

31 July 2023

Quarterly Activities Report: Record Revenues for Melodiol

Highlights:

- **Unaudited net sales for the combined Melodiol group of \$4.74m – 105% gain on last quarter and a 202% increase on the PCP**
- **Q2 sales take H1 CY23 net sales to \$7.06m – a 64% uplift on H1 CY22 (H1 CY22: \$4.31m)**
- **Acquisition of Health House International (HHI) completed - HHI generated combined currency-adjusted unaudited revenues of \$11.04m with an unaudited adjusted EBITDA margin in operating units for the period of 7.4% from January 2023 to 30 June 2023**
- **Net cash used in operating activities totalled \$2,378,000 - improved significantly on the last quarter by 43%**
- **Mernova continued to pursue multiple growth initiatives, including ongoing expansion of its Canadian footprint and EU GMP licencing to fast track international cannabis exports**
- **Letter of Intent (LOI) secured to enter an exclusive commercial relationship with Apotheke Dr. Hysek AG, a leading Swiss pharmaceutical company, for the supply of GMP MDMA and synthetic psilocybin products to the Australian market**
- **Through its wholly owned Australian subsidiary HHI, Melodiol holds the necessary import licences for the Australian market and will provide the support infrastructure to import, warehouse and distribute the products throughout Australia – additional import permits to be pursued shortly**
- **Promising early results from Halucenex's Phase II clinical trial to test the efficacy of psilocybin on treatment-resistant Post Traumatic Stress Disorder (PTSD) with first 10% of trial patients experiencing total remission from depression and PTSD symptoms after the first macro-dose**

Melodiol Global Health Limited (ASX:ME1, FRA:1X8) ('Melodiol' or 'the Company') is pleased to provide the following report on progress for the three month period ended 30 June 2023 (the 'quarter'), which is accompanied by the Company's Appendix 4C. All financial results are in Australian dollars (unless otherwise stated) and unaudited.

Management commentary:

Chief Executive Officer Mr William Lay said: *“Melodiol has delivered another quarter of strong revenue growth, as well as a considerable reduction in net cash used in operating activities. These financial results reiterate the Company’s ongoing strategy and validate the recent optimisation initiatives undertaken across the business.*

“We anticipate revenue growth to continue over the near term as we continue to streamline our operating divisions and continue to implement Health House International into the broader Melodiol group.

“The acquisition of HHI has provided Melodiol with a number of key opportunities, particularly around the Australian and European markets which can be leveraged to unlock significant value for shareholders over the coming months. I look forward to providing additional updates over the coming months.”

Financial and corporate overview:

Financial performance:

For the June quarter, Melodiol reported preliminary net sales of A\$4.74m, up 105% from the previous quarter (A\$2.32m) and 202% higher than the prior year comparative period (A\$1.57m). This takes unaudited sales for the first half of CY23 to \$7.05m, which marks a 64% uplift on H1 CY22 (A\$4.31m).

In addition, Melodiol continued to focus on a program to reduce operating costs without affecting growth. Net cash used in operating activities totalled \$2,378,000, which predominately encompassed product and manufacturing, staff costs and administrative expenses. Pleasingly, net cash used in operating activities reduced significantly on the last quarter by 43%. The Company will continue to maintain its focus on cost control over the coming quarters.

At quarter end, Melodiol had cash at bank of \$1,057,000. Payments to related parties and their associates as detailed in section six of the Appendix 4C relate to Directors Fees (\$263,000), Loan repayment (\$1,000) and other services (\$145,000).

Completion of Health House International Limited acquisition:

Melodiol completed the acquisition of Health House International Limited (“Health House” or “HHI”) during the quarter. Completion of the acquisition followed approval from the Supreme Court of Western Australia, which made orders on 4 May 2023 approving the scheme of arrangement pursuant to which Melodiol acquired 100% of the shares in Health House.

The acquisition provides Melodiol with another revenue generating business unit, as well as operations focused on the international distribution of medicinal cannabis and a number of strategic licenses to store, distribute, import, export and for the sale of controlled drugs. HHI has also formally lodged applications in Australia for state licence amendments to import and distribute medicines containing psilocybin and MDMA for

either clinical trial purposes or certain mental health conditions under authorised psychiatrists. This provides Melodiol with another potential pathway to unlock value in the growing Australian psychedelics industry.

Capital raise and debt to equity conversions:

During the period, Melodiol secured firm commitments from institutional, professional and sophisticated investors to raise \$2.5m million (before costs) through the issue of 204,918,033 new fully paid ordinary shares ("Shares") at an issue price of \$0.0122 per Share (the "Placement"). Participants in the Placement will also be issued one free attaching listed CPHOD option which has an exercise price of \$0.08 and is valid until 31 January 2027 ("Placement Option"). The Placement Options will be subject to shareholder approval and will be issued within four months of completion of the Placement.

The Company notes that approximately \$875,000 of funds remain outstanding from the Placement. \$525,000 of the outstanding amount is expected to be received by Atlantic Capital Holdings Pty Ltd following shareholder approval of their participation. The Company expects to receive the remaining \$350,000 by 31 August 2023.

The Company also completed the Second Purchase of the Convertible Note Facility with SBC Global Investment Fund ("SBC"), issuing 800,000 Convertible Notes, and receiving \$400,000 in cash (with the balance offset against amounts owing to SBC). The Company also repaid a portion of the First Purchase Convertible Notes held by SBC (plus interest) by the issue of equity under amortisation payments over the period. Refer to ASX announcements dated 24 May 2023 and 14 June 2023 for full details.

As well, the Company converted a number of additional liabilities to equity, agreed to repay convertible notes to Obsidian Global GP, LLC ("Obsidian"), agreed in principle to extend its existing Secured Notes with investors and agreed to extend the maturity date of existing debt with La Plata. In consideration for the La Plata extension, the Company agreed to acquire a US\$900,000 interest in La Plata's secured loan to Abby and Finn LLC ("A&F") for US\$900,000 of secured notes. Full details are included in the Company's ASX announcements dated 19 May 2023 and 14 June 2023.

LOI – Abby and Finn, LLC:

The Company notes that its previously announced LOI (refer to announcement on 27 January 2023) with Abby and Finn, LLC ("A&F") has lapsed and the Company does not anticipate completing the acquisition via the consideration described in the previous LOI. The Company continues to explore other methods of effecting a form of transaction with A&F, most notably via the Company's ownership of all of A&F's senior secured debt. The Company will provide further updates in due course.

Change of company name and ASX code:

At the Company's 2023 Annual General Meeting, a resolution was passed by shareholders to change the Company's name from Creso Pharma Limited to Melodiol Global Health Limited (refer ASX Announcements: 31 May 2023 and 13 June 2023).

The new name reflects the Company's ongoing commitment to supplying best-in-class psychedelic, cannabis and other plant-based products to better the lives of people and animals. The name change was formally recorded by the Australian Securities and Investment Commission (ASIC) and took effect on the ASX from the commencement of trading on 13 June 2023, with the ASX Listing Code also changing from 'CPH' to 'MEI'.

Operational overview:

Mernova Medicinal Inc. – Cannabis cultivation and sales division:

Mernova continued to advance its growth trajectory, delivering pleasing revenue growth through its established provincial partners. The division also expanded its Canadian footprint, following registration approval to become a Cannabis Representative in the province, awarded by the Alberta Gaming, Liquor and Cannabis Commission (AGLC). The AGLC is an agency of the government of Alberta that regulates alcoholic beverages, recreational cannabis and gaming-related activities. The new market entry highlights the eighth province that Mernova has expanded into since inception and another potentially lucrative sales channel.

The group also entered into a consulting agreement with leading North American regulatory and scientific cannabis consulting agency, CannDelta Inc. to map the European Good Manufacturing Practice licensing process for its Canadian manufacturing facility in Nova Scotia.

An EU GMP license would allow the Company to considerably broaden its international footprint and unlock multiple new large markets, which provide significantly higher margin opportunities.

CannDelta has offices in New York, Hackensack, New Jersey and Toronto and is focused on bringing innovation to the cannabis, psychedelic and pharmaceutical industries. The group assists companies with consulting services around licencing, business plans, strategy, operational support and ongoing compliance.

The potential European and Australian market entries provide another lucrative opportunity for Melodiol and have the potential to increase sales volumes and gross margins due to cannabis sales in Australia being generally higher than Canada. The Company continues to make progress alongside CannDelta (refer ASX announcement: 26 July 2023) and anticipates licence approval by Q1 FY2024.

Health House International - specialist medicinal cannabis and psychedelics treatments distributor:

Melodiol has already witnessed the benefits from its acquisition of HHI, highlighted by a Letter of Intent (LIO) with Swiss-based pharmacy Apotheke Dr. Hysek AG, to enter an exclusive commercial partnership for the import and distribution of authorised MDMA and psilocybin products into Australia. Under the LOI, it is proposed that Melodiol will provide the infrastructure to import, warehouse and distribute the products through HHI, which currently holds the necessary import licences for the Australian market.

Located in Biel, Switzerland, Apotheke Dr. Hysek AG is a GMP certified medication production facility which manufactures MDMA, synthetic psilocybin, and LSD under Pharma GMP conditions and with authorisation by Swiss medicine agency (Swissmedic) and the Federal Office of Public Health (FOPH).

Founded by Swiss pharmacist Dr Cedric Hysek, the facility employs around 25 people and supplies controlled substances for clinical studies and limited use in patients to universities, physicians, and selected companies. Products are distributed in accordance with Good Distribution Practice (GDP) standards to the relevant license holders. Dr Hysek also collaborates with Dr Matthias Liechti, a professor at University Hospital Basel. Dr Liechti has been involved with the Swiss limited-use program for psychedelics since its inception in 2015. Dr. Liechti works closely with the FOPH, which is responsible for issuing exemption permits for the medical use of psychedelics. He works on drug interactions and consults directly to physicians in this area.

The Agreement follows the February 2023 decision by the Therapeutic Goods Administration (TGA) which stipulated that medicines containing psilocybin and MDMA can be prescribed by specifically authorised psychiatrists for the treatment of certain mental health conditions from 1 July 2023.

Melodiol will seek to leverage HHI's existing operations to commence the importation process at the appropriate time. HHI currently has two relevant licences in place in line with the TGA guidelines, which include a Wholesale and manufacturer licences, covering Schedule 2, 3, 4 and 8 poisons and a Schedule 9 Licence, which covers MDMA and Psilocybin.

Wholly-owned US subsidiary, Sierra Sage Herbs ("SSH"):

SSH has generated revenue of \$965,571 for the half year period ended 30 June 2023, which has boosted the overall Group revenue growth.

During the period, SSH continued to build its US footprint, launched a new product range, as well as expanded its distribution partnership with global e-commerce marketplace Groupon, that connects shoppers with merchants through group voucher discounts and promotions.

SSH has expanded its range of all-natural, health and wellness products and plans to launch a range of functional mushroom offerings, which will be sold under the Lucenex range. The products have been developed in collaboration with Melodiol's wholly-owned psychedelics subsidiary, Halucenex Life Sciences Inc., combining the group's knowledge of mushrooms and SSH's botanical expertise.

SSH also extended its agreement with Groupon, which will see the group range 22 SKUs from the Company's Good Goo and Southern Butter ranges. The expansion provides SSH with another strategic distribution partner as it continues to establish market share for its range of plant-based products in the USA, Canada and international markets.

The extended agreement follows an initial distribution partnership in 2021 with Groupon Goods, Inc, pursuant to which SSH is entitled to offer certain of its products for sale on the Groupon Platform, in consideration for fees paid on a commission per transaction-based model.

Groupon's user base comprises ~22m active customers globally, and generates around 100m visitor sessions per month across mobile applications and website. During CY2022, the Groupon platform facilitated US\$1.8bn of transactions, and generated full-year revenues of US\$600m. The partnership provides a channel for the SSH brand suite to reach a significantly larger audience, with daily deals and limited-time offers.

Halucenex Life Sciences – Wholly-owned psychedelics operation:

Halucenex continued to progress its Phase II clinical trial to test the use of psilocybin on treatment resistant PTSD and reported promising results during the quarter. Initial results from the first 10% of trial patients highlighted that these participants have experienced a total remission from depression and PTSD symptoms following their first macro-dose. Further review of initial data has found that two psilocybin doses (one micro dose and one macro dose) spread one week apart leads to a marked decrease of PTSD symptoms in patients with severe treatment-resistant PTSD. As well, patients noted an improvement in sleep, reduced cravings for THC during the day time and for sleep, reduced junk food cravings, improvements in blood pressure readings and social improvement. A full summary of the results can be found in the Company's ASX announcement dated 5 May 2023.

As well, the division secured approval for a Clinical Trial Amendment to include a larger window for pre-screening, approval for Halucenex's Chief Science Officer to prepare doses without a compounding pharmacist and the ability to spread each patient's seventh visit over 1-3 days.

Corporate:

Variation to Executive Services Agreement

The Company announced the key terms of appointment of Mr William Lay, the Company's Chief Executive Officer, on 17 January 2022. During the Quarter, the Company extended the termination period of Mr Lay from 2 months to 6 months, to offer the Company greater stability within its executive management team. All other material terms remain as previously announced.

Extension of Corporate Advisor Mandates

Further to its announcements dated 21 January 2020, 26 March 2021, and 2 September 2022 the Company would also like to advise that it has entered a Deed of Variation to its Corporate Advisory and Transaction Mandates with Everblu Capital Corporate Pty Ltd ("Deed"). Adam Blumenthal is a former Director of the Company and is also a director of Everblu Capital Corporate Pty Ltd. This Variation Deed extends the term of both the Corporate Advisory and Transaction Mandates through 31 December 2025.

The Deed does not change the notice period for the termination of the Corporate Advisory and Transaction Mandates, which remains 12 months.

-Ends-

Authority and Contact Details

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

For further information, please contact:

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About Melodiol

Melodiol Global Health Limited (ASX:MEI) brings the best of cannabis and other plant-based products to better the lives of people and animals. Melodiol strives for the highest quality in its products. It develops cannabis, hemp-derived and other plant based therapeutic, nutraceutical, and lifestyle products with wide consumer reach.

To learn more please visit: <https://melodiolglobalhealth.com/>

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Forward Looking statements

This announcement contains forward-looking statements with respect to Melodiol and its respective operations, strategy, investments, financial performance and condition. These statements generally can be identified by use of forward-looking words such as "may", "will", "expect", "estimate", "anticipate", "intends", "believe" or "continue" or the negative thereof or similar variations. The actual results and performance of Melodiol could differ materially from those expressed or implied by such statements. Such statements are qualified in their entirety by the inherent risks and uncertainties surrounding future expectations. Some important factors that could cause actual results to differ materially from expectations include, among other things, general economic and market factors, competition and government regulation.

The cautionary statements qualify all forward-looking statements attributable to Melodiol and persons acting on its behalf. Unless otherwise stated, all forward-looking statements speak only as of the date of this announcement and Melodiol has no obligation to up-date such statements, except to the extent required by applicable laws.

Appendix 4C

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

Name of entity

Melodiol Global Health Limited

ABN

89 609 406 911

Quarter ended ("current quarter")

30 June 2023

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	5,142	7,733
1.2 Payments for		
(a) research and development	(100)	(109)
(b) product manufacturing and operating costs	(3,266)	(4,680)
(c) advertising and marketing	(98)	(367)
(d) leased assets	-	-
(e) staff costs	(2,932)	(5,298)
(f) administration and corporate costs	(1,125)	(3,752)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	5	5
1.5 Interest and other costs of finance paid	-	(62)
1.6 Income taxes paid	-	-
1.7 Government grants and refunds	(4)	(40)
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(2,378)	(6,569)
Note:		
During the quarter and the year to date, the Company issued shares in lieu of cash payments for debts outstanding comprising:	361,553,832 shares	453,873,147 shares
Deemed value in lieu of cash	3,695	5,353

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
2.	Cash flows from investing activities		
2.1	Payments to acquire:		
	(a) entities	-	-
	(b) businesses	655	103
	(c) property, plant and equipment	(8)	(8)
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	-	-
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (Cash received on acquisition)	-	-
2.6	Net cash from / (used in) investing activities	647	95

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	1,249	2,886
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	(470)	(608)
3.5	Proceeds from borrowings	1,066	6,167
3.6	Repayment of borrowings	(37)	(1,425)
3.7	Transaction costs related to loans and borrowings	(8)	(761)
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	Net cash from / (used in) financing activities	1,800	6,259

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	1,069	1,349
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(2,378)	(6,569)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	648	95
4.4	Net cash from / (used in) financing activities (item 3.10 above)	1,800	6,259
4.5	Effect of movement in exchange rates on cash held	(81)	(77)
4.6	Cash and cash equivalents at end of period	1,057	1,057

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	1,057	1,069
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	1,057	1,069

6.	Payments to related parties of the entity and their associates	Current quarter \$A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	409
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-

Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments

Payments made to related parties and their associates comprise:	\$A'000
- Directors fees	263
- Loan Repayment	1
- Other services	145
Aggregate amount as above	409

7. Financing facilities

Note: the term "facility" includes all forms of financing arrangements available to the entity.

Add notes as necessary for an understanding of the sources of finance available to the entity.

	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
7.1 Secured Loan facilities	-	-
Unsecured Loan facilities	3,575	3,025
7.2 Credit standby arrangements	-	-
7.3 Other (details below)	351	-
7.4 Total financing facilities	3.926	3,025

7.5 Unused financing facilities available at quarter end

901

7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.

7.1 Unsecured Loan Facilities

Convertible securities agreement with SBC

Total Facility: \$2,500,000

Drawn down: \$2,500,000

Implied interest rate: 8%

Purchase date: 13 March 2023

Maturity date: 12 December 2023

Further details per ASX announcement 6 March 2023.

Atlantic Capital Holdings Pty Ltd

Total Facility: \$900,000

Drawn Down: \$375,000

Interest free.

Subject to shareholder approval, the full facility will be drawn down and converted to shares at \$0.0122 cps, the price per the capital raising in May 2023. Further details per ASX Announcement 19 May 2023.

Loan will become repayable if shareholder approval is not obtained within 4 months of the May placement.

Nandil Pty Ltd

Total Facility: \$175,000

Drawn Down: \$150,000

Repayment date: 1 October 2023

Interest payable on settlement: 20%

Implied interest rate: 80%pa

Fee payable on settlement: \$100,000

7.3 Other Financing Facilities

\$350,900 receivable from an investor in the capital raising in May 2023

To be converted upon receipt to shares at \$0.0122 cps.

Further details per ASX Announcement 19 May 2023.

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (Item 1.9)	(2,378)
8.2 Cash and cash equivalents at quarter end (Item 4.6)	1,057
8.3 Unused finance facilities available at quarter end (Item 7.5)	901
8.4 Total available funding (Item 8.2 + Item 8.3)	1,958
8.5 Estimated quarters of funding available (Item 8.4 divided by Item 8.1)	0.8

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

1. Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?

Answer: No. Overall revenues are expected to increase in the coming months which, coupled with on-going reductions in operating costs, is expected to result in improved net operating cashflow. This is evidenced by the decrease in cash outflows between quarter 1 and quarter 2.

2. Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

Answer:
Yes. As announced to the market on 16 May 2023, in response to a financial condition query from the ASX, the Company has demonstrated that it has various avenues by which it can draw down further capital, including via non-dilutionary debt, and a track record of utilising these various avenues when required. In the near term the Company will consider and take steps to secure additional funding with the goal of maximising shareholder value.

3. Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Yes, through a combination of actions 1 and 2 noted above.

Compliance statement

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

Date: 31 July 2023

Authorised by: The Board of Directors

(Name of body or officer authorising release – see note 4)

Notes

- This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
- If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been

prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.

3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.