Operating cash flows from discontinued operations	29	**(4,964)**	(3,241)
Net cash used in operating activities	8(a)	**(8,141)**	(17,306)
Cash flows from investing activities			
Payments for plant and equipment		**(313)**	(258)
Payments for intangibles		**-**	(5)
Cash acquired on acquisition of Health House International Ltd		**232**	-
Loan to Health House International Ltd		**-**	(2,100)
Investing cash flows from discontinued operations	29	**-**	79
Net cash used in investing activities		**(81)**	(2,284)
Cash flows from financing activities			
Proceeds from issue of shares		**5,124**	9,942
Proceeds from exercise of options		**-**	20
Proceeds from borrowings		**565**	1,457
Repayment of borrowings		**(1,803)**	(266)
Borrowing costs		**(318)**	(117)
Payment of share issue costs		**(699)**	(623)
Financing cash flows from discontinued operations	29	**4,636**	3,398
Net cash from financing activities		**7,505**	13,811
Net decrease in cash and cash equivalents		**(717)**	(5,779)
Cash and cash equivalents at the beginning of the year		**1,388**	7,184
Effect on exchange rate fluctuations on cash held		**21**	(17)
Cash and cash equivalents at the end of the year	8	**692**	1,388

The Consolidated Statement of Cash Flows should read in conjunction with the notes to the financial statements.

Notes to the Consolidated Financial Statements

NOTE 1 MATERIAL ACCOUNTING POLICY INFORMATION

(a) Corporate Information

Melodiol Global Health Limited (referred to as “Melodiol” or the “Company”) is a company domiciled in Australia whose shares are publicly traded on the Australian Securities Exchange.

The consolidated financial statements of the Company as at and for the year ended 31 December 2023 comprise the Company and its subsidiaries (together referred to as the “Group” or the “Group”).

The Registered Office is disclosed in the Corporate Directory of the Annual Report.

(b) Basis of Preparation

Statement of compliance
The consolidated financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (“AASB”) and the Corporations Act 2001. The consolidated financial statements comply with International Financial Reporting Standards (“IFRS”) adopted by the International Accounting Standards Board (“IASB”). Melodiol is a for-profit entity for the purpose of preparing the financial statements.

The annual report was authorised for issue by the Board of Directors on 28 March 2024

Historical cost convention
The financial statements have been prepared under the historical cost convention, except for, where applicable, the revaluation of financial assets and liabilities at fair value through profit or loss, financial assets at fair value through other comprehensive income and derivative financial instruments.

Parent entity information
In accordance with the Corporations Act 2001, these financial statements present the results of the Group only. Supplementary information about the parent entity is disclosed in note 30.

New, revised or amended standards and interpretations adopted by the Group
The Group has adopted all the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period. The new and revised Standards and Interpretations did not have any significant impact.

New standards and interpretations not yet mandatory or early adopted
Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the Group for the annual reporting period ended 31 December 2023. The Group's assessment of the impact of these new or amended Accounting Standards and Interpretations is that they are not applicable.

Notes to the Consolidated Financial Statements

NOTE 1 MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

Significant Judgements and Estimates

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 2.

Going Concern

The financial statements have been prepared on the going concern basis, which contemplates continuity of normal business activities and the realisation of assets and discharge of liabilities in the normal course of business.

As disclosed in the financial statements, the Group incurred a loss of $52,446,000 (2022: $32,782,000) and had net cash outflows from operating activities of $8,141,000 (2022: $17,306,000) for the year ended 31 December 2023. The Group had a deficiency between current assets and current liabilities of $17,498,000 (2022: $3,818,000 surplus) as at 31 December 2023.

As a result of these matters, there is a material uncertainty related to events or conditions that may cast significant doubt on whether the Group will continue as a going concern and, therefore, whether it will realise its assets and settle its liabilities and commitments in the normal course of business and at the amounts stated in the financial report.

The continuing viability of the Group and its ability to continue as a going concern and meet its debts and commitments as they fall due are dependent upon the Group being successful with the following factors:

- The ability of the Group to raise additional funds from shareholders, new investors and debt markets. The Group has successfully conducted a number of capital raises in the current and recent years. When taking these into account, there is a reasonable expectation that alternative sources of funding can be sourced, as and when required. Further, the Company understands it will require further funding to continue to execute its growth strategy as planned. In its determination on going concern, the Board placed significant reliance upon the representations of its Corporate Advisor with respect to its confidence in its ability to continue raising capital on behalf of the Company;
- Increased revenue from opportunities with existing and new customers and sales arrangements as they are realised into sales revenue in the Group's North American and European operations, or should this fail the closure of underperforming business units; and
- Effective monitoring and reduction of the Group's overhead expenditures, including the continued realisation of head office cost reductions.

In the event that the Group is unable to achieve the matters detailed above, it may not be able to continue as a going concern and therefore the Group may not be able to realise its assets and extinguish its liabilities in the ordinary course of operations and at the amounts stated in the financial statements.

No adjustments have been made to the recoverability and classification of recorded asset values and the amount and classification of liabilities that might be necessary should the Group and the Company not continue as going concerns.

Notes to the Consolidated Financial Statements

NOTE 1 MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

(c) Principles of Consolidation

Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Melodiol as at 31 December 2023 and the results of all subsidiaries for the year then ended. Melodiol and its subsidiaries together are referred to in this financial report as the Group.

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(d) Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board. Management has determined that based on the report reviewed by the Board and used to make strategic decisions, that the Group has four reportable segments.

(e) Foreign Currency Translation

Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the Company operates ("functional currency"). The consolidated financial statements are presented in Australian dollars, which is Melodiol's functional and presentation currency.

The Group is of a kind referred to in ASIC Corporations (Rounding in Financial/ Directors' Reports) Instrument 2016/191 and in accordance with that instrument, amounts in the consolidated financial statements and directors' report have been rounded off to the nearest thousand dollars, or in certain cases, to the nearest dollar.

Transactions and balances

Foreign currency transactions are translated into Australian Dollars using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Notes to the Consolidated Financial Statements

NOTE 1 MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

(e) Foreign Currency Translation (continued)

Group companies

The results and financial position of foreign entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities for each statement of financial position account presented are translated at the closing rate at the date of that statement of financial position;
- Income and expenses for each statement of profit or loss and other comprehensive income account are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- All resulting exchange differences are recognised in other comprehensive income and foreign currently translation reserve.

(f) Revenue Recognition

The Group recognises revenue as follows:

Revenue from contracts with customers

The Group generates revenue through the sale of a range of products across its operations:

- Mernova Medicinal Inc ("MMI") generates revenue from the production and distribution of pharmaceutical-grade and recreational cannabis to large retailers and wholesalers throughout North America.
- Health House International Ltd ("HHI") generates revenue from the distribution of pharmaceutical products to the United Kingdom, Europe and Australia.
- Sierra Sage Herbs LLC ("SSH") generates revenue from the production and distribution of personal beauty and health products through a number of distribution channels, including through traditional wholesaling and retailing channels, as well as via online distribution channels such as Amazon. During the year, SSH discontinued it's operations.
- Creso Pharma Switzerland ("CPS") generates revenue from the production and distribution of medicinal products for both the human and animal markets through wholesale and retail distribution chains.

Revenue is recognised at an amount that reflects the consideration to which the Group is expected to be entitled in exchange for transferring goods or services to a customer. Revenue is recorded net of sales discounts and rebates, duties and taxes.

Notes to the Consolidated Financial Statements

NOTE 1 MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

Sale of goods

Revenue from the sale of goods is recognised at the point in time when the customer obtains control of the goods, which is generally at the time of delivery. Where delivery cannot be determined on an individual order basis, a provision is recognised for deferred sales as disclosed in note 2 to properly recognise revenue in the period in which it has been earned.

Goods sold via online systems, such as Amazon, pose a risk of goods being returned or failing to be successfully delivered. The Group recognises a provision to reflect these risks as disclosed in note 2.

Interest revenue

Interest revenue is recognised as it accrues, using the effective interest method.

(g) Income Tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the Company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Notes to the Consolidated Financial Statements

NOTE 1 MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

(h) Trade and Other Receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. Trade receivables are generally due for settlement within 30 days.

The Group has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue.

Other receivables are recognised at amortised cost, less any allowance for expected credit losses.

(i) Property, Plant and Equipment

Property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated using the straight-line method to allocate their cost over their estimated useful lives to estimate residual value. The following estimated useful lives are used in the calculation of depreciation:

Buildings and Improvements	30 years
Plant and Equipment	3 – 10 years
Machinery Equipment	5 – 10 years
Irrigation and Lighting	5 – 10 years
Security Systems	5 – 10 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss. When revalued assets are sold, it is Group policy to transfer any amounts included in other reserves in respect of those assets to retained earnings.

(j) Intangible Assets

The Group has acquired significant intangible assets as a result of business acquisitions. Intangible assets acquired as part of a business combination, other than goodwill, are initially measured at their fair value at the date of the acquisition. Intangible assets acquired separately are initially recognised at cost. Indefinite life intangible assets are not amortised and are subsequently measured at cost less any impairment. Finite life intangible assets are subsequently measured at cost less amortisation and any impairment. The gains or losses recognised in profit or loss arising from the derecognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The method and useful lives of finite life intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

Intellectual property is considered to provide a benefit to the Group over a finite useful life and is amortised using the straight-line method over the following periods:

	Useful life
Patents and trademarks	5 – 10 years
Licenses (Canadian)	5 – 30 years
Client relationships	5 years

Notes to the Consolidated Financial Statements

NOTE 1 MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

Intellectual Property

The estimated useful life and amortisation method are reviewed at the end of each reporting year, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives are comprised of certain acquired brand name, product rights, and licences to grow which are carried at cost less accumulated impairment losses. Indefinite life intangible assets are not amortised but are tested for impairment annually and when there is an indication of impairment.

Licences

Significant costs associated with licences are deferred and amortised on a straight-line basis over the period of their expected benefit, being their finite life of 3 to 30 years.

(k) Impairment of non-financial assets

Goodwill and other intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

(l) Trade and Other Payables

Liabilities are recognised for amounts to be paid in the future for goods and services received whether or not billed to the Group.

(m) Discontinued Operations

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the statement of profit or loss.

Additional disclosures are provided in Note 29. All other notes to the financial statements include amounts for continuing operations, unless indicated otherwise.

Notes to the Consolidated Financial Statements

NOTE 1 MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

(n) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fees are deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fees are capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Convertible Notes

When a conversion feature of a debt instrument results in the conversion of a fixed amount of stated principal into a fixed number of shares, it satisfies the 'fixed for fixed' criterion and, therefore, is classified as an equity instrument.

The value of the liability component and the equity conversion component were determined at the date the instrument was issued.

The fair value of the liability component at inception is calculated using a market interest rate for an equivalent instrument without a conversion option.

(o) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated.

(p) Employee Benefits

Short-term employee benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled within 12 months of the reporting date are recognised in current liabilities in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

Notes to the Consolidated Financial Statements

NOTE 1 MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

(q) Share-based Payments

Equity-settled share-based compensation benefits are provided to key management personnel, employees and outside parties for services provided.

Equity-settled transactions are awards of shares, or options over shares, that are provided to employees and outside parties in exchange for the rendering of services.

The cost of equity-settled transactions is measured at fair value on grant date. Fair value is independently determined using the Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the Group receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

The cost of equity-settled transactions is recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

If equity-settled awards are modified, as a minimum an expense is recognised as if the modification has not been made. An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification.

If the non-vesting condition is within the control of the Group or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the Group or employee and is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited.

If equity-settled awards are cancelled, it is treated as if it has vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new award is treated as if they were a modification.

Notes to the Consolidated Financial Statements

NOTE 1 MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

(r) Contributed Equity

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options for the acquisition of a business are not included in the cost of the acquisition as part of the purchase consideration.

(s) Goods and Services Tax ("GST")

Revenue, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables area stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included as a current asset or liability in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the taxation authority, are presented as operating cash flows.

(t) Current and Non-Current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the Group's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the Group's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

NOTE 1 MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

(u) Inventories

Raw materials, work in progress and finished goods are stated at the lower of cost and net realisable value on a weighted average basis. Cost comprises direct materials and delivery costs, direct labour and import duties and other taxes. Costs of purchased inventory are determined after deducting rebates and discounts received or receivable.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Inventories of harvested cannabis and finished goods are valued at the lower of cost and net realisable value. Inventories of harvested cannabis are transferred from biological assets at their fair value less cost to sell up to the point of harvest, which becomes the initial deemed cost. All subsequent direct and indirect post-harvest costs are capitalised to inventory as incurred, including labour related costs, consumables, materials, packaging supplies, utilities, facilities costs, quality and testing costs, and production related depreciation. Net realisable value is determined as the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. Inventories for resale and supplies and consumables are valued at the lower of costs and net realisable value, with cost determined using the weighted average cost basis. The cost of goods sold is comprised of the cost of inventories expensed in the period and the direct and indirect costs of shipping and fulfilment including labour related costs, materials, shipping costs, customs and duties, royalties, utilities, facilities costs, and shipping and fulfilment related depreciation.

AASB 141 Agriculture (Biological assets)

The Group's biological assets consist of cannabis plants. The Group capitalises all the direct and indirect costs as incurred related to the biological transformation of the biological assets between the point of initial recognition and the point of harvest including labour related costs, grow consumables, materials, utilities, facilities costs, quality and testing costs, and production related depreciation. The Group measures biological assets at fair value less cost to sell up to the point of harvest, which becomes the basis for the cost inventories after harvest. Costs to sell includes post-harvest production, shipping and fulfilment costs. The net unrealised gains or losses arising from changes in fair value less cost to sell during biological transformation are included in profit or loss of the related period. Seeds are measured at fair value. The Company recognises the mother plants used for cloning the cannabis plants through the statement of profit or loss as they have a useful life less than one year.

Notes to the Consolidated Financial Statements

NOTE 1 MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

(v) Fair value measurement

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Assets and liabilities measured at fair value are classified into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed at each reporting date and transfers between levels are determined based on a reassessment of the lowest level of input that is significant to the fair value measurement.

For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers are selected based on market knowledge and reputation. Where there is a significant change in fair value of an asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

(w) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

The category includes derivative instruments, including imbedded derivatives, with financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if: the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial liability out of fair value through profit or loss category.

Notes to the Consolidated Financial Statements

NOTE 2 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS AND ASSUMPTIONS

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Share based payments
The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using either a hybrid Monte Carlo or the Black-Scholes model taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity. The valuation model inputs are disclosed in note 24 and include forward-looking assumptions.

Revenue from contracts with customers involving sale of goods
When recognising revenue in relation to the sale of goods to customers, the key performance obligation of the Group is considered to be the point of delivery of the goods to the customer, as this is deemed to be the time that the customer obtains control of the promised goods and therefore the benefits of unimpeded access.

Fair value measurement
The fair value measurement of the Group's financial and non-financial assets and liabilities utilises market observable inputs and data as far as possible. Inputs used in determining fair value measurements are categorised into different levels based on how observable the inputs used in the valuation technique utilised are (the 'fair value hierarchy'):

- *Level 1*: Quoted prices in active markets for identical items (unadjusted)
- *Level 2*: Observable direct or indirect inputs other than Level 1 inputs
- *Level 3*: Unobservable inputs (i.e. not derived from market data)

The classification of an item into the above levels is based on the lowest level of the inputs used that has a significant effect on the fair value measurements of the item. Transfers between items between levels are recognised in the period they occur. The Group measures a number of items at fair value, including the following which are considered level 3 in the fair value hierarchy:

- Biological assets
- Embedded derivative portion of the convertible notes

For more detailed information in relation to the fair value measurement of the items above, please refer to the applicable notes.

Impairment of non-financial assets other than goodwill and other indefinite life intangible assets
The Group assesses impairment of non-financial assets other than goodwill and other indefinite life intangible assets at each reporting date by evaluating conditions specific to the Group and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined. This involves fair value less costs of disposal or value-in-use calculations, which incorporate a number of key estimates and assumptions (refer to note 14).

Notes to the Consolidated Financial Statements

NOTE 2 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS AND ASSUMPTIONS (CONTINUED)

Biological assets and inventory

Biological assets

A subsidiary of the Group, Mernova Medicinal Inc. ("MMI") grows and manufactures a range of biological assets and harvested cannabis inventories. Management is required to make a number of estimates in calculating the fair value of biological assets and harvested cannabis inventory including a number of assumptions, such as estimating the stage of growth of the cannabis, harvesting costs, sales price and expected yields. Refer to note 12 for further detail.

Obsolescence

The Group grows and manufactures a range of biological products through its subsidiary MMI. These products are subject to potential obsolescence. Management is required to make assumptions in relation to obsolescence of products and product categories. An inventory provision is recognised where the realisable value from sale of inventory is estimated to be lower than the inventory's carrying value. Inventory provisions for different products and product categories are estimated based on various factors, including expected sales profile, prevailing sales prices, product deterioration rates, seasonality and expected losses associated with slow-moving inventory items as well as on specific identification.

Allowance for expected credit losses

The allowance for expected credit losses assessment requires a degree of estimation and judgement. It is based on the lifetime expected credit loss, grouped based on days overdue, and makes assumptions to allocate an overall expected credit loss rate for each group. These assumptions include recent sales experience, historical collection rates and forward-looking information that is available. The allowance for expected credit losses, as disclosed in note 10 , is calculated based on the information available at the time of preparation. The actual credit losses in future years may be higher or lower.

Estimation of useful lives of assets

The Group determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and finite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

Notes to the Consolidated Financial Statements

NOTE 3 SEGMENT INFORMATION

The Group requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker ("CODM") in order to allocate resources to the segments and to assess their performance. On this basis, the Group's reportable segments under AASB 8 are as follows:

- Europe includes Health House International Limited ("HHI"), UK division, who distribute pharmaceutical products and Creso Pharma Switzerland GmbH ("Switzerland") which includes the development and commercialisation of its nutraceutical products – located in Switzerland.
- Canada includes the operating companies; Mernova Medicinal Inc ("Mernova"), Halucenex Life Sciences Inc. and ("Halucenex"), Creso Impactive Ltd ("Impactive"), together with corporate holding companies Creso Canada Corporate Limited, Creso Canada Limited, 3321739 Nova Scotia Limited, 4340965 Nova Scotia Limited ("4NS") and Kunna Canada Limited, all located in Canada. Impactive, Halucenex and 4NS discontinued operations during the year.
- United States of America (USA) includes the operating company Sierra Sage Herbs LLC which develops and sells personal beauty and health products, together with corporate holding company Creso Pharma US, Inc., all located in USA. All USA compaines discontinued operations during the year.
- Asia Pacific includes the parent company Melodiol Global Health Limited ("Melodiol") which provides the Group's corporate administration – located in Australia and Health House International Limited ("HHI"), Australia division, who distribute pharmaceutical products.

Such structural organisation is determined by the nature of risks and returns associated with each business segment and defines the management structure as well as the internal reporting system. It represents the basis on which the group reports its primary segment information to the Board.

The following table presents details of revenue and operating profit by business segment as well as reconciliation between the information disclosed for reportable segments and the aggregated information in the financial statements. The information disclosed in the table below is derived directly from the internal financial reporting system used by the Board of Directors to monitor and evaluate the performance of our operating segments separately.

Year ended 31 December 2023	Asia Pacific $000's	Europe $000's	Canada $000's	USA $000's	All other segments $000's	Total $000's
Revenue	7,349	4,636	6,936	-	-	18,921
Royalty income	-	24	-	-	(24)	-
Total segment revenue	7,349	4,660	6,936	-	(24)	18,921
Other income	680	30	89	-	-	799
Loss before tax expense[i]	(26,306)	(2,345)	(6,872)	-	-	(35,523)
Total Segment Assets	6,047	622	12,244	131	-	19,044
Total Segment Liabilities	14,559	1,609	2,863	4,071	-	23,102

(i) Included in profit and loss are impairments to operating segments of the Group as follows:

Year ended 31 December 2023	Asia Pacific $000's	Europe $000's	Canada $000's	USA $000's	All other segments $000's	Total $000's
Impairment of intangible assets and investments	11,142	-	-	-	-	11,142

Notes to the Consolidated Financial Statements

NOTE 3 SEGMENT INFORMATION (CONTINUED)

Year ended 31 December 2022	**Asia Pacific $000's**	**Europe $000's**	**Canada $000's**	**USA $000's**	**South America $000's**	**Total $000's**
Revenue	-	1,846	4,390	-	-	6,236
Total segment revenue	-	192	-	-	(192)	-
	-	2,038	4,390	-	(192)	6,236
Other income	84	-	221	-	-	305
Loss before in tax expense	(6,023)	(7,931)	(7,907)	-	-	(21,861)
Total Segment Assets	3,113	6,490	21,671	6,708	-	37,982
Total Segment Liabilities	6,067	183	1,114	8,324	-	15,688

Year ended 31 December 2022	**Asia Pacific $000's**	**Europe $000's**	**Canada $000's**	**USA $000's**	**All other segments $000's**	**Total $000's**
Impairment of intangible assets	-	5,891	-	-	-	5,891

NOTE 4 REVENUE AND OTHER INCOME

	2023 $000's	2022 $000's
Revenue from continuing operations		
Revenue from sale of products	**18,921**	6,236
	18,921	6,236
Other income		
Interest received	**679**	84
Other Income	**120**	221
	799	305

Disaggregation of revenue

The disaggregation of revenue from contracts with customers is as follows:

Consolidated		
Major product lines		
Pharmaceutical products	**7,349**	-
Nutraceutical products	**4,636**	1,846
Cannabis products	**6,936**	4,390
Total	**18,921**	6,236
Geographical regions		
Asia Pacific	**7,349**	-
Europe	**4,636**	1,846
Canada	**6,936**	4,390
Total	**18,921**	6,236
Timing of revenue recognition		
Goods transferred at a point in time	**18,921**	6,236
Total	**18,921**	6,236

Notes to the Consolidated Financial Statements

NOTE 5 EXPENSES

		2023 $000's	2022 $000's
(a)	**Administrative expenses**		
	Accounting and company secretarial fees	**1,838**	2,232
	Travel costs	**144**	257
	General and administration expenses	**805**	636
	Compliance and regulatory expenses	**1,097**	481
	Consulting fees	**2,103**	3,374
	Corporate advisory and business development	**1,588**	674
	Legal fees	**714**	1,021
	Investor and Media Relations	**347**	486
	Marketing	**794**	387
	US based Marketing & Media Relations	**-**	52
		9,430	9,600
(b)	**Depreciation and amortisation expense**		
	Total depreciation per note 13	**691**	620
	Less: capitalised to inventory	**(507)**	(629)
	Amortisation expense per note 14	**491**	1,413
		675	1,404
(c)	**Employee benefit expenses**		
	Director fees	**962**	1,301
	Wages and salaries	**2,249**	1,605
	Recruitment fees	**88**	4
	Superannuation	**189**	95
	Other employee expenses	**971**	146
		4,459	3,151
(d)	**Finance costs**		
	Interest Expense	**2,384**	34
	Bank Charges	**42**	(16)
	Capital Raising Fees	**726**	176
	Loan Settlement Fees	**5,695**	1
	Realised Foreign Exchange Gain/Loss	**(36)**	15
	Gain on embedded derivative	**-**	(17)
	Loss on extinguish of liability	**880**	235
		9,691	426

Notes to the Consolidated Financial Statements

NOTE 6 INCOME TAX EXPENSE	2023 $000's	2022 $000's
The components of tax expense comprise:		
Current tax		
Adjustments for current tax of prior periods	**24**	2
(a) Income tax expense reported in the of profit or loss and other comprehensive income	**24**	2
The prima facie tax on loss from ordinary activities before income tax is reconciled to the income tax as follows:		
Loss before income tax expense	**(52,443)**	(32,780)
Prima facie tax benefit on loss before income tax at 25% (2022: 25%)	**(13,111)**	(8,195)
(b) Tax effect of:		
Tax effect on different tax rate of overseas subsidiaries	**1,912**	2,518
Share-based payments	**105**	33
Travel expenses	**-**	57
Legal expenses	**-**	251
Capital raising costs	**(384)**	(441)
Others non-deductible expenses	**6,197**	-
Temporary differences	**(1,090)**	(1,162)
Tax losses not recognised	**6,390**	6,941
Total	**24**	2
(c) Deferred tax assets not brought to account are:		
Carried forward losses	**52,323**	35,266
Total	**52,323**	35,266

The benefit for tax losses will only be obtained if:

- The Group derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deductions for the losses to be realised; and
- The losses are transferred to an eligible entity in the Group; and
- The Group continues to comply with the conditions for deductibility imposed by tax legislation; and
- No changes in tax legislation adversely affect the consolidated in realising the benefit from the deduction for the losses.

Notes to the Consolidated Financial Statements

NOTE 7 LOSS PER SHARE

Basic loss per share amounts are calculated by dividing net loss for the year attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the year.

Diluted loss per share amounts are calculated by dividing the net loss attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

	2023 $000's	2022 $000's
Net loss for the year	**(52,446)**	(32,782)
Non-controlling interest	**-**	-
Net loss for the year attributable to the owners of Melodiol Global Health Limited	**(52,446)**	(32,782)
Weighted average number of ordinary shares for basic and diluted loss per share.	**2,788,444,701**	1,466,246,213

Options on issue are not considered dilutive to the earnings per share as the Company is in a loss-making position.

Continuing and discontinuing operations		
Basic and diluted loss per share (cents)	**(1.88)**	(2.24)
Discontinuing operations		
Basic and diluted loss per share (cents)	**(0.61)**	**(0.74)**

NOTE 8 CASH AND CASH EQUIVALENTS

Cash at bank and on hand	**692**	1,388
	692	1,388

Some cash at bank earns interest at floating rates based on daily deposit rates. Short-term deposits are made in varying periods, depending on the immediate cash requirements of the Group and earn interest at the respective short-term deposit rate, currently 0.85% (2022: 0.01%), this rate can change frequently.

(a) Reconciliation of net loss after tax to net cash flows from operations

Loss for the financial year	**(52,446)**	(32,782)
Adjustments for:		
Depreciation and amortisation	**2,027**	2,578
(Gain) on foreign exchange	**(21)**	(17)
Share based payments	**1,074**	130
NRV adjustments to inventory and fair value adjustments to biological assets	**1,541**	(3,448)
Loss on disposal of tangible assets	**53**	307
Impairment of intangible assets	**17,612**	12,521
Impairment of tangible assets	**238**	-
Impairment of investments	**2,762**	-
Issue of equity for services	**6,475**	3,202
Issue of equity to extinguish liability	**6,532**	-
Absorption of depreciation costs in biological assets and inventory (see note 5)	**(507)**	(629)
Accretion of finance costs/income on convertible notes	**1,328**	-
Issue of equity to settle interest charges	**498**	-
Other non-cash items	**(152)**	147
Changes in assets and liabilities		
Receivables	**(171)**	(196)
Inventories	**4,329**	(1,724)
Biological assets	**(126)**	192
Trade and other payables	**706**	2,270
Provisions	**107**	143
Net cash used in operating activities	**(8,141)**	(17,306)

NOTE 8CASH AND CASH EQUIVALENTS (CONTINUED)

Notes to the Consolidated Financial Statements

(b) Non-cash investing and financing activities

	2023	2022
	$000's	$000's
Equity issued for the conversion of convertible notes	**(5,693)**	(49)
Equity issued as share issue costs	**(1,073)**	(4,604)
Issue of shares and options for the acquisitions of Health House International Ltd (see note 28)	**1,479**	-
Issue of shares for the acquisitions of Sierra Sage Herbs LLC	**-**	12,874
Issue of share to settle loans	**(2,827)**	-

(c) Changes in liabilities arising from financing activities

	31 December 2022 $000's	**Cash Flows $000's**	**Non-cash Flows $000's**	**31 December 2023 $000's**
Movement in debt instruments	3,293	**(2,847)**	**(446)**	**3,105**
Sierra Sage Herbs LLC acquisition	3,378	**(369)**	**(106)**	**2,903**
Abby & Finn Investments (note 10)	-	**-**	**2,762**	**2,762**
Health House International Ltd acquisition	-	**(182)**	**825**	**643**
	6,671	**(3,398)**	**3,035**	**9,413**

	31 December 2021 $000's	Cash Flows $000's	Non-cash Flows $000's	31 December 2022 $000's
Movement in debt instruments	-	4,471	(1,178)	3,293
Sierra Sage Herbs LLC acquisition	-	-	3,378	3,378
	-	4,471	2,200	6,671

NOTE 9 INVESTMENT USING EQUITY METHOD

Interests in associate is accounted for using the equity method of accounting. Information relating to associates is set out below:

Name	**Activity**	**Principal place of business/ Country of incorporation**	**Ownership interest 2023 %**	2022 %
CLV Frontier Brands Pty Ltd	Developing terpene beers and non-alcoholic beverages	Estonia/ Australia	**33⅓%**	33⅓%

Reconciliation of the group's carrying amount		
Opening carrying amount	-	-
Share of (loss) after income tax	-	-
Closing carrying amount	-	-

Notes to the Consolidated Financial Statements

NOTE 10 TRADE AND OTHER RECEIVABLES

	2023 $000's	2022 $000's
Trade debtors	**2,394**	1,939
Less: provision for expected credit losses	**(595)**	(47)
Value added taxes receivable	**13**	24
Other deposits and receivables	**1,164**	647
	2,976	2,563

Allowance for expected credit losses

A provision for credit loss of $595,000 was recognised in the income statement for the year ended 31 December 2023 (2022: $47,000).

During the year the Company provided $2,762,000 against a loan due from Abby & Finn that was deemed to be irrecoverable, see notes 8 (C) and 18 for further details.

The ageing for Trade debtors is as follows; December $1,033,000, November $556,000, October $283,000, September and older $522,000.

NOTE 11 INVENTORIES

	2023 $000's	2022 $000's
Finished goods	**360**	1,842
Work in progress	**1,041**	3,416
Consumables	**60**	250
	1,461	5,508

During the year ended 31 December 2023, the Group gained $1,681,000 (2022: gained $590,000) of fair value adjustments on the growth of its biological assets included in inventory sold. As at 31 December 2023, the Group holds 693 kilograms of harvested cannabis (2022: 791 kilograms).

Inventories recognised as an expense during the year ended 31 December 2023 amounted to $17,282,000 (2022: $6,695,000). During the year a gain of $599,000 (2022: charge of $1,703,000) was recognised in relation to product.

NOTE 12 BIOLOGICAL ASSETS

The Group's biological assets consist of 4,768 cannabis plants as at 31 December 2023 (2022: 4,313 cannabis plants). The continuity of biological assets is as follows:

	2023 $000's	2022 $000's
Carrying amount at 1 January	**265**	457
Production costs capitalised	**5,352**	5,025
Increase/(decrease) in FVLCS due to biological transformation	**(1,518)**	(407)
Foreign exchange translation	**(30)**	8
Less: Transfer to inventory upon harvest	**(3,678)**	(4,818)
Carrying amount at 31 December	**391**	265

The fair value of biological assets is determined using a valuation model to estimate expected harvest yield per plant applied to the estimated price per gram less processing and selling costs. The expected cash flow model assumes the biological assets as at 31 December 2023 will grow to maturity, be harvested and converted into finished goods inventory and sold to Canadian and overseas customers.

Notes to the Consolidated Financial Statements

NOTE 12 BIOLOGICAL ASSETS (CONTINUED)

The sales price used in the valuation of biological assets is based on the average expected selling price of cannabis products and can vary based on different strains being grown. Selling costs vary depending on methods of selling and are considered based on the expected method of selling and the determined additional costs which would be incurred. Expected yields for the cannabis plant is also subject to a variety of factors, such as strains being grown, length of growing cycle, and space allocated for growing.

The Group's method of accounting for biological assets attributes value accretion on a straight-line basis throughout the life of the biological asset from initial cloning to the point of harvest.

Management reviews all significant inputs based on historical information obtained as well as based on planned production schedules. Only when there is a material change from expected fair value used for cannabis does the Group make any adjustments to the fair value used. During the year, there was no material change to these inputs and therefore there has been no change in the determined fair value per plant.

Dried Flower

The dried flower model utilises the following significant assumptions:

	Weighted Average 31 December 2023	Weighted Average 31 December 2022
Weighted average of expected loss of plants until harvest	**5%**	5%
Expected yields for cannabis plants (average grams per plant)	**40**	37
Expected number of growing weeks	**12**	12
Weighted average number of growing weeks completed as a percentage of total growing weeks at period-end	**56%**	57%
Estimated selling price per gram	**C$4.00**	C$4.00
After harvest costs to complete and sell per gram	**C$0.80**	C$1.22
Reasonable margin on after harvest costs to complete and sell per gram	**C$3.20**	C$2.78

Shake

The shake model utilises the following significant assumptions:

	Weighted Average 31 December 2023	Weighted Average 31 December 2022
Expected yields for cannabis plants (average grams per plant)	**20**	11
Expected number of growing weeks	**12**	12
Estimated selling price per gram	**C$0.00**	C$0.00
After harvest costs to complete and sell per gram	**C$0.00**	C$0.00
Reasonable margin on after harvest costs to complete and sell per gram	**C$0.00**	C$0.00

Sensitivity analysis

Assuming all other unobservable inputs are held constant, management has quantified the sensitivity of the inputs and determined the following:

- Selling price per gram – a decrease in the average selling price per gram by 10% would result in the biological asset value decreasing by C$49,000 and inventory decreasing by C$97,000.
- Harvest yield per plant – a decrease in the harvest yield per plant of 10% would result in the biological asset value decreasing by C$82,000.

These inputs are level 3 on the fair value hierarchy and are subject to volatility in market prices, unanticipated regulatory changes, harvest yields, loss of crops, and several uncontrollable factors, which could significantly affect the fair value of biological assets in future periods. The average exchange rate is 1.1157 CAD/AUD.

Other disclosures

No cannabis, whether as finished goods or biological assets, were not pledged as security for the Group's loans or borrowings in 2023 (2022: none).

At 31 December 2023, the Group had no commitments in relation to growing its cannabis (2022: nil).

Notes to the Consolidated Financial Statements

NOTE 13 PROPERTY, PLANT AND EQUIPMENT

	2023 $000's	2022 $000's
Opening net book amount	**9,978**	10,436
Additions (Capital Expenditure and Acquired assets)	**727**	364
Disposals	**(53)**	(307)
Depreciation charge	**(1,055)**	(663)
Provision for impairment	**(238)**	-
Foreign exchange translation	**296**	148
Closing net book amount	**9,655**	9,978
Cost	**13,073**	12,340
Accumulated depreciation	**(3,418)**	(2,362)
Net book amount	**9,655**	9,978

Reconciliations

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

	Balance at 1 Jan 2023 $000's	Additions $000's	Acquired on acquisition $000's	Disposals $000's	Provision for impairm't $000's	Foreign currency fluctuation $000's	Deprec'n expense $000's	Balance at 31 Dec 2023 $000's
Land	387	-	-	-	-	4	-	391
Buildings & Improvement	8,082	-	-	-		48	(310)	7,820
Plant and equipment	203	163	84	-	(26)	(20)	(94)	310
Machinery & Equipment	149	3	-	(1)	-	49	(85)	115
Irrigation & Lighting	936	142	-	(52)	-	62	(269)	819
Security System	221	4	-	-	-	3	(58)	170
Other assets	-	-	331	-	(212)	150	(239)	30
Total	**9,978**	**312**	**415**	**(53)**	**(238)**	**296**	**(1,055)**	**9,655**

	Balance at 1 Jan 2022 $000's	Additions $000's	Acquired on acquisition $000's	Disposals $000's	Foreign currency fluctuation $000's	Depreciation expense $000's	Balance at 31 Dec 2022 $000's
Land	382	-	-	-	5	-	387
Buildings & Improvement	8,210	100	-	-	113	(341)	8,082
Plant and equipment	191	59	21	-	4	(72)	203
Machine & Equipment	185	1	-	-	4	(41)	149
Irrigation & Lighting	1,199	178	-	(307)[i]	18	(152)	936
Security System	269	5	-	-	4	(57)	221
Total	**10,436**	**343**	**21**	**(307)**	**148**	**(663)**	**9,978**

(i) During the period, the Group reviewed the plant and equipment in use and determined that irrigation and lighting equipment with a carrying value of $53,000 (2022: $307,000) was obsolete or otherwise no longer providing ongoing economic value to the Group. As a result, the Group recognised a loss on disposal of the equipment equal to its carrying value during the period.

Notes to the Consolidated Financial Statements

NOTE 14 INTANGIBLE ASSETS

	2023 $000's	2022 $000's
Licences (Canadian) (i)	**103**	280
Intellectual property acquired on acquisition	**-**	15,560
Goodwill acquired on acquisition (ii)	**3,462**	-
Intellectual property purchased	**30**	8
	3,595	15,848

(i) Licences (Canadian)
Comprise the cannabis cultivation licence granted by Health Canada to Mernova Medicinal Inc in March 2019. The directors have considered the recoverability of the Canadian licence. The Mernova facility commenced cultivation in 2019, its operations have grown continuously since then and the directors are confident of the growth prospects of the business.

(ii) Goodwill acquired on acquisition
Comprises of Goodwill acquired on the acquisition of Health House International Limited (see note 28) for details).

Reconciliations

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

Consolidated	Licences (Canadian) $000's	Intellectual Property $000's	Computer Software $000's	Goodwill $000's	Total $000's
Balance at 1 January 2023	**280**	**15,568**	**-**	**-**	**15,848**
Additions	-	-	-	-	-
Acquired on acquisition (see note 28)	-	-	-	5,914	5,914
Impairment from discontinuing operations[i]	-	(9,232)	-	-	(9,232)
Impairment from continuing operations[i]	-	(5,928)	-	(2,452)	(8,380)
Foreign exchange translation	4	142	-	-	146
Amortisation expense	(181)	(520)	-	-	(701)
Balance at 31 December 2023	**103**	**30**	**-**	**3,462**	**3,595**
Remaining amortisation period (years)	25	5	-	-	

Consolidated	Licences (Canadian) $000's	Intellectual Property $000's	Computer Software $000's	Goodwill $000's	Total $000's
Balance at 1 January 2022	**1,156**	**7,158**	**-**	**-**	**8,314**
Additions	-	5	-	-	5
Acquired on acquisition (see note 28)	-	18,403	-	2,429	20,832
Impairment from discontinuing operations[i]	-	(6,630)	-	-	(6,630)
Impairment from continuing operations[i]	-	(3,459)	-	(2,432)	(5,891)
Foreign exchange translation	(28)	1,158	-	3	1,133
Amortisation expense	(848)	(1,067)	-	-	(1,915)
Balance at 31 December 2022	**280**	**15,568**	**-**	**-**	**15,848**

(i) The Group conducted impairment testing as detailed below. As a result, an impairment charge against intangible assets of $17,612,000 (2022: $12,521,000) for continued operations was recognised during the period. Note 3 discloses the breakdown of impairment by segment.

Notes to the Consolidated Financial Statements

NOTE 14 INTANGIBLE ASSETS (CONTINUED)

Impairment indicators

As noted in note 1(k), at the end of each reporting period, the Group assesses whether there were events or changes in circumstances that would indicate that a Cash Generating Unit ("CGU") was impaired. The following factors were identified in the consideration of impairment indicators:

- The Mernova CGU of the Company's business is in its relatively early phase and needs to continue its development to grow its revenues and become cash flow positive.
- The Swiss CGU of the Company's business has been affected by changes in the regulations of its products in its principal markets in Europe, leading to the need to re-formulate the products and rediscuss them with its distribution partners for those markets.
- The Swiss IP CGU of the Company's business holds intellectual property rights acquired from Sierra Sage Herbs.
- The Health House UK/Europe CGU was acquired on 16 May 2023, the company distributes pharmaceutical products to UK, Europe and Asia.
- The Health House Australia CGU was acquired on 16 May 2023, the company distributes pharmaceutical products in Australia.

Impairment Testing – Value-in-use

Mernova Cannabis Operations CGU
The Group's Mernova Cannabis operations CGU represents its operations dedicated to the cultivation, processing and sale of cannabis to both wholesale and retail customers. This CGU is attributed to the Group's Canadian operating segment.

The impairment testing performed at 31 December 2023 supported the recoverable amount of the CGU and did not result in any impairment charge during the period (2022: $Nil).

Switzerland Research & Development CGU
The Group's Switzerland Research & Development CGU represents its operations dedicated to the research and development of hemp and cannabis biotechnology, including the development of novel formulations and delivery forms, and the sale and distribution of hemp derived products. This CGU is attributed to the Company's European operating segment.

The impairment testing performed at 31 December 2023 supported the recoverable amount of the CGU and did not result in any impairment charge during the period (2022: $Nil).

Switzerland Intellectual Property CGU
The Group's Switzerland Intellectual Property CGU, acquired during the period, represents its operations, being the exploitation of intellectual property rights. This CGU is attributed to the Company's European operating segment.

The impairment testing performed at 31 December 2023 indicated the recoverable amount of the CGU on a relief from royalty method to the carrying value of the associated intangibles, being brand names. The relief from royalty method is a calculation of the amount of the hypothetical royalty that would be paid if the brands were licensed from an independent third party. When the recoverable amount of the brand is less than the carrying amount, an impairment loss is recognised.

This resulted in the Group recognising an impairment charge of $8,690,000 (2022: $5,891,000) against the CGU during the period.

Notes to the Consolidated Financial Statements

NOTE 14 INTANGIBLE ASSETS (CONTINUED)

Halucenex CGU
The Group's Halucenex CGU, discontinued operations during the year, and was therefore fully impaired. The impairment charge in the year was $7,157,000 (2022: $Nil).

Sierra Sage Herbs CGU
The Group's Sierra Sage Herbs CGU, discontinued operations during the year, and was therefore fully impaired. The impairment charge in the year was $1,852,000 (2022: $6,630,000).

Health House UK/Europe CGU
The Group's *Health House International UK/Europe* CGU, acquired during the period, represents its operations which distributes pharmaceutical products to UK, Europe and Asia. This CGU is attributed to the Company's Europe operating segment.

The impairment testing performed resulted in an impairment charge of $2,452,000 (2022: n/a) against the CGU.

Health House Australia CGU
The Group's *Health House International Australia* CGU, acquired during the period, represents its operations which distributes pharmaceutical products to Australia. This CGU is attributed to the Company's Asia Pacific operating segment.

The impairment testing performed at 31 December 2023 supported the recoverable amount of the CGU and did not result in any impairment charge during the period (2022: $n/a).

Significant Judgements and Estimates

The following key assumptions were used in the impairment testing model for each of the CGU's:

	Mernova	**Health House Australia**
Forecast period and short-term revenue growth rate (a)	5 years	5 years
Terminal / long term revenue growth rate (b)	3% terminal rate	3% terminal rate
Pre-tax discount rate (c)	19%	23%

Assumption	**Approach used to determine values**
(a) Forecast period and short-term revenue growth rate	The forecast is based on a Board approved budget for FY23 and growth estimates for four periods beyond the budget period. Specific factors considered in the forecasts used in the impairment model: • The Mernova CGU is becoming well-established, with revenues continuously increasing as a result of production efficiencies, improvements in quality and yields, an expanded product range including premium products, penetration of new provinces and increased market share through a growing customer base. The CGU has an average forecast growth of 8% across the forecast period. This growth trend is also supported by revenues increasing by 61% in FY2023 (2022: 21%), highlighting the growth phase that the Company has experienced as it moved to full production. • The Health House Australia CGU is an established business presenting performance-enhancing opportunities under new management. Given the changing competitive environment, particularly in Australia, and the business's evolving operations, management has judged that it would be prudent to apply a growth rate of 7% to the forecast cash flows of the CGU.
(b) Terminal / long term growth rate	This is the weighted average growth rate used to extrapolate cash flows beyond the forecast period. The long-term growth rate has been set at 3% to reflect the uncertainty in the forecast future cash flows.

Notes to the Consolidated Financial Statements

NOTE 14 INTANGIBLE ASSETS (CONTINUED)

(c) Pre-tax discount rate

As at December 2023, the pre-tax discount rate for Mernova is 19%, based on the progress and de-risking of the business that has occurred in FY23. As noted above, this is supported by the significant increase in FY23 revenue and the plans in place to deliver continued growth. The discount rate as at 31 December 2023 still includes a risk premium based on management's assessment of risks specific to the CGU, including changes in the industry environment as it matures, the still early-stage nature of Mernova's business and general execution risks inherent in the forecasts.

The Health House Australia CGU is an established, EBITDA-positive business presenting performance-enhancing opportunities under new management. Given the changing competitive environment, particularly in Australia, and the business's evolving operations, management has judged that it would be prudent to apply a pre-tax discount rate of 23% to the forecast cash flows of the CGU.

For the Swiss Operations CGU, the directors and management have considered and assessed reasonably possible changes for other key assumptions and have not identified any instances that could cause a significant impact to the impairment model.

For the Mernova and Health House UK/Europe CGUs, any change of 5% to the key assumptions would not cause any additional impairment.

This sensitivity assumes the specific assumption moves in isolation, whilst all other assumptions are held constant. In reality, a change in this assumption may accompany a change in another assumption. For HHI, it would take a discount rate of 26% to affect the carrying value of Goodwill.

NOTE 15 OTHER ASSETS

	2023 $000's	2022 $000's
Current Assets		
Loan to Health House International Limited[i]	**-**	2,146
Non-current Assets		
Other assets	**274**	286
	274	286

[i] The Company entered into a facility agreement with Health House International Limited ("HHI") during the prior period. Under the terms of the agreement and a subsequent amendment entered into in November 2022, the key terms are:

- Interest of 12% is payable in arrears on the principal outstanding;
- The facility limit is $3,400,000; and
- Restricts the right of HHI to dispose of its assets or allow an encumbrance over any such assets without the authorisation of Melodiol Global Health.

After the Company acquired HHI the loan is eliminated on consolidation and therefore there is no balance at the year end.

NOTE 16 TRADE AND OTHER PAYABLES

	2023 $000's	2022 $000's
Trade payables	**8,964**	4,036
Payables to related parties (note 23)	**193**	113
Accrued expenses	**3,448**	2,971
Accrued expenses for related parties (note 23)	**55**	-
Income in Advance	**60**	26
Other payables	**254**	1,496
	12,974	8,642

Notes to the Consolidated Financial Statements

NOTE 17 PROVISIONS

	2023 $000's	2022 $000's
Employee provisions	**482**	375

Amounts not expected to be settled within the next 12 months

The current provision for employee benefits includes all unconditional entitlements where employees have completed the required period of service and also those where employees are entitled to pro-rata payments in certain circumstances. The entire amount is presented as current, since the Group does not have an unconditional right to defer settlement.

NOTE 18 BORROWINGS

	2023	2022
Secured borrowings	**$000's**	$000's
Deed of trust loans[i]	**2,689**	2,393
Other loans[ii]	**5,510**	2,952
Total secured borrowings	**8,199**	5,345
Unsecured borrowings		
Convertible notes[iii]	**1**	851
Related party loans[iv]	**103**	475
Other loans	**1,110**	-
Total unsecured borrowings	**1,214**	1,326
Total borrowings	**9,413**	6,671
Unused facilities	**111**	2,780

i. Secured deed of trust loans

The company entered into a loan facility via a Loan Trust Deed between Melodiol Global Health Limited and Briant Nominees Pty Ltd, denominated in Australian dollars. The facility operates with the following key terms:

- Maximum drawdown of $5,000,000 Australian dollars;
- Annualised interest rate of 30%;
- Original Repayment date of 21 May 2023;
- Capacity based on mutual agreement to rollover loans into convertible notes if required conditions are met by 31 January 2023, 24 March 2023, negotiations are ongoing regarding an extension of the loan or potential conversion to convertible loan note; and
- Secured by a fixed charge against Mernova Medicinal Inc's ('MMI') Cannabis Cultivation Facility located in Nova Scotia, Canada.

During the period $500,000 was drawn down against the facility and $734,792 of accumulated interest has been recognised.

The conditions of the loans enable the loan to be rolled over by subscription into convertible notes with each note having a face value of A$100,000. The conditions precedent for rollover of loans into convertible notes are:

- the Company has made an offer to the lender, inviting them to subscribe for Convertible Notes; and
- the Company has obtained shareholder approval for the issue of the Convertible Notes to lenders or their nominees; and
- the lender has subscribed for convertible notes in accordance with the conditions as set out in the loan deed.

Notes to the Consolidated Financial Statements

NOTE 18 BORROWINGS (CONTINUED)

Attached to each Convertible Note (face value of A$100,000) are 1,000,000 options with an exercise price of $0.08 and an expiry date 4 years from date of issue. The notes are convertible into ordinary shares of the Company at a conversion price of $0.05 per share. In addition, on conversion, the note holder is entitled to one option for every 4 ordinary shares acquired on conversion. The exercise price of the options is $0.08 with options being able to be exercised on or before the elapse of four years after the first issue within the class of options.

The security charge is over MMI's facilities which is a purpose-built facility to Health Canada GPP standard, scalable to 200,000 sq. ft. It contains 10 grow rooms with potential to produce 4,000kg annually.

ii. Secured other loans

On 27 January 2023, the group restructured the La Plata loan and announced that it had agreed with La Plata Capital LLC ('La Plata' – the "Lender"), an existing lender to SSH, to repay US$717,500 under the Loan Trust Deed ("LTD") in cash by 31 January 2023, and swap US$1,282,500 for secured notes valued at US$1,282,500 ("the First Loan"). A cash payment of US$250,000 (of the US$717,500) was made to La Plata on 27 February 2023.

During the year, The group issued 18,981,000 shares at AU$0.01 on 26 June 2023 and 185,675,804 shares at AU$0.00576 on 24 October 2023 to settle Jan-Sep interest payable to the Lender.

Pursuant to a Continuing Guaranty dated on or about January 11, 2023, the Guarantors (Jodi Scott and Michael Hoyt) have guaranteed repayment to Lender of US$1,750,000 in total of the amounts due under the Restated converting Loan Deed ("CLD") (US$1,282,500 of the First Loan) and US$467,500 due under the LTD.

On 2 March 2023, the Group issued an additional US$500,000 ("Second Loan") of Melodiol Convertible Notes pursuant to the Amended and Restated CLD, in exchange for a 31.25% interest in Lender's participation commercial loan to Abby&Finn, LLC ("A&F"). The combination of the restructure Laplata loan of US$1,282,500 ("First loan) and US$500,000 Convertible notes ("Second loan") have formed the restated CLD.

On 14 June 2023, the Company announced that La Plata had agreed to extend the maturity date of US$1,782,500 of its existing secured notes to June 2024.

In consideration for the maturity date extensions, the Group agreed to purchase the Lender's remaining 68.75% participation interest in the commercial loan to A&F, to obtain 100% of the participation interests in the A&F loan, by increasing the amount owed under the Restated CLD by US$900,000 ("Third loan"). At the year-end, an assessment was made on the recoverability of the A&F loan which stood at US$2,762,000, it was concluded that the loan was likely to be irrecoverable and therefore provided against, see note 10.

The Second and Third Loan under the Restated CLD facility operates with the following key terms:

- Maximum drawdown of US$1,500,000;
- Undrawn facility of US$100,000.
- Annualised interest rate of 13%;
- Repayment date: June 2024.
- Secured by the Second Land Security Instruments and the Second Security Agreement. See note 31 for further details of the assets pledged as security.

Notes to the Consolidated Financial Statements

NOTE 18 BORROWINGS (CONTINUED)

iii. Unsecured convertible notes – Obsidian Global GP LLC

The company entered into a convertible note loan facility with Obsidian Global GP LLC ("Obsidian") on 27 October 2022, denominated in Unites States dollars. The maximum drawdown under the facility was $5,000,000 in three tranches as follows:

- Tranche 1 $1,750,000 5 business days after execution of the agreement;
- Tranche 2 $1,750,000 5 business days after shareholder approval; and
- Tranche 3 $1,500,000 on a date to be agreed between the Company and investor.

Since 31 December 2022, $500,000 was drawn in relation to Tranche 2. Tranche 2 was reduced from $1,750,000 to $500,000 on mutual agreement between the Company and Obsidian. Tranche 3 was not utilised and no longer available after the company entered into the convertible notes' agreement with SBC Global Investment Fund.

As at 31 December 2023, tranche 1 and tranche 2 have been exercised and settled by shares. The fair value of the liability components recorded was Nil (2022: $851,000).

i. Unsecured convertible notes – SBC Global Investment Fund

The company entered into a convertible note loan facility with SBC Global Investment Fund ("SBC") on 5 March 2023 denominated in Australian dollars. The facility includes two tranches as follows:

	Tranche 1	Tranche 2
Funding (Purchase Price)	$1,700,000	$800,000
Number of convertible securities	1,700,000	800,000
Purchase date	15/03/2023	2/06/2023
Maturity date	15/12/2023	2/03/2024
Period (Months)	9	9
Face value	$1.1111	$1.1111
Total face value	$1,888,870	$888,880

As at 31 December 2023, the convertible notes comprise of:

- Convertible note facilities issued in Tranche 1 of 349,987 notes at an issue price of US$0.011 per note and
- Convertible note facilities issued in Tranche 2 of 169,994 notes at an issue price of US$0.009 per note.

On issue, the notes are convertible at the lower of $0.04 or 150% of the average of the 5 daily VWAPs during the 5 Actual Trading Days prior to the Purchase Date, rounded down to the nearest A$0.001. Notwithstanding the price above notes are subject to a minimum conversion price of A$0.008 per share. Redemption is subject to certain conditions being met. The Group notes that the maturity date of the facility has passed and is undertaking ongoing discussions with SBC to address the situation.

Amortisation payment amount

- Tranche 1: Amortisation amount is $250,000, commencing 60 days after the purchase date and continuing until the maturity date.
- Tranche 2: Amortisation amount is $125,000, commencing 60 days after the purchase date and continuing until the maturity date.
- First amortisation Payment under the First Convertible Securities Agreement was due on 12 May 2023. The Parties also agree: (i) to accelerate two Amortisation Payments, with those payments being due and payable no later than 24 May 2023; (ii) that the first Amortisation Payment and two accelerated Amortisation Payments, together with interest due and payable at the time of these payments, be settled by the issue of Amortisation Shares to the Investor at an Amortisation Price of $0.009 each, being a total of 90,000,000 Shares which must be issued no later than 24 May 2023; The Company agrees to use reasonable endeavours to settle the Amortisation Payment due in June 2023 by the issue of Amortisation Shares.
- Amortisation price is the lower of 93% of the lowest 1-day VWAP during the 10 Actual Trading Days immediately prior to the relevant redemption or conversion, rounded down to the nearest A$0.001, or the conversion price.

Notes to the Consolidated Financial Statements

NOTE 18 BORROWINGS (CONTINUED)

Committed options.

- Tranche 1: As part of the convertible note facilities, a maximum of 50,000,000 of quoted options will be issued at an exercise price of $0.08 with an expiration date of 31 January 2027, a maximum of 20,00,000 of unquoted options will be issued at an exercise price of $0.03 with an expiry date of 31 January 2027 and a commitment options payment of $194,580 due for payment no later than 26 May 2023.
  As at 31 December 2023, no options have been issued.

The net proceeds received from the issue of the convertible notes was $1,700,000 for tranche 1 and $400,000 for tranche 2. These proceeds have been split between a financial liability element and an equity component. The financial liability component comprises the fair value of the convertible note together with the embedded derivative financial liability relating to the conversion feature and the committed options given.
The equity component represents the embedded derivative relating to the committed options and has been credited to the options reserve.

	Tranche 1	Tranche 2
The net proceeds on issue have been classified as follows:	$	$
Equity component – broker options	156,854	61,773
Liability component – convertible notes	1,196,335	336,627
Liability component – embedded derivative	346,831	1,600
Net proceeds on inception	1,700,020	400,000
Liability component – convertible notes	1,196,335	336,627
Transaction costs capitalised	(214,906)	(56,537)
Net borrowings recorded on inception	981,429	280,090

At 31 December 2023, the fair value of the liability components recorded was

- Tranche 1 $388,870.
- Tranche 2 $177,718.

The derivative instruments of the convertible notes have been valued using Black-Scholes model (inclusive of risk-free rate, simulation price, and Dividend yield).

On 26 February 2024, the investor forbear from taking any enforcement actions under the Convertible Security agreements in respect of known present default until 4 March 2024, subject to a payment of $40,000 in reduction of the amount outstanding under the First Security Agreement no later than 29 February 2024 and $30,000 in reduction of the amount outstanding under the First Security Agreement no later than 8 March 2024.

ii. Unsecured related party loans

On 22 December 2022, William Lay advanced $75,000 Canadian dollars and $12,391 United States dollars to the Company, resulting a liability of AU$100,000. On 10 January 2023, the Group settled a AU$100,000 loan owing to William Lay through the issuance of 2,500,000 shares at AU$0.04 price. On 11 January 2023, William Lay advanced another AU$115,390 for operating expenses, leaving a liability of AU$102,517 as at the end of December 2023, which is reflected in note 23. The loan has free interest rate and no fixed term of repayment.

In June 2021, Sierra Sage Herbs LLC. ('SSH') and the controlling shareholder Jodi Scott entered into a revolving line of credit denominated in Unites States dollars. Between 15 June 2022 and 30 September 2022, a total of $361,000 United States dollars were drawn down against the facility. After which a total of $120,000 Unites States dollars has been repaid in four equal instalments and the outstanding balance of US$273,481 was settled by 44,972,436 shares on 17 November 2023.

Notes to the Consolidated Financial Statements

NOTE 18 BORROWINGS (CONTINUED)

iii. Unsecured other loans

Unsecured other loans comprise of

- Nandil loan of $225,000 with an interest rate of 20% with the repayment date of 15 Dec 2023. On 27 Nov 2023, the company settled a $100,000 of the loan amount by issuing of 34,435,262 shares. If the loan repayment is not made by due date, interest will accrue at 8% per quarter until both principal and interest amounts are repaid. In addition, the company will also pay the lender a fee of $100,000 for making the facility available to the company, with payment of this fee to occur upon expiry of the facility.
- Corporate Mining loan, amounting to $366,000 with the repayment date of 21 February 2024 and the company will pay the Lender interest in the amount of $183,000 on the earlier of: (i) the Repayment Date; or (ii) the date the Lender demands repayment of the Total Amount Owing.
- HHI loan balance of $683,000 in relation to
  - 150,00 Euro between HHP Malta and Gees Pharma Limited with an interest rate of 5%. The purpose of the loan to provide a performance bond to the government of Malta. Repayment date is 30 June 2024.
  - 73,440 GBP between HHP UK and Oakways with an interest rate of 5%. Repayment date is 30 June 2024.
  - AU$50,035 between HHI Australia and AttVest with an interest rate of 5.3% and the repayment date of 31 May 2024.

iv. Fair value

The borrowings of the Group are of a short-term nature for which there is not a material difference between their fair value and carrying amount.

v. Risk

Detail of the group’s exposure to risk arising from borrowings are set out in note 21.

Notes to the Consolidated Financial Statements

NOTE 19 ISSUED CAPITAL

(a) Issued and fully paid

	2023		2022	
	No.	**$000's**	No.	$000's
Ordinary shares	**4,728,824,027**	**150,470**	1,835,962,135	128,382

(b) Movement in issued shares – 2023

	Number	**$000's**
At 1 January 2023	**1,835,962,135**	**128,382**
Issuance of shares pursuant to a placement	742,739,192	5,286
Issue of Shares as part consideration for acquisitions	78,961,436	1,342
Issue of shares to employees & consultants	19,000,000	190
Exercise of options	225	-
Conversion of employee performance rights	5,533,000	625
Conversion of convertible notes	567,041,445	5,693
Issue of shares to settle loan	680,512,531	4,316
Issue of shares for services	648,575,710	5,606
Issue of shares to Directors	55,757,192	628
Issue of share capital for extinguish of liability	94,741,161	1,245
Less: Equity raising costs	-	(2,843)
At 31 December 2023	**4,728,824,027**	**150,470**

Movement in issued shares – 2022

	Number	**$000's**
At 1 January 2022	1,226,370,447	109,951
Issuance of shares pursuant to a Placement	199,351,467	9,942
Issue of Shares as consideration for acquisitions	357,614,203	12,874
Exercise of options	405,430	20
Conversion of Employee Performance Rights	5,550,000	-
Issue of shares for services	1,670,588	504
Shares issued to Directors	-	120
Issue of shares as collateral shares to Obsidian	45,000,000	
Less: Equity raising costs	-	(5,029)
At 31 December 2022	1,835,962,135	128,382

Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the company does not have a limited amount of authorised capital.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Notes to the Consolidated Financial Statements

NOTE 20 RESERVES

	2023 $000's	2022 $000's
Share-based payments	**11,397**	17,602
Foreign currency translation reserve	**3,935**	2,908
	15,332	20,510
Movement reconciliation		
Share-based payments reserve		
Balance at the beginning of the year	**17,602**	11,248
Equity settled share-based payment transactions (Note 23)	**884**	130
Embedded derivative – convertible notes options	**7**	49
Issue of options for services	**2,575**	7,182
Issue of options for acquisitions	**136**	-
Issue of options for loan extensions	**2**	-
Expired options	**(9,809)**	(1,007)
Balance at the end of the year	**11,397**	17,602
Foreign currency translation reserve		
Balance at the beginning of the year	**2,908**	1,383
Effect of translation of foreign currency operations to group presentation	**1,027**	1,525
Balance at the end of the year	**3,935**	2,908

Share-based payment reserve
The share-based payment reserve is used to record the value of share-based payments provided to outside parties, and share-based remuneration provided to employees and directors. The issue of the exchangeable shares are considered a share-based payment and are valued using the Black-Scholes model.

Foreign currency translation reserve
The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations where their functional currency is different to the presentation currency of the reporting entity.

Notes to the Consolidated Financial Statements

NOTE 21 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Financial risk management objectives

The Group's activities expose it to a variety of financial risks: market risk (including foreign currency risk, price risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, foreign exchange and other price risks, ageing analysis for credit risk and beta analysis in respect of investment portfolios to determine market risk.

Risk management is carried out by senior finance executives ('Finance') under policies approved by the Board of Directors ('the Board'). These policies include identification and analysis of the risk exposure of the Group and appropriate procedures, controls and risk limits. Finance identifies, evaluates and hedges financial risks within the Group's operating units. Finance reports to the Board on a monthly basis.

Market risk

Foreign currency risk

The Group undertakes certain transactions denominated in foreign currency and is exposed to foreign currency risk through foreign exchange rate fluctuations.

Foreign exchange risk arises from future commercial transactions and recognised financial assets and financial liabilities denominated in a currency that is not the entity's functional currency. The risk is measured using sensitivity analysis and cash flow forecasting.

The carrying amount of the Group's foreign currency denominated financial assets and financial liabilities at the reporting date were as follows:

			2023		
	GBP	**EUR**	**CHF**	**CAD**	**USD**
	€000's	**£000's**	**Fr.000's**	**$000's**	**$000's**
Cash and cash equivalents	**115**	**57**	**67**	**104**	**31**
Trade and other receivables	**467**	**-**	**271**	**706**	**95**
Trade and other payables	**(712)**	**-**	**(178)**	**(2,724)**	**(4,106)**

			2022		
	GBP	EUR	CHF	CAD	USD
	€000's	£000's	Fr.000's	$000's	$000's
Cash and cash equivalents	-	-	203	79	238
Trade and other receivables	-	-	154	729	973
Trade and other payables	-	-	(114)	(871)	(3,392)

The Group's profit and loss has limited exposure to movements in foreign currencies as the Company and its subsidiaries substantially operated in their respective functional currencies. The foreign exchange gain recognised in financing costs in the profit and loss for the year ended 31 December 2023 was $36,000 (2022: loss of $15,000).

The predominant risk from fluctuations in foreign currencies is changes to net assets and other comprehensive income resulting from translation of subsidiary operations whose functional currency is different from the functional currency of the Company. The Group had net assets denominated in foreign currencies of $5,084,000 as at 31 December 2023 (2022: $25,247,000). Based on this exposure, had the Australian dollar weakened by 5%/strengthened by 5% (2022: weakened by 5%/strengthened by 5%) against these foreign currencies with all other variables held constant, the Group's other comprehensive income for the year would have been $254,000 lower/$254,000 higher (2022: $1,262,000 lower/$1,262,000 higher) and equity would have been $254,000 lower/$254,000 higher (2022: $1,262,000 lower/$1,262,000 higher). The percentage change is the expected overall volatility of the significant currencies, which is based on management's assessment of reasonable possible fluctuations taking into consideration movements over the last 6 months each year and the spot rate at each reporting date.

Price risk

The Group is not exposed to any significant price risk.

Notes to the Consolidated Financial Statements

NOTE 21 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Interest rate risk
The Group's main interest rate risk arises from Short-term borrowings. Borrowings obtained at fixed rates expose the Group to fair value risk (no borrowings with a variable rate).

The group's risk to movements in interest rates is set out in the following table:

	2023	2022
	$000's	$000's
Non-interest bearing borrowings	**103**	100
Fixed interest borrowings	**9,310**	6,571
Total borrowings	**9,413**	6,671

The group is not subject to interest rate risk on current borrowings. Had the group required refinancing of its existing debt facilities, an increase in the weighted average interest rate applicable to borrowings of 1% per annum would have resulted in an additional $94,000 financing costs during the period.

Credit risk
Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has a strict code of credit, including obtaining agency credit information, confirming references and setting appropriate credit limits. The Group obtains guarantees where appropriate to mitigate credit risk. The maximum exposure to credit risk at the reporting date to recognised financial assets is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements. The Group does not hold any collateral.

The Group has adopted a lifetime expected loss allowance in estimating expected credit losses to trade and other receivables through the use of a provisions matrix using fixed rates of credit loss provisioning. These provisions are considered representative across all customers of the Group based on recent sales experience, historical collection rates and forward-looking information that is available.

Generally, trade receivables and other receivables are written off when there is no reasonable expectation of recovery. Indicators of this include the failure of a debtor or partner to engage in a repayment plan, no active enforcement activity and a failure to make contractual payments for a period greater than 1 year.

Liquidity Risk
Liquidity risk arises from the possibility that Melodiol might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities.

Vigilant liquidity risk management requires the Group to maintain sufficient liquid assets (mainly cash and cash equivalents) and available borrowing facilities to be able to pay debts as and when they become due and payable.

The Group seeks to manage its liquidity risk through the following mechanisms:

- Maintaining adequate cash reserves and available borrowing facilities by continuously monitoring actual and forecast cash flows
- Comparing the maturity profile of financial liabilities with the realisation profile of financial assets
- Matching the maturity profiles of financial assets and liabilities
- Maintaining the support of lenders
- Negotiating with stakeholders to defer payments and/or settle payments in equity
- Maintaining a reputable credit profile
- Managing credit risk related to financial assets

Notes to the Consolidated Financial Statements

NOTE 21 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Remaining contractual maturities

The following tables detail the Group's remaining contractual maturity for its financial instrument liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid. The tables include both interest and principal cash flows disclosed as remaining contractual maturities and therefore these totals may differ from their carrying amount in the statement of financial position.

Consolidated – 2023	Weighted average interest rate %	1 year or less $000's	Between 1 and 2 years $000's	Between 2 and 5 years $000's	Remaining contractual maturities $000's
Non-derivatives					
Non-interest bearing					
Trade and other payables	**-**	**12,974**	**-**	**-**	**12,974**
Borrowings	**-**	**103**	**-**	**-**	**103**
		13,077	**-**	**-**	**13,077**
Interest-bearing – fixed rate					
Borrowings	**27.05**	**9,310**	**-**	**-**	**9,310**
Maturity Analysis					
1 – 3 months		**16,774**	**-**	**-**	**16,774**
4 – 6 months		**5,510**	**-**	**-**	**5,510**
1 -2 years		**103**	**-**	**-**	**103**
Total non-derivatives		**22,387**	**-**	**-**	**22,387**

Consolidated – 2022	Weighted average interest rate %	1 year or less $000's	Between 1 and 2 years $000's	Between 2 and 5 years $000's	Remaining contractual maturities $000's
Non-derivatives					
Non-interest bearing					
Trade and other payables	**-**	**8,642**	**-**	**-**	**8,642**
Borrowings	**-**	**100**	**-**	**-**	**100**
		8,742	**-**	**-**	**8,742**
Interest-bearing – fixed rate					
Borrowings	**18.70**	**5,720**	**851**	**-**	**6,571**
Maturity Analysis					
1 – 3 months		**11,694**	**-**	**-**	**11,694**
4 – 6 months		**2,768**	**-**	**-**	**2,768**
1 -2 years		**-**	**851**	**-**	**851**
Total non-derivatives		**14,462**	**851**	**-**	**15,313**

The cash flows in the maturity analysis above are not expected to occur significantly earlier than contractually disclosed above.

Fair value of financial instruments

Unless otherwise stated, the carrying amounts of financial instruments reflect their fair value.

Notes to the Consolidated Financial Statements

NOTE 22 CAPITAL RISK MANAGEMENT

For the purpose of the Company's capital includes issued capital and all other equity reserves attributable to the equity holders of the parent. The primary objective of the Company's capital management is to maximise shareholder value. The Company's objective when managing capital is to safeguard the ability to continue as a going concern so that it can provide returns to shareholders and benefits to other stakeholders and to maintain an optimal capital structure.

Management effectively manages the company's capital by regularly assessing the company's financial risks and its capital structure in response to changes in these risks and the market.

In order to maintain or adjust the capital structure, the company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

NOTE 23 RELATED PARTY DISCLOSURE

(a) Key Management Personnel Compensation

Details relating to key management personnel, including remuneration paid, are below.

	2023	2022
	$	$
EverBlu Capital Pty Ltd(i) – a company of which Adam Blumenthal is the Chairman		
Capital raising fees payable in cash	-	308,996
Capital raising fees payable in shares	-	829,258
Legal fees	-	-
Corporate advisory payable in shares	-	70,000
Monthly retainer	-	495,000
IRESS service fees	-	3,399
Out of scope fees	-	
	-	1,706,653
Balance owing to EverBlu Capital Pty Ltd at 31 December	-	899,258
Balance owing to Melodiol at 31 December	-	-
Everblu Capital Corporate Pty Ltd(i) – a company of which Adam Blumenthal is the Chairman		
Capital raising fees	-	149,838
Capital raising fees payable in shares	-	3,774,815
Monthly retainer	-	13,095
Debt restructuring fees	-	-
Business development and investor relations	-	-
Facilitation fees	-	-
Out of scope fees, including restructuring and corporate advice	-	-
	-	3,937,748
Balance owing to EverBlu Capital Corporate Pty Ltd at 31 December	-	3,774,815
Balance owing to Melodiol at 31 December	-	-

The above fees are inclusive of GST.

(i) Mr Blumenthal resigned as a director on 10 October 2022. Any transactions past this date, including through companies that he controls, have not been disclosed above as they ceased being a related party.

Notes to the Consolidated Financial Statements

NOTE 23 RELATED PARTY DISCLOSURE (CONTINUED)

	2023 $	2022 $
Suburban Holdings Pty Ltd – related party[i]		
Amount drawn down by Melodiol	**-**	1,000,001
Amount repaid	**-**	-
Balance owing at 31 December	**-**	-
International Water and Energy Savers Ltd – a company controlled by Boaz Wachtel		
Director's Fees for Boaz Wachtel	**80,000**	80,000
Bonus for Boaz Wachtel payable in shares	**-**	40,000
Balance owing from Melodiol at 31 December	**53,333**	40,000
HBAM Holdings Inc – a company controlled by Bruce Linton		
Director's Fees for Bruce Linton	**82,720**	93,504
Balance owing from Melodiol at 31 December	**46,667**	23,346
BQ Advisory – a company controlled by Ben Quirin		
Director's Fees for Ben Quirin	**18,413**	18,413
Director remuneration options	**2,802**	-
Balance owing from Melodiol at 31 December	**53,333**	-
Jodi Scott		
Loan repayments	**363,863**	136,861
Interest on loan	**42,691**	7,136
Lease payments	**71,343**	17,306
Extinguished debt	**(453,980)**	-
Balance owing from Melodiol at 31 December	**-**	386,680
William Lay		
Consulting fee	**222,538**	**-**
Director remuneration	**75,028**	**-**
Director incentive	**408,333**	**-**
Loan to ME1	**(102,517)**	**-**
Loan to SSH	**-**	18,327
Loan to Mernova	**-**	81,673
Balance owing from Melodiol at 31 December	**102,517**	**100,000**

(i) Mr Blumenthal resigned as a director on 10 October 2022. Any transactions past this date, including through companies that he controls, have not been disclosed above as they ceased being a related party.

Notes to the Consolidated Financial Statements

NOTE 23 RELATED PARTY DISCLOSURE (CONTINUED)

(b) Transactions with related parties – non-cash

Other Share and Option Transactions with Related Parties					
	2023			2022	
	Shares	**Options**	**Performance Rights**	Shares	Options
EverBlu Capital Pty Ltd(i)					
Broker fees	-	-		-	-
Issue of Shares – Corporate Advisory Mandate(ii)	-	-		2,000,000	-
Share issue cost in February-22 Placement	-	-		-	57,971,032
Subtotal	-	-		2,000,000	57,971,032
EverBlu Capital Corporate Pty Ltd (i)	-	-			
Share issue cost in August-22 Placement	-	-		-	175,000,000
Subtotal	-	-		-	175,000,000
International Water and Energy Savings					
Director bonus – Boaz Watchel	-	-		2,000,000	-
Subtotal	-	-		2,000,000	-
James Ellingford					
Director bonus – James Ellingford(ii)	-	-		4,000,000	-
Subtotal	-	-		4,000,000	-
HBAM Holding Inc					
Equity incentive to Director's remuneration – Bruce Linton(iii)	**2,732,213**	**2,732,213**		-	10,000,000
Subtotal	**2,732,213**	**2,732,213**		-	10,000,000
Quitin Alleaume Trust					
Director's fee – Ben Quirin		**2,000,000**			
Subtotal		**2,000,000**			
Noble House Consulting					
Director's remuneration – Will Lay		**10,000,000**	**7,500,000**		
Director incentive	**25,000,000**		**50,000,000**		
Consulting fee					
Subtotal	**25,000,000**	**10,000,000**	**62,500,000**		
Jodi Scott					
Loan and loan interest repayment	**44,972,436**				
Subtotal	**44,972,436**				

(i) Mr Blumenthal resigned as a director on 10 October 2022. Any transactions past this date, including through companies that he controls, have not been disclosed above as they ceased being a related party.

(ii) Mr Ellingford resigned as a director on 30 November 2022. Any transactions past this date, including through companies that he controls, have not been disclosed above as they ceased being a related party.

Terms and conditions

All transactions with related parties were reviewed by the Board and were made on normal commercial terms and conditions and at market rates.

(c) Key Management Personnel Compensation

Details relating to key management personnel, including remuneration paid, are below.

	2023	2022
	$	$
Short-term benefits	**1,586,628**	1,380,632
Termination payments	**-**	144,000
Post-employment benefits	**34,111**	50,241
Share-based payments	**906,458**	136,679
	2,527,197	1,711,553

Other than the above, there were no other transactions with KMP during the year ended 31 December 2022.

Notes to the Consolidated Financial Statements

NOTE 24 SHARE BASED PAYMENTS

	2023 $	2022 $
(a) Recognised share-based payment transactions		
Unlisted options issued to employees and consultants	**18,827**	48,298
Performance rights issued to employees and consultants	**425,896**	81,815
Shares issued to employee and consultants	**484,319**	-
	929,042	130,113

Share based payments are valued on the basis set out in note 1 (q).

For share-based payments issued during a financial year the parameters used in the valuations are set out in the share-based payments note to the financial statements in that year.

(b) Movements in unlisted options during the year

Grant Date	Issue Date	Date of Expiry	Exercise Price	Balance at the start of the year	Issued during the year	Exercised during the year	Expired/ Cancelled during the year	Balance at the end of the year
12-02-2020	12-02-2020	12-02-2023	$0.35	2,128,387	-	-	(2,128,387)	-
12-02-2020	12-02-2020	12-02-2023	$0.40	6,847,725	-	-	(6,847,725)	-
25-06-2020	25-06-2020	25-06-2023	$0.1389	5,752,688	-	-	(5,752,688)	-
02-06-2020	02-06-2020	02-06-2023	$0.17	27,764,706	-	-	(27,764,706)	-
02-06-2020	02-06-2020	02-06-2023	$0.25	4,000,000	-	-	(4,000,000)	-
02-06-2020	02-06-2020	02-06-2023	$0.20	8,000,000	-	-	(8,000,000)	-
23-12-2020	23-12-2020	23-12-2023	$0.20	833,333	-	-	-	833,333
23-12-2020	23-12-2020	23-12-2025	$0.039	30,000,000	-	-	-	30,000,000
11-01-2021	11-01-2021	11-01-2023	$0.24	8,000,000	-	-	(8,000,000)	-
11-01-2021	11-01-2021	11-01-2023	$0.27	8,000,000	-	-	(8,000,000)	-
11-01-2021	11-01-2021	11-01-2023	$0.30	8,000,000	-	-	(8,000,000)	-
11-01-2021	11-01-2021	11-01-2023	$0.40	2,500,000	-	-	(2,500,000)	-
11-01-2021	11-01-2021	11-01-2023	$0.40	300,000	-	-	(300,000)	-
14-07-2021	14-07-2021	14-07-2024	$0.38	12,000,000	-	-	-	12,000,000
31-08-2021	31-08-2021	01-08-2024	$0.15	12,000,000	-	-	-	12,000,000
31-08-2021	31-08-2021	01-08-2024	$0.18	12,000,000	-	-	-	12,000,000
06-09-2021	06-09-2021	06-09-2024	$0.18	10,000,000	-	-	-	10,000,000
06-09-2021	06-09-2021	06-09-2024	$0.25	10,000,000	-	-	-	10,000,000
25-10-2021	25-10-2021	25-10-2024	$0.1375	1,000,000	-	-	-	1,000,000
12-12-2022	12-12-2022	12-06-2024	$0.14	53,358,712	62,583,352	-	-	115,942,064
27-01-2023	27-01-2023	17-01-2024	$0.09	-	10,000,000	-	-	10,000,000
10-06-2023	10-06-2023	17-01-2024	$0.02		10,000,000	-	-	10,000,000
16-05-2023	16-05-2023	08-06-2024	$0.38		27,999,934	-	-	27,999,934
16-05-2023	16-05-2023	10-06-2024	$0.4		626,250	-	-	626,250
16-05-2023	16-05-2023	10-06-2024	$1.34		626,250	-	-	626,250
16-05-2023	16-05-2023	10-06-2024	$2.00		626,250	-	-	626,250
16-05-2023	16-05-2023	10-06-2024	$2.65		626,250	-	-	626,250
30-06-2023	30-06-2023	24-08-2024	$0.03		132,859,360	-	-	132,859,360
07-07-2023	07-07-2023	24-08-2024	$0.03		126,219,254	-	-	126,219,254
30-06-2023	30-06-2023	10-10-2024	$0.04		2,000,000	-	-	2,000,000
16-05-2023	16-05-2023	28-06-2025	$0.02		1,648,263	-	-	1,648,263
10-11-2023	10-11-2023	30-11-2024	$0.04		3,000,000	-	-	3,000,000
16-11-2023	16-11-2023	16-11-2027	$0.02		10,654,042	-	-	10,654,042
				222,485,551	**389,469,205**	-	**(81,293,506)**	**530,661,250**
Weighted average exercise price				$0.18	$0.08	-	$0.236	$0.103

Notes to the Consolidated Financial Statements

(d) Movements of listed options during the year

Options	Issue Date	Date of Expiry	Issue Price	Exercise Price	Balance at start of the year	Issued during the year	Exercised during the year	Expired/ Cancelled during the year	Balance at end of the year
ME10	02-11-2021	02-11-2024	$0.00	$0.25	422,941,788	356,890,378	-	(225)	779,831,941
ME10A	22-01-2021	22-01-2023	$0.00	$0.05	63,954,018		-	(63,954,081)	-
ME10D	2023	31-01-2027	$0.00	$0.08	-	1,330,481,743	-	-	1,330,481,743
ME10E	13-11-2023	13-11-2028	$0.00	$0.01	-	184,867,992	-	-	184,867,992
					486,895,806	**1,872,240,113**	**-**	**(63,954,243)**	**2,295,181,676**

(e) Summary of performance rights granted and vested during the year

Balance at the start of the year	Granted during the year	Vested during the year	Cancelled/Lapsed during the year	Balance at the end of the year
10,549,000	**106,500,000**	**(5,533,000)**	**(5,016,000)**	**106,500,000**

NOTE 25 COMMITMENTS AND CONTINGENCIES

There are no contractual commitments or contingent liabilities at 31 December 2023 (2022: Nil).

Notes to the Consolidated Financial Statements

NOTE 26 AUDITOR'S REMUNERATION

During the financial year the following fees were paid or payable for services provided by Crowe Audit Australia and BDO Audit Pty Ltd, the auditor of the company and unrelated firms:

	2023 $	2022 $
Auditors of the Group – Crowe		
Audit Services		
Audit of the Group and controlled entities	**340,000**	-
Total services provided by Crowe	**340,000**	-
Auditors of the Group – BDO		
Audit Services		
Audit and review of annual and half-year of the Group and controlled entities	**182,970**	520,220
Other services		
– Independent Expert Report	**249,992**	-
– Income tax return and GST audit	**22,967**	-
Total services provided by BDO	**455,929**	520,220
Other firms		
Audit and reviews of the financial statements – MNP	**65,603**	118,500
Audit and reviews of the financial statements – PwC	**34,138**	102,770
Other services		
– Independent Expert Report	**66,349**	517,700
– Income tax return and GST audit	**80,043**	40,459
Total services provided by other firms	**246,133**	779,429
	1,042,062	1,299,649

Notes to the Consolidated Financial Statements

NOTE 27 INVESTMENT IN CONTROLLED ENTITIES

Company Name	Principal Activities	Country of Incorporation	Ownership interest	
			2023	2022
			%	%
Creso Pharma Switzerland GmbH	Development of nutraceutical products	Switzerland	**100**	100
Creso Canada Limited	Corporate entity	Canada	**100**	100
Creso Canada Corporate Limited	Corporate entity	Canada	**100**	100
Mernova Medicinal Inc.	Cultivation of cannabis plants and sale of cannabis products	Canada	**100**	100
3321739 Nova Scotia Limited	Corporate Entity	Canada	**100**	100
Kunna Canada Limited	Corporate entity	Canada	**100**	100
Kunna S.A.S	Holder of cannabis licenses in Colombia	Colombia	**100**	100
Halucenex Life Sciences Inc.	Clinical stage psychedelic drug development company	Canada	**100**	100
Creso Impactive Limited	CBD based life sciences company	Canada	**100**	100
Sierra Sage Herb LLC	Manufacture and sale of packaged consumer products	United States of America	**100**	100
Creso Pharma US Inc.	Corporate entity	United States of America	**100**	100
4340965 Nova Scotia Limited	Corporate entity	Canada	**100**	100
Health House International Limited	Distributor of medicinal cannabis and other controlled drugs	Australia	**100**	-

Notes to the Consolidated Financial Statements

NOTE 28 BUSINESS COMBINATIONS

On 16 May 2023 the Group acquired 100% of the voting equity instruments of Health House International Limited, a company whose principal activity is the distribution of medicinal cannabis and other controlled drugs.

Details of the provisional fair value of identifiable assets and liabilities acquired, purchase consideration and goodwill are as follows:

	Fair value provisionally determined $'000
Cash and cash equivalents	621
Inventories	282
Receivables	2,185
Property, plant and equipment	415
Borrowings	(825)
Payables	(3,608)
Lease liabilities	(349)
Total net liabilities	**(1,279)**

Fair value of consideration paid

Issue of ordinary shares	**1,343**
Issue of options	**136**
Pre-acquisition loan	**3,156**
Total consideration	**4,635**
Provisionally determined value of intangibles (including goodwill)	**5,914**

Acquisition costs of $212,000 were incurred as a result of the transaction and have been expensed in the Statement of Profit or Loss and Other Comprehensive Income.

As at 31 December 2023, the Group has recorded a provisionally determined value of intangibles (including goodwill) or $5,914,000 in respect of the acquisition of Health House International Limited. Subsequent to the acquisition, the Group conducted impairment testing on the goodwill acquired. As a result, an impairment charge against goodwill of $2,452,000 (2022: $Nil) was recognised during the period, leaving a balance of $3,462,000 at the year end (2022: N/A)

The goodwill recognised will not be deductible for tax purposes.

Notes to the Consolidated Financial Statements

NOTE 29 DISCONTINUED OPERATIONS

During the year the Group discontinued the following operations, at the year-end these operations were in abandonment:

- Halucenex Life Sciences Inc. and
- 4340965 Nova Scotia Limited
- Creso Impactive Limited
- Sierra Sage Herb LLC and
- Creso Pharma US Inc.

The results of the discontinued operations are presented below:

Statement of Profit and Loss from Discontinued Operations

	2023 $000's	2022 $000's
Revenue from discontinued operations		
Revenue	**2,643**	2,453
Other income	**139**	34
Expenses		
Raw materials and consumables used	**(2,878)**	(1,537)
Loss on fair value adjustments	**-**	-
Administrative expenses	**(2,562)**	(1,823)
Depreciation and amortisation expenses	**(844)**	(544)
Employee benefit expenses	**(3,638)**	(2,093)
Impairment of intangibles (note 14)	**(9,233)**	(6,630)
Other expenses	**(388)**	(513)
Loss on disposal of assets	**-**	-
Finance costs	**(138)**	(266)
(Loss) from discontinued operations before income tax	**(16,899)**	(10,919)
Income tax expense	**(27)**	-
(Loss) from discontinued operations	**(16,926)**	(10,919)

Notes to the Consolidated Financial Statements

NOTE 29 DISCONTINUED OPERATIONS (CONTINUED)

Statement of Cash Flows from Discontinued Operations

	2023 $000's	2022 $000's
Cash flows from discontinued operating activities		
Receipts from customers	**4,559**	2,367
Payments to suppliers and employees	**(9,377)**	(5,166)
Payments for research	**(124)**	(339)
Interest received	**35**	-
Interest paid	**(57)**	(103)
Net cash used in discontinued operating activities	**(4,964)**	(3,241)
Cash flows from discontinued investing activities		
Payments for plant and equipment	**-**	(86)
Cash acquired on acquisition of Sierra Sage Herbs LLC	**-**	165
Net cash from in discontinued investing activities	**-**	79
Cash flows from discontinued financing activities		
Proceeds from borrowings from the Parent entity	**4,636**	3,398
Net cash from discontinued financing activities	**4,636**	3,398
Net cash (outflow)/inflow from discontinued activities	**(327)**	236

Notes to the Consolidated Financial Statements

NOTE 30 PARENT ENTITY INFORMATION

Set out below is the supplementary information about the parent entity.

Statement of Financial Position and Statement of Profit or Loss and Other Comprehensive Income

	2023 $000's	2022 $000's
Total current assets	**6,043**	3,113
Loans receivable and investments in controlled entities	**2,478**	25,248
Total assets	**8,521**	28,361
Total current liabilities	**12,579**	6,066
Total liabilities	**12,579**	6,066
Equity		
Contributed equity	**150,470**	128,382
Reserves	**11,397**	17,602
Accumulated losses	**(165,925)**	(123,690)
Total equity	**(4,058)**	22,294
Total comprehensive profit/(loss)	**(42,235)**	(31,257)

Contingent liabilities
The parent entity had no contingent liabilities as at 31 December 2023 and 31 December 2022.

Capital commitments – Property, plant and equipment

The parent entity had no capital commitments for property, plant and equipment as at 31 December 2023 and 31 December 2022.

Material accounting policies

The accounting policies of the parent entity are consistent with those of the Group, as disclosed in note 1, except for the following:

- Investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity.
- Investments in associates are accounted for at cost, less any impairment, in the parent entity.
- Dividends received from subsidiaries are recognised as other income by the parent entity and its receipt may be an indicator of an impairment of the investment.

Notes to the Consolidated Financial Statements

NOTE 31 ASSETS PLEDGED AS SECURITY

The carrying amount of assets pledged as security for borrowings are:

	2023 $000's	2022 $000's
Current		
Floating charge		
Cash and cash equivalents	**31**	352
Trade and other receivables	**95**	1,436
Inventories	**5**	2,548
Total current assets pledged as security	**131**	4,336
Non-current assets		
First mortgage		
Land and buildings	**8,070**	8,288
Floating charge		
Plant and equipment	**-**	16
Intangible assets	**-**	2,353
	-	2,369
Total non-current assets pledged as security	**8,070**	10,657
Total assets pledged as security	**8,201**	14,993

The Group has loans which are subject to security pledges. The pledged assets include a fixed charge over the production facility owned by Mernova Medicinal Inc. and a floating charge over the assets of Sierra Sage Herbs LLC. Further information regarding the borrowings is presented at note 18.

Notes to the Consolidated Financial Statements

NOTE 32 EVENTS AFTER THE REPORTING DATE

On 16 January 2024, the Company issued 167,315,175 shares at an issue price of $0.00128 per share for gross proceeds of $214,163.

On 2 February 2024, the Company announced that the consolidation of the issued capital on the basis of 1 security for every 20 securities held had been completed.

On 27 February 2024, the Company issued 91,126,313 shares at an issue price of $0.01019 per share for gross proceeds of $928,577.

Other than the above, there has been no other matter or circumstance that has arisen since the end of the financial year that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations, or the state of affairs of the Group.

Directors' Declaration

In the directors' opinion:

- the financial statements and notes set out on pages 37 to 90 are in accordance with the Corporations Act 2001, including:

  - complying with the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and

  - complying with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 1 to the financial statements; and

  - giving a true and fair view of the Group's financial position as at 31 December 2023 and of its performance for the financial year ended on that date; and

- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and

The directors have been given the declarations required by section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of directors made pursuant to section 295(5)(a) of the Corporations Act 2001.

On behalf of the directors

Mr Wiliam Lay
CEO and Managing Director
28 March 2024

Crowe Audit Australia
ABN 13 969 921 386
Level 24, 1 O'Connell Street
Sydney NSW 2000
Main +61 (02) 9262 2155
Fax +61 (02) 9262 2190
www.crowe.com.au

Independent Auditor's Report to the Members of Melodiol Global Health Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Melodiol Global Health Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2023, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the Group's financial position as at 31 December 2023 and of its financial performance for the year then ended; and

(b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the financial report under the heading 'Going Concern' which outlines the directors' assessment in relation to the appropriateness of the going concern basis for the preparation of the financial statements. The matters as set out in Note 1 indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern, and whether it will realise the assets and extinguish its liabilities in the normal course of business, at the amounts stated in the financial report. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the *Material Uncertainty Related to Going Concern* section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Key Audit Matter	How We Addressed the Key Audit Matter
Acquisition of HHI Group	
As disclosed in Note 28 of the financial report, on 16 May 2023 the Group acquired 100% of the voting equity instruments of Health House International Limited. Accounting for business combinations can be complex, requiring the Group to exercise judgement in how the structure and substance of the transaction is treated in accordance with AASB 3 Business Combinations, including the requirement to identify and determine the fair value of the assets and liabilities acquired. Due to the magnitude of the transaction and the significant judgement and complexity involved in accounting for the transaction, this acquisition is considered to be a key audit matter.	Our audit procedures included: • Reviewing the business sale agreement to understand the terms and conditions of the acquisition and evaluating management's accounting thereof and application of the relevant accounting standards; • Comparing the assets and liabilities recognised on acquisition against the executed agreements and the historical financial information of the acquired entity; • Evaluating and challenging the assumptions made and methodology used in management's determination of the fair value of assets and liabilities acquired, including goodwill, and the consideration paid; and • Considering the adequacy of the business combination disclosures and accounting policy in light of the requirements of the Australian Accounting Standards.
Impairment of Intangibles	
At 31 December 2023, the carrying value of intangible assets was $3,595,000 as disclosed in Note 14. Under AASB 136 *Impairment of Assets*, indefinite life assets and assets with indicators of impairment, must be assessed for impairment on an annual basis. Impairment testing requires management to make significant judgements and estimates as part of the assumptions used.	Our audit procedures included: • Obtaining management's assessment of impairment indicators under AASB 136 for each cash generating unit and reviewing the resulting conclusion; • Assessing whether the impairment testing methodology used by the Group meets the requirements of the Australian Accounting Standards;

Key Audit Matter	How We Addressed the Key Audit Matter
Detailed disclosures are contained in Note 14 to the financial report, which includes the related accounting policies and the critical accounting judgements and estimates used to determine whether the carrying value of assets are recoverable. During the year, the Group has impaired a significant portion of intangibles across the Group, which given the significance of the intangible assets, the material amount of the impairment charge recorded and the estimates and judgements exercised when assessing impairment, gives rise to being treated as a key audit matter.	• Assessing whether the cash generating units identified by management are appropriate and consistent with our understanding of the Group's internal reporting and operations; • Evaluating the estimates and judgements, including but not limited to, cash flow forecasts, growth rates and discount rates, used in the Group's valuation models by our internal valuation experts; • Checking the mathematical accuracy of the Group's valuation models; and • Evaluating the adequacy of the impairment disclosures in the financial report, particularly those relating to intangible assets and to judgements and estimates.
Convertible Notes	
As disclosed in note 18 of the financial report, the Group has issued convertible notes during the year. The accounting for convertible notes was considered a key audit matter due to the complexity involved in assessing whether to account for the notes as equity, liability or a combination of both, as well as the subsequent measurement of the individual components, based on the terms and conditions of the agreements. Assessment of whether convertible notes are to be accounted for as equity, liabilities or a combination of both involves significant judgement and a high degree of estimation in determining the fair values of the respective components.	Our audit procedures included: • Obtaining an understanding of the terms and conditions of the convertible note agreements and assessing management's accounting for the convertible note balances; • Agreeing balances to supporting documentation and obtaining confirmations from lenders, as appropriate; • Assessing the classification of each component as debt or equity under AASB 132 *Financial Instruments: Presentation;* • Considering the appropriateness of the valuation methodology used by management against the requirements of the relevant Australian Accounting Standards; • Assessing the reasonableness of the inputs to the valuation with assistance from our internal valuation experts; • Assessing the accounting and measurement of convertible notes subsequent to initial recognition; and • Reviewing the disclosures made within the financial report to ensure they are in accordance with the requirements of AASB 7 *Financial Instruments – Disclosures.*

Key Audit Matter	How We Addressed the Key Audit Matter
Related Party Transactions	
The Group has disclosed related party transactions as required by AASB 124 *Related Party Transactions* in Note 23 of the financial report. The Group has transactions with related parties during the year which includes the issue of shares and options to related parties. There is a risk that these transactions may not have been entered into on an arm's length basis and that the completeness of related party transactions has not been adequately captured and disclosed in the financial statements and has therefore been considered a key audit matter.	Our audit procedures included, amongst others: • Reviewing the documentation supporting related party transactions to gain an understanding of the transactions and assess whether they are at arm's length, are recorded correctly and appropriately disclosed; and • Obtaining the confirmations of related party transactions from all key management personnel and review in line with disclosures to ensure completeness.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Group's Annual Report for the year ended 31 December 2023 but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Other Matter

The financial report of the Group for the year ended 31 December 2022 was audited by another auditor who expressed an unmodified opinion on that financial report on 31 March 2023.

Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
  The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the group as a basis for forming an opinion on the group financial report. We are responsible for the direction, supervision and review of the audit work performed for the purposes of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the remuneration report included in pages 22 to 35 of the directors' report of the directors' report for the year ended 31 December 2023.

In our opinion, the remuneration report of Melodiol Global Health Limited, for the year ended 31 December 2023, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Crowe Audit Australia

Crowe Audit Australia

JHaydon

John Haydon
Senior Partner

28 March 2024
Sydney

Shareholder Information

The shareholder information set out below was applicable as at 1 March 2024.

1. QUOTATION

Listed securities in Melodiol Global Health Limited are quoted on the Australian Securities Exchange under ASX codes ME1 (Fully Paid Ordinary Shares), ME1O (Listed Options), ME1OD (Listed Options) and ME1OE (Listed Options).

2. VOTING RIGHTS

The voting rights attached to the Fully Paid Ordinary shares of the Company are:

(a) at a meeting of members or classes of members each member entitled to vote may vote in person or by proxy or by attorney; and

(b) on a show of hands every person present who is a member has one vote, and on a poll every person present in person or by proxy or attorney has one vote for each ordinary share held.

There are no voting rights attached to any Options, Performance Rights, Performance Shares or Convertible Notes on issue.

3. ON MARKET BUY-BACK

There is no on-market buy back in place.

4. RESTRICTED SECURITIES

There are no restricted securities listed on the Company's register as at 1 March 2024:

5. DISTRIBUTION OF SECURITY HOLDERS

5.1 Fully Paid Ordinary Shares

Shares Range	Holders	Units	%
1 – 1,000	17,624	5,389,677	1.37%
1,001 – 5,000	5,354	13,053,493	3.32%
5,001 – 10,000	1,096	8,189,554	2.08%
10,001 – 100,000	1,899	65,787,248	16.74%
100,001 and above	458	300,576,111	76.48%
Total	**26,431**	**392,996,083**	**100.00%**

On 1 March 2024, there were 25,460 holders of unmarketable parcels of less than 50,000 ordinary shares (based on the closing share price of $0.01).

5.2 Listed ME1O Options exercisable at $5.00 on or before 2 November 2024

Shares Range	Holders	Units	%
1 – 1,000	21,829	4,005,596	10.28%
1,001 – 5,000	1,828	3,904,519	10.02%
5,001 – 10,000	200	1,448,166	3.72%
10,001 – 100,000	223	6,439,863	16.52%
100,001 and above	54	23,183,313	59.47%
Total	**24,134**	**38,981,457**	**100.00%**

Shareholder Information

5.3 Listed ME1OD Options exercisable at $1.60 on or before 31 January 2027

Shares Range	Holders	Units	%
1 – 1,000	1,370	148,419	0.22%
1,001 – 5,000	105	235,089	0.35%
5,001 – 10,000	26	202,369	0.30%
10,001 – 100,000	140	5,996,441	9.01%
100,001 and above	58	59,941,134	90.11%
Total	**1,699**	**66,523,452**	**100.00%**

5.4 Listed ME1OE Options exercisable at $0.12 on or before 13 November 2028

Shares Range	Holders	Units	%
1 – 1,000	1,370	148,419	0.22%
1,001 – 5,000	105	235,089	0.35%
5,001 – 10,000	26	202,369	0.30%
10,001 – 100,000	140	5,996,441	9.01%
100,001 and above	58	59,941,134	90.11%
Total	**1,699**	**66,523,452**	**100.00%**

Shareholder Information

5.5 Unlisted Options

Class	Quantity on Issue	Distribution of Holders
ME1OPT33 Options ($0.78, 23/12/2025)	1,500,000	All the securities in this class are held by: - Bruce Linton <The Linton Family 2040 A/C>
ME1OPT38 Options ($7.60, 14/07/2024)	600,000	All the securities in this class are held by: - Atlantic Capital Holdings Pty Ltd <Atlantic Capital A/C>
ME1OPT39 Options ($3.00, 01/08/2024)	6,000,000	There are 2 security holders holding between 10,001 and 100,000 securities in this class and 1 security holder holding more than 100,001 of securities in this class. The following holder holds more than 20% of securities in this class: - Mr Edward Sugar holds 450,000 securities (75%)
ME1OPT40 Options ($3.60, 01/08/2024)	600,000	There are 2 security holders holding between 10,001 and 100,000 securities in this class and 1 security holder holding more than 100,001 of securities in this class. The following holder holds more than 20% of securities in this class: - Mr Edward Sugar holds 450,000 securities (75%)
ME1OPT41 Options ($3.60, 06/09/2024)	500,000	All the securities in this class are held by: - Noble House Consulting Ltd
ME1OPT42 Options ($5.00, 06/09/2024)	500,000	All the securities in this class are held by: - Noble House Consulting Ltd
ME1OPT43 Options ($2.75, 25/10/2024)	50,000	There are 2 security holders, each holding between 10,001 and 100,000 securities in this class. The following holders hold more than 20% of securities in this class: - Mr Kevin Tansey holds 25,000 securities (50%) - Mr Brett Ayers holds 25,000 securities (50%)
ME1OPT45 Options ($2.80, 12/06/2024)	5,797,079	There are 33 security holders holding between 1,001 and 5,000 securities in this class, there are 3 security holders holding between 5,001 and 10,000 securities in this class, there are 22 security holders holding between 10,001 and 100,000 securities in this class and there are 10 security holders holding more than 100,001 of securities in this class. The following holder holds more than 20% of securities in this class: - Everblu Capital Corporate P/L (46.02%)
ME1OPT48 Options ($8.00, 28/06/2024)	31,312	All the securities in this class are held by: - Mr Antony Samios
ME1OPT49 Options ($26.80, 28/06/2024)	31,312	All the securities in this class are held by: - Mr Antony Samios
ME1OPT50 Options ($40.00, 28/06/2024)	31,312	All the securities in this class are held by: - Mr Antony Samios
ME1OPT51 Options ($53.00, 28/06/2024)	31,312	All the securities in this class are held by: - Mr Antony Samios

Shareholder Information

ME1OPT52 Options ($0.40, 28/06/2025)	82,413	All the securities in this class are held by: - Zelira Therapeutics Limited
ME1OPT53 Options ($7.60, 08/06/2024)	1,399,916	There are 62 security holders holding between 0 and 1,000 securities in this class, there are 95 security holders holding between 1,001 and 5,000 securities in this class, there are 19 security holders holding between 5,001 and 10,000 securities in this class, there are 22 security holders holding between 10,001 and 100,000 securities in this class and there are 3 security holders holding more than 100,001 of securities in this class. No holder holds more than 20% of securities in this class.
ME1OPT54 Options ($0.60, 24/08/2024)	12,953,911	There are 17 security holders holding between 10,001 and 100,000 securities in this class and there are 19 security holders holding more than 100,001 of securities in this class. The following holder holds more than 20% of securities in this class: - Everblu Capital Corporate P/L (51.28%)
ME1OPT55 Options ($0.80, 10/10/2024)	100,000	All the securities in this class are held by: - BKAH Pty Ltd < Quirin Alleaume A/C>
ME1OPT57 Options ($0.44, 16/11/2027)	532,700	There is 1 security holder holding between 5,001 and 10,000 securities in this class, there are 3 security holders holding between 10,001 and 100,000 securities in this class and there are 2 security holders holding more than 100,001 of securities in this class. The following holders hold more than 20% of securities in this class: - Pathways Corp Investments Pty Ltd <The PC Investment A/C> holds 163,888 securities (30.77%) - T Slate Nominees Pty Ltd <Tim Slate Family A/C> holds 137,953 securities (25.90%)
ME1OPT58 Options ($0.80, 30/11/2024)	150,000	All the securities in this class are held by: - Mr Peter Ernest Hatfull

Shareholder Information

5.6 Performance Rights

Class	Quantity on Issue	Distribution of Holders
ME1PERR45 Performance Rights	25,000	All the securities in this class are held by: - Kolby Wayne Tullier & Tracy Theriot Tullier
ME1PERR46 Performance Rights	25,000	All the securities in this class are held by: - Kolby Wayne Tullier & Tracy Theriot Tullier
ME1PERR47 Performance Rights	50,000	All the securities in this class are held by: - Kolby Wayne Tullier & Tracy Theriot Tullier
ME1PERR48 Performance Rights	25,000	All the securities in this class are held by: - Troy Van Biezen
ME1PERR49 Performance Rights	25,000	All the securities in this class are held by: - Troy Van Biezen
ME1PERR50 Performance Rights	50,000	All the securities in this class are held by: - Troy Van Biezen
ME1PERR52 Performance Rights	2,500,000	All the securities in this class are held by: - Noble House Consulting Ltd
ME1PERR54 Performance Rights	1,500,000	All the securities in this class are held by: - Chincherinchee Nominees Pty Ltd

5.7 Performance Shares

Class	Quantity on Issue	Distribution of Holders
ME1PERS2 Performance Shares	150,000	There are 2 security holders, each holding between 10,001 and 100,000 securities in this class. The following holders hold more than 20% of securities in this class: - Mr Kevin Tansey holds 75,000 securities (50%) - Mr Brett Ayers holds 75,000 securities (50%)
ME1PERS3 Performance Shares	150,000	There are 2 security holders, each holding between 10,001 and 100,000 securities in this class. The following holders hold more than 20% of securities in this class: - Mr Kevin Tansey holds 75,000 securities (50%) - Mr Brett Ayers holds 75,000 securities (50%)

Shareholder Information

5.8 Convertible Notes

Class	Quantity on Issue	Distribution of Holders
ME1CON7 Convertible Notes	17,499	All the securities in this class are held by: - SBC Global Investment Fund
ME1CON8 Convertible Notes	8,499	All the securities in this class are held by: - SBC Global Investment Fund

6. TWENTY LARGEST SHAREHOLDERS AS AT 25 MARCH 2024

The following shareholders have provided substantial shareholder notices to the Company as at 1 March 2024:

Name: Jodi Scott
Holder of: 267,393,981 fully paid ordinary shares, representing 5.80% as at 21 November 2023
Notice Received: 21 November 2023

7. TWENTY LARGEST SHAREHOLDERS AS AT 1 MARCH 2024

	Name	Shares Held	%
1	10 BAY STREET PTY LIMITED	26,857,703	6.83%
2	SABA NOMINEES PTY LTD <SABA A/C>	14,186,900	3.61%
3	MR SAMER HILAL & MRS NIDAA HILAL	14,000,000	3.56%
4	JODI SCOTT	13,287,121	3.38%
5	MR MAN CHUN KUNG	6,979,242	1.78%
6	GREGORY DENISE PTY LTD <GREGORY DENISE SUPER A/C>	5,652,391	1.44%
7	BEIRNE TRADING PTY LTD	4,869,792	1.24%
8	ROTHERWOOD ENTERPRISES PTY LTD	4,464,087	1.14%
9	STATE ONE NOMINEES PTY LTD <ACCUMULATION A/C>	4,000,000	1.02%
10	MR PEPPI SCHIANO DICOLA	3,400,000	0.87%
11	7 SCOOPS PTY LTD	3,273,594	0.83%
12	JAMBER INVESTMENTS PTY LTD <THE AMBER SCHWARZ FAM A/C>	3,076,213	0.78%
13	HASNIE4 PTY LTD	3,048,298	0.78%
14	HADDED CONSULTING GROUP PTY LTD <ROBERT HADDED FAMILY A/C>	3,000,000	0.76%
14	HADDED SUPERANNUATION PTY LTD <ROBERT HADDED SUPER A/C>	3,000,000	0.76%
15	SRGG PTY LTD <GIUDICE SUPER A/C>	2,804,160	0.71%
16	EUTHENIA TYCHE PTY LTD	2,700,000	0.69%
17	BNP PARIBAS NOMS PTY LTD	2,693,348	0.69%
18	MR POH SENG TAN	2,600,000	0.66%
19	STRUCTURE INVESTMENTS PTY LTD <ROGERS FAMILY A/C>	2,453,385	0.62%
20	MORSEC NOMINEES PTY LTD <ACCUMULATION ACCOUNT>	2,431,211	0.62%
	Totals	**128,777,445**	**32.77%**

Shareholder Information

8. TWENTY LARGEST LISTED ME1O OPTION HOLDERS AS AT 1 March 2024

	Name	Shares Held	%
1	NANDIL PTY LTD	4,567,600	11.72%
2	MR LEON SPENCER WILLIAM HUNTER	1,522,819	3.91%
3	THIRD PARTY NOMINEES PTY LTD <ACCUMULATION A/C>	1,230,000	3.16%
4	MR PERNA PERERA	1,000,000	2.57%
5	JAMBER INVESTMENTS PTY LTD <THE AMBER SCHWARZ FAM A/C>	839,867	2.15%
6	R AND K JONES SUPERANNUATION PTY LTD <JONES SUPERFUND A/C>	656,433	1.68%
7	ABN AMRO CLEARING SYDNEY NOMINEES PTY LTD <CUSTODIAN A/C>	609,013	1.56%
7	SIX DEGREES GROUP HOLDINGS PTY LTD	609,013	1.56%
7	HIRSCH FINANCIAL PTY LTD	609,013	1.56%
8	CASCADE COMPANY PTY LTD	583,470	1.50%
9	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED-GSCO ECA	545,741	1.40%
10	MR PRADEEP SURANGA BOGAHAWALAGE	524,371	1.35%
11	MR YASHPAL THAKUR	511,397	1.31%
12	MRS VICKI PATRICIA ANN BRIXEY	504,450	1.29%
13	MR GEORGE NITSOS	500,066	1.28%
14	MASTER BLAYNE LAIDLAW	500,050	1.28%
15	MR STACEY HUBERT CARTER	500,000	1.28%
16	BNP PARIBAS NOMS PTY LTD	486,792	1.25%
17	MR ASHRAF ADIEB ABADER GHOBRIAL	462,090	1.19%
18	MR BRANDON MARK LEE	400,000	1.03%
19	SUBURBAN HOLDINGS PTY LTD <THE SUBURBAN SUPER FUND A/C>	345,720	0.89%
20	MR BILL FLEMING <FLEMING FAMILY 2011 A/C>	318,419	0.82%
	Totals	**17,826,324**	**45.73%**

Shareholder Information

9. TWENTY LARGEST LISTED ME1OD OPTION HOLDERS AS AT 1 March 2024

	Name	Shares Held	%
1	EVERBLU CAPITAL CORPORATE P/L	25,472,242	38.29%
2	ATLANTIC CAPITAL HOLDINGS PTY LTD <ATLANTIC CAPITAL A/C>	5,500,955	8.27%
3	EVERBLU CAPITAL PTY LTD	4,807,831	7.23%
4	CPS CAPITAL GROUP PTY LTD	3,327,868	5.00%
5	MR LUCAS GUY HALL	1,524,000	2.29%
6	MR PAUL DUREY	1,338,492	2.01%
7	RIMOYNE PTY LTD	1,024,590	1.54%
8	MR PERNA PERERA	1,000,000	1.50%
9	ORCA CAPITAL GMBH	983,606	1.48%
10	PHEAKES PTY LTD <SENATE A/C>	950,000	1.43%
11	MRS KRISHNA SMIT NAYAK	836,070	1.26%
12	ACHIEVEMENT NOMINEES PTY LTD	676,229	1.02%
13	CELTIC CAPITAL PTY LTD <THE CELTIC CAPITAL A/C>	617,922	0.93%
14	MR SMIT DIPAKKUMAR NAYAK	550,211	0.83%
15	MR MARC LOUIS GILCHRIST	544,886	0.82%
16	MR SUSHIL KUMAR MAINALI	526,000	0.79%
17	JAMBER INVESTMENTS PTY LTD <THE AMBER SCHWARZ FAM A/C>	500,000	0.75%
18	CHIFLEY PORTFOLIOS PTY LTD <DAVID HANNON RET FUND A/C>	498,007	0.75%
18	CHINCHERINCHEE NOMINEES PTY LTD	498,007	0.75%
18	DRH SUPERANNUATION PTY LTD <DRH SUPERANNUATION NO 2 A/C>	498,007	0.75%
19	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED-GSCO ECA	440,179	0.66%
20	MR JOHN WALTERS & MS BERNADETTE PARKER	374,400	0.56%
	Totals	**52,489,502**	**78.90%**

Shareholder Information

10. TWENTY LARGEST LISTED ME1OE OPTION HOLDERS AS AT 1 March 2024

	Name	Shares Held	%
1	JODI SCOTT	551,924	5.98%
2	HASNIE4 PTY LTD	222,414	2.41%
3	JAMBER INVESTMENTS PTY LTD <THE AMBER SCHWARZ FAM A/C>	153,810	1.67%
4	ROBERT LEE-STEERE AUSTRALIA PTY LTD	140,335	1.52%
5	MR HIMANSHU GUPTA & MRS NIDHI GUPTA	132,518	1.44%
6	SBC GLOBAL INVESTMENT FUND	124,391	1.35%
7	MR GARY BENJAMIN MUNN	107,550	1.16%
8	SOIRHU PTY LTD <THE BRAGG MCDONALD A/C>	107,500	1.16%
9	MR RICHARD GUY DARLING	105,000	1.14%
10	NOBLE HOUSE CONSULTING LTD	100,000	1.08%
11	ALM EQUITY'S PTY LTD	98,853	1.07%
12	BNP PARIBAS NOMS PTY LTD	92,783	1.00%
13	MR POH SENG TAN	82,500	0.89%
14	MR PEPPI SCHIANO DICOLA	80,000	0.87%
15	CITICORP NOMINEES PTY LIMITED	79,039	0.86%
16	JENNIFER SCOTT	72,579	0.79%
17	MERRILL LYNCH (AUSTRALIA) NOMINEES PTY LIMITED	69,718	0.75%
18	KATHY SCOTT	67,792	0.73%
19	ATLANTIC CAPITAL HOLDINGS PTY LTD <ATLANTIC CAPITAL A/C>	57,299	0.62%
20	MR CRAIG JOSEPH CRIDDLE	54,665	0.59%
	Totals	**2,500,670**	**27.08%**