

2025



Hfx No.

IN THE MATTER OF the *Companies' Creditors Arrangement Act*, RSC 1985, c C-36, as amended
AND IN THE MATTER OF an application by Mernova Medicinal Inc. and Creso Canada Limited
(collectively, the "**Applicants**") for relief under section 11 of the CCAA and other relief

AFFIDAVIT OF MICHELINE MACKAY

I, Micheline MacKay, of the City of Windsor Forks, in the Province of Nova Scotia, make oath and give evidence as follows:

1. I am the Chief Executive Officer and Managing Director of Mernova Medicinal Inc. ("**Mernova**") and the sole director of Creso Canada Limited. ("**Creso**" and together with Mernova, the "**Applicants**"). As such, I have personal knowledge of the matters deposed to in this Affidavit, except where stated to be based on information and belief, in which case, I verily believe the same to be true.
2. I state in this Affidavit the source of any information that is not based on my own personal knowledge, and I state my belief of the source.
3. I have reviewed the business records maintained by the Applicants in respect of the matters at issue, which I verily believe were made in the ordinary and usual course of business, and where I do not have direct personal knowledge of the matters deposed to herein, unless otherwise identified, my knowledge is derived from my review of the business records of Mernova and Creso, relevant copies of which are attached to this Affidavit.
4. I am authorized to swear this Affidavit on behalf of the Applicants.

I. RELIEF SOUGHT

5. The Applicants need to seek protection under the *Companies' Creditors Arrangement Act*, RSC 1985, c C-36, as amended (the "**CCAA**" and these proceedings, the "**CCAA Proceedings**") largely as a result of the insolvency of Melodiol Global Health Limited ("**Melodiol**"), the Applicants' parent company, the resulting demands on guarantees provided by Mernova to Melodiol's secured creditors (which is described in more detail

below), the corresponding cash flow constraints, and to preserve the significant value associated with Mernova's operations on a going-concern basis despite the foregoing.

6. This Affidavit is sworn in support of the foregoing application (the "**Application**") for an initial order (the "**Initial Order**") pursuant to the CCAA.
7. The Applicants are seeking approval of the Initial Order substantially in the form attached to the Notice of Application as Schedule "A" for, *inter alia*, the following relief:
 - (a) declaring service of the Application and supporting materials good and sufficient and, if necessary, abridging time for notice of the Application to the time actually given;
 - (b) declaring that the Applicants are companies to which the CCAA applies;
 - (c) authorizing the Applicants to remain in possession and control of their current and future assets, undertakings, and properties of every nature and kind whatsoever, and wherever situate including all proceeds thereof (the "**Property**") and to continue to carry on business in a manner consistent with the preservation of their business (the "**Business**") and Property;
 - (d) authorizing the Applicants to continue utilizing their cash management system described in further detail at paragraphs 51 to 55 herein (the "**Cash Management System**");
 - (e) authorizing the Applicants to pay their reasonable expenses incurred in carrying out their business in the ordinary course, including certain expenses incurred prior to the date of the Initial Order;
 - (f) staying, for an initial period of not more than 10 days (the "**Stay Period**") all proceedings, rights, and remedies against or in respect of the Applicants or their Business or Property, the Applicants' directors, to the extent the directors have secured the obligations of the Applicants, or the Proposed Monitor (defined below), except as otherwise set forth in the Initial Order or otherwise permitted by law;
 - (g) restraining any Person (as defined in the Initial Order) from accelerating performance of any rights in respect of the Applicants, except with the written

consent of the Applicants and the Monitor (defined below), or leave of this Honourable Court;

- (h) restraining any Person from interfering with the supply of goods or services to Mernova;
 - (i) appointing Grant Thornton Limited, as the monitor (the “**Proposed Monitor**”, and if appointed, the “**Monitor**”) of the Applicants in these CCAA Proceedings;
 - (j) authorizing the Applicants to pay the reasonable fees and disbursements of the Monitor and its counsel and the Applicants’ professional advisors and legal advisors incurred before and after the date of the Initial Order;
 - (k) granting an administration charge (the “**Administration Charge**”) in an initial amount not exceeding the amount of \$100,000 as security for the professional fees and disbursements of the Monitor, counsel for the Monitor, and counsel for the Applicants, incurred both before and after the approval of the Initial Order;
 - (l) granting a directors’ and officers’ charge (the “**D&O Charge**”) in an initial amount not exceeding the amount of \$150,000 as security for the liabilities to which the Applicants’ directors and officers may be exposed after the commencement of these CCAA Proceedings, except to the extent any obligation was incurred as a result of any director or officer’s gross negligence or wilful misconduct; and
 - (m) directing a further hearing within ten days, pursuant to the CCAA, for an amended and restated initial order (the “**ARIO**”) and other additional relief (collectively, the “**Comeback Application**”).
8. For the reasons set out herein, I verily believe that the Applicants are insolvent on a cash flow and balance sheet basis and the Applicants are companies to which the CCAA applies.

II. OVERVIEW OF THE APPLICANTS

9. The Applicants are in the business of cultivation, processing, and wholesale recreational and medical distribution of cannabis.

10. Mernova is a corporation registered pursuant to the laws in Nova Scotia, with its registered head office in Windsor, Nova Scotia.
11. Attached hereto and marked as **Exhibit “A”** is a true copy of the Nova Scotia Corporate Registry search for ‘Mernova Medicinal Inc.’, dated March 10, 2025.
12. Mernova is a licensed producer and holds licenses from Health Canada to cultivate, produce, process, and sell cannabis and another license to conduct research testing, as well as a cannabis excise licence (the “**Excise Licence**”) from Canada Revenue Agency (the “**CRA**”). Mernova owns and operates a fully licensed cannabis cultivation facility in Nova Scotia, Canada and sells cannabis products to the medicinal and retail cannabis markets.
13. Creso is a corporation incorporated pursuant to the *Canada Business Corporations Act*, with its registered head office in Windsor, Nova Scotia.
14. Attached hereto and marked as **Exhibit “B”** is a true copy of the Federal Corporate Registry search for Creso, dated April 3, 2025.
15. Mernova is wholly-owned by Creso, who was incorporated solely to acquire Mernova. Aside from the shares of Mernova, Creso holds no other assets.
16. Creso is wholly-owned by Melodiol. Melodiol is an Australian corporation, which was publicly traded on the Australian Stock Exchange (the “**ASX**”) prior to entering administration proceedings (as discussed below).
17. Attached hereto and marked as **Exhibit “C”** is a true copy of the Applicants’ current organizational chart.
18. On December 3, 2024, Melodiol initiated voluntary administration proceedings in Australia. WA Insolvency Solutions was appointed as Administrator of Melodiol (the “**Administrator**”). I am informed by William Lay, previous Chief Executive Officer of Melodiol, and do verily believe the Administrator has indicated that it does not have authority over the Applicants and does not intend to participate in this process.

III. URGENT NEED FOR RELIEF

19. The Applicants are insolvent. They face an unsustainable liquidity crisis, increased pressure from their secured creditors and are in urgent need of relief under the CCAA largely as a result of Melodiol's defaults to its creditors and its resulting insolvency.
20. In addition, the cannabis industry is nascent, highly regulated and has experienced a number of rapid changes since legalization in 2018. The uncertainty of these changes has created an array of challenges for companies in the industry, including difficulties in obtaining adequate investment and financing to adequately scale operations and capital expenditures.
21. In recent years, the Applicants have suffered losses due to, among other things, the following which have been exacerbated by the Melodiol defaults and insolvency:
 - (a) intense competition and an over-supply of cannabis products leading to significant price compression and the sale of inventory at a loss;
 - (b) the impact of the illicit supply of cannabis, including illegal dispensaries and black market suppliers;
 - (c) the burdensome costs associated with the regulatory regime in the industry, including, without limitation, the annual regulatory fees payable in the amount of 2.3% of Mernova's annual gross revenue;
 - (d) the significant amount of capital required to successfully develop and generate revenue from new products;
 - (e) the changing capital market investor sentiment driving public investment away from the cannabis sector, forcing the Applicants to seek more expensive forms of financing;
 - (f) higher interest rates leading to investors demanding increased rates of return in excess of returns that the Applicants are able to provide; and
 - (g) the high cost of excise duties for cannabis products issued by the CRA.

22. The Applicants believe that significant value remains to their stakeholders if they are able to implement a restructuring in the stable and controlled environment provided for under the CCAA, all with the oversight and input from the Monitor.
23. Due to their financial difficulty and on-going liquidity constraints, the Applicants require the time and stability provided by the CCAA to implement a restructuring that will maximize the recovery for their creditors.
24. In consultation with their advisors and stakeholders, the Applicants have determined that the best path forward for all stakeholders is a restructuring plan that involves implementation of a Court-approved sales and investment solicitation process (the “**SISP**”) in respect of the assets and/or shares of Mernova.
25. Mernova’s senior secured lender, Briant Nominees Pty Ltd. (“**Briant**”), and its fulcrum creditor, La Plata Capital, LLC (“**La Plata**”), are both supportive of the Applicants seeking protection and running a SISP under the CCAA for the purposes of maximizing the recovery for their stakeholders.

IV. OVERVIEW OF MERNOVA’S OPERATIONS

A. The Facility

26. Mernova owns and operates a 24,000 square-foot cannabis cultivation, processing and distribution facility on 10 acres of land located municipally at 50 Ivey Lane in Windsor, Nova Scotia (the “**Facility**”)
27. Attached hereto and marked as **Exhibit “D”** is a true copy of the Nova Scotia *Land Registration Act* search for Parcel Identification 45395514 obtained on April 8, 2025.
28. Attached hereto and marked as **Exhibit “E”** is a true copy of the Nova Scotia *Land Registration Act* search for Parcel Identification 45018595 obtained on April 8, 2025.
29. Mernova conducts its head office functions primarily out of the Facility.

B. The Licenses

30. The activities of the Applicants are subject to regulation by various government authorities including Health Canada and CRA. The Applicants’ ability to produce, store and sell cannabis depends on their Health Canada Licenses (as defined below) and Excise

Licence being in good standing and the Applicants have incurred significant cost to maintain compliance with these licenses.

31. Mernova holds a cannabis license from Health Canada issued under the *Cannabis Act*, SC 2018, c 16 (the “**Cannabis Act**”) to cultivate, produce, possess and sell cannabis products, including medical cannabis products, as well as a cannabis research licence (collectively, the “**Health Canada Licenses**”). The majority of the Health Canada Licenses expire on February 2, 2028 with the cannabis research licence expiring on January 18, 2030 (the “**Research License**”).
32. Attached hereto as **Exhibit “F”** is a true copy of the Health Canada Licenses.
33. Attached hereto as **Exhibit “G”** is a true copy of the Research License.
34. Mernova also holds an excise license (the “**Excise License**” and together with the Health Canada Licenses, the “**Licenses**”) to sell cannabis products under the *Excise Act, 2001*, SC 2002, c 22 (the “**Excise Act**”).
35. Attached hereto as **Exhibit “H”** is a true copy of the Excise License. The Excise License expires on February 2, 2028.
36. The Health Canada Licenses and the Excise License are critical to Mernova’s overall operations as they cannot legally operate without them and would be forced to cease operations if the status of either of those Licenses is rescinded, revoked or altered. The Licenses are either non-transferable or else only transferable by, in effect, making a new application for a license or selling the company holding the License.

C. Employees

37. As of the date of filing, Mernova employs 33 full time employees, 2 part-time employees and 5 casual employees. Creso does not have any employees.
38. Employees are paid biweekly. Mernova is current on all payments to employees, including statutory remittances to CRA.
39. None of the employees are unionized or otherwise subject to a collective bargaining agreement in connection with their employment with Mernova.

- 40. Mernova does not sponsor, administer, or otherwise have any registered or unregistered pension plans for any Canadian employees.
- 41. Mernova provides a standard group benefit plan to their employees that covers extended health care, dental care, life insurance, and accidental death and dismemberment insurance, as well as long term disability insurance to management and administrative employees.

D. Key Suppliers

- 42. Mernova relies on a number of vendors and third party suppliers to operate the Business. These suppliers or third parties provide cannabis growth inputs, lab services, and shipping services, among other things. Any interruption of service from these suppliers, including because of any pre-filing unpaid amounts, would prevent the Applicants from operating in the ordinary course in general and reduce Mernova's ability to meet its production capacity targets.
- 43. Mernova needs to ensure the continued availability of these materials in order to maintain its operations and in order to maximize value for its assets and operations under the proposed SISP. This may require that certain pre-filing amounts owed to these suppliers will have to be paid, with approval of the Monitor, to ensure an uninterrupted supply of critical and necessary materials.
- 44. Mernova is not current on all of its supplier contracts and owes approximately \$607,277.89 to trade creditors and service providers as of April 4, 2025. It continues to attempt to negotiate for more favourable payment terms to secure continued services from its suppliers.

(1) *Input Supplies*

- 45. Mernova relies heavily on continued supply of growth inputs to support the continued cultivation of various cannabis plants. These inputs include CO₂, agricultural chemicals, pesticides, biological controls, pollinators, commercial fertilizers, compost, sanitizers and non-chemical food agents, among others (collectively, the "**Inputs**").
- 46. As of April 4, 2025, Mernova owes approximately \$103,878.57 to its suppliers for Inputs.

(2) Distribution Contracts

47. Mernova relies heavily on its contracts with transportation and shipping providers and third-party warehouse and distribution companies to facilitate the distribution of cannabis products within Nova Scotia and into the other 10 provinces and territories.
48. As of April 4, 2025, Mernova owes approximately \$13,433.44 to its transportation and shipping providers.

E. Key Customers

49. Mernova currently sells finished cannabis products to various provincial and private distributors including in Nova Scotia, New Brunswick, Newfoundland & Labrador, Prince Edward Island, Manitoba, Saskatchewan, Ontario, Alberta, Nunavut, Northwest Territories, and Yukon.
50. Mernova also sells: (a) finished cannabis products into the medical market indirectly through sales agreements with other licensed cannabis producers; these distributors include Mendo Medical Cannabis, Optimus Cannabis, and JANrx Medicinal Cannabis; and (b) bulk cannabis to other licensed cannabis producers.

F. Cash Management System

51. Mernova holds an operating account with Credit Union Atlantic Limited (“**CUA**”). The operating account (the “**Operating Account**”) is used to, among other things, collect funds and pay expenses associated with its operations.
52. Mernova holds a VISA card through CUA with a limit of \$25,000 used to fund ordinary-course business expenses (the “**Credit Card**”). As of February 26, 2025, the Credit Card has an outstanding balance of approximately \$10,359.66.
53. Collectively, the described use of the Operating Account and Credit Card are defined herein as the “**Cash Management System**”.
54. The funds and the Cash Management System are managed by Mernova’s accounting team overseen by its financial controller, Josh Carree.
55. The Cash Management System has several functions, comprised of: (a) collecting accounts receivable from third parties; and (b) disbursements to fund payroll and benefits,

capital expenditures, maintenance costs, payments to inventory vendors, analytical lab testing and other service providers.

V. FINANCIAL CIRCUMSTANCES AND CASH FLOW FORECAST

56. The Applicants' fiscal year end is December 31. Attached hereto as **Exhibit "I"** and **"J"** are Mernova's profit and loss statements for the years ended 2023 and 2024 respectively. Also attached hereto as **Exhibit "K"** is Melodiol's annual report with consolidated financial statements for the year ended December 31, 2023. The Applicants are unable to access their audited financials from their auditor, MNP Ltd., due to amounts outstanding to them.
57. Attached hereto as **Exhibit "L"** is a true copy of an unaudited consolidated balance sheet of Mernova calculated up to February 28, 2025 (the **"Balance Sheet"**).

A. Assets

58. As set out in further detail in the Balance Sheet, the Applicants' total consolidated assets are valued at CAD\$10,775,247 and consist of the following:

Mernova Medicinal Inc. and Creso Canada LTD. Consolidated Statement of Assets (\$CAD), Book Value		
Current Assets		\$CAD
Cash and Cash Equivalent		97,837
Accounts Receivable		708,794
Supplier Deposits		81,821
Finished Goods		213,832
Raw Materials		264,321
Work in Progress		1,027,421
Prepaid Expenses		195,211
GIC		28,000
Consumables Inventory		47,054
Biological Asset (net of obsolete)		107,411
Other assets		2,014
Current Assets	\$	2,773,716
Long Term Assets		
Property, Plant and Equipment		7,678,035
Health Canada Licenses (net)		146,782
Trademark – Ritual Green		26,714
CRA Excise Bond		150,000
Long Term Assets	\$	8,001,531
Total Assets	\$	10,775,247

B. Liabilities

59. As set out in further detail in the Balance Sheet, the Applicants' total consolidated liabilities as of that date (other than amounts owing to secured creditors) are valued at CAD\$20,060,068 and consist of the following:

Mernova Medicinal Inc. and Creso Canada LTD. Consolidated Statement of Liabilities (\$CAD), Book Value		
Current Liabilities		\$CAD
Accounts Payable		2,975,449
Accrued Liabilities		245,836
Accrued Vacation		37,961
Bonus Payable		108,750
Current Liabilities	\$	3,367,997
Long Term Liabilities		
Canada Emergency Benefit Loan		37,830
Due to Creso Canada Corp Ltd.		16,654,241
Long Term Liabilities	\$	16,692,071
Total Liabilities	\$	20,060,068

60. The estimated liabilities of the Applicants, including the amounts owing to secured creditors discussed further below, is approximately CAD\$29,629,960.15 based on current exchange rates.

C. Interim Cash Flow Forecast

61. With the assistance of the Proposed Monitor, Mernova has prepared a 13-week cash flow forecast (the "**Cash Flow Forecast**") to determine the amount of funding required to finance their operations through the anticipated length of the CCAA Proceedings.
62. Attached hereto as **Exhibit "M"** is a true copy of the Cash Flow Forecast.
63. If the Initial Order is granted, the Cash Flow Forecast indicates that the Applicants will require interim financing during the pendency of the CCAA Proceedings approval of which will be sought at the Comeback Application.

VI. THE APPLICANTS' CREDITORS

A. Secured Creditors

(1) *Briant Nominees Pty Ltd.*

64. Melodiol (formerly Creso Pharma Limited) and Briant Nominees Pty Ltd. ("**Briant**") entered into a Loan Trust Deed dated November 11, 2022 (as amended or restated from time to time, the "**Loan Trust Deed**") whereby Briant made a credit facility of up to AUD\$5,000,000 available to Melodiol for its operations.
65. Attached hereto as **Exhibit "N"** is a true copy of the Loan Trust Deed.
66. Pursuant to a Guarantee and Indemnity Agreement, dated November 14, 2022 (the "**Briant Guarantee**"), granted by Mernova in favour of Briant, Mernova unconditionally guaranteed repayment of the Briant Indebtedness and all other debts, liabilities, and obligations, both present and future, owing by Melodiol (formerly Creso Pharma Limited), to Briant up to AUD\$5,000,000 plus costs, expenses and interest.
67. Attached hereto as **Exhibit "O"** is a true copy of the Briant Guarantee.
68. As security for amounts owing by Mernova pursuant to the Briant Guarantee, Mernova entered into the following:
- (a) a General Security Agreement, dated November 14, 2022, in favour of Briant in respect of Mernova's real and personal property (the "**Briant GSA**"), a true copy of which is attached hereto as **Exhibit "P"**;
 - (b) a Collateral Mortgage, dated November 14, 2022 in respect of the Facility, up to maximum value of AUD\$5,000,000 plus interest and costs (the "**Briant Collateral Mortgage**"), a true copy of which is attached hereto as **Exhibit "Q"**; and
 - (c) a General Assignment of Rents and Leases, dated November 14, 2022, in favour of Briant in respect of the Facility (the "**Briant GARL**"), a true copy of which is attached hereto as **Exhibit "R"**
- (collectively, the "**Briant Security**").
69. Each of the Briant GSA, the Briant Collateral Mortgage, and the Briant GARL are governed by the law of the Province of Nova Scotia.

70. On November 17, 2022, Briant registered a security interest at the Nova Scotia Personal Property Registry (the “**NS PPR**”) in respect of Mernova’s present and after acquired personal property. Attached hereto and marked as **Exhibit “S”** is a true copy of the Nova Scotia PPR results, dated April 8, 2025.
71. As outlined in the Land Titles Registration results in respect of the Facility, attached hereto as **Exhibits “D”** and **“E”**, Briant registered the Briant Collateral Mortgage and the Briant GARL on title to the Facility on November 17, 2022.
72. As of March 28, 2025, the estimated outstanding indebtedness owing by Melodiol to Briant pursuant to the Loan Trust Deed is approximately AUD\$3,433,702, plus costs, expense and interest (the “**Briant Indebtedness**”).
73. Melodiol is in breach of the Loan Trust Deed and Briant demanded repayment (the “**Briant Demand**”) from Mernova under the terms of the Briant Guarantee on March 28, 2025. Mernova is unable to repay the Briant Indebtedness.
74. Attached hereto as **Exhibit “T”** is a true copy of the Briant Demand.

(2) La Plata Capital LLC

75. Melodiol entered into a Third Amended and Restated Converting Loan Deed dated September 4, 2023 (as further amended by a loan modification agreement dated November 2023, the “**Converting Loan Deed**”) with La Plata.
76. Attached hereto and collectively marked as **Exhibit “U”** is a true copy of the Converting Loan Deed.
77. Pursuant to a Guarantee and Indemnity Agreement, dated effective January 17, 2023 (the “**La Plata Guarantee**”), granted by Mernova in favour of La Plata, Mernova guaranteed repayment of any and all debts, liabilities, and obligations, both present and future, owing by Melodiol to La Plata pursuant to, among other things, the Converting Loan Deed.
78. Attached hereto as **Exhibit “V”** is a true copy of the La Plata Guarantee.
79. As security for amounts owing by Mernova to La Plata pursuant to the La Plata Guarantee, Mernova entered into the following:

- (a) a General Security Agreement, dated effective April 3, 2025, in favour of La Plata in respect of Mernova's real and personal property (the "**La Plata GSA**"), a true copy of which is attached hereto as **Exhibit "W"**;
- (b) a Collateral Mortgage, dated January 17, 2023 in respect of the Facility, as amended by an amending agreement dated April 3, 2025 up to a maximum of USD\$5,000,000 plus interest and costs (the "**La Plata Collateral Mortgage**"), true copies of which are attached hereto collectively as **Exhibit "X"**; and
- (c) a General Assignment of Rents and Leases, dated January 17, 2023, in favour of La Plata in respect of the Facility (the "**La Plata GARL**"), a true copy of which is attached hereto as **Exhibit "Y"**

(collectively, the "**La Plata Security**").

- 80. Each of the La Plata GSA, La Plata Collateral Mortgage and the La Plata GARL are governed by the law of the Province of Nova Scotia.
- 81. As outlined in the NS PPR search results attached hereto as **Exhibit "S"**, La Plata has registered a security interest at the NS PPR in respect of Mernova's present and after acquired personal property.
- 82. As outlined in the Land Titles Registration results in respect of the Facility, attached hereto as **Exhibits "D"** and **"E"**, La Plata registered the La Plata Collateral Mortgage and the La Plata GARL on title to the Facility on January 18, 2023, as amended on April 3, 2025.
- 83. As of March 31, 2025, the estimated outstanding indebtedness owing by Melodiol to La Plata pursuant to the Converting Loan Deed is approximately USD\$4,660,041.22, inclusive of interest (the "**La Plata Indebtedness**").
- 84. Melodiol is in breach of the Converting Loan Deed and La Plata demanded repayment (the "**La Plata Demand**") from Mernova under the terms of the La Plata Guarantee on April 4, 2025. Mernova is unable to repay the La Plata Indebtedness.
- 85. Attached hereto and marked as **Exhibit "Z"** is a copy of the La Plata Demand.

B. Crown Obligations and Priority Claimants

86. As of April 4, 2025, Mernova owes the following to CRA:

- (a) \$307,307.31 on account of unremitted HST; and
- (b) \$1,287,612.82 on account of unremitted excise tax.

(collectively, the “**CRA Indebtedness**”)

87. Mernova entered into a payment plan with CRA in respect of the CRA Indebtedness where it had previously paid \$63,000 per month for excise tax and \$14,000 per month for GST/HST. It has not been able to service such amounts since January 2025.

C. Unsecured Creditors

88. The Applicants have unpaid vendors, trade and services providers, other unsecured debt accrued in the normal course of business.

89. As of April 4, 2025, Mernova has \$2,202,198.02 in payables that are due or will become due to unsecured creditors within the next 30 days.

90. Mernova has a Canada Emergency Business Loan from CUA (the “**CEBA Loan**”). As of March 21, 2025, Mernova owes \$37,830.16 to CUA in respect of the CEBA Loan.

91. Attached hereto as **Exhibit “AA”** is a copy of a screenshot of Mernova’s CUA Account Statement in respect of the CEBA Loan.

VII. CHALLENGES FACED BY APPLICANTS PRIOR TO CCAA PROCEEDINGS

92. In addition to the general industry challenges faced by Mernova outlined in paragraph 21, Melodiol’s defaults to its secured creditors (discussed in more detail above), and the subsequent enforcement of the guarantees provided by Mernova, have necessitated the Applicants seeking relief under the CCAA.

VIII. PRIOR RESTRUCTURING EFFORTS

93. For the past six months, Mernova’s management team has been actively pursuing an informal strategic alternatives process (the “**SAP**”), and had engaged Hyde Advisory to assist with a formal sales process. Hyde Advisory is an experienced cannabis business broker and advisor in the cannabis industry.

94. This SAP resulted in Mernova informally engaging with a number of significant cannabis companies operating within the industry who are known to be capable of financing such a transaction and investment as well as local businesses with the financial capacity to acquire Mernova.
95. While Mernova entered into several non-disclosure agreements, had numerous discussions, meetings and tours of the facilities with some of these prospective counterparties during the pendency of the SAP, no offers that provided sufficient certainty of closing were received through the SAP and no investment offers were received.

IX. CCAA PROCEEDINGS AND RELIEF SOUGHT

A. Objective of the CCAA Filing

96. The Applicants are insolvent and facing a severe liquidity crisis due to the claims resulting from Melodiol's debt obligations. The Applicants require the protections afforded under the CCAA in order to maintain the status quo, obtain interim financing arrangements, obtain the necessary breathing room required to complete their SISP and to pursue and implement their restructuring strategy.
97. As part of the restructuring strategy, the Applicants intend to, among other things:
- (a) implement the SISP to be conducted by the Monitor, including seeking an investment in or sale of its business and a restructuring of its affairs;
 - (b) use the stay of proceedings afforded by the CCAA to fully explore new efficiencies and cost saving measures, all with a view to emerging from the CCAA Proceeding with an improved financial position; and
 - (c) potentially, to prepare a plan of compromise or arrangement within the CCAA Proceeding that pays or refinances legitimate creditors of the Applicants and preserves as much value as possible for existing stakeholders.
98. With the benefit of the protection and flexibility afforded by the CCAA, the Applicants will be able to maintain their going concern value, preserve jobs for their employees, and generally stabilize its business operations for the benefit of the Applicants' stakeholders.

B. Urgent Need for CCAA Relief and Eligibility

99. The Applicants urgently require a broad stay of proceedings to prevent enforcement action by its creditors and certain contractual counterparties and to provide the Applicants with breathing space while they implement the proposed restructuring, all while permitting their business to continue to operate as a going concern.
100. The Applicants have thoroughly considered the circumstances and potential alternatives available, and with the assistance of their advisors, determined that is in the best interests of the Applicants and their stakeholders to file for protection under the CCAA at this time. With the benefit of protection under the CCAA, the Applicants will continue to operate their business and advance their restructuring efforts to maximize value for their stakeholders.
101. The Applicants have, on a consolidated basis, liabilities in excess of \$5,000,000.

C. Cash Management

102. The Applicants are seeking to continue to utilize their current Cash Management System as described herein during the pendency of the CCAA Proceedings.

D. Stay of Proceedings

103. The Applicants require the stability of a stay of proceedings under the CCAA to maintain the status quo, allow the Applicants the time required to address the issues described in this Affidavit and to implement a SISF to seek a sale or investment in its business, and/or to develop a restructuring plan in consultation with their advisors and the Monitor.
104. The proposed Initial Order contemplates a Stay Period of 10 days, which I understand is the maximum that can be authorized by the Court at an initial application under the CCAA.
105. The Applicants are further seeking a direction that the stay of proceedings extend to my personal liability as a director in order to facilitate my continued participation in the restructuring process and in order to allow those obligations to be dealt with in the restructuring process prior to any steps being taken against me in my personal capacity.

E. Appointment of Grant Thornton Limited as Monitor

106. The Applicants seek to appoint the Proposed Monitor as Monitor of the Applicants in these CCAA Proceedings. The Proposed Monitor has reviewed, and assisted in the preparation

of, the Cash Flow Forecast and has provided guidance and assistance on the commencement of these CCAA Proceedings.

107. The Proposed Monitor has developed critical knowledge about the Applicants, their business operations, financial challenges, strategic initiatives and restructuring efforts to date.
108. The Applicants believe that the Proposed Monitor has the necessary expertise and experience with the Applicants to successfully implement a SISF and guide the Applicants through the CCAA Proceedings.
109. The Proposed Monitor has consented to act as the Monitor, subject to Court approval.

F. Cash Flow Forecast

110. As set out in the consolidated Cash Flow Forecast attached hereto, the Applicants' principal use of cash during these proceedings will consist of paying the operating costs associated with the ongoing operation of the Business, including, among other things, expenses related to employee compensation, trade payments, general administration expenses and other ordinary course of business obligations. In addition to these expenditures, the Applicants will also pay the administrative expenses incurred both before and after the commencement of these CCAA Proceedings (should the Initial Order be granted).

G. Payments During the Proceedings

111. The Applicants are seeking authorization pursuant to the proposed Initial Order to pay all reasonable expenses incurred by the Applicants in carrying on its business in the ordinary course after the date of the Initial Order, and, with the approval of the Monitor, to pay certain expenses, whether incurred prior to, on or after the date of the Initial Order, in respect of:
 - (a) outstanding and future wages, salaries, compensation, employee benefits, vacation pay and expenses (including, without limitation, payroll and benefits processing and servicing expenses) payable on or after the date of the Initial Order, in each case incurred in the ordinary course of business and consistent with existing compensation policies and arrangements;

- (b) the fees and disbursements of any consultants, agents, experts, accountants, counsel, and financial advisors and such other persons retained or employed by the Applicants, at their standard rates and charges, incurred both before and after the commencement of the proceedings; and
 - (c) all invoices issued by suppliers essential to the Business.
- 112. The Applicants require the commitment and support of their key employees during the CCAA process. The Applicants further require the continued supply of goods and services from key vendors, essential trade suppliers, and service providers during the CCAA Proceedings.
- 113. This relief is necessary to maintain ordinary course operations, particularly given the highly regulated nature of the Applicants' business. The Applicants' ability to operate their business in the normal course is dependent on their ability to obtain an uninterrupted supply of certain goods and services.
- 114. The ability for the Applicants to make the foregoing payments is necessary to maintain stability for the continued operation of the Applicants' business during the CCAA Proceedings and to allow the Applicants to advance their restructuring efforts for the benefit of all their stakeholders.

H. Administration Charge

- 115. The Applicants seek a first-ranking charge over the Property in favour of the Monitor, counsel to the Monitor, and counsel to the Applicants (collectively, the "**Professionals**") to secure payment of their fees and disbursements, whether incurred before or after the date of the Initial Order.
- 116. The proposed Administration Charge being sought is for an initial amount of \$100,000 and is meant to secure the Professionals' fees through to the Comeback Application. The Applicants intend to seek an increase to the proposed Administration Charge at the Comeback Application to a maximum of \$250,000.
- 117. It is contemplated that the Professionals will have extensive involvement during the CCAA Proceedings. The Applicants require the Professionals' knowledge, expertise and continued participation to complete a successful restructuring. The Professionals have

contributed and will continue to contribute to the Applicants' restructuring efforts, and will ensure that there is no unnecessary duplication of roles among them.

118. In preparation of the Cash Flow Forecast, the Applicants, in consultation with the proposed Monitor, considered the professional fees forecasted to be incurred on a weekly basis during the cash flow period. The Applicants have incurred significant professional fees and will incur further significant professional fees until the Comeback Application. It is forecasted that the Applicants will also incur further significant professional fees in connection with the CCAA Proceedings, such as preparing for the Comeback Application, communicating with employees and stakeholders following the initial filing, if granted, the issuance of the requested Initial Order in these proceedings, preparing for and implementing the SISP, and complying with statutory notices, mailings and communications.
119. The Applicants, the Monitor and the Monitor's legal counsel worked collaboratively to estimate the quantum of the Administration Charge required, which takes into account the limited retainers the Administrative Professionals currently have and their existing outstanding fees. I believe the Administration Charge is fair and reasonable in the circumstances. I understand that the Monitor is also of the view that the Administration Charge is fair and reasonable in the circumstances.

I. D&O Charge

120. I am also advised by Mr. Nyberg of MLT Aikins LLP that, in certain circumstances, present and former directors and officers (the "**Directors and Officers**") can be held liable for obligations of a company, including those owed to employees and government entities. Among other things, I am advised that these obligations may include unpaid wages and unpaid accrued vacation pay, together with unremitted excise, sales, goods and services, and harmonized sales taxes.
121. Given the risks related to the CCAA Proceedings and the uncertainty surrounding available indemnities, I understand that the current Directors and Officers' involvement in the CCAA Proceedings is conditional upon the granting of a priority D&O Charge in favour of the Directors and Officers of an initial amount of \$150,000 through to the Comeback Application. The Applicants intend to seek an increase in the amount of the D&O Charge to a maximum of \$300,000 at the Comeback Application.

122. The D&O Charge is intended to allow the Directors and Officers, none of which is a controlling shareholder, to focus their efforts on these restructuring proceedings, for the benefit of all stakeholders. The D&O Charge would serve as security for the indemnification obligations and potential liabilities the Directors and Officers may face during the CCAA Proceedings. The Directors' Charge is proposed to rank after the Administration Charge.
123. The Applicants will only be able to bring the current proceedings to fruition with the continued participation of its current Directors and Officers, its management and employees. These personnel are essential to the viability of the Applicants' restructuring efforts as they hold the necessary and required security clearances from Health Canada and occupy certain key positions under the *Cannabis Act* (Canada) necessary for Mernova to continue operating as a going concern.
124. The Applicants intend to comply with all applicable laws and regulations, including the timely remittance of deductions at source, federal and provincial sales tax and excise tax in connection with the sale of cannabis products incurred after the date of the CCAA, the Directors and Officers are nevertheless concerned about the potential liability in the context of the present proceedings.
125. The amount of the D&O Charge takes into account payroll obligations, vacation pay obligations, employee source deductions obligations, sales tax obligations and excise tax in connection with the sale of cannabis products that may arise during the CCAA Proceedings. It is expected that these amounts will be paid by Applicants in the normal course and such payments will be closely monitored by the Monitor.
126. The Applicants believe that the D&O Charge is reasonable in the circumstances. I understand that the Monitor is supportive of the D&O Charge and its quantum.

J. Comeback Application

127. If the Initial Order is granted, then the Applicants are seeking a direction from the Court that the Applicants may proceed with the Comeback Application, where the Applicants will seek this Court's approval of the ARIO, a key employee retention plan ("**KERP**"), interim financing and, potentially, the SISF.

X. CONCLUSION

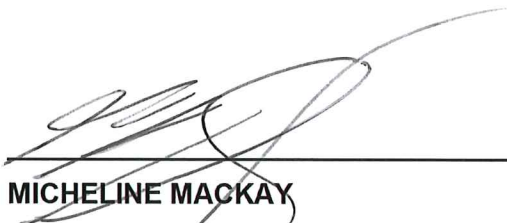
128. With the assistance of their legal and financial advisors, the Applicants have determined that the proposed CCAA proceedings represent the best available strategy to maximize value for the Applicants' stakeholders in the circumstances.
129. I swear this Affidavit in support of an Application for an Initial Order, and if the Initial Order is granted, the ARIO, under the CCAA and for no other or improper purpose.

SWORN TO BEFORE ME in the City)
of Halifax, in the Province of)
Nova Scotia this 9th day of April, 2025)



A Commissioner for Oaths in and for the
Province of Nova Scotia

ASHA PELLY
A Barrister of the Supreme
Court of Nova Scotia



MICHELINE MACKAY

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A

2025

Hfx No.

Attached is **Exhibit "A"** referred
to in the Affidavit of Micheline
MacKay sworn before me on
April 9, 2025



Signature

ASHA PELLY
A Barrister of the Supreme
Court of Nova Scotia

Profile Report

Entity details

Information as of	10 March 2025
Registry ID	3278510
Business/Organization Name	MERNOVA MEDICINAL INC.
Incorporation Date	06 February 2014
Annual Return due Date	28 February 2026
Type	Limited Company
Status	Active
Registered Office	176 SANGSTER'S BRIDGE ROAD, WINDSOR FORKS, NS, B0N 2T0, CANADA
Mailing Address	176 SANGSTER'S BRIDGE ROAD, WINDSOR FORKS, NS, B0N 2T0, CANADA

Directors and Officers

Name	Position	Civic Address	Mailing Address
Micheline MacKay	Director	176 SANGSTER'S BRIDGE ROAD WINDSOR FORKS NOVA SCOTIA B0N 2T0 CANADA	
Micheline MacKay	President, Secretary & Treasurer	176 SANGSTER'S BRIDGE ROAD WINDSOR FORKS NOVA SCOTIA B0N 2T0 CANADA	
WILLIAM LAY	Director	1461 REEVES GATE OAKVILLE ONTARIO L6M 3E2 CANADA	

Recognized Agent

Name	Position	Civic Address	Mailing Address
MICHELINE MACKAY	Recognized Agent	176 SANGSTER'S BRIDGE ROAD WINDSOR FORKS NOVA SCOTIA B0N 2T0 CANADA	176 SANGSTER'S BRIDGE ROAD WINDSOR FORKS NOVA SCOTIA B0N 2T0 CANADA

Activity

Activity	Date
Company Annual Renewal Statement	29 January 2025
Company Annual Renewal Statement	17 January 2024
Company Change of Directors and Officers	09 March 2023
Company Annual Renewal Statement	21 February 2023
Company Annual Renewal Statement	24 October 2022
Change of Directors	12 January 2021
Address Change	12 January 2021
Appoint an Agent	12 January 2021
Change of Directors	04 June 2020
Change of Directors	04 June 2020
Annual Renewal	03 February 2020
Annual Statement Filed	31 January 2020
Annual Renewal	30 January 2019
Annual Statement Filed	25 January 2019
Annual Renewal	05 February 2018
Annual Statement Filed	02 February 2018
Annual Renewal	08 March 2017
Annual Statement Filed	03 March 2017
Annual Renewal	03 March 2016
Annual Statement Filed	29 February 2016
Annual Renewal	21 January 2015
Annual Statement Filed	19 January 2015
Incorporated and Registered	06 February 2014
Address Change	06 February 2014
Appoint an Agent	06 February 2014
Special Resolution	06 February 2014
Change of Directors	06 February 2014

B

2025

Hfx No.

Attached is Exhibit "B" referred
to in the Affidavit of Micheline
MacKay sworn before me on
April 9, 2025



Signature

ASHA PELLY
A Barrister of the Supreme
Court of Nova Scotia



Corporate Profile / Profil corporatif

Date and time of Corporate Profile (YYYY-MM-DD) 2025-04-03 12:38 PM (AAAA-MM-JJ) Date et heure du Profil corporatif

CORPORATE INFORMATION

RENSEIGNEMENTS CORPORATIFS

Corporate name

Dénomination

CRESO CANADA LIMITED

Corporation number

1054074-9

Numéro de société ou d'organisation

Business number

779348911RC0001

Numéro d'entreprise

Governing legislation

Régime législatif

Canada Business Corporations Act (CBCA) - 2017-12-14
Loi canadienne sur les sociétés par actions (LCSA) - 2017-12-14

Status

Statut

Active

Active

REGISTERED OFFICE ADDRESS

ADRESSE DU SIÈGE

50 Ivey Lane
Windsor NS B0N 2T0
Canada

ANNUAL FILINGS

DÉPÔTS ANNUELS

Anniversary date (MM-DD)

12-14

(MM-JJ) Date anniversaire

Filing period (MM-DD)

12-14 to/au 02-12

(MM-JJ) Période de dépôt

Status of annual filings

Statut des dépôts annuels

Not due	2025	N'est pas dû
Overdue	2024	En retard
Filed	2023	Déposé

Date of last annual meeting (YYYY-MM-DD)

2023-11-29

(AAAA-MM-JJ) Date de la dernière assemblée annuelle

Type

Type

Distributing corporation

Société ayant fait appel au public

DIRECTORS		ADMINISTRATEURS
Minimum number	1	Nombre minimal
Maximum number	10	Nombre maximal
Current number	1	Nombre actuel
Micheline MacKay		176 Sangster's Bridge Road, Windsor Forks NS B0N 2T0, Canada

INDIVIDUALS WITH SIGNIFICANT CONTROL	PERSONNES AYANT UN CONTRÔLE IMPORTANT
No information has been filed. Aucun renseignement n'a été déposé.	

CORPORATE HISTORY	HISTORIQUE CORPORATIF
Corporate name history (YYYY-MM-DD)	(AAAA-MM-JJ) Historique de la dénomination
2017-12-14 to present / à maintenant	CRESO CANADA LIMITED
Certificates issued (YYYY-MM-DD)	(AAAA-MM-JJ) Certificats émis
Certificate of Incorporation	2017-12-14 Certificat de constitution en société
Amendments details are only available for amendments effected after 2010-03-20. Some certificates issued prior to 2000 may not be listed.	Seuls les renseignements concernant les modifications effectuées après 2010-03-20 sont disponibles. Certains certificats émis avant 2000 pourraient ne pas être listés.
Documents filed (YYYY-MM-DD)	(AAAA-MM-JJ) Documents déposés

The Corporate Profile sets out the most recent information filed with and accepted by Corporations Canada as of the date and time set out on the Profile.	Le Profil corporatif fait état des renseignements fournis et acceptés par Corporations Canada à la date et à l'heure indiquées dans le profil.
---	--

C

2025

Hfx No.

Attached is Exhibit "C" referred
to in the Affidavit of Micheline
MacKay sworn before me on
April 9, 2025



Signature

ASHA PELLY
A Barrister of the Supreme
Court of Nova Scotia

ME1 Group Structure

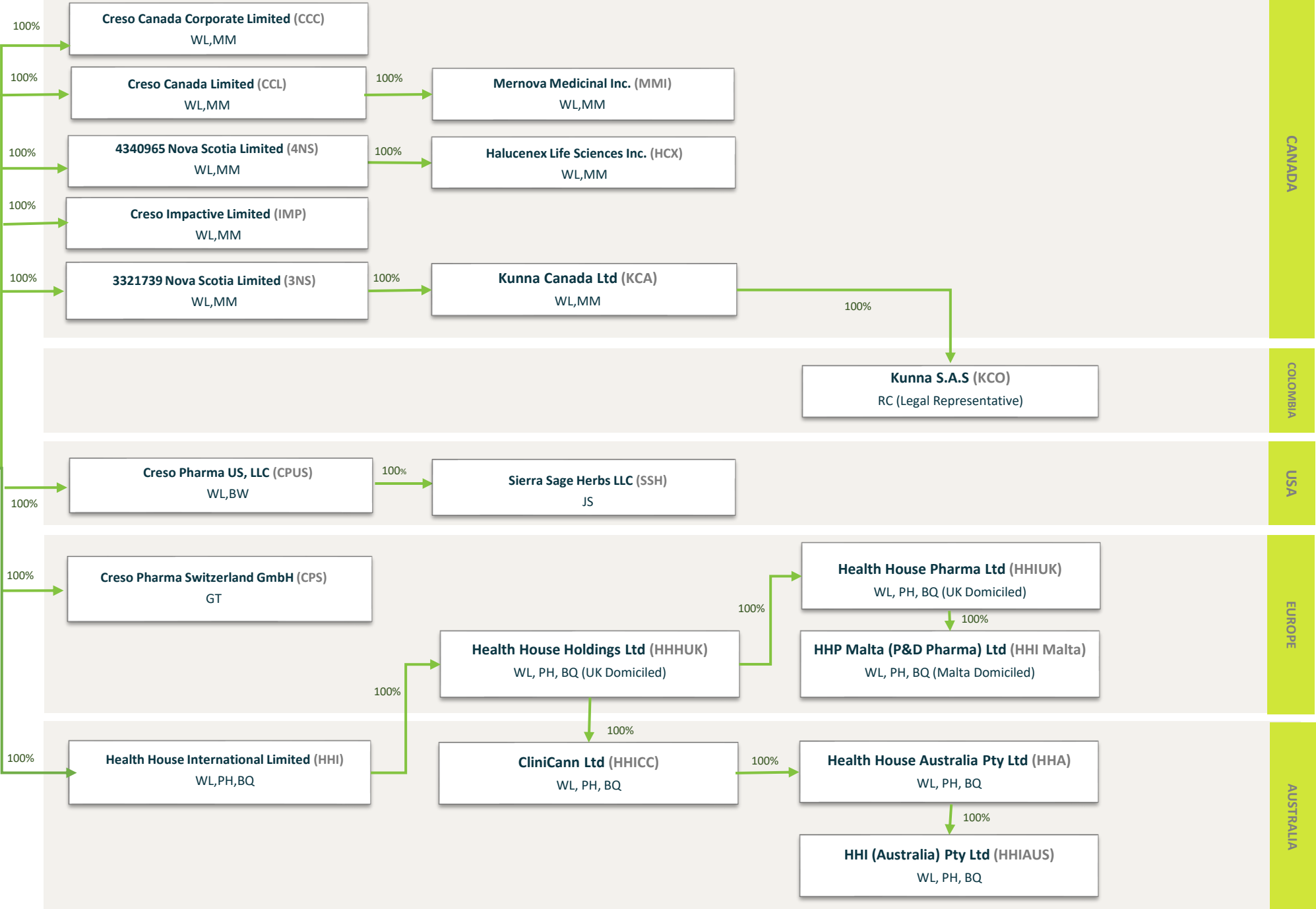
As at 30 June 2023

- BW**
RC
WF
GT
PH
ED

Boaz Wachtel
Ricardo Cuervo
William Fleming
Gian Trepp
Peter Hatfull
Erlyn Dawson
- WL**
BL
MM
JS
BQ
WW

William Lay
Bruce Linton
Micheline MacKay
Jodi Scott
Ben Quirin
Winton Willesee

Melodiol Global Health Limited (ME1)
WL, BW, BL, MM, BQ, JS, PH
WW, ED (CoSec)



Entity Name	Abbreviation	Domicile	Business/Purpose
Melodiol Global Health Limited	ME1	Australia	ASX listed parent company. Corporate and capital raising division.
Creso Canada Corporate Limited	CCC	Canada	Dormant entity. Originally established to act as the Canadian capital raising vehicle for the Mernova project.
Creso Canada Limited	CCL	Canada	Holding company. Incorporated to acquire Mernova Medicinal Inc.
Mernova Medicinal Inc.	MMI	Canada	Cannabis Cultivation and Distribution Division. Operator of the Group’s cannabis cultivation business. Owns and operates a fully licensed cannabis cultivation facility in Nova Scotia, Canada, and sells cannabis products into the medicinal and retail cannabis markets.
4340965 Nova Scotia Limited	4NS	Canada	Holding company. Incorporated to acquire Halucenex Life Sciences Inc.
Halucenex Life Sciences Inc.	HCX	Canada	Psilocybin research division. Undertakes clinical trials on psilocybin.
Creso Impactive Limited	IMP	Canada	Holding company. Incorporated to hold Impactive’s IP assets.
3321739 Nova Scotia Limited	3NS	Canada	Holding company. Incorporated to acquire Kunna Canada Limited
Kunna Canada Ltd	KCA	Canada	Holding company. Canadian-domiciled holding company for Kunna S.A.S
Kunna S.A.S	KCO	Colombia	Dormant entity - Former Cannabis Cultivation Division. Early stage Colombian cannabis cultivation operation. Creso Pharma Limited has not allocated any material funding to this entity, and it does not currently have any active operations.
Creso Pharma US, LLC	CPUS	USA	Holding company. Incorporated to acquire Sierra Sage Herbs LLC
Sierra Sage Herbs LLC	SSH	USA	Beauty and Personal Care Brands. US based developer of plant based first aid and beauty and personal care brands Green Goo, Southern Butter and Good Goo.
Creso Pharma Switzerland GmbH	CPS	Switzerland	Human & Animal Health Product Division. Develops, produces and sells CBD and hemp-derived therapeutics, nutraceuticals and lifestyle products for humans and animals. This entity has a network of third party distribution and collaboration partners who facilitate the sale of products in various jurisdictions globally.
Health House International Limited	HHI	Australia	Holding company. Previously listed ASX vehicle for Healthhouse Group
Health House Holdings Limited	HHHUK	UK	Holding Company. Incurs some corporate costs for UK and Australia
Health House Pharma Limited	HHIUK	UK	Wholesale Pharmaceutical distribution and Pharmacy
HHP Malta (P&D Pharma) Limited	HHI Malta	UK	Dormant entity. Incorporated to hold a wholesale dealer license and importer license in Malta
CliniCann Ltd	HHICC	Australia	Holding Company.
Health House Australia Pty Ltd	HHA	Australia	Holding Company.
HHI (Australia) Pty Ltd	HHIAUS	Australia	Pharmaceutical distributor. Specialises in, but not limited to, the distribution of medicinal cannabis products

D

2025

Hfx No.

Attached is Exhibit "D" referred
to in the Affidavit of Micheline
MacKay sworn before me on
April 9, 2025



Signature

ASHA PELLY
A Barrister of the Supreme
Court of Nova Scotia

Land Registration View

* Indicates interests inherited on subdivision or re-configuration of parcel

PID	45395514	Parcel Type	STANDARD PARCEL	Status	ACTIVE
Area	12629 SQUARE FEET (PLAN)	Parcel Access	PUBLIC	Manag. Unit	MU0911
Lot	LOT 28A	Created	Apr 08, 2014 09:15:50AM	Manner of Tenure	NOT APPLICABLE
PDCA Status	APPROVED	Municipal Unit	WEST HANTS REGIONAL MUNICIPALITY		
LR Status	LAND REGISTRATION	LR Date	Apr 24, 2014 11:51:52AM		

Location IVEY LANE WENTWORTH CREEK	County HANTS COUNTY	Primary Location Yes	Source Not Assigned by Municipality
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Comments

Assessment Account 10579511	Value \$23,900.00 (2025 COMMERCIAL TAXABLE)	Tax District 050	Tax Ward 000	Tax Sub
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Registered Interests

Interest Holder (Qualifier)	Interest Holder Type	Mailing Address	Type	Year	Doc#	Book/Page/Plan	Registration Date	NS Non-Res?
MERNOVA MEDICINAL INC. FEE SIMPLE		128 BROOK STREET FLETCHERS LAKE NS CA B2T 1A5	DEED	2014	105136023 View Form View Doc		May 29, 2014	No

Manner of Tenure

Tenure Type NOT APPLICABLE	Tenure Description NO DESCRIPTION FOUND
--------------------------------------	---

Farm Loan Board - Occupants & Mailing Addresses

Name	Interest Holder Type	Mailing Address
No Records Found		

Benefits to the Registered Interests

Benefit Details	Interest Holder Type	Type	Year	Doc#	Book/Page/Plan	Registration Date
No Records Found						

Burdens on the Registered Interests

Interest Holder (Qualifier)	Interest Holder Type	Mailing Address	Type	Year	Doc#	Book/Page/Plan	Registration Date
SUBJECT TO RESTRICTIVE COVENANTS	COVENANT HOLDER (BURDEN)		AMENDMENT (NOT CONDOMINIUM)	2014	105616198 View Doc		Aug 18, 2014
SUBJECT TO RESTRICTIVE COVENANTS	COVENANT HOLDER (BURDEN)	WENTWORTH CREEK NS CA	DEED	2001	5626 View Doc	Book 941 Page 436	Dec 07, 2001

Textual Qualifications on Title

Qualifications Text

No Records Found

Tenants in Common not registered pursuant to the Land Registration Act

Interest Holder (Qualifier)	Interest Holder Type	Mailing Address	Type	Year	Doc#	Book/Page/Plan	Registration Date
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No Records Found

Recorded Interests

Interest Holder (Qualifier)	Interest Holder Type	Mailing Address	Type	Year	Doc#	Book/Page/Plan	Registration Date
BRIANT NOMINEES PTY LIMITED	MORTGAGEE	22 LINDSAY STREET, PERTH WA 6000 AU	MORTGAGE	2022	121642848  View Form  View Doc		Nov 17, 2022
BRIANT NOMINEES PTY LIMITED	ASSIGNEE	22 LINDSAY STREET, PERTH WA 6000 AU	ASSIGNMENT OF LEASES AND/OR RENTS	2022	121642855  View Form  View Doc		Nov 17, 2022
LA PLATA CAPITAL LLC	MORTGAGEE	90 MADISON STREET SUITE 303 DENVER CO US 80206	MORTGAGE	2023	121927090  View Form  View Doc		Jan 18, 2023
LA PLATA CAPITAL LLC	ASSIGNEE	90 MADISON STREET DENVER CO US 80206	ASSIGNMENT OF LEASES AND/OR RENTS	2023	121927116  View Form  View Doc		Jan 18, 2023

Parcel Description

Place Name: Ivey Lane, Wentworth Creek
Municipality/County: Municipality of the District of Hants West
Designation of Parcel on Plan: Lot 28A
Title of Plan: Plan of Subdivision Lot 28A Lands of Nova Scotia Business Incorporated
Registration County: Hants
Registration Number of Plan: 104858254
Registration Date of Plan: 2014-04-04

SUBJECT TO restrictive covenants as described in Book 941 at page 436.

*** Municipal Government Act, Part IX Compliance ***

Compliance:

The parcel is created by a subdivision (details below) that has been filed under the Registry Act or registered under the Land Registration Act

Registration District: HANTS COUNTY
Registration Year: 2014
Plan or Document Number: 104858254

Non-Enabling Documents

Inst Type	Inst No	Year	Type	Book/Page	Registration System	Registration Date
-----------	---------	------	------	-----------	---------------------	-------------------

No Non Enabling Documents Found

Non-Enabling Plans

Inst Type	Inst No	Year	Type	Plan Name	Drawer Number	Registration Date
Plan	104858254  View Plan	2014	SUBDIVISION & AMALGAMATIONS	PLAN OF S/D LOT 28A, LANDS OF NOVA SCOTIA BUSINESS INC, IVEY LANE, WENTWORTH CREEK		4/4/2014

AFR Bundles

Inst Type	Inst No	Year	Type	Filing Reference	Instrument Date
-----------	---------	------	------	------------------	-----------------

No AFR Bundles Found

Parcel Relationships

Related PID	Type of Relationship
45018595	PARENT PARCEL NUMBER

This parcel IS REGISTERED PURSUANT TO THE Land Registration Act. The registered owner of the registered interest owns the interest defined in this register in respect of the parcel described in the register, subject to any discrepancy in the location, boundaries or extent of the parcel and subject to the overriding interests [Land Registration Act subsection 20(1)].

No representations whatsoever are made as to the validity or effect of recorded documents listed in this parcel register. The description of the parcel is not conclusive as to the location, boundaries or extent of the parcel [Land Registration Act subsection 21(1)].

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Please feel free to [Submit Problems](#) you find with the Property Online web site.

E

2025

Hfx No.

Attached is Exhibit "E" referred
to in the Affidavit of Micheline
MacKay sworn before me on
April 9, 2025



Signature

ASHA PELLY
A Barrister of the Supreme
Court of Nova Scotia

Land Registration View

* Indicates interests inherited on subdivision or re-configuration of parcel

PID	45018595	Parcel Type	STANDARD PARCEL	Status	ACTIVE
Area	9.25 ACRE(S) (SCALED)	Parcel Access	PUBLIC	Manag. Unit	MU0911
Lot	LOT 31 (PORTION OF)	Created	Jun 15, 1979 12:00:00AM		
PDCA Status	APPROVED	Municipal Unit	WEST HANTS REGIONAL MUNICIPALITY	Manner of Tenure	NOT APPLICABLE
LR Status	LAND REGISTRATION	LR Date	Jan 24, 2018 09:58:32AM		

Location	County	Primary Location	Source
50 IVEY LANE WENTWORTH CREEK	HANTS COUNTY	No	Assigned by Municipality
76 IVEY LANE WENTWORTH CREEK	HANTS COUNTY	No	Assigned by Municipality
78 IVEY LANE WENTWORTH CREEK	HANTS COUNTY	No	Assigned by Municipality
IVEY LANE WENTWORTH CREEK	HANTS COUNTY	Yes	Assigned by Municipality

Comments

Assessment Account	Value	Tax District	Tax Ward	Tax Sub
03182843	\$4,559,900.00 (2025 COMMERCIAL TAXABLE)	050	000	

Registered Interests

Interest Holder (Qualifier)	Interest Holder Type	Mailing Address	Type	Year	Doc#	Book/Page/Plan	Registration Date	NS Non-Res?
MERNOVA MEDICINAL INC. FEE SIMPLE		128 BROOK STREET FLETCHERS LAKE NS CA B2T 1A5	DEED	2018	112102539 View Form View Doc		Feb 01, 2018	No

Manner of Tenure

Tenure Type	Tenure Description
NOT APPLICABLE	NO DESCRIPTION FOUND

Farm Loan Board - Occupants & Mailing Addresses

Name	Interest Holder Type	Mailing Address
		No Records Found

Benefits to the Registered Interests

Benefit Details	Interest Holder Type	Type	Year	Doc#	Book/Page/Plan	Registration Date
						No Records Found

Burdens on the Registered Interests

Interest Holder (Qualifier)	Interest Holder Type	Mailing Address	Type	Year	Doc#	Book/Page/Plan	Registration Date
ROGERS COMMUNICATIONS INC.	PARTY TO AGREEMENT (BURDEN)	1075 WEST GEORGIA STREET SUITE 2100 VANCOUVER BC CA V6E 3G2	RENEWAL AGREEMENT	2019	115465651 View Doc		Nov 15, 2019

Burdens on the Registered Interests

Interest Holder (Qualifier)	Interest Holder Type	Mailing Address	Type	Year	Doc#	Book/Page/Plan	Registration Date
SUBJECT TO RESTRICTIVE COVENANTS	COVENANT HOLDER (BURDEN)	WINDSOR NS CA	AMENDMENT (NOT CONDOMINIUM)	2014	105608765 View Form View Doc		Aug 15, 2014
BRAGG COMMUNICATIONS INC.	PARTY TO AGREEMENT (BURDEN)	6080 YOUNG STREET FLOOR 8TH POST OFFICE BOX 8660 A HALIFAX NS CA B3K 5M3	NOTICE (ALL OTHERS)	2013	102457968 View Form View Doc		Feb 08, 2013
NOVA SCOTIA POWER INCORPORATED	EASEMENT / RIGHT OF WAY HOLDER (BURDEN)	1894 BARRINGTON STREET HALIFAX NS CA B3J 2W5	EASEMENT/RIGHT OF WAY	2012	100166710 View Form View Doc		Feb 27, 2012
NOVA SCOTIA POWER INCORPORATED	EASEMENT / RIGHT OF WAY HOLDER (BURDEN)	1894 BARRINGTON STREET HALIFAX NS CA B3J 2W5	EASEMENT/RIGHT OF WAY	2003	1230 View Doc	Book 992 Page 405	Mar 14, 2003
SUBJECT TO RESTRICTIVE COVENANTS	COVENANT HOLDER (BURDEN)	WINDSOR NS CA	DEED	2001	5626 View Doc	Book 941 Page 436	Dec 07, 2001
ROGERS WIRELESS INC.	PARTY TO AGREEMENT (BURDEN)	1075 WEST GEORGIA STREET SUITE 2100 VANCOUVER BC CA V6E 3G2	LEASE	2001	3722 View Doc	Book 929 Page 389	Aug 28, 2001
ROGERS WIRELESS INC.	EASEMENT / RIGHT OF WAY HOLDER (BURDEN)	1075 WEST GEORGIA STREET SUITE 2100 VANCOUVER BC CA V6E 3G2	LEASE	2001	3722 View Doc	Book 929 Page 389	Aug 28, 2001
45193679	EASEMENT/ROW HOLDER (BURDEN) - DOMINANT PID	UNKNOWN	DEED	1982	500886290	Book 438 Page 116	Jun 22, 1982

Textual Qualifications on Title

Qualifications Text

No Records Found

Tenants in Common not registered pursuant to the Land Registration Act

Interest Holder (Qualifier)	Interest Holder Type	Mailing Address	Type	Year	Doc#	Book/Page/Plan	Registration Date
No Records Found							

Recorded Interests

Interest Holder (Qualifier)	Interest Holder Type	Mailing Address	Type	Year	Doc#	Book/Page/Plan	Registration Date
MERNOVA MEDICINAL INC.	PARTY TO AGREEMENT	128 BROOK STREET FLETCHERS LAKE NS CA B2T 1A5	OPTION	2014	105136312 View Form View Doc		May 29, 2014
BRIANT NOMINEES PTY LIMITED	MORTGAGEE	22 LINDSAY STREET, PERTH WA 6000 AU	MORTGAGE	2022	121642848 View Form View Doc		Nov 17, 2022
BRIANT NOMINEES PTY LIMITED	ASSIGNEE	22 LINDSAY STREET, PERTH WA 6000 AU	ASSIGNMENT OF LEASES AND/OR RENTS	2022	121642855 View Form View Doc		Nov 17, 2022
LA PLATA CAPITAL LLC	MORTGAGEE	90 MADISON STREET SUITE 303 DENVER CO US 80206	MORTGAGE	2023	121927090 View Form View Doc		Jan 18, 2023
LA PLATA CAPITAL LLC	ASSIGNEE	90 MADISON STREET DENVER CO US 80206	ASSIGNMENT OF LEASES AND/OR RENTS	2023	121927116 View Form View Doc		Jan 18, 2023

Parcel Description

ALL THAT certain parcel of land at or near the Town of Windsor, in the County of Hants, Province of Nova Scotia and more particularly described as follows:

BEGINNING at the point of intersection of the northeastern boundary of Lot 27 and the southeastern boundary of Ivey Lane Extension;

THENCE N 41 degrees 52' 15" E along said southeastern boundary a distance 153.31 feet to the northeastern boundary of Ivey Lane Extension;

THENCE N 48 degrees 07' 45" W along said northeastern boundary a distance of 210.00 feet to the southeastern boundary of Ivey Lane Extension;

THENCE N 41 degrees 52' 15" E along said southeastern boundary a distance of 10.00 feet to the northeastern boundary of Ivey Lane Extension;

THENCE N 48 degrees 07' 45" W along said northeastern boundary a distance of 228.81 feet to the southeastern boundary of Ivey Lane Extension;

THENCE N 39 degrees 24' 15" E along said southeastern boundary a distance of 57.20 feet to the southwestern boundary of Ivey Lane Extension;

THENCE S 50 degrees 35' 45" E along said southwestern boundary a distance of 22.00 feet to the southeastern boundary of Ivey Lane Extension;

THENCE N 39 degrees 24' 15" E along said southeastern boundary a distance of 200.00 feet to the southwestern boundary of Ivey Lane Extension;

THENCE S 50 degrees 35' 45" E along said southwestern boundary a distance of 35.00 feet to the southeastern boundary of Ivey Lane Extension;

THENCE N 39 degrees 24' 15" E along said southeastern boundary a distance of 89.13 feet to a point of curvature;

THENCE along the curved southeastern boundary of Ivey Lane Extension following a circular curve to the left, having a radius of 680.74 feet, an arc distance of 416.47 feet to a point of curvature;

THENCE N 4 degrees 21' 05" E along the southeastern boundary of Ivey Lane Extension a distance of 13.41 feet to the southeastern boundary of Wentworth Road;

THENCE N 82 degrees 31' 34" E along said road boundary a distance of 7.85 feet to the southwestern boundary of lands of Barry Hennigar;

THENCE S 24 degrees 34' 10" E along said southwestern boundary a distance of 496.03 feet;

THENCE S 47 degrees 00' 10" E along the southwestern boundary of lands of Barry Hennigar a distance of 650.00 feet to the northwestern boundary of lands of Canadian Gypsum Company Limited;

THENCE S 60 degrees 33' 55" W along said northwestern boundary a distance of 741.76 feet to the northeastern boundary of Lot 27;

THENCE N 48 degrees 07' 45" W along said northeastern boundary a distance of 326.81 feet to the point of beginning, containing an area of 13.37 acres.

SAVING AND EXCEPTING Parcel X as conveyed to the Town of Windsor by deed recorded at the Registry of Deeds for Hants County as Book 438 Page 116.

ALSO SAVING AND EXCEPTING Lot 30A conveyed to S. & K. Crawford Enterprises Limited by deed recorded at the Registry for Hants County as Book 641 Page 14.

ALSO SAVING AND EXCEPTING Parcel 1 of Lot 30A-1 conveyed to S. & K. Crawford Enterprises Limited by deed recorded at the Registry for Hants County as Book 644 Page 114.

ALSO SAVING AND EXCEPTING Parcel A of Lot 27A conveyed to Sepracor Canada Limited by deed recorded at the Registry for Hants County as Book 847 Page 246.

ALSO SAVING AND EXCEPTING Lot 28A conveyed to Mernova Medicinal Inc. by deed recorded at the Registry for Hants County as Document 105136023

SUBJECT to an easement granted to the Town of Windsor by Deed recorded at the Registry of Deeds for Hants County as Book 438 Page 116.

SUBJECT to an easement in favour of Nova Scotia Power Inc. recorded at the Registry of Deeds for Hants County as Book 992 Page 405.

SUBJECT to an easement in favour of Nova Scotia Power Inc. recorded at the Registry of Deeds for Hants County as Document 100166710.

SUBJECT to a Lease of property recorded at the Registry of Deeds for Hants County as Document 102457968.

SUBJECT to a Lease of property recorded at the Registry of Deeds for Hants County as Document number 3722 in Book 929 at page 389 and amended by document number 114565651 recorded November 15, 2019..

AND SUBJECT to an easement associated with the above-referenced lease of property, as more particularly described in a Lease of property recorded at the Registry of Deeds for Hants County as Document number 3722 in Book 929 at page 389 and amended by document number 114565651 recorded November 15, 2019..

SUBJECT to Restrictive Covenants as described in Book 941 at page 436 and amended by Amending Agreement recorded as Document 105608765.

*** Municipal Government Act, Part IX Compliance ***

Not Subject To:

The parcel was created by a subdivision that predates subdivision control or planning legislation or by-laws in the municipality and therefore no subdivision approval was required for creation of this parcel.

Non-Enabling Documents

Inst Type	Inst No	Year	Type	Book/Page	Registration System	Registration Date
No Non Enabling Documents Found						

Non-Enabling Plans

Inst Type	Inst No	Year	Type	Plan Name	Drawer Number	Registration Date
Plan	104858254  View Plan	2014	SUBDIVISION & AMALGAMATIONS	PLAN OF S/D LOT 28A, LANDS OF NOVA SCOTIA BUSINESS INC, IVEY LANE, WENTWORTH CREEK		4/4/2014

AFR Bundles

Inst Type	Inst No	Year	Type	Filing Reference	Instrument Date
No AFR Bundles Found					

Parcel Relationships

Related PID	Type of Relationship
45006749	ADDITION PARCEL
45193190	INFANT PARCEL
45193679	INFANT PARCEL
45214269	INFANT PARCEL
45214277	INFANT PARCEL
45216587	INFANT PARCEL
45225836	INFANT PARCEL
45227071	INFANT PARCEL
45283553	INFANT PARCEL
45283553	ADDITION PARCEL
45395514	INFANT PARCEL

This parcel IS REGISTERED PURSUANT TO THE Land Registration Act. The registered owner of the registered interest owns the interest defined in this register in respect of the parcel described in the register, subject to any discrepancy in the location, boundaries or extent of the parcel and subject to the overriding interests [Land Registration Act subsection 20(1)].

No representations whatsoever are made as to the validity or effect of recorded documents listed in this parcel register. The description of the parcel is not conclusive as to the location, boundaries or extent of the parcel [Land Registration Act subsection 21(1)].

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Please feel free to [Submit Problems](#) you find with the Property Online web site.

F

2025

Hfx No.

Attached is **Exhibit "F"** referred
to in the Affidavit of Micheline
MacKay sworn before me on
April 9, 2025



Signature

ASHA PELLY
A Barrister of the Supreme
Court of Nova Scotia

Licence No. - N° de licence
LIC-NQS67FH60D-2023-1

LICENCE

This licence is issued in accordance with the *Cannabis Act* and *Cannabis Regulations*

LICENCE

Cette licence est délivrée conformément à la *Loi sur le cannabis* et le *Règlement sur le cannabis*

Licence Holder / Titulaire de la licence :
Mernova Medicinal Inc.

Licensed Site / Lieu autorisé :
50 IVEY LANE
WINDSOR, NS, CANADA, B0N 2T0

The above-mentioned person is authorized to conduct, at the site specified on this licence, the activities listed below for the following licence classes and subclasses.

La personne susmentionnée est autorisée à effectuer, sur le site spécifié sur cette licence, les activités énumérées ci-dessous pour les catégories et les sous-catégories de licence suivantes.

Standard Cultivation

Culture standard

Activities	Activités
- To possess cannabis - To obtain dried cannabis, fresh cannabis, cannabis plants or cannabis plant seeds by cultivating, propagating and harvesting cannabis - For the purposes of testing, to obtain cannabis by altering its chemical or physical properties by any means - To sell cannabis in accordance with subsection 11(5) of the Cannabis Regulations	- Avoir du cannabis en sa possession - Obtenir du cannabis séché, du cannabis frais, des plantes de cannabis ou des graines provenant de telles plantes par la culture, la multiplication et la récolte de cannabis - Afin d'effectuer des essais sur du cannabis, obtenir du cannabis par l'altération, par tout moyen, de ses propriétés physiques ou chimiques - Vendre du cannabis en vertu du paragraphe 11(5) du Règlement sur le cannabis

Conditions	Conditions
The licence holder must meet the requirements set out in the Health Canada document entitled " <i>Mandatory cannabis testing for pesticide active ingredients - Requirements</i> ".	Le titulaire de la licence doit respecter les exigences énoncées dans le document de Santé Canada intitulé « <i>Analyse obligatoire du cannabis pour les résidus de principes actifs de pesticides-Exigences</i> ».

Standard Processing

Transformation standard

Activities	Activités
- To possess cannabis - To produce cannabis, other than obtain it by cultivating, propagating or harvesting it - To sell cannabis in accordance with subsection 17(5) of the Cannabis Regulations	- Avoir du cannabis en sa possession - Produire du cannabis, sauf en l'obtenant par la culture, la multiplication et la récolte - Vendre du cannabis en vertu du paragraphe 17(5) du Règlement sur le cannabis

Conditions	Conditions
The licence holder must meet the requirements set out in the Health Canada document entitled " <i>Mandatory cannabis testing for pesticide active ingredients - Requirements</i> ".	Le titulaire de la licence doit respecter les exigences énoncées dans le document de Santé Canada intitulé « <i>Analyse obligatoire du cannabis pour les résidus de principes actifs de pesticides-Exigences</i> ».
The only cannabis products that the licence holder may sell or distribute to (i) a holder of a licence for sale, and (ii) a person that is authorized under a provincial Act referred to in subsection 69(1) of the Act to sell cannabis, are as follows: cannabis plants; cannabis plant seeds; dried cannabis; fresh cannabis; cannabis topicals; cannabis extracts; and edible cannabis.	Les seuls produits du cannabis que le titulaire de la licence peut vendre ou distribuer (i) à un titulaire d'une licence de vente et (ii) à une personne autorisée sous le régime d'une loi provinciale visée au paragraphe 69(1) de la Loi à vendre du cannabis sont les suivants : plantes de cannabis; graines provenant d'une plante de cannabis; cannabis séché; cannabis frais; cannabis topiques; extraits de cannabis; et cannabis comestible.



Manager, Controlled Substances and Cannabis Branch

Gestionnaire, Direction générale des substances contrôlées et du cannabis

Conditions	Conditions
The only cannabis products that the licence holder may send or deliver to the purchaser at the request of (i) a holder of a licence for sale, and (ii) a person that is authorized under a provincial Act referred to in subsection 69(1) of the Act to sell cannabis, are as follows: cannabis plants; cannabis plant seeds; dried cannabis; fresh cannabis; cannabis topicals; cannabis extracts; and edible cannabis.	Les seuls produits du cannabis que le titulaire de la licence peut expédier ou livrer à l'acheteur à la demande (i) d'un titulaire d'une licence de vente et (ii) d'une personne autorisée sous le régime d'une loi provinciale visée au paragraphe 69(1) de la Loi à vendre du cannabis sont les suivants : plantes de cannabis; graines provenant d'une plante de cannabis; cannabis séché; cannabis frais; cannabis pour usage topique; extrait de cannabis; et cannabis comestible.

Sale for Medical Purposes

Vente à des fins médicales

Activities	Activités
- To possess cannabis - To sell cannabis products in accordance with section 27 and Part 14, Division 1 of the Cannabis Regulations	- Avoir du cannabis en sa possession - Vendre des produits du cannabis en vertu de l'article 27 et la section 1 de la partie 14 du Règlement sur le cannabis

Conditions	Conditions
N/A	nd

Indoor Area(s) / Zone(s) intérieure(s)

The possession of cannabis and the other activities mentioned above are authorized in the following building(s) / La possession de cannabis et les autre activités mentionnées ci-haut sont autorisées dans les bâtiment(s) suivant(s) :

Building 1

Effective date of the licence:

This licence is effective as of **February 3, 2023**

Date d'entrée en vigueur de la licence:

Cette licence entre en vigueur à compter du **3 février 2023**

Expiry date of the licence:

This licence expires on **February 2, 2028**

Date d'expiration de la licence:

La présente licence expire le **2 février 2028**

Contraband

Manager, Controlled Substances and Cannabis Branch

Gestionnaire, Direction générale des substances contrôlées et du cannabis

G

2025

Hfx No.

Attached is Exhibit "G" referred
to in the Affidavit of Micheline
MacKay sworn before me on
April 9, 2025



Signature

ASHA PELLY
A Barrister of the Supreme
Court of Nova Scotia

Licence No. - N° de licence
LIC-O2OEURH44S-2025

LICENCE

This licence is issued in accordance with the *Cannabis Act* and *Cannabis Regulations*

LICENCE

Cette licence est délivrée conformément à la *Loi sur le cannabis* et le *Règlement sur le cannabis*

Licence Holder / Titulaire de la licence :
Mernova Medicinal Inc.

The above-mentioned person is authorized to conduct, at the site specified on this licence, the activities listed below for the following licence classes and subclasses:

- Research

La personne susmentionnée est autorisée à effectuer, sur le site spécifié sur cette licence, les activités énumérées ci-dessous pour les catégories et les sous-catégories de licence suivantes :

- Recherche

Site and authorized activities

Site et activités autorisées

Site	Activities	Activités
50 IVEY LANE WINDSOR FORKS, NS, CANADA, B0N 2T0	to possess cannabis for the purpose of research	aux fins de recherche, avoir du cannabis en sa possession

Conditions

Conditions

This licence is restricted, in addition to all other applicable conditions, in that all research conducted under this licence is conducted in accordance with the Research Protocol "Sample Testing Protocol" provided to Health Canada on December 23, 2024.	Cette licence est restreinte, en plus des autres conditions qui s'appliquent, du fait que toute la recherche effectuée sous cette licence est effectuée conformément au protocole de recherche "Sample Testing Protocol", fourni à Santé Canada le 23 décembre 2024.
The maximum quantity of cannabis to be stored for the purpose of research at the address indicated on this licence is: 500 g of dried cannabis (or equivalent) at any given time.	La quantité maximale de cannabis pour des fins de recherche qui peut être entreposée à l'adresse indiquée sur cette licence est : 500 g de cannabis séché (ou équivalent) en tout temps.
The researcher may only be in possession of cannabis if such possession is to use in accordance with the research protocol submitted.	Le chercheur peut posséder du cannabis seulement si la possession est pour une utilisation en conformité avec le protocole de recherche soumis.
With respect to non-therapeutic research on cannabis involving the administration or distribution of cannabis that is not a cannabis product to human participants, a label must be applied to any container in which the cannabis is packaged indicating that the cannabis is for research purposes only and not for sale.	En ce qui concerne les recherches non thérapeutiques sur le cannabis impliquant l'administration ou la distribution de cannabis, qui n'est pas un produit du cannabis, à des participants humains, une étiquette doit être apposée sur tout contenant dans lequel le cannabis est emballé, indiquant que le cannabis est destiné uniquement à la recherche et non à la vente.
All activities relating to non-therapeutic research on cannabis, including the administration, consumption or possession of cannabis by the study participant, must occur at the licensed site, under the supervision of the licence holder.	Toutes les activités associées à la recherche non thérapeutique sur le cannabis, notamment l'administration du cannabis à un participant à l'étude, ou la consommation et la possession du cannabis par ce participant à l'étude, doivent se tenir sur le site autorisé, sous la supervision du titulaire de la licence.



Acting Manager, Initial Licensing, Controlled Substances and Cannabis Branch

Gestionnaire par intérim, licence initiale, Direction générale des substances contrôlées et du cannabis

Conditions

Conditions

The licence holder conducting non-therapeutic research on cannabis must obtain written or electronic informed consent from all participants taking part in their study prior to the start of the study and under any circumstance(s) in which consent must be re-obtained, only after the participants have been informed of: 1. The known and potential risks to their health arising from participating in the study. 2. All other aspects of the study that are necessary for the person to make an informed decision to participate in the study. The licence holder must follow the applicable principles of informed consent outlined in the <i>International Council for Harmonisation E6: Guideline for Good Clinical Practice</i> and in the <i>Tri-Council Policy Statement: Ethical Conduct for Research Involving Humans</i>, as well as any other applicable law(s) governing informed consent, throughout the entire informed consent process.	Le titulaire de la licence menant de la recherche non thérapeutique sur le cannabis doit obtenir le consentement informé, par écrit ou par voie électronique, de tous les participants à l'étude avant le début de la recherche et, dans toutes les circonstances où le consentement doit être réobtenu, seulement après avoir informé les participants : 1. Les risques connus et potentiels pour leur santé découlant de leur participation à l'étude. 2. Tous les autres aspects de l'étude qui sont nécessaires pour que la/le participant(e) potentiel (le) puisse prendre une décision éclairée de participer à l'étude. Le titulaire de la licence doit respecter les principes applicables en matière de consentement énoncés dans le document <i>International Council for Harmonisation E6: Guideline for Good Clinical Practice</i> et dans <i>l'Énoncé de politique des trois conseils : Éthique de la recherche avec des êtres humains</i>, ainsi que toute autre loi applicable régissant le consentement informé, tout au long de la procédure de consentement informé.
The licence holder conducting non-therapeutic research on cannabis must follow the following principles of Good Clinical Practice as found in the <i>International Council for Harmonisation E6: Guideline for Good Clinical Practice</i> document: 1. Research with humans should be conducted in accordance with the ethical principles that have their origin in the <i>Declaration of Helsinki</i>. 2. Research with humans should be designed and conducted in ways that ensure the rights, safety and well-being of participants. 3. Informed consent is a requirement for the ethical conduct of research with humans. Participation should be voluntary and based on a consent process that ensures participants are well-informed. 4. Research with humans should be scientifically sound for its intended purpose and based on robust and current scientific knowledge and approaches. 5. Research with humans should be designed and conducted by qualified individuals. 6. Systems with procedures that assure the quality of every aspect of the study should be implemented. 7. Study processes, measures and approaches should be proportionate to the risks to participants and to the reliability of study results. 8. Research studies should be described in a clear, concise and operationally feasible protocol. 9. Research studies should generate reliable results, and all study information should be recorded, handled and stored in a way that allows its accurate reporting, interpretation and verification. 10. Roles, tasks and responsibilities in research studies should be clear and documented appropriately.	Le titulaire de la licence menant de la recherche non thérapeutique sur le cannabis doit respecter les principes suivants de bonnes pratiques cliniques, tels qu'ils figurent dans le document <i>International Council for Harmonisation E6: Guideline for Good Clinical Practice</i> : 1. La recherche sur les humains doit être menée conformément aux principes éthiques qui trouvent leur origine dans la <i>Déclaration d'Helsinki</i>. 2. La recherche sur les humains doit être conçue et menée de manière à garantir les droits, la sécurité et le bien-être des participants. 3. Le consentement éclairé est une exigence pour la conduite éthique de la recherche sur les humains. La participation doit être volontaire et fondée sur un processus de consentement qui garantit que les participants sont bien informés. 4. La recherche sur les humains doit être scientifiquement valable pour l'objectif visé et fondée sur des connaissances et des approches scientifiques solides et actuelles. 5. La recherche sur les humains doit être conçue et menée par des personnes qualifiées. 6. Des systèmes avec des procédures qui assurent la qualité de chaque aspect de l'étude doivent être mis en œuvre. 7. Les processus, mesures et approches de l'étude doivent être proportionnés aux risques encourus par les participants et à la fiabilité des résultats de l'étude. 8. Les études de recherche doivent être décrites dans un protocole clair, concis et réalisable sur le plan opérationnel. 9. Les études de recherche doivent produire des résultats fiables, et tous les renseignements relatifs à l'étude doivent être documentés, traités et entreposés de manière à permettre un rapport, une interprétation et une vérification précis. 10. Les rôles, les tâches et les responsabilités dans les études de recherche doivent être clairs et documentés de manière appropriée.

Melissa Rivest

Acting Manager, Initial Licensing, Controlled Substances and Cannabis Branch

Gestionnaire par intérim, licence initiale, Direction générale des substances contrôlées et du cannabis

Conditions

Conditions

With respect to non-therapeutic research on cannabis involving the administration or distribution of cannabis, that is not a cannabis product, to human participants, the holder of the licence must meet the requirements outlined in section 5.0 of the document entitled, <i>Mandatory cannabis testing for pesticide active ingredients – Requirement</i> , as if the holder of the licence for research was the holder of a licence for processing in respect of any lot or batch of cannabis that will be administered or distributed to human participants. In the case of a holder of a licence for research that cultivates, harvests, or propagates cannabis, they must meet the applicable requirements in section 5.0 of the document as if they were a holder of both a licence for processing and cultivation. In respect of section 5.2 of this document, a portion of the representative sample of each lot or batch of the cannabis that is administered or distributed must only be retained for at least until the date after which any research that involves administration or distribution of that lot or batch of cannabis to a human participant is complete.	En ce qui concerne la recherche non thérapeutique sur le cannabis impliquant l'administration ou la distribution de cannabis, qui n'est pas un produit du cannabis, à des participants humains, le titulaire de licence doit satisfaire aux exigences énoncées à la section 5.0 du document intitulé <i>Analyse obligatoire du cannabis pour les ingrédients actifs des pesticides - Exigence</i> , comme si le titulaire de licence de recherche était le titulaire d'une licence de transformation pour tout lot ou paquet de cannabis qui sera administré ou distribué à des participants humains. Le titulaire d'une licence de recherche qui cultive, récolte ou propage du cannabis doit satisfaire aux exigences applicables de la section 5.0 du document comme s'il était titulaire à la fois d'une licence de transformation et d'une licence de culture. En ce qui concerne l'article 5.2 du présent document, une partie de l'échantillon représentatif de chaque lot ou paquet de cannabis administré ou distribué doit être conservée au moins jusqu'à la date à laquelle toute recherche impliquant l'administration ou la distribution de ce lot ou paquet de cannabis à un participant humain est terminée.
At the end of the research, all cannabis must be destroyed in accordance with s.43 of the <i>Cannabis Regulations</i> unless distributed in a manner authorized by the <i>Cannabis Regulations</i> .	À la fin de la recherche, tout cannabis doit être détruit en conformité avec l'article 43 du <i>Règlement sur le cannabis</i> à moins d'être distribué d'une manière autorisée par le <i>Règlement sur le cannabis</i> .

Effective date of the licence:

This licence is effective as of **January 17, 2025**

Expiry date of the licence:

This licence expires on **January 18, 2030**

Date d'entrée en vigueur de la licence:

Cette licence entre en vigueur à compter du **17 janvier 2025**

Date d'expiration de la licence:

La présente licence expire le **18 janvier 2030**

Melissa Rivest

Acting Manager, Initial Licensing, Controlled Substances and Cannabis Branch

Gestionnaire par intérim, licence initiale, Direction générale des substances contrôlées et du cannabis

H

2025

Hfx No.

Attached is Exhibit "H" referred
to in the Affidavit of Micheline
MacKay sworn before me on
April 9, 2025



Signature

ASHA PELLY
A Barrister of the Supreme
Court of Nova Scotia



April 5, 2023

Micheline MacKay
Managing Director
Mernova Medicinal Inc.
50 Ivey Lane
P. O. Box 100
Windsor, NS B0N 2T0

Dear Micheline MacKay:

Subject: Renewal of Cannabis Licence under the Excise Act, 2001

We have reviewed your cannabis licence renewal application, and are pleased to inform you that your cannabis licence under the Excise Act, 2001 has been renewed effective May 10, 2023.

Cannabis licence number

The following licence number should be recorded on all correspondence with the CRA:

81875 0036 RD0001
50 Ivey Lane, Windsor, NS B0N 2T0

Each of the physical business locations included in the licence application has been provided with a separate account number as follows:

Location	Account Identifier	Account Type	Premises Address
1	RD0001	Filing	50 Ivey Lane, Windsor, NS B0N 2T0

Acknowledgement of Security

A person renewing a cannabis licence under the Act is required to maintain security in a form satisfactory to the CRA and in an amount determined by the Regulations Respecting Excise Licences and Registrations. Please ensure your posted security remains valid, and is sufficient to ensure payment of the amount referred to in paragraph 160(b) of the Act (highest duty payable on your B300 excise duty return for any month). If you have questions in regards to the security requirement, please contact our office.

Renewal of Cannabis Licence

Information related to renewing a cannabis licence is provided in Excise Duty Notice EDN52, Obtaining and Renewing a Cannabis Licence. Subject to meeting the requirements for maintaining a cannabis licence, the licence will remain in effect for the period specified in the licence.

The expiry date for your licence will be February 2, 2028. In order to renew the cannabis licence, a completed Form L300, Cannabis Licence Application must be submitted to your regional office not later than 30 days before the expiry date.

Obligations of a Cannabis Licensee

Changes to Information

The CRA must be informed of any changes to the name, legal entity, business or mailing address, location of books and records or changes to any other information provided in the licence application form. The CRA must also be informed if your business/operations have been discontinued or sold.

Books and Records

All cannabis licensees are required to maintain adequate books and records and provide access to those books and records to excise officers. Denied access to books and records could result in a suspension or the cancellation of a cannabis licence.

Filing of Returns

A form B300, Cannabis Duty and Information Return, for each filing division under your cannabis licence must be filed for each calendar month whether or not any duty is payable. Your returns are due at the end of the month following the calendar month for the production being reported. It should be noted that a licensee who fails to file a return for a reporting period as and when required will be subject to penalty. Similarly, if payment is not made as and when required, a licensee will be subject to interest on the late payment.

Electronic filing of the monthly B300 Cannabis Duty and Information Return, the B301 Application for a Refund of Cannabis Duty, as well as other account information, such as account transactions and balances, licence status and account maintenance activities, is available at canada.ca/my-cra-business-account. Electronic filing of returns provides immediate confirmation that your return has been received by the CRA. Enrollment can be completed online, and further information is available at canada.ca/my-cra-business-account or by phone at 1-800-959-5525.

Monthly excise cannabis returns may also be printed from our website at canada.ca/cannabis-excise so that they may be completed and submitted by mail. Please note that should a return and any payment due not be filed or received within the time limits, penalty and interest charges may be applied in accordance with the Act.

Methods of Destruction and Analysis

As a reminder, methods for destruction and analysis of cannabis products must be approved by the Minister. Any changes to the previously approved methods must be submitted in writing to the Regional Manager for Excise Duty for approval, prior to implementation of the revised procedures.

Although we reserve the right to be present during any destruction, mandatory notification and witnessing of destruction is not required for regular, routine destruction. However, unusual destruction or the destruction of packaged goods returned from a purchaser are required to be reported and may require witnessing of the destruction by an officer.

Should you have any questions or require clarification regarding the above information, please do not hesitate to contact Indira Elwin at 902-483-2741. For general information regarding the excise duty on cannabis products please go to canada.ca/cannabis-excise or call 1-866-330-3304 to make an enquiry. To request a ruling or technical interpretation on cannabis excise duty, please email cannabis@cra-arc.gc.ca.

Sincerely,



Danny Rutkauskas
Acting Regional Manager | Gestionnaire Régional Intérimaire
Excise Duties and Taxes | Droits et taxes d'accise
P.O. Box 638 | C.P. 638
Halifax, NS B3J 2T5 | Halifax, (N.-É.) B3J 2T5

I

2025

Hfx No.

Attached is Exhibit "I" referred
to in the Affidavit of Micheline
MacKay sworn before me on
April 9, 2025



Signature

ASHA PELLY
A Barrister of the Supreme
Court of Nova Scotia

Mernova Medicinal Inc.
Profit and Loss
January - December 2023

	<u>Total</u>
INCOME	
35000 Interest income	238.00
45000 Revenue	43,079.10
45100 Sales - Wholesale	103,240.66
45200 Sales - Retail	6,201,591.32
Total 45000 Revenue	\$ 6,347,911.08
46000 Refunds	-122,238.04
46500 Discounts	-9,099.08
47900 Sales	76,092.24
48000 Lease income	26,611.86
48900 Shipping and Delivery Income	8,354.62
Total Income	\$ 6,327,870.68
COST OF GOODS SOLD	
50000 Cost of Goods Sold	399,551.57
50100 COGS - Wholesale	6,408.44
50200 COGS - Retail	2,566,744.07
50300 Freight Out	156,988.36
50900 Inventory Adjustments	1,878,323.95
Total 50000 Cost of Goods Sold	\$ 5,008,016.39
58000 Excise Taxes and Duties	1,313,646.88
9997 Production costs	152.76
9998 FV adj - sale of inventory	906,888.47
Total Cost of Goods Sold	\$ 7,228,704.50
GROSS PROFIT	-\$ 900,833.82
EXPENSES	
49500 Compensation Expense	0.00
51000 Freight and Shipping Costs	4,818.23
51100 Freight - testing & EBEAM	2,147.16
51200 Freight on purchases	8,239.42
51300 Freight on sales/samples	76.01
51400 Export expenses	690.00
Total 51000 Freight and Shipping Costs	\$ 15,970.82
52000 Production Labour	0.00
52100 Wages & salaries - production	212,896.71
52110 CPP expense - production	12,416.05
52120 EI expense - production	5,142.93
52130 Health benefits - production	5,552.15
52140 Worker's Comp Premiums - Labour	3,347.21
52150 Part time contract labour	0.52

52160 Vacation Expense - production	-12,490.71
Total 52000 Production Labour	\$ 226,864.86
53000 Production Expenses	6,599.40
53100 Grow supplies	-141.19
53200 PPE supplies	8,400.00
53300 Cleaning supplies	4,365.95
53400 E Beam & Testing (NO FREIGHT)	-3,490.27
53500 Minor equipment	9,213.23
53600 Packaging supplies	275,461.52
53700 Post-harvest supplies	0.29
Total 53000 Production Expenses	\$ 300,408.93
54000 Commission fees	313,848.25
59000 Regulatory Recovery fee	29,827.95
61000 Advertising	4,588.95
61010 Marketing Expense	10,331.03
Total 61000 Advertising	\$ 14,919.98
61300 Bank Service Charges	2,455.68
61400 Late payment charges	2,253.92
61700 Computer and Internet Expenses	22,310.87
62500 Depreciation	73,481.15
63000 Dues and Subscriptions	2,245.31
63300 Insurance Expense	21,822.15
63350 Interest on long term debt	241,536.32
63400 Interest Expense	-159,423.77
63500 Miscellaneous	-99,739.37
63600 Professional Fees	48,626.27
63700 Consulting	13,098.76
64000 Office Supplies	5,635.06
64100 Supplies	2,397.32
64200 Telephone Expense	37.69
64300 Courier and Delivery	67.27
65000 Payroll Expenses	-17.54
65100 Admin salaries	129,705.83
65110 Admin - CPP expense	4,986.18
65120 Admin - EI expense	1,956.52
65130 Admin - health benefits	1,439.92
65140 Workers Compensation - Admin	1,012.57
65150 Payroll service charges	1,039.51
65160 Admin - Vacation Expense	5,282.64
Total 65000 Payroll Expenses	\$ 145,405.63
65200 Meals and Entertainment	260.02
65300 Staff expenses	8,609.69
65400 Training and Recruiting	298.85
65500 Travel Expense	2,981.04

66000 Property Taxes	9,658.85
67000 Repairs and Maintenance	8,300.01
67100 Rent Expense	3,346.00
68000 Utilities	64,303.74
69100 Management Fee	626,644.00
69200 Non-allowable Management Fees	977,492.00
69800 Uncategorized Expenses	-0.01
Purchases	-3,268.95
Total Expenses	\$ 2,922,676.29
OTHER EXPENSES	
63410 Non-deductible interest	5,308.70
80000 Ask My Accountant	0.00
9990 Loss on Disposal	24,886.00
9994 Loss on NRV - WIP inventory	261,519.00
9995 Provision for WIP inventory	-798,011.89
9999 FV adj - biological assets	1,408,623.64
Total Other Expenses	\$ 902,325.45
PROFIT	-\$ 4,725,835.56

Tuesday, Apr. 01, 2025 03:46:22 p.m. GMT-7 - Accrual Basis

J

2025

Hfx No.

Attached is **Exhibit "J"** referred
to in the Affidavit of Micheline
MacKay sworn before me on
April 9, 2025



Signature

ASHA PELLY
A Barrister of the Supreme
Court of Nova Scotia

Mernova Medicinal Inc.
Profit and Loss
January - December 2024

	<u>Total</u>
INCOME	
35000 Interest income	575.57
45000 Revenue	
45100 Sales - Wholesale	25,512.00
45200 Sales - Retail	3,350,265.14
Total 45000 Revenue	\$ 3,375,777.14
46000 Refunds	-16,429.08
46500 Discounts	-34,977.15
47900 Sales	83,506.96
48000 Lease income	23,140.75
48900 Shipping and Delivery Income	2,878.89
Services	4,282,170.89
Total Income	\$ 7,716,643.97
COST OF GOODS SOLD	
50000 Cost of Goods Sold	
50200 COGS - Retail	52,507.54
50300 Freight Out	7,612.45
50900 Inventory Adjustments	-121,948.91
Total 50000 Cost of Goods Sold	-\$ 61,828.92
58000 Excise Taxes and Duties	1,750,644.01
Total Cost of Goods Sold	\$ 1,688,815.09
GROSS PROFIT	\$ 6,027,828.88
EXPENSES	
51000 Freight and Shipping Costs	154.74
51100 Freight - testing & EBEAM	2,677.69
51200 Freight on purchases	79,741.55
Total 51000 Freight and Shipping Costs	\$ 82,573.98
52000 Production Labour	95.77
52100 Wages & salaries - production	1,570,066.06
52110 CPP expense - production	82,552.07
52120 EI expense - production	34,657.55
52130 Health benefits - production	34,208.34
52140 Worker's Comp Premiums - Labour	21,912.27
52160 Vacation Expense - production	-16,518.01
Total 52000 Production Labour	\$ 1,726,974.05
53000 Production Expenses	17,366.10
53100 Grow supplies	193,111.62
53200 PPE supplies	20,091.82
53300 Cleaning supplies	11,328.37

53400 E Beam & Testing (NO FREIGHT)	74,724.03
53500 Minor equipment	35,231.02
53600 Packaging supplies	644,709.31
53700 Post-harvest supplies	16,421.97
Total 53000 Production Expenses	\$ 1,012,984.24
54000 Commission fees	234,119.99
59000 Regulatory Recovery fee	171,436.22
61000 Advertising	104,623.84
61010 Marketing Expense	21,531.69
Total 61000 Advertising	\$ 126,155.53
61300 Bank Service Charges	46.61
61400 Late payment charges	23,297.57
61500 Interest Operating Lease	318.33
61700 Computer and Internet Expenses	67,708.57
62500 Depreciation	699,260.80
62510 Depreciation Right to Use Asset	3,543.08
63000 Dues and Subscriptions	18,326.44
63300 Insurance Expense	183,734.43
63350 Interest on long term debt	154.49
63400 Interest Expense	1,870.85
63500 Miscellaneous	18,762.58
63600 Professional Fees	68,013.98
63700 Consulting	146,125.70
64000 Office Supplies	21,873.34
64200 Telephone Expense	2,659.26
64300 Courier and Delivery	22.36
65000 Payroll Expenses	1,246.00
65100 Admin salaries	774,441.69
65110 Admin - CPP expense	27,584.66
65120 Admin - EI expense	11,143.83
65130 Admin - health benefits	12,715.19
65140 Workers Compensation - Admin	6,148.51
65150 Payroll service charges	8,203.51
65160 Admin - Vacation Expense	-33,041.53
Total 65000 Payroll Expenses	\$ 808,441.86
65200 Meals and Entertainment	816.82
65300 Staff expenses	19,992.77
65400 Training and Recruiting	2,321.93
65500 Travel Expense	24,728.87
66000 Property Taxes	144,310.73
67000 Repairs and Maintenance	103,848.59
68000 Utilities	692,456.23
69100 Management Fee	1,075,835.00
69800 Uncategorized Expenses	240,700.00

Purchases		401,323.03
Total Expenses	\$	8,124,738.23
OTHER EXPENSES		
63410 Non-deductible interest		14,765.52
9990 Loss on Disposal		8,999.54
9995 Provision for WIP inventory		-246,472.00
Total Other Expenses	-\$	222,706.94
PROFIT	-\$	1,874,202.41

K

2025

Hfx No.

Attached is **Exhibit "K"** referred
to in the Affidavit of Micheline
MacKay sworn before me on
April 9, 2025



Signature

ASHA PELLY
A Barrister of the Supreme
Court of Nova Scotia



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

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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

Bankers

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

Solicitors

Steinepreis Paganin
Level 4, The Read Buildings
16 Milligan Street
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

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,



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 appointment, 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 entities:

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 responsible 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 multiple 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 held 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

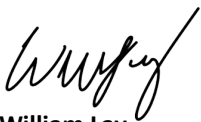
No person has applied for leave to the Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a part for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

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
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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:

- Fixed Remuneration – base salary
- Variable Short-Term Incentives
- 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			Termination payments	Post-Employment	Share Based Payments	Total
	Salary & fees	Non-monetary benefits	Other/bonus		Superannuation & Insurance	Performance Rights/Options ^(vi)	
	\$	\$	\$		\$	\$	
<u>Directors</u>							
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
<u>Senior Executives</u>							
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			Termination payments	Post-Employment	Share Based Payments	Total
	Salary & fees	Non-monetary benefits	Other/ bonus		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 ⁽ⁱⁱⁱ⁾	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	01 January 2022– 30 June 2023	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:

Name/code	Year granted	Balance at start of year	Granted during year	Rights to performance rights				Balance at end of year (unvested)	Maximum value yet to vest ⁱ
		Number	Number	Vested/Exercised		Forfeited		Number	\$
<u>William Lay</u>									
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
<u>Chris Grundy</u>									
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 ⁽ⁱⁱⁱ⁾	-	-		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

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



John Haydon
Senior Partner

28 March 2024
Sydney

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The title 'Partner' conveys that the person is a senior member within their respective division, and is among the group of persons who hold an equity interest (shareholder) in its parent entity, Findex Group Limited. The only professional service offering which is conducted by a partnership is external audit, conducted via the Crowe Australasia external audit division and Unison SMSF Audit. All other professional services offered by Findex Group Limited are conducted by a privately owned organisation and/or its subsidiaries.

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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 currency 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 its 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 are 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.

Notes to the Consolidated Financial Statements

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	Europe	Canada	USA	All other segments	Total
	\$000’s	\$000’s	\$000’s	\$000’s	\$000’s	\$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	Europe	Canada	USA	All other segments	Total
	\$000’s	\$000’s	\$000’s	\$000’s	\$000’s	\$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
<i>Other income</i>		
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
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The components of tax expense comprise:

Current tax

Adjustments for current tax of prior periods

24	2
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(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)
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Prima facie tax benefit on loss before income tax at 25% (2022: 25%)

(13,111)	(8,195)
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(b) Tax effect of:

Tax effect on different tax rate of overseas subsidiaries

1,912	2,518
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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
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(c) Deferred tax assets not brought to account are:

Carried forward losses

52,323	35,266
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Total

52,323	35,266
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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)
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Discontinuing operations

Basic and diluted loss per share (cents)	(0.61)	(0.74)
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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)
<i>Adjustments for:</i>		
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
<i>Changes in assets and liabilities</i>		
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 8 CASH AND CASH EQUIVALENTS (CONTINUED)

Notes to the Consolidated Financial Statements

(b) Non-cash investing and financing activities

	2023 \$000's	2022 \$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:

	Licences (Canadian) \$000's	Intellectual Property \$000's	Computer Software \$000's	Goodwill \$000's	Total \$000's
Consolidated					
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					
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 \$000's	2022 \$000's
Secured borrowings		
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 United 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
<u>Movement reconciliation</u>		
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 €000's	EUR €000's	CHF Fr.000's	CAD \$000's	USD \$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 €000's	EUR €000's	CHF Fr.000's	CAD \$000's	USD \$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 \$000's	2022 \$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					
<i>Non-interest bearing</i>					
Trade and other payables	-	12,974	-	-	12,974
Borrowings	-	103	-	-	103
		<u>13,077</u>	<u>-</u>	<u>-</u>	<u>13,077</u>
<i>Interest-bearing – fixed rate</i>					
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		<u>22,387</u>	<u>-</u>	<u>-</u>	<u>22,387</u>
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					
<i>Non-interest bearing</i>					
Trade and other payables	-	8,642	-	-	8,642
Borrowings	-	100	-	-	100
		<u>8,742</u>	<u>-</u>	<u>-</u>	<u>8,742</u>
<i>Interest-bearing – fixed rate</i>					
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		<u>14,462</u>	<u>851</u>	<u>-</u>	<u>15,313</u>

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 ⁽ⁱⁱⁱ⁾	-	-		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	25,000,000	10,000,000	7,500,000		
Director incentive			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		
<i>Audit Services</i>		
Audit of the Group and controlled entities	340,000	-
Total services provided by Crowe	340,000	-
Auditors of the Group – BDO		
<i>Audit Services</i>		
Audit and review of annual and half-year of the Group and controlled entities	182,970	520,220
<i>Other services</i>		
– 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
<i>Other services</i>		
– 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)
 <i>Fair value of consideration paid</i>	
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) of \$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 William Lay
CEO and Managing Director
28 March 2024

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.

Some of the Crowe personnel involved in preparing this document may be members of a professional scheme approved under Professional Standards Legislation such that their occupational liability is limited under that Legislation. To the extent that applies, the following disclaimer applies to them. If you have any questions about the applicability of Professional Standards Legislation Crowe's personnel involved in preparing this document, please speak to your Crowe adviser.

Liability limited by a scheme approved under Professional Standards Legislation.

The title 'Partner' conveys that the person is a senior member within their respective division, and is among the group of persons who hold an equity interest (shareholder) in its parent entity, Findex Group Limited. The only professional service offering which is conducted by a partnership is external audit, conducted via the Crowe Australasia external audit division and Unison SMSF Audit. All other professional services offered by Findex Group Limited are conducted by a privately owned organisation and/or its subsidiaries.

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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 <i>Impairment of Assets</i>, 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 <i>Financial Instruments: Presentation</i>; - 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 <i>Financial Instruments – Disclosures</i>.

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 <i>Related Party Transactions</i> 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



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: - Chinchereinchee 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 ME10 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 ME10D 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 ME10E 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%

L

2025

Hfx No.

Attached is Exhibit "L" referred
to in the Affidavit of Micheline
MacKay sworn before me on
April 9, 2025



Signature

ASHA PELLY
A Barrister of the Supreme
Court of Nova Scotia

Mernova Medicinal Inc.
Balance Sheet
As of February 28, 2025

	<u>Total</u>
Assets	
Current Assets	
Cash and Cash Equivalent	
1050 Petty Cash	1,078.23
1070 Bank chequing	96,758.67
1010 Undeposited Funds	0.00
Total Cash and Cash Equivalent	\$ 97,836.90
Accounts Receivable (A/R)	
1100 Accounts receivable	708,793.77
1120 Allowance for Credit Notes	0.00
Total Accounts Receivable (A/R)	\$ 708,793.77
1110 Other Debtors	0.00
1160 Funds held in trust at SMSS	0.00
1170 CUA - GIC	28,000.00
1200 Prepaid expenses	195,210.90
12000 Inventory Asset	0.00
12100 Finished Goods	0.22
12110 FG - Cannabis Flower	48,934.00
12120 FG - Cannabis Pre-Roll	20,728.00
12130 FG - Cannabis Infused	0.00
12140 FG - CANNABIS 2.0	1,274.00
12150 FG - Consignment Inventory	0.00
12151 FG - Consignment Inventory NLC	118,969.98
12152 FG - Consignment Inventory Metro Green	23,925.76
12160 FG - Dried Cannabis	0.00
Total 12100 Finished Goods	\$ 213,831.96
12200 Raw Materials	
12210 Raw Materials-Cannabis-Bulk	0.00
12220 Raw Materials-Packaging	264,321.47
12230 Raw Materials-Vape	0.00
12240 Packaging Material	0.00
Total 12200 Raw Materials	\$ 264,321.47
12500 Works in Progress	
12510 WIP - Harvested Not Ready	0.00
12520 WIP - Bulk Dried Cannabis	938,151.00
12530 WIP - Cannabis Pre-Roll	0.00
12540 WIP - Cannabis 2.0	9,348.24
12550 WIP - Vapes	96,021.27
12560 WIP - Edibles	12,018.14
12570 Inventory Provision for Obsolescence	-28,117.40
Total 12500 Works in Progress	\$ 1,027,421.25

12800 Consumables inventory	0.00
12810 Fertigation Supplies	27,206.00
12820 PPE and Cleaning Supplies	19,848.26
Total 12800 Consumables inventory	\$ 47,054.26
12900 Allowance - obsolete inventory	-270,958.42
1300 Biological Asset	378,369.00
1301 Production Costs capitalized	0.00
2201 HST paid (accrued Avondale inv	76.00
Total Current Assets	\$ 2,689,957.09
Non-current Assets	
Property, plant and equipment	
1500 Land	352,992.07
1520 Buildings and Improvements	0.00
1530 Computer Hardware	50,177.55
1531 A/D - Computer Hardware	-46,147.55
1535 Computer Software	18,631.80
1536 A/D - Computer Software	-13,503.99
1540 Equipment	429,228.07
1541 A/D - Equipment	-296,084.62
1550 Security System	390,932.87
1551 A/D - Security	-297,697.54
1560 Building and improvements	8,197,633.69
1561 A/D - Buildings and Improvement	-1,593,985.46
1570 Irrigation and Lighting	1,493,403.99
1571 A/D - Irrigation and Lighting	-1,071,527.71
1580 Building Equipment	233,560.59
1581 A/D - Building Equipment	-166,724.19
1585 Furniture and Fixtures	0.00
1590 Leasehold Improvement	1,700.00
1591 A/D - Leasehold Improvements	0.45
1601 A/D - Right to Use Asset	-4,555.44
Total Property, plant and equipment	\$ 7,678,034.58
1710 Health Canada Licenses	192,782.45
1711 A/A - Health Canada Licenses	-46,000.00
1750 Trademark - Ritual Green	26,713.72
1751 AA - Trademark - Ritual Green	0.00
1800 CRA Excise Bond	150,000.00
1850 Due from Creso impACTIVE Ltd.	-700.00
1860 Due from Halucenex	-7,000.00
Total Non Current Assets	\$ 7,993,830.75
Total Assets	\$ 10,683,787.84
Liabilities and Equity	
Liabilities	
Current Liabilities	
Accounts Payable (A/P)	
2000 Accounts Payable	2,263,638.92
Total Accounts Payable (A/P)	\$ 2,263,638.92

Credit Card	
2100 CUA - 0959	13,880.88
2150 Micheline Mackay expenses (deleted)	-3.00
Total Credit Card	\$ 13,877.88
2030 Accrued Liabilities	197,565.01
2040 Accrued Vacation	37,960.99
2045 Bonus Payable	108,750.00
2050 Customer Deposits	0.00
2055 Supplier Deposits	-81,821.46
2060 Excise Duty Payable	0.00
2070 HC Regulatory Fee Payable	320,133.45
2175 Michael Dolphin expenses	0.00
2200 GST/HST Payable	49,687.24
2305 Due to shareholders	0.00
2350 WCB Payable	0.00
2400 Payroll Liabilities	0.00
2401 Deferred lease revenue	0.00
2402 Lease Liability - Current	157.21
Receiver General Suspense	328,268.99
Total Current Liabilities	\$ 3,238,218.23
Non-current Liabilities	
2450 Canada Emergency Benefit Loan	37,830.16
2500 HST payable to CCL	0.00
2600 Due to Creso Canada Corp Ltd	16,654,241.03
2700 Term loan #2	0.00
2710 Loan	0.00
2720 Due to Creso Switzerland	-33,550.00
2730 Due to Creso Canada Ltd	18,072,160.69
2800 Accrued interest on RP loans	0.00
2810 Lease Liability - Non-current	-1,937.93
Total Non-current Liabilities	\$ 34,728,743.95
Total Liabilities	\$ 37,966,962.18
Equity	
2910 Capital Stock	201.00
30000 Opening Balance Equity	0.00
31000 Capital Contributed Surplus	244,231.00
33000 Accumulated Losses	53,152.00
Retained Earnings	-27,701,956.93
Profit for the year	121,198.59
Total Equity	-\$ 27,283,174.34
Total Liabilities and Equity	\$ 10,683,787.84

M

2025

Hfx No.

Attached is Exhibit "M" referred
to in the Affidavit of Micheline
MacKay sworn before me on
April 9, 2025



Signature

ASHA PELLY
A Barrister of the Supreme
Court of Nova Scotia

Mernova Medicinal Inc. and Creso Canada Limited
13-Week Cash Flow Forecast - Prepared by Management
April 7, 2025 to July 6, 2025

		Week 1	Week 2	Week 3	Week 4	Week 5	Week 6	Week 7	Week 8	Week 9	Week 10	Week 11	Week 12	Week 13	Total
		Projected	Projected	Projected	Projected	Projected	Projected	Projected	Projected	Projected	Projected	Projected	Projected	Projected	Weeks 1-13
		7-Apr-25	14-Apr-25	21-Apr-25	28-Apr-25	5-May-25	12-May-25	19-May-25	26-May-25	2-Jun-25	9-Jun-25	16-Jun-25	23-Jun-25	30-Jun-25	7-Apr-25
Notes		13-Apr-25	20-Apr-25	27-Apr-25	4-May-25	11-May-25	18-May-25	25-May-25	1-Jun-25	8-Jun-25	15-Jun-25	22-Jun-25	29-Jun-25	6-Jul-25	6-Jul-25
Projected Receipts:															
Cannabis revenues	[1]	177,690	298,972	136,680	198,829	189,964	157,695	276,025	104,220	175,250	130,250	220,250	106,025	143,864	2,315,714
Total Projected Receipts		177,690	298,972	136,680	198,829	189,964	157,695	276,025	104,220	175,250	130,250	220,250	106,025	143,864	2,315,714
Projected Disbursements:															
Payroll and employee benefits	[2]	-	102,500	-	111,626	-	104,120	-	110,006	-	102,500	-	102,500	-	633,252
Insurance	[3]	14,250	-	12,918	-	-	-	12,918	-	-	-	12,918	-	-	53,005
Software		-	-	-	2,964	-	-	-	2,964	-	-	-	-	2,964	8,892
Utilities		45,738	35,000	35,000	-	-	35,000	35,000	-	-	-	35,000	35,000	-	255,738
Excise stamps		-	-	-	4,882	-	-	-	4,882	-	-	-	-	4,882	14,645
Supplies- packaging, production		22,524	26,720	10,060	49,317	7,437	22,101	32,109	16,504	15,549	11,873	9,642	15,549	20,182	259,567
Freight and shipping		474	5,142	4,336	4,029	4,739	4,368	4,502	402	4,536	5,042	4,528	3,829	5,096	51,022
Bulk cannabis		26,969	-	36,510	57,745	-	-	50,408	-	-	32,357	-	37,964	-	241,953
Vape/Live Roson		-	29,766	41,394	-	-	25,580	-	-	28,487	-	-	35,531	-	160,758
Testing and Quality Control		-	4,384	-	-	3,798	-	-	4,091	-	3,871	-	-	5,976	22,120
HST (recovery)		-	-	-	-	-	-	-	33,594	-	-	-	37,141	-	70,735
Excise taxes	[4]	-	-	-	-	-	-	171,623	-	-	-	-	171,623	-	343,246
Other operating		10,577	15,732	1,717	6,825	8,724	170	13,154	7,349	6,825	10,086	170	-	8,647	89,976
Growth Capex		-	-	-	-	-	-	-	30,000	-	-	-	-	-	30,000
Car Lease		-	690	-	-	-	690	-	-	-	-	690	-	-	2,069
Contingency	[5]	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	65,000
Operating disbursements		125,532	224,932	146,936	242,388	29,698	197,028	324,714	214,792	60,397	170,729	67,948	444,137	52,747	2,301,978
Net operating cash flows		52,158	74,040	(10,257)	(43,559)	160,266	(39,333)	(48,689)	(110,571)	114,853	(40,479)	152,302	(338,112)	91,117	13,735
Restructuring fees															
Monitor		-	-	-	89,880	-	-	-	-	86,670	-	-	-	29,960	206,510
Monitor legal counsel		-	-	-	21,000	-	-	-	-	20,250	-	-	-	7,000	48,250
Financial advisor	[6]	-	-	5,650	-	-	-	5,650	-	-	-	-	5,650	-	16,950
Company legal counsel		-	-	-	119,940	-	-	-	-	43,335	-	-	-	14,980	178,255
Total restructuring fees		-	-	5,650	230,820	-	-	5,650	-	150,255	-	-	5,650	51,940	449,965
Net cash flows		52,158	74,040	(15,907)	(274,379)	160,266	(39,333)	(54,339)	(110,571)	(35,402)	(40,479)	152,302	(343,762)	39,177	(436,230)
Opening cash		89,104	141,262	215,301	199,395	425,016	585,281	545,948	491,609	381,037	345,635	305,156	457,458	113,697	89,104
DIP Advances	[7]	-	-	-	500,000	-	-	-	-	-	-	-	-	-	500,000
Closing Cash Position		141,262	215,301	199,395	425,016	585,281	545,948	491,609	381,037	345,635	305,156	457,458	113,697	152,874	152,874

Mernova Medicinal Inc. and Creso Canada Limited
13-Week Cash Flow Forecast - Prepared by Management
April 7, 2025 to July 6, 2025

Purpose and Disclaimer

Purpose:
This statement of projected cash flow ("**Cash Flow Forecast**") has been prepared by Mernova Medicinal Inc. ("**Mernova**") and Creso Canada Limited ("**Creso**", together with Mernova, the "**Mernova Group**") in accordance with s. 23(1)(b) of the *Companies Creditors' Arrangement Act* ("**CCAA**") for the period of April 7, 2025 to July 6, 2025 ("**Cash Flow Period**"). The Mernova Group has prepared the Cash Flow Forecast based on probable and hypothetical assumptions that reflect the Mernova Group's continued operations, and its understanding of the expected restructuring activities. Management is of the opinion that, as at the date of filing the Cash Flow Forecast, the assumptions used to develop the Cash Flow Forecast represent the most probable set of economic conditions facing the Mernova Group and that the assumptions used provide a reasonable basis for and are consistent with the purpose of this Cash Flow Forecast.

Disclaimer:
Management is of the view that the hypothetical assumptions set out in the Notes below are reasonable and consistent with the purpose of the Cash Flow Forecast, and the probable assumptions are suitably supported and consistent with the plans of the Mernova Group and provide a reasonable basis for the Cash Flow Forecast. All material assumptions are disclosed in the Notes below. Since the projection is based on assumptions regarding future events, actual results will vary from the information presented, and the variations may be material. The Cash Flow Forecast has been prepared solely for the purpose described above, using a set of hypothetical and probable assumptions set out in Notes below. Consequently, readers are cautioned that it may not be appropriate for other purposes.

Notes to Cash Flow Forecast

- [1] Projected receipts from cannabis revenues include both cannabis and vape products of Mernova, sold to customers under the trademark Ritual Green. Mernova's customers are primarily provincial crown corporations across Canada. Management has estimated the projected receipts from cannabis revenues based on current purchase orders from its customers, historical results and projected volumes from discussions with customers.
- [2] Payroll and employee benefits includes payroll, employee and employer portions of source deductions, employee benefits and costs associated with the Company's payroll service provider, Payworks, paid in the ordinary course.
- [3] The Mernova Group has maintained its insurance policies for property, general commercial liability, vehicle and product recall. All insurance policies are payable in monthly installments and are not due to expire within the Cash Flow F
- [4] Excise taxes are payable monthly to the Canada Revenue Agency based on Mernova's prior month gross cannabis sales. Payments are required to maintain Mernova's licenses as issued by Health Canada to continue operations. Projected excise taxes in Week 7 are post-filing CCAA amounts of April 2025 gross cannabis sales.
- [5] Contingency has been included within the Cash Flow Forecast at \$5k weekly, or approximately 3% of operating disbursements.
- [7] Mernova has retained Noble House Consulting Ltd. as a financial advisor throughout the CCAA proceedings and anticipated sales and investment solicitation process. Noble House Consulting Ltd. is owned by William Lay, previous Chief Executive Officer of the Mernova Group's parent company in Australia, Melodiol Global Health Limited.
- [8] The Mernova Group intends to make an application to the Supreme Court of Nova Scotia at the Comeback Hearing to request approval to borrow interim debtor-in-possession financing ("**DIP Financing**") to be used by the Mernova Group through the duration of the CCAA proceedings. The Cash Flow Forecast assumes such relief is granted

As of April 7, 2025

DocuSigned by:

B194F07AF133AE...
Micheline Mackay
CEO and Managing Director
Mernova Medicinal Inc. and Creso Canada Limited

N

2025

Hfx No.

Attached is Exhibit "N" referred
to in the Affidavit of Micheline
MacKay sworn before me on
April 9, 2025



Signature

ASHA PELLY
A Barrister of the Supreme
Court of Nova Scotia

CRESO PHARMA LIMITED
ACN 609 406 911
(Company)

and

BRIANT NOMINEES PTY LTD
ACN 080 130 007
(Trustee)

LOAN TRUST DEED

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THIS DEED is made this 11th day of November 2022.

PARTIES

CRESO PHARMA LIMITED (ACN 609 406 911) of Suite 5 CPC, 145 Stirling Highway, Nedlands WA 6009 (**Company**);

AND

BRIANT NOMINEES PTY LTD (ACN 080 130 007) of 22 Lindsay Street Perth WA 6000 (**Trustee**).

RECITALS

- A.** The Company proposes to borrow up to \$5,000,000 from the Lenders by way of secured loans in accordance with the provisions of this Deed.
- B.** The Company has agreed to enter into this Deed in order to make provision for the appointment of a trustee for the Lenders.
- C.** The Trustee has agreed to act as trustee of the trust constituted under this Deed on the terms contained in this Deed.

1. DEFINITIONS AND INTERPRETATION

1.1 Definitions

In this Deed:

Administrator has the same meaning as in the Corporations Act.

Application Form means an application form for Convertible Notes substantially in the form set out in Schedule 3.

ASIC means the Australian Securities and Investments Commission.

ASIC Instrument means ASIC Instrument 2016/82.

ASX means ASX Limited (ACN 008 624 691) or the financial market operated by it as the context requires.

ASX Listing Rules means the official ASX Listing Rules of ASX from time to time with any modification or waivers in their application to the Company which ASX may grant.

Attorney means an attorney appointed under a Finance Document.

Auditor means the auditor or firm of auditors appointed from time to time by the Company as required by the Corporations Act.

Authorisation means:

- (a) any consent, registration, filing, agreement, notice of non-objection, notarisation, certificate, licence, approval, permit, authority or exemption; or

- (b) in relation to anything which a Government Authority may prohibit or restrict within a specific period, the expiry of that period without intervention or action or notice of intended intervention or action.

Bank Account means the bank account of the Company, the details of which are below:

Bank:	Westpac
Name of Account:	Creso Pharma Limited
BSB:	036 406
Account Number:	290 137

Business Day means a day on which banks are open for general banking business in Perth, other than a Saturday or a Sunday or public holiday, and which is also a Business Day for the purposes of the ASX Listing Rules.

Certificate means a certificate issued by the Company in respect of a Convertible Note in the form in Schedule 4.

Collateral means the present and after acquired property of Mernova in respect of which the Security has been granted.

Company Default Notice has the meaning given in clause 13.1 of this Deed.

Conditions means the Convertible Note Conditions and the Loan Conditions (as applicable).

Constitution means the Constitution of the Company.

Conversion Notice means the notice in substantially the same form as Schedule 5 which may be given by a Lender to the Company pursuant to Schedule 4, clause 4.

Conversion Option and **Convert** means the option conferred by Schedule 4, clause 4 on a Lender to convert all or part of the Convertible Notes held by the Lender into Shares and free attaching New Options.

Conversion Price means \$0.05.

Conversion Rate means the rate set out in Schedule 4, clause 4.2.

Convertible Note or **Note** means a convertible note issued by the Company under this Deed and the Convertible Note Conditions which is outstanding.

Convertible Note Conditions means the terms and conditions applicable to Convertible Notes, including in Schedule 4 and as provided in the remainder of this Deed.

Corporations Act means the *Corporations Act 2001* (Cth).

Date of Conversion means the date on which Shares and free attaching New Options are issued to a Lender in accordance with Schedule 4 clause 4.1.

Date of Redemption means the date on which a Loan or Convertible Note is redeemed in accordance with Schedule 2, clause 3.2 or Schedule 4, clause 3.2 by payment of the Redemption Amount.

Deed means this trust deed (including the Conditions) between the Company and the Trustee and includes any document or documents supplemental to this Deed or executed pursuant to this Deed signed by the Trustee (including without limitation any Conditions) and all schedules and annexures to this Deed.

Delegate means a person appointed to act as a delegate of the Trustee for the purposes of this Deed under clause 15.9.

Encumbrance means an interest or power:

- (a) reserved in or over an interest in any asset, including any retention of title; or
- (b) created or otherwise arising in or over any interest in any asset under a security agreement, bill of sale, mortgage, charge, lien, pledge, trust or power or any other agreement having similar effect,

by way of, or having similar commercial effect to, security for the payment of a debt, any other monetary obligation or the performance of any other obligation and includes any agreement to grant or create any of the above.

Event of Default means each of the events set out in clause 13.1.

Finance Document means:

- (a) this Deed;
- (b) the Certificates (including the Convertible Note Conditions);
- (c) the Loan Confirmation Form (including the Loan Conditions);
- (d) the Security; and
- (e) any document or agreement entered into or given under (a) or (b) or (c) or (d) above.

Government Authority means any government or any governmental, semi-governmental, administrative, fiscal or judicial body, department, commission, authority, tribunal, agency or entity.

Group means the Company and its Subsidiaries and affiliated corporate entities.

Initial Draw Down Date means the date on which the first draw down occurred in accordance with clause 5.1.

Last Conversion Date means:

- (a) in the absence of ASX approving otherwise, for all Lenders to whom Listing Rule 10.11 applies – one month from the date that the Company obtains Shareholder approval for the issue of the Convertible Notes; and
- (b) for all Lenders to whom Listing Rule 7.1 applies, three (3) months from the date that the Company obtains Shareholder approval for the issue of the Convertible Notes.

Law means:

- (a) any law; or

- (b) any administrative guideline, directive, regulation, request or policy of any Government Authority whether or not having the force of law and, if not having the force of law, the observance of which is in accordance with the practice of responsible banks or financial institutions.

Lender means, in relation to a Loan or a Convertible Note, the person entered in the Register as the holder of the Loan or the Convertible Note from time to time.

Lender Resolution means a resolution of Lenders.

Liabilities means all liabilities and provisions including, without limitation, liabilities and provisions in respect of:

- (a) income and other taxes;
- (b) annual and long service leave of employees; and
- (c) dividends recommended, declared or accrued but unpaid.

Liquidation includes winding up, dissolution, deregistration, administration, amalgamation, receivership, assignment for the benefit of creditors, arrangement or compromise with creditors or bankruptcy.

Liquidator means the liquidator, provisional liquidator, trustee, administrator, manager, receiver, receiver and manager or other officer who is appointed to administer or implement the Liquidation.

Loan means a loan by a Lender to the Company under this document or, where the context requires, the balance of the Loan which is outstanding.

Loan Conditions means the terms and conditions applicable to Loans, including in Schedule 2 and as provided in the remainder of this Deed.

Loan Confirmation Form means a confirmation form for the advance of Loans substantially in the form set out in Schedule 1.

Loan Obligations means all liabilities of the Company to Lenders, and of the Company to the Trustee on behalf of Lenders, under the Loans, including the Principal Amount Outstanding and fees and interest on the Principal Amount Outstanding (in accordance with Schedule 2, clause 2) but does not include any liabilities of the Company to the Trustee for the costs, fees and expenses of the Trustee in respect of its duties under this Deed.

Material Adverse Change means any event or circumstance or series of events or circumstances which alone or together have a Material Adverse Effect.

Material Adverse Effect means an event which is, in the opinion of the Trustee, reasonably likely to have a material adverse effect on:

- (a) the Company's ability to perform and comply with its obligations under this Deed or on the Trustee's or Lenders' rights and remedies under it;
- (b) the condition (financial or otherwise), operations, earnings, business, properties of the Company (or the Group, where applicable, taken as a whole); or
- (c) the validity or enforceability of any Finance Document.

Maturity Date in relation to:

- (a) each Loan the first to occur of:
 - (i) Repayment Date; and
 - (ii) any earlier date on which the Company repays the Loan in accordance with the Loan Conditions, including, but not limited to, upon redemption of the Loan; and
- (b) each Convertible Note means the first to occur of:
 - (i) the Date of Conversion;
 - (ii) Repayment Date; and
 - (iii) any earlier date on which the Company repays the Convertible Note in accordance with the Convertible Note Conditions, including, but not limited to, upon redemption of the Convertible Note.

Mernova means Mernova Medicinal Inc (a wholly owned subsidiary of the Company).

New Option means an option to acquire a Share exercisable at \$0.08 each on or before the date that is approximately four (4) years from the date of first issue of this class of options, which is proposed to occur in or around December 2022 or January 2023. For avoidance of doubt, each New Option will be on the same terms and conditions as the options announced on the 4 August 2022 titled "Capital Raising & Q2 22 Quarterly Activities Report Updates".

Note Obligations means all liabilities of the Company to Lenders, and of the Company to the Trustee on behalf of Lenders, under the Convertible Note Conditions, including the Principal Amount Outstanding and fees and interest on the Principal Amount Outstanding (in accordance with Schedule 4, clause 2) but does not include any liabilities of the Company to the Trustee for the costs, fees and expenses of the Trustee in respect of its duties under this Deed.

Outstanding Moneys means the Principal Amount Outstanding and any fees and interest payable on the Loans (in accordance with Schedule 2, clause 2) and the Convertible Notes (in accordance with Schedule 4, clause 2) and any other moneys payable to the Trustee or the Lenders (including damages) under or in respect of this Deed, the Loans or the Convertible Notes and, in relation to a Lender, means that portion of those moneys which is owing to that Lender.

Power means any right, power, authority, discretion or remedy conferred on the Trustee, a Lender, a Receiver or an Attorney by any Finance Document or any applicable law.

Principal Amount Outstanding means the principal amount outstanding from time to time under the Loans and the Convertible Notes.

Property means all property and assets from time to time of Mernova.

Receiver means a receiver or receiver and manager appointed under the Security.

Redemption Amount means the face value of the Loans and/or Convertible Notes (where applicable) plus fees and interest which have accrued but which have not become due, plus unpaid fees and interest up to the Date of Redemption of the Loans and/or Convertible Notes, in accordance with Schedule 2 clause 3 or Schedule 4, clause 3.

Redemption Notice means the notice which may be given by the Trustee pursuant to an exercise of its rights under clause 13.2 or 13.6 or by a Lender under clause 13.7.

Register means a register of holders of Loans or Convertible Notes (as applicable) established and maintained in Perth under clause 21.1, Schedule 2, clause 1.4 and Schedule 4, clause 1.5.

Related Body Corporate has the meaning given to it in the Corporations Act.

Repayment Date means the date that is six (6) months from the Initial Draw Down Date.

Securities includes shares, debentures, debenture stocks, notes and any options or rights to subscribe for any of them.

Security means a general security and property mortgage granted over the land and buildings of Mernova's Cannabis Cultivation Facility located in Nova Scotia, Canada.

Share means a fully paid ordinary share in the capital of the Company.

Shareholder means the holder of a Share.

Special Resolution has the same meaning as that term has in clause 24.21.

Subsidiary has the meaning given to it in the Corporations Act.

Trust means the trust constituted by this Deed.

Trust Fund means:

- (a) the right to enforce the Company's duty to repay the Loan and, if applicable, the Convertible Notes, and to pay the Lenders' fees and interest pursuant to this Deed;
- (b) the right to enforce the Security granted as security for repayment of the Loan and, if applicable, the Convertible Notes and payment of the Lenders' fees and interest pursuant to this Deed;
- (c) the amount of \$10 referred to in clause 4.4; and
- (d) any other property held by the Trustee on the trust established under this Deed (including, without limitation, the benefit of any covenants, undertakings, representations, warranties, rights, Powers, benefits or remedies in favour of the Trustee under the Finance Documents).

Trustee Default means, in respect of the Trustee, fraud, gross negligence or wilful default.

Trustee Security means any security created or expressed to be created in favour of the Trustee or a Lender by the Security.

Voting Share has the meaning given to that expression in section 9 of the Corporations Act.

1.2 Interpretation

In this Deed:

- (a) headings are for convenience only and do not affect its interpretation;
- (b) no provision of this Deed will be construed adversely to a party because that party was responsible for the preparation of this Deed or that provision;
- (c) specifying anything after the words "include" or "for example" or similar expressions does not limit what else is included;

and, unless the context otherwise requires:

- (d) an obligation or liability assumed by, or a right conferred on, two or more parties binds or benefits all of them jointly and each of them severally;
- (e) the expression **person** includes an individual, the estate of an individual, a corporation, an authority, an association or joint venture (whether incorporated or unincorporated), a partnership and a trust;
- (f) a reference to any party includes that party's executors, administrators, successors and permitted assigns, including any person taking by way of novation;
- (g) a reference to a body, other than a party to this Deed whether statutory or not:
 - (i) which ceases to exist; or
 - (ii) whose powers or functions are transferred to another body,
 is a reference to the body which replaces it or substantially succeeds its powers or functions;
- (h) a reference to any document (including this Deed) is to that document as varied, novated, ratified or replaced from time to time;
- (i) a reference to any statute or to any statutory provision includes any statutory modification or re-enactment of it or any statutory provision substituted for it, and all ordinances, by-laws, regulations, rules and statutory instruments (however described) issued under it;
- (j) words importing the singular include the plural (and vice versa) and words indicating a gender include every other gender;
- (k) references to parties, clauses, schedules, exhibits or annexures are references to parties, clauses, schedules, exhibits and annexures to or of this Deed and a reference to this Deed includes any schedule, exhibit or annexure to this Deed;
- (l) where a word or phrase is given a defined meaning, any other part of speech or grammatical form of that word or phrase has a corresponding meaning;

- (m) a reference to time is to Western Standard Time as observed in Perth, Western Australia;
- (n) if a period of time is specified and dates from a given day or the day of an event, it is to be calculated exclusive of that day;
- (o) a reference to a day is to be interpreted as the period of time commencing at midnight and ending 24 hours later;
- (p) if an act prescribed under this Deed to be done by a party on or by a given day is done after 5.00pm on that day, it is taken to be done on the next day;
- (q) where an action is required to be undertaken on a day that is not a Business Day it shall be undertaken on the next Business Day;
- (r) a reference to a payment is to a payment by bank cheque or such other form of cleared funds the recipient otherwise allows in the relevant lawful currency specified;
- (s) a reference to **\$** or **dollar** is to the lawful currency of the Commonwealth of Australia; and
- (t) a reference to a party using or an obligation on a party to use reasonable endeavours or its best endeavours does not oblige that party to:
 - (i) pay money:
 - (A) in the form of an inducement or consideration to a third party to procure something (other than the payment of immaterial expenses or costs, including costs of advisers, to procure the relevant thing); or
 - (B) in circumstances that are commercially onerous or unreasonable in the context of this Deed;
 - (ii) provide other valuable consideration to or for the benefit of any person; or
 - (iii) agree to commercially onerous or unreasonable conditions.

2. BENEFIT AND BURDEN OF DEED

2.1 Lenders

- (a) Each Lender (and any person claiming through or under a Lender) is bound by, and is taken to have notice of, each Finance Document. The Lenders are taken to have authorised the Trustee to enter into each Finance Document in its capacity as trustee of the Trust.
- (b) It is a fundamental condition of receiving any of the rights or benefits under a Loan or a Note that a Lender must perform all of the obligations and comply with all restrictions and limitations applicable to it under this Deed (including, for the avoidance of doubt, the Loan Conditions and Convertible Note Conditions).

2.2 Limit on Lender's rights

All of the rights against the Company in connection with the Loans or the Notes and the Security are held by the Trustee for the Lenders. Accordingly, subject to clause 13.7 (Action by Lenders):

- (a) no Lender is entitled to directly enforce any rights, powers or remedies in connection with the Loans or the Notes (whether under this Deed or the other Finance Documents) directly against the Company; and
- (b) the rights, Powers and remedies of the Trustee under and in respect of the Finance Documents are exercisable and enforceable by the Trustee only.

3. TRUST DEED

3.1 Trust Deed

This Deed is the trust deed for the Trust.

3.2 Constitution and status

The Loans and, if applicable, the Notes, are debt obligations of the Company constituted by, and owing under, this Deed and issued on the terms and conditions in this Deed. The obligations of the Company in respect of each Loan and Note:

- (a) constitute separate and independent acknowledgements of the indebtedness of the Company;
- (b) are subject to the terms of this Deed;
- (c) are direct, secured and unsubordinated; and
- (d) rank equally and without any preference amongst themselves as described in the terms of this Deed.

3.3 Undertaking to pay

- (a) In respect of each Loan and, if applicable Note, the Company undertakes to the Trustee (on behalf of the relevant Lender), to pay the amounts due and payable in respect of the Loans and/or the Notes under and in accordance with the Finance Documents.
- (b) The Trustee directs the Company to pay such amounts under this Deed directly to the Lenders, unless:
 - (i) an Event of Default occurs;
 - (ii) the Company is directed by the Trustee to make the payments to the Trustee by the giving of notice to that effect not less than five (5) Business Days before the scheduled date for the making of the payment; or
 - (iii) the Company advises the Trustee that it is not likely to meet its obligations under this Deed,

in which event the payment must be made to the Trustee.

- (c) The payment of an amount due under a Loan and/or a Note to either the Lender or the Trustee discharges the obligation of the Company to pay that amount under that Note to that Lender and the Trustee.

4. APPOINTMENT OF TRUSTEE

4.1 Appointment of Trustee

The Trustee is hereby appointed as trustee and agrees for the consideration expressed in this Deed to perform the obligations imposed on it by this Deed for the benefit of Lenders.

4.2 Lenders regarded as beneficial owners of Trust Fund

Subject to the rights of the Trustee, the Lenders are the persons beneficially entitled to the Trust Fund from time to time in accordance with the terms of the Finance Documents. They hold that beneficial entitlement as equitable tenants in common.

4.3 Constitution of Trust

The Trust is constituted on the execution of this Deed by the Company and the Trustee.

4.4 Declaration of Trust

The Trustee declares that, on execution of this Deed, it holds the sum of \$10, and that it will hold the Trust Fund, on trust at any time for the benefit of itself and the persons who are Lenders from time to time on the terms of this Deed.

4.5 Name of Trust

The trust established under this Deed will be known as the "Creso Pharma Loan Trust".

4.6 Commencement and termination of Trust

The Trust commences on the date of this Deed and unless determined earlier ends on the earlier of:

- (a) the day occurring immediately before the 80th anniversary of the date of this Deed; and
- (b) the date being 6 months after:
 - (i) the completion of the repayment of all Loans, the redemption in full of all Notes and/or the conversion of all of the Notes;
 - (ii) the payment of all Loan Obligations and/or Note Obligations; and
 - (iii) the payment of all costs, charges and expenses incurred by the Trustee under or in connection with the Finance Documents.

4.7 Perpetuity period

The perpetuity period applicable to the Trust is the period of 80 years commencing on the date of this Deed.

4.8 Receipt of moneys

- (a) Prior to the enforcement of the Security, all money received by the Trustee in respect of amounts payable under this Deed must be applied by the Trustee in accordance with clause 10.
- (b) After the occurrence of an Event of Default and enforcement of the Security, all proceeds must be applied in accordance with the Security.

5. LOANS**5.1 Loans**

Subject to clause 6.1, the Company may from time to time draw down on loans from the Lenders who submit duly completed Loan Confirmation Forms together with the Principal Amount Outstanding (by way of direct deposit into the Bank Account) not exceeding Loans with an aggregate value of \$5,000,000 in accordance with and subject to this Deed.

5.2 Conditions of issue

The terms of the Loans will be in accordance with the Loan Conditions.

5.3 Loan Conditions and this Deed binding

This Deed including the Loan Conditions will be binding on the Company, the Trustee, the Lenders and all persons claiming through or under them and Lenders will be entitled to the benefit of, will be bound by and will be deemed to have notice of, all the provisions of this Deed and the Conditions.

6. CONDITIONS PRECEDENT TO THE LOANS**6.1 Conditions precedent**

The Company is not entitled to draw down on the Loans unless and until the Trustee has confirmed that it is satisfied that each of the following conditions precedent has been satisfied (or the Trustee is otherwise prepared to waive the conditions precedent):

- (a) no Material Adverse Change having occurred to the Company;
- (b) all consents or approvals from third party required for the Company to grant the Security has been obtained; and
- (c) the execution of the relevant documents for the grant of Security by each of Mernova and the Trustee and the delivery of the Security documentation to the Trustee in accordance with clause 9.1.

6.2 Benefit of conditions

- (a) The conditions precedent set out above are for the benefit of the Trustee and may only be waived by notice in writing to the Company from the Trustee, in its absolute discretion.
- (b) The parties agree that such conditions precedent cannot be waived to the extent such waiver would comprise a breach of Law or the ASX Listing Rules, as applicable.

6.3 Best efforts

The Company must use its best efforts and co-operate with the Trustee to procure the satisfaction of the conditions precedent set out in clause 6.1 in a timely manner.

7. CONDITIONS PRECEDENT TO THE CONVERTIBLE NOTES

7.1 Conditions precedent

The Lenders are not entitled to subscribe for the Convertible Notes and the Company must not issue the Convertible Notes unless and until each of the following conditions precedent has been satisfied (or the Trustee is otherwise prepared to waive the conditions precedent):

- (a) the Company has made an offer to the Lender, inviting the Lender to subscribe for Convertible Notes on the terms and conditions set out in Schedule 4; and
- (b) the Company has obtained Shareholder approval for the purposes of ASX Listing Rule 7.1, for the issue of the Convertible Notes (and Shares and New Options on conversion of the Convertible Notes) to the Lenders or their nominees on conversion.

7.2 Benefit of conditions

- (a) The conditions precedent in clause 7.1 cannot be waived.
- (b) For the avoidance of doubt, if the conditions precedent in clause 7.1 are not satisfied on or before 5:00pm (WST) on 31 January 2023 (or such later date as the Trustee may agree):
 - (i) the Company will not make an offer to the Lenders to subscribe for Notes in replacement of the Loan; and
 - (ii) the Loan Conditions will continue to apply to the Outstanding Moneys.

8. CONVERTIBLE NOTES

8.1 Issue of Convertible Notes

Subject to clause 7.1, the Company will issue Convertible Notes to the Lenders who submit duly completed Application Forms in respect of each Lender's Principal Amount Outstanding.

8.2 Conditions of issue

Each Convertible Note will be issued subject to the Convertible Note Conditions.

8.3 Convertible Note Conditions and this Deed binding

This Deed including the Convertible Note Conditions will be binding on the Company, the Trustee, the Lenders and all persons claiming through or under them and Lenders will be entitled to the benefit of, will be bound by and will be deemed to have notice of, all the provisions of this Deed and the Convertible Note Conditions.

8.4 Validity of Convertible Notes

- (a) Neither the Trustee nor any Lender will be concerned or obliged to enquire whether any Convertible Note has been issued in contravention of this Deed or the Convertible Note Conditions.
- (b) Each Convertible Note issued for valuable consideration will be deemed to have been validly issued and constituted under this Deed and entitled to the benefit of the provisions of this Deed and the Convertible Note Conditions, notwithstanding that it may subsequently be determined that the issue of such Convertible Note was in breach of any provision of this Deed or the Convertible Note Conditions (but without prejudice to the Trustee's rights under or pursuant to this Deed against the Company in relation to such breach).

8.5 Registration of Convertible Notes

- (a) The Company will issue Certificates in respect of the Convertible Notes. The Company (or its share registry) will provide Lenders with a statement that sets out the number of Convertible Notes issued to a Lender.
- (b) When Convertible Notes are issued to a Lender the Company will include in the Register the particulars required by clause 21.1.

8.6 Equal ranking

All Convertible Notes will rank equally.

8.7 Fees relating to issue of Convertible Notes

The Company may pay to any person a commission, brokerage or procuration or other fees in relation to the issue or purchase of Convertible Notes (including, without limitation, for underwriting the issue or purchase of Convertible Notes).

8.8 Purchase by Company

The Company may from time to time and in accordance with the Convertible Note Conditions purchase issued Convertible Notes by private treaty and may cancel or re-issue any of those Convertible Notes so purchased subject to any necessary Shareholder or regulatory approvals.

9. SECURITY**9.1 Grant of Security**

- (a) Subject to 9.1 (b), the repayment of (among other things) each and every amount now or at any time in the future owed or owing to the Lenders and the Trustee in respect of the Loans and/or the Convertible Notes (including the Lenders' fees and interest pursuant to Schedule 2, clause 2 and Schedule 4, clause 2) will be secured by the Security.
- (b) The Security will be delivered to the Trustee as soon as possible following the satisfaction of the conditions in clause 6.1 (b) and clause 6.1 (c).
- (c) The Lenders have an interest in the Security proportionate to their holding of Loans and/or Convertible Notes secured by the Security.

10. PAYMENT ON LOANS OR CONVERTIBLE NOTES

10.1 Payment of Outstanding Moneys

Subject to clause 3.3 and the Conditions, the Company must make payment of the Principal Amount Outstanding and the Lenders' fees and interest (pursuant to Schedule 2, clause 2 and Schedule 4, clause 2) in respect of the Loans or Convertible Notes to Lenders directly as and when due in accordance with the Conditions.

10.2 Receipt and Distribution by Trustee

- (a) If the Trustee is required to pay amounts to the Lenders as opposed to payments by the Company and if the Trustee receives any Outstanding Moneys paid to it under clause 10.1 as trustee for Lenders, it must distribute those Outstanding Moneys to Lenders in respect of the Loans and Convertible Notes by cheque mailed to the address of each Lender as specified in the Register or electronically to the account as advised by the individual Lenders to the Trustee.
- (b) Subject to clause 10.3, payment of the Outstanding Moneys to the Trustee will satisfy the Company's obligations in respect of those moneys to Lenders in accordance with the Conditions.

10.3 Return of Outstanding Moneys

- (a) If for any reason any amount to be distributed under clause 10.1 or 10.2 is unable to be distributed within 6 months of the date the Company or the Trustee sought to make the distribution to the Lenders, at the expiration of that 6 months the relevant amount will be provided to the Trustee by the Company or retained by the Trustee as the case may be (**Retained Amounts**) so that clause 10.2 will not apply in respect of Retained Amounts.
- (b) Where the Trustee is holding Retained Amounts, it will make payment to a Lender entitled to the Outstanding Moneys on demand by the Lender at any time before expiration of 6 years following the date the relevant Retained Amount was originally distributed to the Lender under clause 10.1 or paid to the Trustee for distribution under clause 10.2 (as the case may be).

10.4 Interest accruing on Outstanding Moneys

Any interest which accrues on any Outstanding Moneys which have become Retained Amounts will accrue to the benefit of the Lenders until such time as those moneys are distributed to Lenders in accordance with clause 10.1 or 10.2.

11. OBLIGATIONS OF COMPANY

11.1 Notice of default

The Company must notify the Trustee in writing of the occurrence of any Event of Default immediately upon becoming aware of the same, in each case stating what action it is taking to cure the default and procure its directors to notify the Trustee immediately they are aware that any condition of this Deed (including any condition precedent in clause 7.1) or the Conditions cannot be fulfilled or has been breached.

11.2 Details of Security

The Company undertakes to the Trustee that it will not permit Mernova to create or allow to exist a charge or any other Encumbrance, other than the Security, on the whole or any part of its present or future Property without the prior written consent of the Trustee.

11.3 Information at reasonable request of Trustee

- (a) The Company agrees to provide the Trustee such information as the Trustee reasonably requests about the Company and any of its Subsidiaries to enable the Trustee to carry out its duties under this Deed and the Corporations Act, including, subject to confidentiality and commercial or price sensitive information, making available for inspection the Group's financial records required to carry out the Trustee's duties under this Deed and the Corporations Act and providing any reasonable explanation, information or other assistance in relation to those records.
- (b) Where the information requested in clause 11.3(a) relates to financial information, the Trustee may request the Company to provide an Auditor's certificate stating that the Auditor has reviewed that financial information and acknowledges that based on the Auditor's reasonable enquiries nothing has come to the Auditor's attention which causes the Auditor to believe that the information provided to the Trustee may be incorrect or incomplete.

11.4 Compliance with Deed and Law

- (a) The Company undertakes to the Trustee to comply with this Deed and to comply with the Law.
- (b) The Trustee declares and acknowledges that the benefit of the undertaking of the Company set out in clause 11.4(a) is held for the Trustee and separately on trust by the Trustee for the benefit of the Lenders.

11.5 Disposal of Collateral

The Company undertakes to the Trustee that it will procure that Mernova will not dispose of (or agree to dispose of) any of the Collateral (either in a single transaction or in a series of transactions whether related or not and whether voluntary or involuntary) except disposals made with the consent of the Trustee, which consent must not be unreasonably withheld.

11.6 Representations and Warranties

The Company represents and warrants to the Trustee that subject to the satisfaction of the conditions in clauses 6.1(b) and 6.1(c):

- (a) **status:** it is duly incorporated in its place of incorporation and is validly existing under the laws of that jurisdiction with power to own its assets and carry on its business;
- (b) **corporate authority:** it has taken all necessary action to authorise the execution, delivery and performance of the Finance Documents;

- (c) **documents binding:** the Finance Documents constitute legal, valid and binding obligations enforceable against it in accordance with their terms;
- (d) **transactions permitted:** the execution, delivery and performance of the Finance Documents did not and will not:
 - (i) contravene its constitution, any law, Authorisation, agreement or obligation binding upon it or applicable to its assets or revenues;
 - (ii) cause any limitation on its powers or the powers of its directors to be exceeded;
 - (iii) result in the creation of any security interest over any of its assets or revenues (other than the Security);
 - (iv) result in the acceleration or cancellation of any agreement or obligation in respect of its indebtedness; or
 - (v) involve any act, matter or thing which constitutes (or which would, with the giving of notice, the passage of time or the fulfillment of any other condition, constitute) an event of default or prepayment, cancellation or similar event under any agreement or obligation relating to its indebtedness;
- (e) **Authorisations:** all Authorisations necessary or advisable from any person for or in connection with the execution, delivery and performance by it and the validity and enforceability against it of the Finance Documents have been obtained and are in full force and effect and it is not necessary in order to ensure the validity, enforceability or admissibility in evidence of the Finance Documents in any relevant jurisdiction that the Finance Documents or any other document be filed or registered with any person or stamped;
- (f) **Security:**
 - (i) the Security creates the Encumbrance purported to be created by it over the assets purported to be encumbered by it; and
 - (ii) the Security has the priority it is intended to have subject to compliance with clause 9.1;
- (g) **accuracy of information:** all information given to the Trustee by or with its authority in connection with the Finance Documents, at the time it was given, was true and correct in all material respects and if the information was given prior to the date of this Deed, at the date of this Deed, or, if the information was given later, when provided, in the light of the circumstances subsisting at the time and all expressions of expectation, intention belief and opinion contained in that information were given honestly and on reasonable grounds after due and careful enquiry;
- (h) **no litigation:** no proceeding or other procedure for the resolution of disputes is currently taking place, pending or, to the best of the Company's knowledge, threatened against the Company or the business, assets or revenues of the Company;
- (i) **other default:** it is not in default in any material respect under any law, Authorisation, agreement or obligation binding upon it or applicable to its business, assets or revenues;

- (j) **Accounts:** the most recent financial statements of the Company for the time being were prepared in accordance with applicable accounting standards and show a true and fair view of the financial position of the Company as at the end of, and the results of its operations for, the financial period to which they relate and the Company has no indebtedness or other Liabilities which have not been disclosed in those financial statements;
- (k) **not a trustee:** it is not the trustee of any trust;
- (l) **no immunity:** neither the Company nor any of its assets or revenues have any immunity from jurisdiction, suit, execution, attachment or other legal process in any jurisdiction in which its assets are located or business is carried on;
- (m) **completeness:** there is no fact known to it which has not been disclosed in writing by it to the Trustee or as otherwise disclosed by the Company to ASX, which materially and adversely affects it;
- (n) **ranking:** its obligations in respect of the Loans and Convertible Notes rank in priority to all its other unsecured and unsubordinated obligations and those mandatorily preferred by law; and
- (o) **Event of Default:** no Event of Default has occurred which has not been remedied or waived in writing.

11.7 Repetition of Representations and Warranties

Each representation and warranty in this Deed will be repeated on each day whilst the Trustee acts as trustee pursuant to this Deed with reference to the facts and circumstances then subsisting, as if made on each such day.

12. COVENANTS BY COMPANY

The Company hereby covenants with the Trustee that it will comply with the following covenants.

12.1 Conduct of business

The Company will carry on and conduct the business of the Company in a proper and efficient manner and will procure that each of its Subsidiaries will carry on and conduct their businesses in a proper and efficient manner.

12.2 Use of Principal Amount Outstanding

The Company agrees that it may use the Principal Amount Outstanding only for the purposes permitted in writing by the Trustee and for no other purposes.

12.3 Meeting convened by Lenders

The Company must convene a meeting of Lenders if called by Lenders in accordance with clause 24.1.

12.4 Finance Documents

The Company will comply with, perform and observe all its obligations under the Finance Documents.

12.5 Negative Undertaking

- (a) The Company must procure that Mernova will not, prior to the repayment or conversion of the Loans and/or Convertible Notes (whichever is applicable) and prior to repayment of all amounts payable to the Lenders and Trustee pursuant to the Finance Documents:
 - (i) create, permit, suffer to exist, or agree to, any interest or additional Encumbrance over the Property or any Collateral (other than pursuant to the Finance Documents);
 - (ii) undertake any consolidation or re-classification of its Securities;
 - (iii) declare or pay dividends in relation to its Securities or undertake any distribution of capital other than in the context of a scheme of arrangement;
 - (iv) issue shares or other Securities, without the approval of the Trustee, or as permitted by this Deed or in accordance with clause 12.5(b);
 - (v) acquire, or dispose of, any Property which alone or in aggregate has a value in excess of \$1,000,000; or
 - (vi) make any material amendment to any employment agreements or increase the remuneration of any directors or officers or employees of Mernova, unless such amendments or increases are commercially reasonable in the circumstances in which they are made and are not made to a person that is a director or officer of the Company.
- (b) The Company and Mernova may, prior to the repayment or the conversion of the Convertible Notes (whichever is applicable), issue shares or other Securities provided that:
 - (i) the proposed issue is to be undertaken on reasonable commercial arm's length terms having regard to the market price of the Shares and the funding requirements of the Group and its business; and
 - (ii) any Securities proposed to be issued are equity securities which will be subordinated to the Convertible Notes in the event of a winding up or administration of the Company or any member of the Group.

13. EVENTS OF DEFAULT

13.1 Events

Each of the following events is an Event of Default:

- (a) **(unremedied default in payment)** if the Company fails to make payment of any Outstanding Moneys in respect of the Loans or Convertible Notes in accordance with the Conditions within five (5) Business Days of the relevant due date for payment and the default has not been remedied to the satisfaction of the Trustee within a further five (5) Business Days (provided the Trustee has given the Company at least two (2) Business Days written notice of the default);

- (b) **(unremedied material breach)** if either the Company or Mernova (as applicable) commit a breach of a representation, covenant, condition or obligation imposed on it by any Finance Document or the Conditions (other than a failure to pay any Outstanding Moneys) and, if that breach is capable of remedy, that breach has not been remedied to the satisfaction of the Trustee within five (5) Business Days of the Company receiving notice of the breach from the Trustee requiring that breach to be remedied;
- (c) **(winding up)** if an order is made or a resolution is effectively passed (and is not set aside or withdrawn within fifteen (15) Business Days) for the winding up of the Company except for the purposes of a reconstruction or amalgamation with the prior written consent of the Trustee (such consent not to be unreasonably withheld);
- (d) **(liquidation)** if the Company enters Liquidation provided that the Liquidator does not retire or is not removed within ten (10) Business Days after the date of appointment;
- (e) **(material change in Constitution)** the Company makes a material change to its Constitution without the consent of the Trustee (which consent must not be unreasonably withheld); and
- (f) **(event of default)** if an event of default occurs under another Finance Document.

The Company must notify the Trustee of the occurrence of an Event of Default within two (2) Business Days of its occurrence (**Company Default Notice**).

13.2 Action upon an Event of Default

- (a) Nothing in this clause 13.2 prevents the Trustee from taking any action permitted by clause 13.5 or 13.6 or bringing proceedings or taking any other action from time to time to recover moneys owing to it.
- (b) The Trustee will be entitled where an Event of Default has occurred:
 - (i) to call a meeting of Lenders where the Trustee may:
 - (A) appoint a person to be the chairperson of the meeting;
 - (B) inform Lenders of the Event of Default;
 - (C) submit proposals for protection of Lender's interests; and
 - (D) ask for directions from Lenders in relation to the Event of Default;
 - (ii) to commence proceedings for the winding up of the Company but the proceeds of any such enforcement action must be dealt with in accordance with clause 13.6;
 - (iii) to issue Redemption Notices requiring the Company to repay the Loans or redeem the Convertible Notes provided that the Trustee has first given the Company notice of the Event of Default and the Company has not remedied the Event of Default within ten (10) days of receipt of the Trustee's notice;

- (iv) to take other action relating to enforcement of:
 - (A) payment of Outstanding Moneys to Lenders; or
 - (B) any Finance Document; and
- (v) to prove in any Liquidation of the Company (irrespective of when that Liquidation is commenced) subject to this Deed, and in particular to the provisions set out in clause 13.6.

13.3 Knowledge of Trustee

The Trustee will be taken not to have knowledge of the occurrence of an Event of Default unless the Trustee has received a Company Default Notice in accordance with clause 13.1 stating that an Event of Default has occurred and describing it.

13.4 No enforcement

Whether or not an Event of Default has occurred, no Lenders may demand, plead or seek to enforce, directly or indirectly, including by way of set off or counterclaim, or in any other manner, the payment of any obligations of the Company in respect of the Loans, Convertible Notes or the Finance Documents other than as provided for in this clause 13.

13.5 Permitted actions by Trustee

Nothing in this Deed will exclude, limit, defer or otherwise prejudicially affect:

- (a) any proceedings taken by the Trustee and/or any Lender at any time seeking a judgment or order declaratory of the rights or obligations of any Lender or any of the parties to this Deed;
- (b) the right to take proceedings in respect of any breach or threatened breach of, or to compel or enforce performance of, any of the covenants, undertakings and obligations of the Company hereunder other than in relation to the payment of Loan Obligations and Note Obligations prior to the Company entering Liquidation;
- (c) the right to take proceedings under the Constitution; or
- (d) the right to take proceedings for the Liquidation of the Company for failure to redeem a Loan or Convertible Note, in any circumstances where the Conditions or this Deed specifically give that power to the Trustee.

13.6 Liquidation

Upon the Company entering Liquidation each Loan or if converted to a Convertible Note, each Convertible Note will be due to be redeemed for an amount equal to the Redemption Amount of the Loan or Convertible Note calculated at the date of the Company entering Liquidation.

13.7 Actions by Lenders

Only the Trustee may enforce the provisions of this Deed, the Loans and the Convertible Notes (including without limitation applying for Liquidation, lodging a proof or claim or seeking damages) except that a Lender, may proceed directly against the Company to enforce the performance of any of the provisions of this

Deed, the Loans or the Convertible Notes if the Trustee has failed to do so and at least ten (10) Business Days have elapsed since that Lender has given the Trustee and the Company notice of that Lender's intention to do so.

13.8 Judgment to be entered in the name of Trustee

Any judgment or amount obtained by or on behalf of Lenders in respect of the Outstanding Moneys must be entered or held in the name of the Trustee and will be held by or on behalf of the Trustee under and for application in accordance with the provisions of this Deed.

14. REMUNERATION OF TRUSTEE

14.1 Expenses

Without limiting the generality of the other provisions of this Deed the Company will indemnify the Trustee on demand against all costs, charges, Liabilities and expenses which are properly incurred by the Trustee, or its Delegate properly appointed under clause 15.9 (other than costs, charges, Liabilities and expenses which are of an overhead or administrative nature) including, without limitation, legal costs and any stamp or other duty:

- (a) in or about the preparation, execution and amendment of the Finance Documents;
- (b) in or in connection with the carrying out by the Trustee or a Delegate of any right, power or privilege conferred by the Finance Documents or by law conferred on the Trustee or upon any Lender, (including without limitation in respect of any waiver or consent sought by the Company);
- (c) in or in connection with the transfer of Loans and/or Convertible Notes;
- (d) in or in connection with any breach or default in the observance or performance by the Company or Mernova of the covenants, obligations and conditions of the Finance Documents;
- (e) in or in connection with the convening, holding and carrying out of any directions or resolutions of any meeting of Lenders;
- (f) in or in connection with any actual or contemplated legal proceedings (including without limitation any application for directions) brought by or against the Trustee, or in which the Trustee is otherwise involved or any advice sought by the Trustee in relation to any such legal proceedings from any legal, accounting or other professional advisers; or
- (g) in or in connection with any enquiry or investigation from or by a government or judicial body, except to the extent that such costs, charges, Liabilities or expenses are caused by the fraud, gross negligence and wilful default of the Trustee.

14.2 Additional and Exceptional Duties

If the Trustee is required at any time to:

- (a) undertake duties which relate to the enforcement of the terms of a Finance Document by the Trustee upon the occurrence of a default by any other parties under the terms of that Finance Document; or

- (b) undertake duties which are of an exceptional nature or otherwise outside the scope of the normal duties of the Trustee,

then the Trustee is entitled to such additional remuneration as may be agreed between the Trustee, the Company and Lenders or, failing agreement, such reasonable amount as is determined by a merchant bank (acting as an expert and not as an arbitrator) selected by the Trustee. The determination of such merchant bank shall be conclusive and binding on the Company, the Trustee and the Lenders so far as allowed by Law.

14.3 Costs of Enforcement

If the Company or Mernova default under the terms of any Finance Document and the Trustee is required to take any enforcement action on behalf of Lenders, the costs associated with the taking of any such enforcement action are to be borne by the Company. If an Administrator, Liquidator or Receiver is appointed to the Company, the Trustee is entitled to receive from them sums on account of its costs of enforcement.

14.4 Priority of Trustee entitlements

All remuneration and payments referred to in this clause 14 will be paid in priority to any claim by any Lender and will continue to be payable until the trusts of this Deed are finally wound up and whether or not the trusts of this Deed are in the course of administration by or under the order of any court and the Trustee may retain and pay to itself in priority to any claim by any Lender all such remuneration and payments out of any moneys for the time being in its hands on the trusts of this Deed.

15. TRUSTEE'S POWERS AND DUTIES

15.1 Powers

Subject to this Deed, the Trustee has all the powers that it is legally possible for a natural person or corporation to have in connection with the exercise of its powers under this Deed.

15.2 Extent of obligations

The Trustee has no obligations except those expressly set out in the Finance Documents to which it is a party. The obligations of the Trustee to act, or refrain from acting, are at all times subject to the Corporations Act.

15.3 Excluded roles and duties

The appointment as trustee does not mean that the Trustee:

- (a) is a trustee for the benefit of;
- (b) is a partner of; or
- (c) has a fiduciary duty to, or other fiduciary relationship with,

any Lender, the Company or any other person, except as provided in the Finance Documents.

15.4 Role of the Trustee

Other than as required by the Corporations Act or as expressly provided in the Finance Documents to which it is a party, the Trustee:

- (a) is not required to take any action or exercise any right, power or discretion in connection with any Finance Document or the Company or any other related matter, fact or circumstance;
- (b) is not in any way involved in the day to day running, management or decision-making process of the Company; and
- (c) has no duty, obligation or liability to the Lenders or the Company.

15.5 Binding nature of relationship

Each Lender is bound by anything properly done or not done by the Trustee in accordance with the Finance Documents, whether or not on instructions, and whether or not the Lender gave an instruction or approved of the thing done or not done.

15.6 Determination by Trustee

The Trustee may as between itself and the Lenders determine all questions and matters of doubt arising in relation to any of the provisions of this Deed and every such determination whether made upon a question actually raised or implied in the acts or proceedings of the Trustee will be conclusive unless a court of competent jurisdiction otherwise orders.

15.7 Waiver

The Trustee may whenever it thinks fit and so long as it is not detrimental to the interests of the Lenders waive on any terms or conditions any breach by the Company of any of the covenants or obligations binding upon the Company under this Deed or the Conditions.

15.8 Trustee may act on advice

The Trustee may in relation to this Deed act or decline to act on the advice or opinion of or any information obtained from any barrister, solicitor, accountant, valuer, surveyor, broker, auctioneer or other expert and the Trustee will not be responsible or liable for any loss incurred by its acting or declining to act in good faith on any such advice, opinion or information.

15.9 Appointment of Delegates

The Trustee may appoint in writing from time to time a Delegate to undertake, perform or discharge any of the duties, powers, discretions or other functions of the Trustee under this Deed. Where more than one corporation is appointed as the delegate of the Trustee to undertake, perform or discharge the same duty, power, discretion or other function of the Trustee under this Deed, the corporations so appointed will act jointly and severally.

15.10 Dealing with Delegates

The Trustee may by the terms of any appointment of a Delegate under clause 15.9 include provisions for the protection and convenience of persons dealing with that Delegate as the Trustee thinks fit. The Delegate may be a Related Body

Corporate of the Trustee. Notwithstanding those provisions, the Trustee will be liable, for any act or omission of any Delegate.

15.11 Trustee may take action

Subject to the provisions of this Deed, the Trustee may at any time on behalf of Lenders take any action or proceeding against the Company in the event of a breach by the Company of this Deed, the Loan Conditions in relation to a Lender's Loan and/or the Convertible Note Conditions in relation to a Lender's Convertible Notes.

15.12 Trustee may hold Loans or Convertible Notes

- (a) Nothing in this Deed will be deemed to prohibit any Trustee or any Related Body Corporate or director of the Trustee (all hereinafter in this clause where the context permits being included in the expression "Trustee") from being a Lender in the Company or in any of its subsidiaries or from acting in any representative capacity for a Lender and in particular and without prejudice to the generality of the foregoing it is expressly declared that:
 - (i) the Trustee may so act on its own account or as executor, administrator, trustee, receiver, committee, guardian, attorney or agent or in any other fiduciary, vicarious or professional capacity nor will the acting in any such capacity as aforesaid be deemed a breach or the obligations arising out of the fiduciary relationship between the Trustee on the one hand and the Company or any Related Body Corporate of the Company on the other or the Trustee and the Lenders hereby established or otherwise imposed or implied by law; and
 - (ii) the Trustee will not by reason of its fiduciary capacity be precluded from making any contracts or entering into any transactions with the Company, or any Related Body Corporate of the Company, or with itself in any other capacity (including without limitation its personal capacity).
- (b) Without prejudice to the generality of this clause 15.12, it is expressly declared that the contracts and transactions referred to in clause 15.12(a)(ii) include any contract or transaction in relation to the subscription or placing of or any dealing with any stocks, shares, debenture stock, debenture, notes or other security of the Company or Related Body Corporate or of any other company in which the Company or any Related Body Corporate is interested, and the acceptance of any office or profit from the Company or any Related Body Corporate, or any contract loan or deposit or other contract or transaction which any person or company not being a Trustee of this Deed could or might have entered into with the Company or any Related Body Corporate or with itself as Trustee including the customary share of brokerage and usual banker's profit.
- (c) The Trustee will not be accountable either to the Company or any of the Company's Related Bodies Corporate or the Lenders for any profits arising from any the contracts transactions or offices referred to in clause 15.12(a) and (b).

15.13 Trustee's duties

(a) **Duty to ascertain whether Company has committed breach**

The Trustee must exercise reasonable diligence to ascertain whether the Company has committed any breach of the Conditions or this Deed.

(b) **Duty to ensure Company remedies any breach**

The Trustee must do everything in its power to ensure that the Company remedies any breach actually known to the Trustee of:

- (i) the Conditions; or
- (ii) the provisions of this Deed,

unless the Trustee is satisfied that the breach will not materially prejudice the Lenders' interests or any security for the Loans or if applicable, Convertible Notes.

(c) **Duty to act**

The Trustee:

- (i) must exercise its powers under the Finance Documents in accordance with any instructions given to it by authority of a Special Resolution of Lenders; and
- (ii) must not amend or waive any provision of a Finance Document which amendment or waiver has the effect of:
 - (A) increasing the obligations of any Lender;
 - (B) changing the terms of payment of any amounts payable under the Finance Documents; or
 - (C) changing the manner in which those payments are to be applied,

without the consent of all of the Lenders.

15.14 Permitted Reliance

- (a) The Trustee is entitled to accept a certificate or report signed by any 2 directors of the Company on behalf of the Board of directors or a resolution of the Board of directors of the Company to the effect that any particular dealing or transaction or step or thing is in the opinion of the directors of the Company commercially desirable and not detrimental to the Lenders as sufficient evidence that it is so and the Trustee is in no way bound to call for further evidence or to enquire as to the accuracy thereof or be responsible for any loss that may be occasioned by its relying thereupon.
- (b) The Trustee is entitled to accept as conclusive and act upon any information, report, balance sheet, account certificate, and statement supplied by the Company or any duly authorised officer.

- (c) The Trustee is entitled to accept and act upon the statements contained in any document, certificate, report, balance sheet, or account given by the Company or any duly authorised officer pursuant to this Deed as conclusive evidence of the facts therein stated.
- (d) In relation to any Finance Document, and any exercise of its rights or powers thereunder, the Trustee may rely:
 - (i) on any communication or document it has had no reasonable grounds to believe is not genuine and correct and to have been signed or sent by the appropriate person; and
 - (ii) as to legal, accounting, taxation or other professional matters, on opinions and statements received by it from any legal, accounting, taxation or professional advisers engaged or appointed by it, provided that it has acted in good faith in engaging or appointing such adviser.

16. DISCRETION OF TRUSTEE

- (a) Subject to paragraph (b), the Trustee has, as regards all the powers and authorities and discretions vested in it by this Deed, an absolute and uncontrolled discretion as to the exercise of that discretion in all respects and, in the absence of its fraud, gross negligence or wilful default (or the fraud, gross negligence or wilful default of any attorney, employee, agent or person (including a Delegate) appointed by it under this Deed), the Trustee will not be in any way responsible for any loss, damage, cost or expense that may result from the exercise or non-exercise of that discretion.
- (b) Where the Trustee has a discretion to act under the Finance Documents it is not required to exercise that discretion unless it has first sought instructions from the Lenders via a Special Resolution.

17. TRUSTEE'S LIABILITY

17.1 Limitation of liability

- (a) Subject to paragraph (c) and clause 17.2, a liability or obligation of the Trustee arising under or in connection with this Deed or another Finance Document is limited to and can be enforced against the Trustee only to the extent to which it can be satisfied out of the Trust Fund out of which the Trustee is actually indemnified for the liability.
- (b) No person may sue the Trustee in any capacity other than as trustee of the Trust, including seeking the appointment of a receiver (except in relation to the Trust Fund), a liquidator, an administrator or any other similar person to the Trustee or prove in any administration or liquidation of or affecting the Trustee (except in relation to the Trust Fund).
- (c) If any person does not receive the full amount of any money owing to it arising from the non-performance by the Company or Mernova of any of their obligations, or non-payment by the Company of any of its Liabilities, under or in respect of any Finance Document, by enforcing the rights referred to in paragraph (b), that person may not (except in the case of a Trustee Default) seek to recover the shortfall by:

- (i) bringing proceedings against the Trustee in its personal capacity; or
- (ii) applying to have the Trustee wound up, put into administration or applying to have a receiver or similar person appointed to the Trustee or proving in the administration or winding up of the Trustee.

17.2 Trustee Default

The provisions of clause 17.1 do not apply to any liability of the Trustee to the extent that it is not satisfied because, under the Finance Documents or by operation of Law there is a reduction in the extent of the Trustee's indemnification out of the Trust Fund, as a result of a Trustee Default.

17.3 Failure by the Company

No act or omission of the Trustee (including any related failure to satisfy its obligations or breach of representation or warranty under the Finance Documents) will be considered a Trustee Default for the purposes of the Finance Documents to the extent to which the act or omission was caused or contributed to by any failure, act or omission by the Company or Mernova.

17.4 Evidence of claims

The Trustee will be entitled and is authorised by the Company to call for (and will be entitled to accept as conclusive evidence thereof) a certificate from any Receiver, Administrator or Liquidator of the Company as to:

- (a) the amounts of the claims of the creditors which have been admitted in any Liquidation, dissolution or other winding up and which will not have been satisfied in full out of the other assets of the Company; and
- (b) the persons entitled to those assets and their respective entitlements.

17.5 Certificate

Save in the case of manifest or proven error, any certificate given by any Receiver, Administrator or Liquidator of the Company will be conclusive and binding on the Trustee and all Lenders.

17.6 No monitoring obligation

Notwithstanding any other provisions of the Finance Documents, but subject to the Trustee's obligations under the Corporations Act, the Company acknowledges that the Trustee has no obligation to monitor compliance by the Company with its covenants and obligations under the Finance Documents or any obligation or duty to enquire as to any other activities or status of the Company whatsoever.

17.7 Lender capacity

The Trustee's duties and obligations to Lenders are owed to Lenders only in their capacity as Lenders.

17.8 Knowledge of the Trustee

The Trustee will only be considered to have knowledge or awareness of a thing, or grounds or reason to believe anything, by virtue of the officers of the Trustee having the day to day responsibility for the administration of the Trust, having actual knowledge, actual notice or actual awareness of that thing, or actual grounds or reason to believe that thing (and similar references will be interpreted in this way). In addition, notice, knowledge or awareness of a default or breach of this Deed means actual knowledge, notice or awareness of the events or circumstances constituting the default or breach.

17.9 Acting on directions

To the extent permitted by Law, the Trustee is not liable to a Lender or any other person for acting in accordance with any Lender Resolution or Special Resolution or any other direction given by any Lender or Lenders in accordance with this Deed with which the Trustee is required to comply.

18. TRUSTEE INDEMNITY**18.1 Indemnity**

- (a) The Trustee, its officers, directors, employees and attorneys (together included in the defined term "Trustee" for the purposes of this clause) are entitled to be indemnified by the Company, without limitation, out of the property of the Trust Fund in respect of all costs, Liabilities, demands or claims suffered or properly incurred by the Trustee in the execution of the Trust or the exercise or purported exercise of any of the powers, authorities or discretions vested in the Trustee under this Deed and any other Finance Document or otherwise in connection with the Trust and the Finance Documents, but this indemnity does not extend to:
 - (i) any such costs, Liabilities, demands or claims to the extent arising out of a Trustee Default; or
 - (ii) any taxes imposed on the Trustee's remuneration for its services as Trustee.
- (b) The Trustee may retain and pay out of any moneys in its hand (or any other property of the Trust Fund) in priority to any claim by a Lender, all sums necessary to effect and satisfy an amount due and payable to the Trustee under this clause or any other amount due and payable to the Trustee by the Company under this Deed or any other Finance Document.

18.2 Indemnity additional

Any indemnity to which the Trustee is entitled under this Deed is in addition to, and without prejudice to, any indemnity allowed by Law or equity to the Trustee.

18.3 No obligation to act

The Trustee is not obliged to carry out any act or refrain from doing any act (including incurring any liability) under any Finance Document until such time as it is placed in funds or is otherwise indemnified to its satisfaction against any expense or liability which it may incur as a result of doing so.

18.4 Survival

The provisions of this clause shall survive the termination of this Deed and any other Finance Document and where the Trustee ceases for any reason to be trustee of the Trust.

19. RETIREMENT AND REMOVAL OF TRUSTEE AND APPOINTMENT OF NEW TRUSTEE
19.1 Retirement

The Trustee may retire at any time (with or without giving any reason for its retirement) after the expiration of not less than 30 days' notice in writing to the Lenders of its intention so to do or such shorter period as is agreed to by the Company. The retirement will not take effect until a new trustee has been appointed in accordance with the provisions of this clause 19 and has taken office.

19.2 Appointment of new Trustee

The Lenders have the right, by Special Resolution, to appoint a successor Trustee.

19.3 Appointment by Trustee

If when the period of notice referred to in clause 19.1 expires a new trustee has not been appointed, the Trustee may at any time thereafter and so long as an appointment has not been made under clause 19.2, appoint by deed under its seal a trustee company willing to act as new trustee of this Deed and that appointment will be effective without the need for approval of the Lenders.

19.4 Removal

The Trustee may be removed if a Special Resolution of Lenders determines that the Trustee should be removed.

20. POWER OF AMENDMENT
20.1 Amendment without Lender consent

The Company and the Trustee are entitled without any authority or assent on the part of the Lenders to amend or add to this Deed if in the opinion of the Trustee such amendment or addition:

- (a) is of a formal, minor or technical nature;
- (b) is made to correct a manifest error;
- (c) is expedient or requisite to enable the Loans or the Convertible Notes to be offered for subscription or sale under the laws for the time being in force in any place;
- (d) in the opinion of the Trustee is not likely (taken as a whole and in conjunction with all other modifications, if any, to be made contemporaneously therewith) to be materially prejudicial to the interests of the Lenders and two directors of the Company on behalf of the board of directors of the Company have so certified to the Trustee. The Trustee in determining whether or not such amendment or addition is materially prejudicial to the interests of the Lenders may act upon the advice or the opinion of or any information obtained from an expert (at the expense of

the Company) and will not be responsible for any loss occasioned by its acting or declining to act on such advice, opinion or information; or

- (e) is necessary and expedient to enable the Company to claim any deduction or rebate for income tax purposes in respect of fees or interest payable on any Loans or Convertible Notes provided that the amendment is not materially prejudicial to the interests of Lenders as a whole.

20.2 Amendment with Special Resolution

The Company and the Trustee may with the authority of a Special Resolution make any amendment or addition to this Deed.

21. REGISTER OF LENDERS

21.1 Maintenance of Register

The Company must establish and maintain or cause to be established and maintained a Register in accordance with section 168 of the Corporations Act and there must be entered into the Register all information required by section 171 of the Corporations Act.

21.2 Alteration of Register

The Register will be altered accordingly on receipt of details of any change of name or address of Lender notified in writing to the Company and accompanied in the case of change of name by any evidence which the Company may reasonably require.

21.3 Register to be kept open

Subject to clause 21.4 and to any instrument of exemption granted by the ASIC to the Company from the provisions of section 168 of the Corporations Act ("Instrument of Exemption") the Register will remain open at all reasonable times during normal business hours for inspection by the Trustee and each Lender or any person authorised in writing by either of them. Upon requisition from a Lender, the Company must provide that Lender within 14 days with a document setting out that Lender's registry entry in the Register (a **Lender Statement**). This Deed constitutes an acknowledgment of indebtedness in respect of all the outstanding Loans and/or Convertible Notes on issue at any time. A Lender Statement does not constitute a certificate of title or an acknowledgment of debt. The Company must provide the Trustee with a copy of the Register in machine readable form within two (2) Business Days of a request by the Trustee (or such lesser time as is necessary to enable the Trustee to comply with its obligations under this Deed).

21.4 Closure of Register

On giving a notice by advertisement or otherwise as may be required by Law the Company may from time to time close any Register for any period or periods not exceeding 30 days in aggregate in any calendar year.

21.5 No trust

No notice of any trust express implied or constructive will be entered in any Register.

21.6 Compliance with conditions

The Company agrees to comply with all conditions relating to the Registers which may be imposed on it under the terms of any Instrument of Exemption granted to it.

21.7 Delegation

The Company may delegate any of its powers and obligations in respect of the Registers.

22. GENERAL TRUST PROVISIONS**22.1 Interference by Trustee in conduct of Company's business**

Subject to the Finance Documents, the Trustee must not interfere with the conduct of the business of the Company.

22.2 Appointment of attorneys by Company

The Company severally and irrevocably appoints the Trustee and its managing director, general manager, manager and secretary for the time being severally to be its attorney and in its name and on its behalf upon the Trustee determining that the Loans and/or Convertible Notes will have become immediately repayable under this Deed to sign and do all assurances, deeds, instruments, acts and things which the Company ought to execute, sign and do under the covenants contained in this Deed and generally to use the name of the Company in the exercise of all or any of the powers hereby conferred on the Trustee.

22.3 Liability of Lenders to taxes

Whenever in consequence of the death of a Lender any law of the Commonwealth or any State or any other country or place imposes an immediate, future or possible liability on the Company to make any payments to any government or taxation authority, with respect to any Loans or Convertible Notes held by the Lender, the Company is in respect of such liability indemnified by such Lender, its executors and administrators. Any moneys paid by the Company in respect of any such liability may be recovered by action from such Lender, its executors and administrators as a debt due to the Company and the Company has a lien in respect of such moneys upon the principal sum represented by the Loans and Convertible Notes held by such Lender, its executors and administrators and upon the interest on such sum.

22.4 Taxation

To the maximum extent permitted by Law the provisions of this Deed in relation to any Loan or Convertible Note must be construed and have effect so as to choose that construction permitting compliance with any requirement under or pursuant to the Income Tax Assessment Act, as amended, which must be satisfied in order to enable the Company to claim a deduction from its assessable income in respect of the fees or interest paid on that Loan or Convertible Note, in the manner most conducive to the preservation of the availability of such a deduction.

23. CONFIDENTIALITY**23.1 Non-disclosure**

All information and other matters provided to or obtained by the Trustee, a Delegate or any officer, employee, professional adviser or other consultant of the Trustee on a confidential basis:

- (a) under, in connection with or related to this Deed; or
- (b) in the performance of any obligation, duty or power of the Trustee under this Deed,

(collectively, the **Information**) is confidential to the Company and may not be disclosed to any person other than as set out in clause 23.2.

23.2 Permitted disclosure

Information which is in the public domain is not required to be kept confidential. Information may be disclosed:

- (a) as (but only to the extent) required by this Deed or in connection with any obligation, duty or power of the Trustee under this Deed, a law or any judicial or regulatory body or authority;
- (b) in connection with the enforcement of any rights under the Finance Documents;
- (c) in connection with a permitted assignment or novation of any rights or obligations under the Finance Documents where the disclosure is made on the basis that the recipient of the information will comply with this clause 23;
- (d) to those officers, employees, Delegates and professional advisers of the Trustee to whom it is necessary to reveal the Information or any part of it;
- (e) to a person approved of in writing by the Company; or
- (f) if the Company is listed on ASX, to ASX to enable the Company or the Trustee to comply with the ASX Listing Rules.

23.3 Confidentiality

The Trustee is required to use reasonable endeavours to ensure that every person to whom Information is given under clause 23.2 keeps that Information confidential.

24. MEETINGS OF LENDERS

The Trustee or the Company may call a meeting of Lenders in the manner provided in this clause 24 and those meetings will be conducted and have the powers as are set out in this clause 24.

24.1 Convening meetings

- (a) The Trustee or the Company may at any time summon a meeting of Lenders.

- (b) The Company must summon a meeting of Lenders if requested in writing to do so by persons holding Loans or Convertible Notes representing not less than 10% in value of the Principal Amount Outstanding.
- (c) Meetings are to be held in Perth or at such other place as the Trustee and the Company may agree.

24.2 Notice

- (a) Lenders and the Auditor must be given at least 14 days' notice of a meeting but if the meeting is to consider a Special Resolution, 21 days' notice of the meeting will be required.
- (b) The period of notice is to be determined exclusive of the day on which the notice is served or deemed to be served and of the day for which it is given.

24.3 Provision of notices

- (a) Notices to Lenders may be given:
 - (i) to a Lender personally;
 - (ii) by sending it by post to the address for the Lender in the register of Lenders;
 - (iii) by sending it by email to the email address nominated by the Lender; or
 - (iv) by any other means that the Company and the Trustee agree in writing and notify to the Lender.
- (b) A notice of meeting must specify the place day and hour of meeting and the general nature of the business to be transacted but it is not necessary to specify in the notice the precise terms of the resolutions to be proposed.
- (c) A copy of the notice must be promptly sent by post or email to the Trustee unless the meeting has been convened by the Trustee and to the Company unless the meeting has been convened by the Company.

24.4 Failure to give notice does not invalidate

The accidental omission to give notice to or the non-receipt of notice by any of the Lenders does not invalidate the proceedings at any meeting but where notice of a meeting convened by the Company or Trustee is not received by the other of them all business transacted and all resolutions passed at the meeting will be void and of no effect unless such notice is waived by such other of them.

24.5 Quorum

At any meeting a quorum for the transaction of business will be formed by two (2) Lenders present in person or by proxy or being a corporation by proxy or duly authorised representative holding a current Loan or Convertible Notes in aggregate representing at least 10% in value of the Principal Amount Outstanding.

24.6 Adjournment in the absence of quorum

- (a) If within 30 minutes from the time appointed for the meeting a quorum is not present the meeting convened upon the requisition of Lenders will be dissolved. In any other case it will stand adjourned to such day and time not being less than 14 days thereafter or in the case of an adjourned meeting of Lenders at which a Special Resolution is to be submitted 21 days thereafter and to such place as may be appointed by the Chairman.
- (b) At an adjourned meeting in accordance with clause 24.6(a), the Lenders present and entitled to vote whatever the value of the current Loan or Convertible Notes held by them will be a quorum for the transaction of business including the passing of Special Resolutions.
- (c) Notice of any adjourned meeting of Lenders at which a Special Resolution is to be submitted must be given in the same manner as of an original meeting and such notice must state that the Lenders present at the adjourned meeting whatever their number and the amount of the current Loan or Convertible Notes held by them will form a quorum.

24.7 Chairman

- (a) The Trustee or some other person nominated in writing by the Trustee and independent of the Company may be Chairman at every meeting but if no such person is nominated or if at any meeting the person nominated will not be present within 15 minutes after the time appointed for holding the meeting the Lenders present may choose one of their number to be Chairman.
- (b) The Trustee and the solicitors to the Trustee and any director or officer of a corporation being the Trustee and any director and the secretary and solicitors of the Company and any other person authorised by the Company, may attend any meeting and be heard.

24.8 Adjournment by chairman

The Chairman may with the consent of any meeting at which a quorum is present (such consent being obtained if the Trustee so requires on a poll) and must if directed by the meeting so resolving on a poll, adjourn the meeting from time to time and from place to place but no business may be transacted at any adjourned meeting except business which might lawfully have been transacted at the meeting from which the adjournment took place.

24.9 Voting

- (a) At any meeting a resolution put to the vote of the meeting will be decided on a show of hands unless a poll is (before or on the declaration of the result of the show of hands) demanded by the Chairman, the Trustee or the Company or in writing by one or more Lenders present in person or by proxy and holding or representing 5% in value of the Principal Amount Outstanding.
- (b) Unless a poll is so demanded in accordance with clause 24.9(a), a declaration by the Chairman that a resolution has been carried or carried unanimously or by a particular majority or lost is conclusive evidence of the fact without proof of the number or proportion of the votes recorded in favour of or against such resolution.

24.10 Casting vote

In the case of an equality of votes whether on a show of hands or on a poll the Chairman of the meeting at which the show of hands takes place or at which the poll is demanded is entitled to a casting vote in addition to the votes (if any) to which he may be entitled as a Lender.

24.11 Poll demands

- (a) A poll demanded on the election of a Chairman or on a question of adjournment is to be taken at the meeting without adjournment.
- (b) A poll demanded on any question other than as set out in clause 24.11 (a) is to be taken either immediately or at such time (not being more than thirty days from the date of the meeting) and place as the Chairman may direct. No notice need be given of a poll not taken immediately.
- (c) The demand for a poll will not prevent the continuance of a meeting for the transaction of any business other than the question on which the poll has been demanded.
- (d) The result of a poll will be deemed to be the resolution of the meeting at which the poll was demanded.

24.12 Voting entitlements

On a show of hands every Lender who being an individual is present in person or by proxy or attorney or being a corporation is present by proxy or attorney or by its authorised representative has one vote and on a poll every Lender who is present in person or by proxy has one vote for every dollar of Principal Amount Outstanding which the Company borrowed from that Lender (with fractions being rounded up to the nearest vote).

24.13 Joint holders

In the case of joint registered holders of Loan or Convertible Notes the vote of the senior who tenders a vote whether in person or by proxy is to be accepted to the exclusion of the votes of the other joint holders and for this purpose seniority is determined by the order in which the names appear in the Register of Lenders in respect of the joint holding.

24.14 Lender entitled to more than one vote

On a poll votes may be given either personally or by proxy and a Lender entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

24.15 Lender which is a corporation

A Lender which is a corporation may be represented at a meeting of Lenders or may vote at the meeting or on a poll or in relation to any resolution of Lenders by proxy or by attorney or by representative appointed in accordance with the provisions of section 250D of the Corporations Act as if references to "member" or "members" in that section were references to "Lender" or "Lenders".

24.16 Proxy

- (a) The instrument appointing a proxy must be in writing under the hand of the appointor or of his attorney duly authorised in writing or if the appointor is a corporation either under its Common Seal or under the hand of an officer or attorney so authorised and need not be witnessed.
- (b) A person appointed to act as proxy need not be a Lender.
- (c) The proxy will be deemed to include the right to demand or join in demanding a poll.
- (d) Unless the contrary is stated on the instrument of proxy, a proxy is valid for any adjournment of the meeting to which it relates.

24.17 Deposit of proxies

- (a) The instrument appointing a proxy and the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of the power or authority, must be deposited at such place as the Trustee or the Company may in the notice convening the meeting direct, or if no such place is appointed, then at the registered office of the Company not less than 24 hours before the time appointed for holding the meeting or adjourned meeting (or in the case of a poll before the time appointed for taking of the poll) at which the person named in the instrument proposes to vote and in default the instrument of proxy will not be treated as valid. A proxy may be deposited with the Company by sending it by email or facsimile to the email or facsimile address or number nominated by the Company or the Trustee (as applicable) in the notice convening the meeting.
- (b) No instrument appointing a proxy is valid after the expiration of 12 months from the date named in it as the date of its execution.

24.18 Proxy Voting

A vote given in accordance with the terms of an instrument of proxy is valid notwithstanding the previous death or insanity of the principal, revocation of the proxy or of the authority under which the proxy was executed, or the transfer of the Loans or Convertible Notes in respect of which the proxy is given, provided that no notice in writing of such death, insanity, revocation, or transfer has been received by the Company at its registered office before the commencement of the meeting or adjourned meeting at which the proxy is used.

24.19 Powers of meeting of Lenders

Without limiting the rights of Lenders, the Company and the Trustee pursuant to this Deed, a meeting of the Lenders has in addition to all other powers, the following powers exercisable by Special Resolution only:

- (a) power to sanction any modification or compromise or any arrangement in respect of the rights of the Lenders against the Company whether such rights will arise under this Deed, the Conditions or otherwise;
- (b) power to assent to any modification of the provisions contained in this Deed or the Conditions and to authorise the Trustee to concur in and execute any supplemental deed embodying any such modification;

- (c) power to give any sanction, direction or request which under any of the provisions of this Deed is required to be given with the consent of Lenders;
- (d) power to give a release in respect of anything done or omitted to be done by the Trustee; and
- (e) power to remove a Trustee.

24.20 Special Resolution binding

A Special Resolution passed at a meeting of the Lenders duly convened and held in accordance with this Deed is binding upon all the Lenders whether or not present at the meeting and each Lender is bound to give effect to it accordingly.

24.21 Special Resolution – definition

The expression "Special Resolution" when used in this Deed means a resolution passed at a meeting of the Lenders duly convened and held in accordance with this Deed and carried by a majority consisting of not less than 66.66% of the persons voting at the meeting upon a show of hands or if a poll is duly demanded then by a majority consisting of the holders of Loans and/or Convertible Notes who vote (in favour of the resolution) not less than 66.66% in value of the Principal Amount Outstanding held by the holders of Loans or Convertible Notes who are present at the meeting in person, by proxy or representative. Where applicable, "Special Resolution" when used in connection with a resolution passed by written or circular resolution means a resolution passed by all Lenders in accordance with clause 24.23.

24.22 Minutes

Minutes of all resolutions and proceedings at every meeting must be made and duly entered in the books to be from time to time provided for that purpose by the Company and any minute if purporting to be signed by the Chairman of the meeting at which a resolution was passed or proceedings were held or by the Chairman of the next succeeding meeting of Lenders is prima facie evidence of the matters stated in it.

24.23 Written Resolution

Notwithstanding any other provision of this clause 24, a written resolution signed by all Lenders will be binding upon all Lenders without the requirement to hold a meeting.

25. INSPECTION OF TRUST DEED

- (a) On receipt of a request from a Lender or the Trustee for a copy of this Deed, the Company must provide that Lender or the Trustee with a copy of the Deed within ten (10) Business Days after the date that request is made.
- (b) Copies of this Deed will be provided to the Lender at the Company's registered office in Perth unless the Company otherwise agrees and to the Trustee at its address for notices in clause 26.

26. NOTICES AND OTHER COMMUNICATIONS

26.1 Service of notices

A notice, demand, consent, approval or communication under this Deed (**Notice**) must be:

- (a) in writing, in English and signed by a person duly authorised by the sender; and
- (b) hand delivered or sent by prepaid post, courier, facsimile or email or other electronic means (**Electronic Communication**) to the recipient's address for Notices specified in clause 26.2, as varied by any Notice given by the recipient to the sender.

26.2 Address of parties

The initial address of the parties shall be as follows:

- (a) to Company at:

Address: Suite 5 CPC, 145 Stirling Highway, Nedlands WA 6009

Email: winton@azc.com.au

For the attention of: Winton Willesee, Joint Company Secretary

- (b) to Trustee at:

Address: 22 Lindsay Street, Perth WA 6000

Email: bmcmaster@garrisoncapital.net

For the attention of: Brian Keith McMaster

26.3 Electronic Communications

Notices may be delivered using a form of Electronic Communication or if a party (the **Notifying Party**) gives a Notice to the other party stating that Electronic Communications is no longer an accepted form of communication for Notices addressed to the Notifying Party.

26.4 Effective on receipt

A Notice given in accordance with clause 26.1 takes effect when taken to be received (or at a later time specified in it), and is taken to be received:

- (a) if hand delivered, on delivery;
- (b) if sent by prepaid post, on the second Business Day after the date of posting (or on the eighth Business Day after the date of posting if posted to or from a place outside Australia);
- (c) if sent by courier, on the date of delivery (as stated in the consignment tracking advice obtained from the courier company);

- (d) if sent by facsimile, when the sender's facsimile system generates a message confirming successful transmission of the entire Notice unless, within eight business hours after the transmission, the recipient informs the sender that it has not received the entire Notice;
- (e) if sent by Electronic Communication, at the time of transmission unless, within 24 hours of transmission or, if the unsuccessful transmission is as consequence of any act or omission of the sender or defect or deficiency in the sender's transmitting equipment, any time after transmission, the sender receives advice that the transmission has been unsuccessful,

but if the delivery, receipt or transmission is not on a Business Day or is after 5.00pm (addressee's time) on a Business Day, the Notice is taken to be received at 9.00am (addressee's time) on the next Business Day.

27. FURTHER ASSURANCE

- (a) Each party shall sign, execute and do all deeds, acts, documents and things as may reasonably be required by the other parties to effectively carry out and give effect to the terms and intentions of this Deed.
- (b) The Company must do anything the Trustee, or a Lender may reasonably request to:
 - (i) ensure or enable the Trustee or Lender to ensure that the Security, each Trustee Security and any Power are fully effective, enforceable and perfected with the contemplated priority;
 - (ii) more satisfactorily assure or secure to the Trustee or the Lender the Collateral in a manner consistent with any provision of any Finance Document; or
 - (iii) aid the exercise of any Power of the Trustee or any Lender,
 including, executing any document or executing and delivering blank transfers.

28. GOVERNING LAW

- (a) Each party irrevocably submits to the non-exclusive jurisdiction of the courts of Western Australia, and the courts competent to determine appeals from those courts, with respect to any proceedings which may be brought at any time relating to this Deed.
- (b) Each party also irrevocably waives any objection it may now or in the future have to the venue of any proceedings, and any claim it may now or in the future have that any proceedings have been brought in an inconvenient forum, where the venue falls within clause (a).

29. VARIATION

No modification or alteration of the terms of this Deed shall be binding unless made in writing dated subsequent to the date of this Deed and duly executed by the parties.

30. COSTS**30.1 Stamp Duty**

All stamp duty assessed on or in respect of this Deed shall be paid by the Company.

30.2 Legal Costs

The Company shall bear all reasonable legal costs of and incidental to the preparation, negotiation and execution of this Deed, including the legal costs of the Trustee.

31. COUNTERPARTS

This Deed may be executed in any number of counterparts. All counterparts will be taken to constitute one instrument. Electronic signatures are taken to be valid and binding to the same extent as original signatures.

32. MISCELLANEOUS**32.1 Severance**

If any term or provision of this Deed is invalid, illegal or unenforceable such invalidity, illegality or unenforceability will not affect any other term or provision of this Deed.

32.2 Entire Agreement

This Deed shall constitute the sole understanding of the parties with respect to the subject matter and replaces all other agreements with respect thereto.

32.3 Time

Time shall be of the essence in this Deed in all respects under this Deed.

32.4 Assignment

No party may assign, novate or otherwise transfer any of its rights or obligations under this Deed without the prior written consent of the other parties.

32.5 Consents

Unless this Deed expressly provides otherwise, a consent under this Deed may be given or withheld in the absolute discretion of the party entitled to give the consent and to be effective must be given in writing.

32.6 Waivers

Without limiting any other provision of this Deed, the parties agree that:

- (a) failure to exercise or enforce, or a delay in exercising or enforcing, or the partial exercise or enforcement of, a right, power or remedy provided by law or under this Deed by a party does not preclude, or operate as a waiver of, the exercise or enforcement, or further exercise or enforcement, of that or any other right, power or remedy provided by law or under this Deed;

- (b) a waiver given by a party under this Deed is only effective and binding on that party if it is given or confirmed in writing by that party; and
- (c) no waiver of a breach of a term of this Deed operates as a waiver of another breach of that term or of a breach of any other term of this Deed.

32.7 No merger

The rights and obligations of the parties under this Deed do not merge on completion of any transaction contemplated by this Deed.

32.8 Enurement

The provisions of this Deed will enure for the benefit of and be binding on the parties and their respective successors and permitted substitutes and assigns and (where applicable) legal personal representatives.

EXECUTED by the parties as a Deed

Executed by CRESO PHARMA LIMITED
ACN 609 406 911 in accordance with
Section 127 of the *Corporations Act 2001*

DocuSigned by:

56DDC2A4F99F472...
Signature of director

William Lay
Name of director (print)

DocuSigned by:

DD4E8093220745B...
Signature of director/company secretary
(Please delete as applicable)

Eryn Dale
Name of director/company secretary (print)

By signing above, each director or secretary (as applicable) consents to electronic execution of this document (in whole or in part), represents that they hold the position or are the person named with respect to their execution and authorises any other director or secretary (as applicable) to produce a copy of this document bearing his or her signature for the purpose of signing the copy to complete its execution under section 127 of the Corporations Act. The copy of the signature appearing on the copy so executed is to be treated as his or her original signature.

Executed by BRIANT NOMINEES PTY LTD
ACN 080 130 007 in accordance with
Section 127 of the *Corporations Act 2001*

DocuSigned by:

73585D2ABA5941A...
Signature of director

Brian McMaster
Name of director (print)

DocuSigned by:

1246A78C935F4BF...
Signature of director/company secretary
(Please delete as applicable)

Lauran McMaster
Name of director/company secretary (print)

By signing above, each director or secretary (as applicable) consents to electronic execution of this document (in whole or in part), represents that they hold the position or are the person named with respect to their execution and authorises any other director or secretary (as applicable) to produce a copy of this document bearing his or her signature for the purpose of signing the copy to complete its execution under section 127 of the Corporations Act. The copy of the signature appearing on the copy so executed is to be treated as his or her original signature.

SCHEDULE 1 – LOAN CONFIRMATION FORM

CRESO PHARMA LIMITED
ACN 609 406 911
(Company)

LOAN CONFIRMATION FORM

TO: The Directors
Creso Pharma Limited

I/we

of

(the Lender) hereby agrees to advance \$**[insert]** (the **Principal**) to the Company.

The Lender agrees to deposit the Principal into the Company's bank account, the details of which are below:

Bank:	Westpac
Name of Account:	Creso Pharma Limited
BSB:	036 406
Account Number:	290 137

The Lender covenants in favour of the Company that it will be bound by the Constitution of the Company and the terms and conditions of the Loans and other terms as provided for under the Loan Trust Deed entered into between the Company and Briant Nominees Pty Ltd (ACN 080 130 007) on **[insert]** 2022.

As agreed, the Company will, subject to obtaining shareholder approval in general meeting, issue to the Lender (or its nominee) 1,000,000 New Options for every \$100,000 that the Lender loans to the Company.

The Lender confirms that any subscription for Convertible Notes and application of the Principal to such a subscription of Convertible Notes is subject to and conditional upon the Company making an offer to the Lender to subscribe for Convertible Notes and the Company obtaining Shareholder approval (at the Company's general meeting to be held in **[insert]** 2022) for the purposes of ASX Listing Rule 7.1. Accordingly, until those conditions are obtained the Loans are simply considered secured loans. The Lenders will need to subscribe for Convertible Notes formally (subject to applicable conditions) for the Principal to become convertible.

DATED:

SIGNED by

[Lender Name/Representative]

in the presence of:

Signature of Witness

Name of witness (print)

SCHEDULE 2 – LOAN CONFIRMATION

Loan Confirmation

Creso Pharma Limited (ACN 609 406 911)
(the **Company**)

THIS IS TO CERTIFY that [insert] (**Lender**) is the registered lender of the loan specified below which was advanced on [insert] 2022 (**Loan**).

The Loan confers on the Lender the rights, power and privileges and shall be subject to the terms and conditions as set out in the document titled Loan Trust Deed dated [insert] 2022 between the Company and Briant Nominees Pty Ltd (ACN 080 130 007) (the **Deed**). Except where otherwise specified, terms defined in the Deed have the same meaning in this document.

By advancing the funds for the Loan, the registered holder is taken to have agreed to be bound by the Deed.

Face Value of Loan: [insert]

Maturity Date: has the meaning given in the Deed.

DATED: [insert]

EXECUTED AS A DEED by)
CRESO PHARMA LIMITED)
ACN 609 406 911)
in accordance with section 127 of the)
Corporations Act 2001 (Cth):)

Signature of director	Signature of director/company secretary* (*please delete as applicable)
-----------------------	--

Name of director	Signature of director/company secretary* (*please delete as applicable)
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1. THE LOANS

1.1 Terms

The Loan will:

- (a) bear fees and interest as set out in Schedule 2, clause 2;

- (b) be convertible, into Notes, subject to conditions as provided in Schedule 2, clause 4; and
- (c) where the Loan has not been replaced through the issue of Convertible Notes, be redeemed in accordance with Schedule 2, clause 3.

1.2 Security

The Loans will be secured by the Security in accordance with the terms of the Deed, including without limitation the provisions of clause 9 of the Deed.

1.3 Withholding Tax

- (a) All payments or credits to, or to the account of Lenders (including payment of, and credits in respect of their fees and interest) will be made net of any tax in respect thereof required by law to be withheld, deducted or paid by the Company except to the extent that the Company is satisfied that the Lender is exempt from any such tax or is a person in respect of whom any such withholding, deduction or payment is not required to be made. Any Lender claiming any such exemption or to be such a person will provide the Company with such evidence as the Company may from time to time require to satisfy itself as to the validity of such claim.
- (b) The Company may make any deduction or withholding from any amount payable to a Lender in respect of Loans for or on account of withholding or other tax required by law to be deducted or withheld, and, where any such deduction or withholding has been made and the amount thereof accounted for by the Company to the Commissioner of Taxation or other appropriate taxing authority and the balance of the amount payable has been paid to the Lender concerned, the full amount payable to such Lender will be deemed to have been duly paid and satisfied by the Company.

1.4 Entry in Loan Register

The Company must ensure that each Lender's details are entered in the loan register.

2. INTEREST

- (a) The Company agrees to pay each Lender of a Loan interest payments equal to 30% per annum on the Principal Amount Outstanding of that Loan.
 - (b) Interest is payable on the Principal Amount Outstanding with respect to a Loan from the date of the Loan until repaid or, where Convertible Notes are applied for to replace the Loan, the date that the Convertibles Notes are issued at a rate of 30% per annum, accruing daily from the subscription date and computed on a daily basis on a year of 365 days.
 - (c) Where Convertible Notes are issued the unpaid interest for the relevant quarter becomes repayable in accordance with the Convertible Note Conditions as if the Convertible Notes had been on issue since the beginning of the relevant quarter.
-

- (d) The interest payments will be made on a quarterly basis in arrears, with the first interest payment to be made on 31 December 2022
- (e) Each holder of a Loan agrees that the fixed interest payment payable by the Company under Schedule 2, clause 2.1(a) will, at the Company's election, be satisfied through payment of the interest component in cash.

3. REDEMPTION

3.1 Redemption

Subject to Schedule 2, clauses 4 and 5 a Loan will be redeemed on the first to occur of the following:

- (a) the receipt by the Company of a Redemption Notice in respect of the Loan as a result of the exercise by the Trustee of its rights under clause 13.2 or 13.6 of the Deed or by the Lender under clause 13.7 of the Deed; or
- (b) on the Maturity Date, if the Lender does not subscribe for Convertible Notes for whatever reason on or prior to the 31 January 2023.

3.2 Timing of redemption

Subject to Schedule 2, clauses 4 and 5, a Loan will be repaid:

- (a) in the event of the occurrence of an event in accordance with Schedule 2, clause 3.1(a) within 10 Business Days after that event; or
- (b) in the event that the Lender does not subscribe for Convertible Notes for whatever reason on or prior to 31 January 2023, on the Maturity Date,

and the Company will deliver to the Lender a cheque or draft or by electronic transfer in favour of the Lender or such other person as the Lender will have directed the Company in writing, for the Redemption Amount (including the amount of any accrued but unpaid fees and interest).

3.3 Redemption of the Loans

The Trustee or a Lender will only be entitled to issue a Redemption Notice pursuant to an exercise of their respective rights under clauses 13.2, 13.6 or 13.7 of the Deed, and only in respect of all of the Loans:

- (a) then on issue - in the case of the issue of a Redemption Notice by the Trustee under clause 13.2 or 13.6 of the Deed; or
- (b) held by that Lender - in the case of the issue of a Redemption Notice by a Lender under clause 13.7 of the Deed,

and only in respect of the whole of the face value of those Loans.

3.4 Exclusion

The Lender will not be entitled to require redemption of any Loans held by him or her otherwise than pursuant to this Schedule 2, clause 3.

4. NOTE SUBSCRIPTION**4.1 Conversion**

- (a) Subject to clause 7.1 of the Deed as soon as is reasonably practicable from the date an Application Form is received by the Company from a Lender, the Company will proceed to issue to the Lender that number of Convertible Notes as calculated in accordance with Schedule 2, clause 4.2, and will notify the Trustee accordingly.
- (b) The issue of Convertible Notes in accordance with this clause will be and be deemed for all purposes to be in full satisfaction and discharge of the Loan owing to the Lender pursuant to the Loan Confirmation Form but the issue of Notes pursuant to this clause will in no way affect any liability of the Company for unpaid fees and interest accrued up to the Date of Conversion which the Company will pay to the Lender in accordance with Schedule 2, clause 2 as if the Convertible Notes were issued on the date of the Loan.
- (c) The Convertible Notes issued pursuant to this clause will rank equally in all respects with all other Convertible Notes and will be on the terms as set out in Schedule 4 of the Deed.

4.2 Number of Convertible Notes

Subject to Schedule 2, clause 4.4, the number of Convertible Notes to which a Lender will be entitled to apply for under the Application Form will be equal to the face value of the relevant Loan divided by \$100,000.

4.3 No other rights of conversion

A Loan will only be replaced or converted to Convertible Notes as set out in this Schedule 2, clause 4.

4.4 Reconstruction

- (a) Subject to the Law and the ASX Listing Rules, as applicable, if there is a reconstruction (including, consolidation, subdivision, reduction or return) of the issued capital of the Company before the issue of those Convertible Notes, the basis for conversion of those Convertible Notes to be set out in the Conversion Rate (in the event those Convertible Notes are issued) will be reconstructed in the same proportion as the issued capital of the Company is reconstructed and in a manner which will not result in any additional benefits being conferred on the Lender which are not conferred on the Shareholders of the Company, (subject to the same provisions with respect to rounding of entitlements as sanctioned by the meeting of Shareholders approving the reconstruction of capital) but in all other respects the terms for conversion of those Convertible Notes will remain unchanged.
- (b) The adjustments in this Schedule 2, clause 4.4 will, subject to the Law and the ASX Listing Rules (as applicable), be determined by the Company.

4.5 Satisfaction of obligations

The issue of Convertible Notes by the Company to a Lender under this Schedule 2 clause 4 will be deemed to have satisfied the Company's obligations to the Lender in respect of the Loan and the obligations in respect of the Principal Amount Outstanding will be satisfied on the terms of the Convertible Notes.

5. TAKEOVER, CHANGE IN CONTROL, OR SALE OF MAIN UNDERTAKING

Other than as contemplated by this Deed, if:

- (a) a takeover bid (as defined in the Corporations Act) is made for 50% or more of the Shares and that bidder is successful in acquiring a relevant interest in 50% or more of the Shares;
- (b) there is a change in control of 50% or more of the Shares; or
- (c) there is a sale of the main undertaking of the Company that would require approval of the Shareholders in accordance with ASX Listing Rule 11.2,

at any time after the issue of the Loans and prior to the issue of Convertible Notes in respect of such Loans, then the Company will give to each Lender written notice of the takeover bid, change of control, or sale of main business undertaking within 10 Business Days of receiving notice of it (or entering into an agreement in respect of the proposed disposal).

6. FOREIGN HOLDERS

Where Loans are held by or on behalf of a person resident outside Australia, then, but despite any other terms or conditions applicable to such Loans, it will be a condition precedent to the right of the Lender to obtain Convertible Notes on conversion that the requirements of all applicable laws of the Commonwealth of Australia or any of its States or Territories and of the country of residence of the Lender in respect of such conversion are satisfied so that such conversion will not result in a breach of any such applicable law by the Company.

7. REGISTRATION OF TRANSFERS

7.1 Transfer

- (a) The Loans (in whole or part) may be transferred or assigned by a Lender provided the transfer or assignment is notified and consented to by the Company at least three (3) Business Days prior to the date of transfer or assignment.
 - (b) It is a condition of transfer or assignment of the Loans that the transferee or assignee enters into a deed of covenant with the Company agreeing to be bound by the Loan Conditions as if the transferee or assignee were named as the Lender of the Loan.
 - (c) It is a further condition of transfer or assignment of the Loans that the transferee or assignee must provide the Company with current contact information, including fax and email for the purposes of receiving notice from the Company pursuant to these terms of the Loan.
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7.2 Recording transfers

The Company or share registry will promptly upon being satisfied that the transfer has been properly effected, accept the transfer by making an inscription in the register recording the transfer of the relevant Loan.

7.3 Directions

- (a) Subject to the Deed and these Conditions, and any conditions proposed by the Company at the time the Loans are advanced and any notations on the register, the Company will comply with any payment or distribution direction made by a transferee:
 - (i) in an application for transfer of Loan on and from the time of registration of that transfer; and
 - (ii) at any subsequent time in such form as the Company will from time to time determine.
- (b) A direction from any one or more joint holders of a Loan will bind all the joint holders. If more than one direction is received from joint holders of a Loan the direction of the senior is to be accepted to the exclusion of the other directions and for this purpose seniority is determined by the order in which the names appear in the register of Lenders in respect of the joint holding.

7.4 Transmission

Subject to Schedule 2 clause 8.1, a person becoming entitled to the benefit of the Loan as a consequence of the death or bankruptcy of a Lender or of a vesting order or a person administering the estate of a Lender may, upon producing such evidence as to that entitlement or status as the Company consider sufficient, transfer the Loan of that Lender or, if so entitled, become registered as the holder of the Loan.

7.5 Non-Registration of Third-Party Interests

A Loan will be registered by name only without reference to any trusteeships. Any entry in the register of the name and address of a Lender and the amount owed to that Lender is conclusive evidence of title subject to rectification for fraud or error.

7.6 Person registered

The person registered as a Lender of an amount of Loans will be treated by the Company as the absolute owner of that amount of Loans. Neither the Company, nor the Trustee will, except as ordered by a Court or as required by statute, be obliged to take notice of any claim to a Loan. Entry in the Register of the name and address of a Lender and the face value of the Loan held by that Lender is conclusive evidence of title subject to rectification for fraud or error.

SCHEDULE 3 – CONVERTIBLE NOTE APPLICATION FORM

CRESO PHARMA LIMITED
ACN 609 406 911
(Company)

APPLICATION FORM

TO: The Directors
Creso Pharma Limited

I/we
of

(the Lender) hereby apply for [insert number] Convertible Notes with a face value of \$100,000 each (in aggregate \$[insert]) (the **Principal**) to be issued by the Company.

The Lender covenants in favour of the Company that it will be bound by the Constitution of the Company and the terms and conditions of the Convertible Notes and other terms as provided for under the Loan Trust Deed entered into between the Company and Briant Nominees Pty Ltd (ACN 080 130 007) on [insert] 2022 (**Deed**).

The Lender confirms that the Company is to apply the outstanding principal amount of the Lender's existing Loan under the Deed to the Principal of the Convertible Note.

Accordingly, on issue, the Convertible Notes applied for under this Application Form will be and are deemed for all purposes to be in full satisfaction and discharge of the Loan owing to the Lender pursuant to the Loan and will be replaced by the terms of the Convertible Notes. Any liability of the Company for unpaid fees and interest accrued up to the issue of the Convertible Notes will be payable by the Company in accordance with Schedule 4, clause 2 of the Deed.

DATED:

SIGNED by
[Lender Name/Representative]

in the presence of:

Signature of Witness

Name of witness (print)

SCHEDULE 4 – CERTIFICATE AND CONDITIONS OF CONVERTIBLE NOTES

Convertible Note Certificate

Certificate Number: []

Creso Pharma Limited (ACN 609 406 911)
(the **Company**)

THIS IS TO CERTIFY that [insert] (**Lender**) is the registered holder of the Convertible Notes specified below which were issued on [insert] 2022 (**Convertible Notes**).

The Convertible Notes confer on the Lender the rights, power and privileges and shall be subject to the terms and conditions as set out in the document titled Loan Trust Deed dated [insert] 2022 between the Company and Briant Nominees Pty Ltd (ACN 080 130 007) (the **Deed**). Except where otherwise specified, terms defined in the Deed have the same meaning in this document.

By its subscription for or purchase of Convertible Notes, the registered holder is taken to have agreed to be bound by the Deed.

Number of Convertible Notes: [insert]

Face Value of each Convertible Note: [insert]

Maturity Date: has the meaning given in the Deed.

DATED: [insert]

EXECUTED AS A DEED by)
CRESO PHARMA LIMITED ACN 609 406 911)
 in accordance with section 127 of the)
 Corporations Act 2001 (Cth):)

Signature of director

Signature of director/company
secretary*
(*please delete as applicable)

Name of director

Signature of director/company
secretary*
(*please delete as applicable)

1. THE NOTE ISSUE

1.1 Terms

These Convertible Notes will each:

- (a) have a face value of \$100,000 for each Convertible Note;
- (b) bear fees and interest as set out in Schedule 4, clause 2;
- (c) be convertible, subject to conditions as provided in Schedule 4, clause 4, into Shares and New Options; and
- (d) where the whole or part of the Convertible Notes have not been converted pursuant to the exercise of the Conversion Option, be redeemed in accordance with Schedule 4, clause 3.

1.2 Security

The Convertible Notes will be secured by the Security in accordance with the terms of the Deed, including without limitation the provisions of clause 9 of the Deed.

1.3 Quotation

The Convertible Notes will not be quoted.

1.4 Withholding Tax

- (a) All payments or credits to, or to the account of Lenders (including payment of, and credits in respect of their fees and interest) will be made net of any tax in respect thereof required by law to be withheld, deducted or paid by the Company except to the extent that the Company is satisfied that the Lender is exempt from any such tax or is a person in respect of whom any such withholding, deduction or payment is not required to be made. Any Lender claiming any such exemption or to be such a person will provide the Company with such evidence as the Company may from time to time require to satisfy itself as to the validity of such claim.
- (b) The Company may make any deduction or withholding from any amount payable to a Lender in respect of Convertible Notes for or on account of withholding or other tax required by law to be deducted or withheld, and, where any such deduction or withholding has been made and the amount thereof accounted for by the Company to the Commissioner of Taxation or other appropriate taxing authority and the balance of the amount payable has been paid to the Lender concerned, the full amount payable to such Lender will be deemed to have been duly paid and satisfied by the Company.

1.5 Entry in Register

The Company must ensure that each Lender's details are entered in the Register.

2. INTEREST

- (a) The Company agrees to pay the Lender, as a holder of one or more Convertible Notes, interest payments equal to 30% per annum on the Principal Amount Outstanding of the Convertible Notes held by that Lender.
-

- (b) Interest is payable on the Principal Amount Outstanding from the date of issue of the Convertible Notes until the Convertible Notes are either redeemed or converted into Shares at a rate of 30% per annum, accruing daily from the subscription date and computed on a daily basis on a year of 365 days.
- (c) The interest payments will be made on a quarterly basis in arrears, with first payment date being 1 February 2023.
- (d) Where Convertible Notes are issued during a quarter the unpaid interest in respect of the relevant Loan (that is replaced by the Convertible Note) for the relevant quarter becomes repayable in accordance with this clause as if the Convertible Notes had been on issue since the beginning of the relevant quarter.
- (e) Each holder of the Convertible Notes agrees that the fixed interest payment payable by the Company under Schedule 4, clause 2.1(a) will, at the Company's election, be satisfied through payment of the interest component in cash.

3. REDEMPTION

3.1 Redemption

Subject to Schedule 4, clauses 4 and 5 a Convertible Note will be redeemed on the first to occur of the following:

- (a) the receipt by the Company of a Redemption Notice in respect of the Convertible Note as a result of the exercise by the Trustee of its rights under clause 13.2 or 13.6 of the Deed or by the Lender under clause 13.7 of the Deed; or
- (b) on the Maturity Date.

3.2 Timing of redemption

Subject to Schedule 4, clauses 4 and 5, a Convertible Note will be redeemed:

- (a) in the event of the occurrence of an event in accordance with Schedule 4, clause 3.1(a) within 10 Business Days after that event;
- (b) on the Maturity Date,

and the Company will deliver to the Lender a cheque or draft or by electronic transfer in favour of the Lender or such other person as the Lender will have directed the Company in writing, for the Redemption Amount (including the amount of any accrued but unpaid fees and interest).

3.3 Redemption of the Notes

The Trustee or a Lender will only be entitled to issue a Redemption Notice pursuant to an exercise of their respective rights under clauses 13.2, 13.6 or 13.7 of the Deed, and only in respect of all of the Notes:

- (a) then on issue - in the case of the issue of a Redemption Notice by the Trustee under clause 13.2 or 13.6 of the Deed; or
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- (b) held by that Lender - in the case of the issue of a Redemption Notice by a Lender under clause 13.7 of the Deed,

and only in respect of the whole of the face value of those Notes.

3.4 Exclusion

The Lender will not be entitled to require redemption of any Convertible Notes held by him or her otherwise than pursuant to this Schedule 4, clause 3.

4. CONVERSION

4.1 Conversion

- (a) A Lender will be entitled to Convert all of the Notes held by that Lender in accordance with this Schedule 4, clause 4 by delivering a Conversion Notice to the Company, subject to Schedule 4 clause 4, at any time from the date of issue of the Convertible Notes until the Last Conversion Date.
- (b) If the Maturity Date arrives, a Conversion Notice has not been delivered to the Company and there is no Event of Default outstanding, the Company will be required to redeem the Convertible Notes for their face value (plus any unpaid interest).
- (c) A Lender may exercise the Conversion Option in respect of the whole or part of the Notes held by that Lender, but not in respect of a proportion only of the face value of a Note held by that Lender. Subject to clause 7.1 of the Deed and Schedule 4, clause 8.1, as soon as is reasonably practicable from the date a Conversion Notice is received in accordance with Schedule 4, clause 4.1(a), the Company will proceed to issue to the Lender that number of Shares and New Options as calculated in accordance with Schedule 4, clause 4.2, and will notify the Trustee accordingly.
- (d) The issue of Shares (as fully paid) and the issue of New Options on conversion pursuant to this clause will be and be deemed for all purposes to be in full satisfaction and discharge of the principal amount owing to the Lender pursuant to the Convertible Notes the subject of the Conversion Notice but the conversion pursuant to this clause will in no way affect any liability of the Company for unpaid fees and interest accrued up to the Date of Conversion which the Company will pay to the Lender in accordance with Schedule 4, clause 2.
- (e) The Shares issued upon the conversion pursuant to this clause will rank equally in all respects with all issued ordinary shares in the capital of the Company at the Date of Conversion.
- (f) The Company will make application for official quotation by the ASX of all Shares and New Options issued upon the conversion pursuant to this clause. Such application will be made as soon as reasonably practicable after Shares are so issued.
- (g) As soon as reasonably practicable from the date of the issue of Shares and New Options to a Lender upon the conversion pursuant to this
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clause, the Company will deliver to the Lender a holding statement in respect of the Shares and New Options so issued.

4.2 Conversion Rate

Subject to Schedule 4, clause 4.5:

- (a) the number of Shares to which a Lender will be entitled on conversion of each Note will be equal to the face value of the Note divided by the Conversion Price; and
- (b) the number of New Options to which a Lender will be entitled on conversion of each Note is one (1) New Option for every four (4) Shares issued to a Lender on conversion. Any fractional entitlements will be rounded down to the next whole number.

4.3 No other rights of conversion

A Convertible Note will only be converted to Shares and New Options as set out in this Schedule 4, clause 4.

4.4 Shares issued on conversion

The Shares to be issued on conversion under this Schedule 4 will be shares with respect to which no provision is made (whether by the Constitution of the Company or other instrument constituting or defining the constitution of the Company or otherwise) for changing or converting them into shares of another class, except for the purpose of enabling, in accordance with any law relating to companies, the consolidation and division of all or any of the share capital of the Company or of another company or the subdivision of all or any of the shares in the capital of the Company or of another company.

4.5 Reconstruction

- (a) Subject to the Law and the ASX Listing Rules, as applicable, if there is a reconstruction (including, consolidation, subdivision, reduction or return) of the issued capital of the Company, the basis for conversion of the Notes set out in the Conversion Rate will be reconstructed in the same proportion as the issued capital of the Company is reconstructed and in a manner which will not result in any additional benefits being conferred on the Lender which are not conferred on the Shareholders of the Company, (subject to the same provisions with respect to rounding of entitlements as sanctioned by the meeting of Shareholders approving the reconstruction of capital) but in all other respects the terms for conversion of the Notes will remain unchanged.
- (b) The adjustments in this Schedule 4, clause 4.5 will, subject to the Law and the ASX Listing Rules (as applicable), be determined by the Company.

4.6 Company obligations

- (a) Subject to the Company either:
 - (i) not having complied with the ASIC Instrument at the time of issue of the Notes; or

- (ii) issued the Notes pursuant to a prospectus that is compliant with Chapter 6D of the Corporations Act;

each time Shares and New Options are issued pursuant to Schedule 4, clause 4.1, the Company must:

- (i) subject to Schedule 4, clause 4.6(b) immediately issue a notice to ASX that complies with sections 708A(5)(e) and 708A(6) of the Corporations Act (and such notice must confirm that the Company has not withheld any excluded information for the purposes of section 708A(6)(e) of the Corporations Act); and
 - (ii) sign all documents and do all acts and things (including by lodging an Appendix 3B with ASX and otherwise as required of it by ASX) to ensure that the Shares and New Options are quoted on the official list as soon as reasonably practicable.
- (b) If a notice delivered under Schedule 4, clause 4.6(a) for any reason is not effective to ensure that an offer for sale of the Shares and New Options does not require disclosure to investors, the Company must no later than forty (40) days after the date of issue of the Shares and New Options lodge with ASIC a prospectus prepared in accordance with the Corporations Act and do all such things necessary to satisfy section 708A(11) of the Corporations Act to ensure that an offer for sale of the Shares and New Options does not require disclosure to investors.

4.7 Satisfaction of obligations

The issue of Shares and New Options by the Company upon exercise of the Conversion Option by the Lender under this clause 4 will be deemed to have satisfied the Company's obligations to the Lender in respect of the principal amount owing to the Lender pursuant to the Convertible Notes which have been converted into those Shares and New Options.

5. TAKEOVER, CHANGE IN CONTROL, OR SALE OF MAIN UNDERTAKING

Other than as contemplated by this Deed, if:

- (a) a takeover bid (as defined in the Corporations Act) is made for 50% or more of the Shares and that bidder is successful in acquiring a relevant interest in 50% or more of the Shares;
- (b) there is a change in control of 50% or more of the Shares; or
- (c) there is a sale of the main undertaking of the Company that would require approval of the Shareholders in accordance with ASX Listing Rule 11.2,

at any time after the issue of the Convertible Notes and prior to the issue of a Conversion Notice in respect of such Convertible Notes, then the Company will give to each Lender written notice of the takeover bid, change of control, or sale of main business undertaking within ten (10) Business Days of receiving notice of it (or entering into an agreement in respect of the proposed disposal).

6. RIGHT TO ATTEND MEETINGS

A Lender is entitled to attend any Shareholder meeting of the Company. A Note does not carry a right to vote at any Shareholder meeting unless provided for by the ASX Listing Rules or the Corporations Act.

7. FOREIGN HOLDERS

Where Convertible Notes are held by or on behalf of a person resident outside Australia, then, but despite any other terms or conditions applicable to such Convertible Notes, it will be a condition precedent to the right of the Lender to receive payment of any amount payable under this Schedule 4 or to obtain Shares and New Options on conversion that the requirements of all applicable laws of the Commonwealth of Australia or any of its States or Territories and of the country of residence of the Lender in respect of such payment or conversion are satisfied so that such payment or conversion will not result in a breach of any such applicable law by the Company.

8. CONVERSION TO VOTING SHARES PRECLUDED

8.1 Breaches of law

Notwithstanding any other term of the Deed or these Conditions, a Lender is not entitled to Convert (and the Company is entitled to refuse to Convert) such number of Convertible Notes that would result in:

- (a) a person acquiring Voting Shares in the Company in breach of section 606 of the Corporations Act (or any equivalent provision) where none of the items in section 611 of the Corporations Act apply;
- (b) a breach of the Company's placement capacity under ASX Listing Rule 7.1; or
- (c) a person acquiring Shares where a notification or consent being required to be sent to, or consent required under, any legislation by which the Company and its Related Bodies Corporate are bound is not obtained.

8.2 Statutory Declaration

The Company may in its discretion require a Lender to provide a statutory declaration confirming that the circumstances referred to in Schedule 4, clause 8.1 do not exist in respect of any Conversion by that Lender.

9. REGISTRATION OF TRANSFERS

9.1 Transfer

- (a) The Convertible Notes (in whole or part) may be transferred or assigned by a Lender provided the transfer or assignment is notified and consented to by the Company at least 3 Business Days prior to the date of transfer or assignment.
 - (b) It is a condition of transfer or assignment of the Convertible Notes that the transferee or assignee enters into a deed of covenant with the Company agreeing to be bound by the Convertible Note Conditions as if the
-

transferee or assignee were named as the Lender of the Convertible Notes.

- (c) It is a further condition of transfer or assignment of the Convertible Notes that the transferee or assignee must provide the Company with current contact information, including fax and email for the purposes of receiving notice from the Company pursuant to these terms of the Convertible Note.

9.2 Recording transfers

The Company or share registry will promptly upon being satisfied that the transfer has been properly effected, accept the transfer by making an inscription in the Register recording the transfer of the relevant Convertible Note.

9.3 Administration

- (a) The Company's share registry will register the transfer of a Convertible Note notwithstanding that the transfer form (in respect of an off-market transfer) to which the transfer relates has not been marked by the Company.
- (b) The Company or the Company's share registry will procure that all transfer forms (in respect of off-market transfers) which are registered will be retained by the Company for a period of 7 years after receipt but any transfer form which the Company declines to register will (except in the case of fraud or suspected fraud) be returned on demand to the person depositing the same.
- (c) The Company will not register the transfer of a Convertible Note on or after its Maturity Date.

9.4 Directions

- (a) Subject to the Deed and these Conditions, and any conditions proposed by the Company at the time the Convertible Notes are issued and any notations on the Register, the Company will comply with any payment or distribution direction made by a transferee:
 - (i) in an application for transfer of Convertible Notes on and from the time of registration of that transfer; and
 - (ii) at any subsequent time in such form as the Company will from time to time determine.
- (b) A direction from any one or more joint holders of a Convertible Note will bind all the joint holders. If more than one direction is received from joint holders of a Convertible Note the direction of the senior is to be accepted to the exclusion of the other directions and for this purpose seniority is determined by the order in which the names appear in the Register of Lenders in respect of the joint holding.

9.5 Transmission

Subject to Schedule 4 clause 8.1, a person becoming entitled to Convertible Notes as a consequence of the death or bankruptcy of a Lender or of a vesting

order or a person administering the estate of a Lender may, upon producing such evidence as to that entitlement or status as the Company considers sufficient, transfer the Convertible Notes of that Lender or, if so entitled, become registered as the holder of the Convertible Notes.

9.6 Non-Registration of Third Party Interests

Convertible Notes will be registered by name only without reference to any trusteeships. Any entry in the Register of the name and address of a Lender and the amount owed to that Lender is conclusive evidence of title subject to rectification for fraud or error.

9.7 Person registered

The person registered as a Lender of an amount of Convertible Notes will be treated by the Company as the absolute owner of that amount of Convertible Notes. Neither the Company, nor the Trustee will, except as ordered by a Court or as required by statute, be obliged to take notice of any claim to a Convertible Note. Entry in the Register of the name and address of a Lender and the number of Notes held by that Lender is conclusive evidence of title subject to rectification for fraud or error.

66

O

2025

Hfx No.

Attached is Exhibit "O" referred
to in the Affidavit of Micheline
MacKay sworn before me on
April 9, 2025



Signature

ASHA PELLY
A Barrister of the Supreme
Court of Nova Scotia

GUARANTEE AND INDEMNITY OF MERNOVA MEDICINAL INC.

TO: BRIANT NOMINEES PTY LTD (ACN 181 130 007), for and on behalf of the Lenders (as defined herein)
(the "Security Agent")

DATE: November 14, 2022

RECITALS:

- A. The Secured Party (as defined herein) have agreed to enter into certain financing arrangements with Creso Pharma Ltd. (the "**Borrower**") and it is a condition of such arrangements that the undersigned, Mernova Medicinal Inc. (the "**Guarantor**"), do execute and deliver this Guarantee and Indemnity (this "**Agreement**") in favour of the Secured Party.
- B. The Guarantor will derive substantial direct and indirect benefits and advantages from the financing arrangements made by the Secured Party in favour of the Borrower.

FOR VALUE RECEIVED and intending to be legally bound by this Agreement, the Guarantor agrees as follows:

SECTION 1. GUARANTEE

- 1.1 **Definitions.** In this Agreement the following terms have the following meanings ascribed thereto:
- (a) "**Lenders**" has the meaning ascribed thereto in the Loan Trust Deed issued by Creso Pharma Ltd. and dated as of November 11, 2022 as the same may be amended, restated, supplemented, substituted or replaced from time to time (the "**Loan Trust Deed**"); and
- (b) "**Secured Party**" means, collectively, the Security Agent and the Lenders
- 1.2 The Guarantor unconditionally guarantees and covenants with Secured Party that the Borrower will duly and punctually pay to Security Agent all debts and liabilities, present or future, direct or indirect, absolute or contingent, matured or not at any time owing by the Borrower to Secured Party wherever incurred and whether incurred by the Borrower alone or with another or others, including, without limitation, all the principal of, interest on and all other moneys owing under or in connection with the Loan Trust Deed as and when the same become due and payable according to the terms of the Loan Trust Deed (the "**Guaranteed Liabilities**").
- 1.3 The Guarantor hereby acknowledges communication of the terms of the Loan Trust Deed and consents to and approves of the same. The guarantee herein contained shall take effect and be binding upon the Guarantor notwithstanding any defect in or omission from any documentation or security delivered by the Borrower to the Security Agent or any default in or omission from the Loan Trust Deed or any non-registration or non-filing or defective registration or filing or by reason of any failure of the security delivered pursuant to the Loan Trust Deed or any other security.
- 1.4 The liability of the Guarantor under Section 1.1 hereof shall be joint and several with that of the Borrower and shall be absolute and unconditional. The Guarantor shall for all purposes of the guarantee be regarded as in the same position as a principal debtor, and hereby expressly waives demand, presentment, protest and notice thereof and of default. The obligation of the Guarantor hereunder shall be deemed to arise in respect of each default.

SECTION 2. INDEMNITY

- 2.1 The Guarantor also unconditionally agrees that, if the Borrower does not unconditionally and irrevocably pay any of the Guaranteed Liabilities when due and those Guaranteed Liabilities are not recoverable from the Guarantor for any reason under Section 1, the Guarantor shall indemnify Secured Party immediately on demand against any cost, loss, damage, expense or liability suffered by Secured Party as a result of the Borrower's failure to do so.

SECTION 3.
DEFAULT AND ENFORCEMENT

- 3.1 If the Borrower shall make default in payment of the principal of, interest on or any other moneys owing to the Security Agent on any of the Guaranteed Liabilities including, without limitation, any principal of, interest on or other monies owing under the Loan Trust Deed as and when the same become due and payable, then the Guarantor shall forthwith on demand by the Security Agent pay to the Security Agent the principal, interest and other moneys in default.
- 3.2 If the Guarantor shall fail forthwith on demand to make good any such default, the Security Agent may in its discretion proceed with the enforcement of its rights hereunder and may proceed to enforce such rights or from time to time any thereof prior to, contemporaneously with or after any action taken under any security or other documents delivered by the Borrower or others to the Security Agent, including the Loan Trust Deed. The Guarantor shall pay on demand all costs and expenses (including complete reimbursement for 100% of all legal fees and disbursements) incurred by the Security Agent in enforcing or attempting to enforce its rights hereunder and all proceedings taken in relation hereto; all such costs and expenses and other moneys payable hereunder shall bear interest at the greater of the loan rate or the interest rate provided for in any of the Loan Trust Deed, other security or loan documents.
- 3.3 All sums paid to or recovered by the Security Agent pursuant to the provisions hereof shall be applied by it in payment of its costs and expenses payable hereunder and the principal, interest and other moneys owing to Secured Party including, without limitation, all amounts owing under or in connection with the Loan Trust Deed in such order as the Security Agent in its sole discretion may determine.
- 3.4 The Security Agent may waive any default of the Guarantor hereunder upon such terms and conditions as it may determine provided that no such waiver shall extend to or be taken in any manner whatsoever to affect any subsequent default or the rights resulting therefrom.
- 3.5 Any moneys paid by or recovered from the Guarantor hereunder shall be held to have been paid pro tanto in discharge of the liability of the Guarantor hereunder, but not in discharge of the liability of the Borrower, and in the event of any such payment by or recovery from the Guarantor, the Guarantor hereby assigns any rights with respect to or arising from such payment or recovery (including without limitation any right of subrogation) to the Security Agent unless or until the Security Agent has received in the aggregate payment in full of all moneys owing to Secured Party including, without limitation, amounts owing under or in connection with the Loan Trust Deed. If the Guarantor receives money in payment of any such debts and liabilities, the Guarantor will hold them in trust for, and will immediately pay funds to, the Security Agent without reducing the Guarantor's liability under this Agreement.

SECTION 4.
ABSOLUTE LIABILITY

- 4.1 The liability of the Guarantor under this Agreement is absolute and unconditional. It will not be limited or reduced, nor will Secured Party be responsible or owe any duty (as a fiduciary or otherwise) to the Guarantor, nor will Secured Party's rights under this Agreement be prejudiced, by the existence or occurrence (with or without the Guarantor's knowledge or consent) of any one or more of the following events:
- (a) any termination, invalidity, unenforceability or release by Secured Party or any of its rights against the Borrower or against any other person or of any security;
 - (b) any increase, reduction, renewal, substitution or other change in, or discontinuance of, the terms relating to the Guaranteed Liabilities or to any credit extended by Secured Party to the Borrower; any agreement to any proposal or scheme of arrangement concerning, or granting any extensions of time or any other indulgences or concessions to, the Borrower or any other person; any taking or giving up of any security; abstaining from taking, perfecting, filing or registering any security; allowing any security to lapse (whether by failing to make or maintain any registration, filing or otherwise); or any neglect or omission by Secured Party in respect of, or in the course of, doing any of these things;
 - (c) accepting compositions from compromises, arrangements or plans of reorganizations or granting releases or discharges to the Borrower or any other person, or any other dealing with the Borrower or any other person or with any security that the Security Agent considers appropriate;

- (d) any unenforceability or loss of or in respect of the Loan Trust Deed or any security held from time to time by Secured Party from the undersigned, the Borrower or any other person, whether the loss is due to the means or timing of any registration, disposition or realization of any collateral that is the subject of that security or otherwise due to Secured Party's fault or any other reason;
- (e) any change in the Borrower's name; or any reorganization (whether by way of amalgamation, merger, transfer, sale lease or otherwise) of the Borrower or the Borrower's business;
- (f) any change in the Borrower's financial condition or that of the Guarantor or any other guarantor (including insolvency and bankruptcy);
- (g) any change of effective control of the Borrower;
- (h) any event, whether or not attributable to Secured Party, that may be considered to have caused or accelerated the bankruptcy or insolvency of the Borrower, the Guarantor or any other guarantor, or to have resulted in the initiation of any such proceedings;
- (i) the Security Agent's filing of any claim for payment with any administrator, provisional liquidator, conservator, trustee, receiver, custodian or other similar officer appointed for the Borrower or for all or substantially all of the Borrower's assets;
- (j) any failure by Secured Party to abide by any of the terms and conditions of Secured Party's agreements with, or to meet any of its obligations or duties owed to, the undersigned, the Borrower or any person, or any breach of any duty (whether as a fiduciary or otherwise) that exists or is alleged to exist between Secured Party and the Guarantor, the Borrower or any person;
- (k) any incapacity, disability, or lack or limitation of status or of the power of the Borrower or of the Borrower's directors, managers, officers, partners or agents; the discovery that the Borrower is not or may not be a legal entity; or any irregularity, defect or informality in the incurring of any of the Guaranteed Liabilities;
- (l) any event whatsoever that might be a defence available to, or result in a reduction or discharge of, the Guarantor, the Borrower or any other person in respect of either the Borrower's Debts or the Guarantor's liability under this Agreement; or
- (m) any amendment to any, some or all of the Loan Trust Deed or any other security or agreements entered into under or in connection therewith.

For greater certainty, the undersigned agrees that the Security Agent may deal with the Guarantor, the Borrower and any other person in any manner without affecting the Guarantor's liability under this Agreement.

Any claims by the Guarantor against Secured Party and its agents in respect of any of the foregoing matters or otherwise are hereby waived.

- 4.2 After all moneys payable by the Borrower to the Security Agent including, without limitation, amounts owing under the Loan Trust Deed, have been paid in full, this Agreement shall cease and become null and void and the Security Agent shall, at the request and at the expense of the Guarantor execute and deliver a release to the Guarantor.

SECTION 5.

MISCELLANEOUS

- 5.1 Any notices given hereunder shall be conclusively deemed effectively given if delivered personally to either of the parties hereto at the address for such party given above or if forwarded by registered mail to such party at such address. Any notice so mailed shall be conclusively deemed given on the third business day after the day of mailing, provided that in the event of a known disruption of postal service notice shall be given by personal delivery only. Either party hereto may effect a change of address by written notice given to the other party hereto in accordance with this section.
- 5.2 This Agreement shall be construed in accordance with and governed by the laws of the Province of Nova Scotia.

- 5.3 This Agreement shall enure to the benefit of Secured Party and its successors and assigns and be binding upon the successors and any permitted assigns of the Guarantor

SECTION 6.
LIMITATION ON LIABILITY

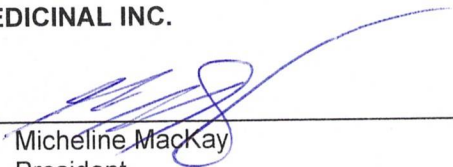
- 6.1 Notwithstanding anything herein contained, it is agreed by and between Secured Party and the Guarantor that the liability of the Guarantor hereunder shall be limited to the amount of \$5,000,000.00 together with all costs and expenses payable by the Guarantor hereunder, together with interest thereon at the rate set out in Section 3.2 above from the date of demand by Secured Party on the Guarantor hereunder until payment in full by the Guarantor of all moneys owing hereunder.

[Signature Page Follows]

IN WITNESS WHEREOF the Guarantor has executed this Agreement as of the date first written above.

MERNOVA MEDICINAL INC.

By:


Name: Micheline Mackay
Title: President

P

2025

Hfx No.

Attached is Exhibit "P" referred
to in the Affidavit of Micheline
MacKay sworn before me on
April 9, 2025



Signature

ASHA PELLY
A Barrister of the Supreme
Court of Nova Scotia

GENERAL SECURITY AGREEMENT OF MERNOVA MEDICINAL INC.

TO: **BRIANT NOMINEES PTY LIMITED** (ACN 080 130 007), for and on behalf of the Lenders (as defined herein) ("**Secured Agent**")

DATE: November 14, 2022

FOR VALUE RECEIVED and intending to be legally bound by this general security agreement (this "**Security Agreement**"), the undersigned, Mernova Medicinal Inc. (the "**Debtor**"), agrees as follows:

1. **Security.** As security for the payment and performance of all present and future indebtedness, liabilities and obligations of the Debtor to the Secured Agent, for and on behalf of the Lenders (together, the "**Secured Party**"), whether direct or indirect, absolute or contingent, liquidated or unliquidated, as principal or as surety, alone or with others, of whatsoever nature or kind, in any currency or otherwise, under or in respect of agreements or dealings between the Debtor and Secured Party or agreements or dealings between the Debtor and others by which Secured Party may be or become in any manner whatsoever a creditor of the Debtor (all such indebtedness, liabilities, obligations, expenditures, costs and expenses are hereinafter collectively referred to as the "**Obligations**") including, without limitation, obligations under (i) the guarantee dated of even date herewith in respect of the obligations and indebtedness of Creso Pharma Ltd. to the Secured Party (as amended, from time to time, the "**Guarantee**") pursuant to a loan trust deed (the "**Loan Trust Deed**") dated November 11, 2022, issued by Creso Pharma Ltd. to the Secured Party in its capacity as trustee for certain Lenders (as defined in the Loan Trust Deed), (ii) any promissory notes, guarantees or indemnities executed by the Debtor in favour of Secured Party, and (iii) this Security Agreement and any other security delivered to Secured Party by the Debtor from time to time (collectively, the "**Financing Documents**"), the Debtor hereby assigns, charges, pledges, mortgages and grants to Secured Party a security interest in all of the undertaking, property and assets of the Debtor, both real and personal, immoveable and moveable, tangible and intangible, legal and equitable, of whatsoever nature and kind and wheresoever situate, now owned or hereafter acquired by or on behalf of the Debtor or in respect of which the Debtor now or hereafter has any right, title or interest (all of which is hereinafter called the "**Collateral**"), including without limitation:
 - (a) **Intangibles** - all intangible property including without limitation book debts and accounts, all contractual rights and insurance claims, licences, computer software, warranties, ownership certificates, patents, trademarks, trade names, goodwill, copyrights and other industrial property of the Debtor;
 - (b) **Books & Records** - all of the Debtor's, manuals, publications, letters, deeds, documents, writings, papers, invoices, books of account and other books relating to or being records of debts, chattel paper or documents of title or by which such are or may hereafter be secured, evidenced, acknowledged or made payable;
 - (c) **Equipment** - all of the Debtor's tools, machinery, equipment, apparatus, furniture, plants, fixtures, vehicles and other tangible personal property, other than Inventory (as defined below), (collectively, the "**Equipment**") including, without limitation, the Equipment described in Schedule "A" hereto, if any;
 - (d) **Inventory** - all of the Debtor's tangible personal property held for sale or lease or that have been leased or that are to be furnished or have been furnished under a contract of service, or that are raw materials, work in process, or materials used or consumed in a business or profession or that are finished goods (collectively, the "**Inventory**");
 - (e) **Real Property** - all of the Debtor's real and immovable property, both freehold and leasehold, now or hereafter owned, acquired or occupied by the Debtor, together with all buildings, erections, improvements and fixtures situate upon or used in connection therewith, including any lease, verbal or written or any agreement therefor, (collectively, the "**Real Property**");
 - (f) **Other Property** - the Debtor's undertaking and all of the Debtor's other property and assets including, without limitation, uncalled capital, judgments, rights, franchises, chattel paper, documents of title, goods, instruments, and money (as those terms are defined in the Personal Property Security Act governing this Security Agreement); and

- (g) **Investment Property** - all of the Debtor's investment property, including shares stock, warrants, bonds, debenture stock and other securities (in each case whether evidenced by a security certificate or an uncertificated security) and financial assets, security entitlements, securities accounts, futures contracts and futures accounts; and
- (h) **Proceeds** - all of the Debtor's property in any form derived directly or indirectly from any use or dealing with the Collateral or that indemnifies or compensates for loss of or damage to the Collateral (collectively, the "**Proceeds**");

but excluding, (A) any consumer goods, and (B) the last day of the term of any lease, verbal or written, or any agreement therefor now held or hereafter held by the Debtor, but should such charge become enforceable, the Debtor shall thereafter stand possessed of the last day of such leasehold interest in trust for Secured Party and shall assign and dispose thereof as Secured Party may direct.

- 2. **Attachment.** The security interest given hereunder will attach immediately upon the execution of this Security Agreement. The security interest granted hereby has not been postponed and will attach to any particular Collateral as soon as the Debtor has rights in such Collateral.
- 3. **General Covenants.** The Debtor hereby declares, covenants and agrees that it:
 - (a) **To Pay Rents and Taxes** - shall pay all rents, taxes and assessments lawfully imposed upon the Real Property where the Collateral is located or any part thereof when the same become due and payable, and shall provide to Secured Party on request receipts for such payment;
 - (b) **Conduct of Business** - shall carry on and conduct its business in a proper and efficient manner, shall not materially alter the kind of business carried on by it, shall observe and perform all of its obligations under leases, licences and other agreements to which it is a party so as to preserve and protect the Collateral and its value, and shall comply with all laws, regulations and judgments applicable to the Debtor and all of its property, assets and undertaking;
 - (c) **Not to Sell** - shall not, except for Inventory sold in the ordinary course of business and except as otherwise expressly permitted in any Financing Document, remove, destroy, lease, sell or otherwise dispose or part with possession of any of the Collateral;
 - (d) **No Other Liens** - shall not create, assume or suffer to exist any charge, lien, federal or provincial government priority claim arising pursuant to statute including any deemed trust, security interest or encumbrance upon any Collateral except as permitted in any applicable Financing Document. No provision hereof shall be construed as a subordination or postponement of the security interest created hereunder to or in favour of any other charge, lien, security interest or encumbrance, whether or not it is permitted;
 - (e) **To Hold Proceeds of Unauthorized Sale in Trust** - in the event the Collateral or any part thereof is sold or disposed of prior to the full discharge of this Security Agreement by Secured Party, in any manner not authorized by this Security Agreement, shall hold all proceeds of such sale or disposition received by the Debtor as trustee for Secured Party until the Debtor has been fully released from this Security Agreement by Secured Party;
 - (f) **To Insure** - shall keep insured the Collateral to its full insurable value or in such amounts as Secured Party may reasonably require against all risks, with insurers approved by Secured Party and will pay all premiums necessary for such purposes as the same shall become due;
 - (g) **Inspection by Secured Party** - shall allow any employees or third parties retained by Secured Party at any reasonable time to enter the premises of the Debtor or others to inspect the Collateral and to inspect the books and records of the Debtor relating to the Collateral and make extracts therefrom, and shall permit Secured Party prompt access to such other persons, as Secured Party may deem necessary or desirable for the purposes of inspecting or verifying any matters relating to any part of the Collateral or the books and records of the Debtor relating to the Collateral, provided that any information so obtained shall be kept confidential, save as required by Secured Party in exercising its rights hereunder or pursuant to any applicable law or court order. The Debtor shall pay all costs and expenses of third

parties (including complete reimbursement for 100% of all legal fees and disbursements) retained by Secured Party for purposes of inspection under this Section 3(g);

- (h) **Use and Maintenance** - shall cause the Collateral to be operated in accordance with any applicable manufacturer's manuals or instructions, by competent and duly qualified personnel. Any and all additions and accessions to and parts and replacements for the Collateral shall immediately become subject to the security interest created hereby. The Debtor shall not change the intended use of the Collateral without obtaining the prior written consent of Secured Party which will not be unreasonably withheld or delayed;
 - (i) **Possession and Control** - shall, on request by Secured Party, deliver to Secured Party possession of all chattel paper, instruments and negotiable documents of title. The Obligor shall also take whatever steps Secured Party requires to enable Secured Party to obtain control of any investment property forming part of the Collateral, including (a) arranging for any securities intermediary, futures intermediary or issuer of uncertificated securities to enter into an agreement satisfactory to Secured Party to enable Secured Party to obtain control, (b) delivering any certificated security to Secured Party with any necessary endorsement and (c) having any security registered in the name of Secured Party or its nominee;
 - (j) **Location of Collateral** - shall keep the Collateral in the locations set forth in Schedule "A" hereto, except for goods in transit to such locations, or Inventory on lease or consignment, or with the prior written consent of Secured Party and provided that the Debtor shall effect such further registrations and obtain such other consents and grant such other security, at the sole cost and expense of the Debtor, as may be required or desirable to protect or preserve the security hereby created and to maintain the priority intended to be granted to Secured Party hereunder as against all others including landlords; and
 - (k) **No Affixation** - shall not permit the Collateral to be attached to or affixed to real or other personal property without the prior written consent of Secured Party which will not be unreasonably withheld or delayed. The Debtor shall obtain and deliver to Secured Party such waivers as Secured Party may reasonably request from any owner, landlord or mortgagee of premises on which the Collateral is located or to which the Collateral may become affixed or attached. The Debtor shall promptly do, execute and deliver all such further acts, documents, agreements or assurances as Secured Party may reasonably require for giving effect to the intent of this Security Agreement and shall register such notice or documents against the title to such premises as Secured Party may reasonably request to protect its interests hereunder and shall maintain plates or marks showing the name of Secured Party upon the Collateral as requested.
4. **Waiver of Covenants.** Secured Party may waive in writing any breach by the Debtor of any of the provisions contained in this Security Agreement or any default by the Debtor in the observance or performance of any covenant or condition required to be observed or performed by the Debtor hereunder, provided that no such waiver or any other act, failure to act or omission by Secured Party shall extend to or be taken in any manner to affect any subsequent breach or default or the rights of Secured Party resulting therefrom.
5. **Performance of Covenants by Secured Party.** If the Debtor shall fail to perform any covenant on its part herein contained, Secured Party may in its absolute discretion perform any such covenant capable of being performed by it, but Secured Party shall be under no obligation to do so. If any such covenant requires the payment of money or if the Collateral or any part thereof shall become subject to any charge, lien, security interest or encumbrance ranking in priority to the security interest created hereby, Secured Party may in its absolute discretion make such payment and/or pay or discharge such charge, lien, security interest or encumbrance, but Secured Party shall be under no obligation to do so. All sums so paid by Secured Party, together with interest at the highest rate chargeable by Secured Party from time to time on the Obligations, shall be payable by the Debtor on demand and shall constitute a charge upon the Collateral. No such performance or payment shall relieve the Debtor from any default hereunder or any consequences of such default.
6. **Events of Default.** Each of the following events shall constitute an "Event of Default":
- (a) a "default", an "event of default" or similar circumstance identified in any Financing Document; or
 - (b) the failure of the Debtor to pay any of the Obligations when due; or
 - (c) any demand for payment validly made by Secured Party pursuant to any Financing Document that is not met in accordance with the terms of the demand.

7. **Enforcement.** Upon the happening of any Event of Default, the security granted herein shall become immediately enforceable and Secured Party may at its option declare this Security Agreement to be in default and may exercise any rights, powers or remedies available to Secured Party at law or in equity or under the Personal Property Security Act or other applicable legislation and, in addition, may exercise one or more of the following rights, powers or remedies, which rights, powers and remedies are cumulative:

- (a) to, without exercising any of its other rights or remedies hereunder, give notice of the security interest in, and the assignment to, Secured Party of any debt or liability forming part of the Collateral and may direct such person to make all payments on account of any such debt or liability to Secured Party;
- (b) to declare the full amount of the Obligations to be immediately due and payable;
- (c) to terminate the Debtor's right to possession of the Collateral, cause the Debtor to immediately assemble and deliver the Collateral at such place or places as may be specified by Secured Party, and enter upon the premises where the Collateral is located and take immediate possession thereof, whether it is affixed to the realty or not, and remove the Collateral without liability to Secured Party for or by reason of such entry or taking of possession, whether for damage to property caused by taking such or otherwise;
- (d) to enter upon and hold, possess, use, repair, preserve and maintain all or any part of the Collateral and make such replacements thereof and additions thereto as Secured Party shall deem advisable;
- (e) to sell, for cash or credit or part cash and part credit, lease or dispose of or otherwise realize upon the whole or any part of the Collateral whether by public or private sale as Secured Party in its absolute discretion may determine without notice to the Debtor or advertisement and after deducting from the proceeds of sale (including complete reimbursement for 100% of all legal fees and disbursements) incurred in the repossession, sale, lease or other disposition of the Collateral apply the proceeds thereof to the Obligations in the manner and order to be determined by Secured Party, provided however that Secured Party shall only be liable to account to the Debtor, any subsequent encumbrancers and others for money actually received by Secured Party and provided that the Debtor shall pay any deficiency forthwith;
- (f) to appoint by instrument in writing any person or persons to be a receiver or receiver and manager of all or any portion of the Collateral, to fix the receiver's remuneration and to remove any receiver so appointed and appoint another or others in its stead;
- (g) to apply to any court of competent jurisdiction for the appointment of a receiver or receiver and manager for all or any portion of the Collateral;
- (h) to have any instruments or investment property registered in its name or in the name of its nominee and shall be entitled but not required to exercise voting and other rights that the holder of that Collateral may at any time have; but Secured Party shall not be responsible for any loss occasioned by the exercise of those rights or by failure to exercise them. Secured Party may also enforce its rights under any agreement with any securities intermediary, futures intermediary or issuer of uncertificated securities; and
- (i) to retain the Collateral in satisfaction of the Obligations.

8. **Powers of Receiver.**

- (a) Any receiver (which term includes a receiver and manager) shall have all of the powers of Secured Party set forth in this Security Agreement and, in addition, shall have the following powers:
 - (i) to lease all or any portion of the Collateral and for this purpose execute contracts in the name of the Debtor, which contracts shall be binding upon the Debtor and the Debtor hereby irrevocably constitutes such receiver as its attorney for such purposes;
 - (ii) to take possession of the Collateral, collect all rents, issues, incomes and profits derived therefrom and realize upon any additional or collateral security granted by the Debtor to Secured Party and for that purpose may take any proceedings in the name of the Debtor or otherwise; and

to carry on or concur in carrying on the business which the Debtor is conducting and for that purpose the receiver may borrow money on the security of the Collateral in priority to this Security Agreement;

- (b) Any receiver appointed pursuant to the provisions hereof shall be deemed to be the agent of the Debtor for the purposes of:
 - (i) carrying on and managing the business and affairs of the Debtor, and
 - (ii) establishing liability for all of the acts or omissions of the receiver while acting in any capacity hereunder and Secured Party shall not be liable for such acts or omissions,

provided that, without restricting the generality of the foregoing, the Debtor irrevocably authorizes Secured Party to give instructions to the receiver relating to the performance of its duties as set out herein.

9. **Application of Moneys.** All moneys actually received by Secured Party or by the receiver pursuant to Sections 7 and 8 of this Security Agreement shall be applied:

- (a) first, in payment of those claims, if any, of secured creditors of the Debtor (including any claims of the receiver pursuant to Section 8(a)), ranking in priority to the charges created by this Security Agreement as directed by Secured Party or the receiver;
- (b) second, in payment of all costs, charges and expenses of and incidental to the appointment of the receiver (including complete reimbursement for 100% of all legal fees and disbursements) and the exercise by the receiver or Secured Party of all or any of the powers granted to them under this Security Agreement, including the reasonable remuneration of the Receiver or any agent or employee of the receiver or any agent of Secured Party and all outgoings properly paid by the receiver or Secured Party in exercising their powers as aforesaid;
- (c) third, in or towards the payment to Secured Party of all other obligations due to it by the Debtor in such order as Secured Party in its sole discretion may determine;
- (d) fourth, in or towards the payment of the obligation of the Debtor to persons if any, with security interests against Collateral ranking subsequent to those in favour of Secured Party; and
- (e) fifth, subject to applicable law any surplus shall be paid to the Debtor.

10. **Possession of Collateral.** The Debtor acknowledges that Secured Party or any receiver appointed by it may take possession of Collateral wherever it may be located and by any method permitted by law and the Debtor agrees upon request from Secured Party or any such Receiver to assemble and deliver possession of the Collateral at such place or places as directed.

11. **Realization Costs.** The Debtor shall pay all costs and expenses (including complete reimbursement for 100% of all legal fees and disbursements) of Secured Party incidental to or which in any way relates to this Security Agreement or its enforcement, including, (i) taking, recovering or possessing the Collateral; (ii) taking any actions or other proceedings to enforce the remedies provided herein or otherwise in relation to this Security Agreement or the Collateral, or by reason of a default under any Financing Document or the non-payment of the moneys thereby secured; (iii) taking or responding to proceedings, giving notices and giving responses required under any applicable law concerning or relating to any Financing Document, including compliance with the provisions of applicable bankruptcy, insolvency, personal property security and mortgage enforcement legislation; and (iv) obtaining the advice of counsel and other advisors in relation to the foregoing, all such costs and expenses and other monies payable hereunder, together with interest at the highest rate chargeable by Secured Party from time to time on the Obligations, shall form part of the Obligations, shall be payable by the Debtor on demand and shall be secured hereby.

12. **Deficiency.** The Debtor shall remain liable to Secured Party for any deficiency after the proceeds of any sale, lease or disposition of Collateral are received by Secured Party and applied in accordance with the provisions of Section 9(c) hereof.

13. **Appointment of Monitor.** If in the opinion of Secured Party, acting reasonably, a material adverse change has occurred in the financial condition of the Debtor, or if Secured Party in good faith believes that the ability of the Debtor to pay any of its obligations to Secured Party or to perform any other covenant contained herein has become impaired or if an Event of Default has occurred, Secured Party may by written notice to the Debtor, appoint a monitor (the "**Monitor**") to investigate any or a particular aspect of the Collateral, the Debtor or its business and affairs for the purpose of reporting to Secured Party. The Debtor shall give the Monitor its full co-operation, including full access to facilities, assets and records of the Debtor and to its creditors, customers, contractors, officers, directors, employees, auditors, legal counsel and agents. The Monitor shall have no responsibility for the affairs of the Debtor nor shall it participate in the management of the Debtor's affairs and shall incur no liability in respect thereof or otherwise in connection with the Debtor, its business and affairs or the Collateral. The Monitor shall act solely on behalf of Secured Party and shall have no contractual relationship with the Debtor as a consultant or otherwise. The appointment of a Monitor shall not be regarded as an act of enforcement of this Security Agreement. All reasonable fees and expenses of the Monitor (including complete reimbursement for 100% of all legal fees and disbursements) shall be paid by the Debtor upon submission to it of a written invoice therefor. Secured Party may at its option upon the occurrence of an event of default appoint or seek to have appointed the Monitor as receiver, receiver and manager, liquidator, or trustee in bankruptcy of the Debtor or the Collateral or any part thereof.
14. **Application of Insurance Proceeds.** Any insurance moneys received by Secured Party may at the option of Secured Party be applied to rebuilding or repairing the Collateral, or be paid to the Debtor, or any such moneys may be applied in the sole discretion of Secured Party, in whole or in part, to the repayment of the Obligations or any part thereof whether then due or not, with any partial payments to be credited against principal instalments payable thereunder in inverse order of their maturity dates.
15. **No Merger or Novation.** The taking of any judgment or the exercise of any power of seizure or sale shall not operate to extinguish the liability of the Debtor to perform its obligations hereunder or to pay the Obligations hereby secured, shall not operate as a merger of any covenant herein contained or affect the right of Secured Party to interest in effect from time to time hereunder and the acceptance of any payment or other security shall not constitute or create any novation. The execution and delivery of this Security Agreement or of any instruments or documents supplemental hereto shall not operate as a merger of any representation, warranty, term, condition or other provision contained in any other obligation or indebtedness of the Debtor to Secured Party or under any Financing Document.
16. **Security in Addition.** The security hereby constituted is in addition to any other security now or hereafter held by Secured Party. The taking of any action or proceedings or refraining from so doing, or any other dealings with any other security for the moneys secured hereby, shall not release or affect the security created hereby.
17. **Partial Discharges.** Secured Party may in its sole discretion grant partial discharges or releases of security in respect of any of the Collateral on such terms and conditions as it shall deem fit and no such partial discharges or releases shall affect the remainder of the security created hereby nor shall it alter the obligations of the Debtor under the Obligations or hereunder.
18. **Assignment.** This Security Agreement may be assigned by Secured Party to any other person and, if so assigned, the assignee shall have and be entitled to exercise any and all discretions, rights and powers of Secured Party hereunder, and all references herein to Secured Party shall include such assignee. The Debtor may not assign this Security Agreement or any of its rights or obligations hereunder. This Security Agreement shall enure to the benefit of and be binding upon the parties hereto and their respective heirs, executors, administrators, successors and permitted assigns. In any action brought by an assignee of this Security Agreement and the security interest or any part thereof to enforce any rights hereunder, the Debtor shall not assert against the assignee any claim or defence which the Debtor now has or hereafter may have against Secured Party.
19. **Limited Power of Attorney.** The Debtor hereby appoints Secured Party as the Debtor's attorney, with full power of substitution, in the name and on behalf of the Debtor, to execute, deliver and do all such acts, deeds, leases, documents, transfers, demands, conveyances, assignments, contracts, assurances, consents, financing statements and things as the Debtor has agreed to execute, deliver and do hereunder, under any Financing Document or otherwise, or as may be required by Secured Party or any receiver to give effect to this Security Agreement or in the exercise of any rights, powers or remedies hereby conferred on Secured Party or any receiver, and generally to use the name of the Debtor in the exercise of all or any of the rights, powers or remedies hereby conferred on Secured Party or any receiver. This appointment, being coupled with an interest,

shall not be revoked by the insolvency, bankruptcy, dissolution, liquidation or other termination of the existence of the Debtor or for any other reason.

20. **Amalgamation.** The Debtor acknowledges that if it amalgamates with any other corporation or corporations (a) the Collateral and the lien created hereby shall extend to and include all the property and assets of each of the amalgamating corporations and the amalgamated corporation and to any property or assets of the amalgamated corporation thereafter owned or acquired, (b) the term "Debtor", where used herein shall extend to and include each of the amalgamating corporations and the amalgamated corporation, and (c) the term, "Obligations", where used herein shall extend to and include the Obligations of each of the amalgamating corporations and the amalgamated corporation. Nothing in this Section 20 shall be interpreted as permitting the Debtor to amalgamate in violation of any covenant of the Debtor contained herein or in any other agreement binding the Debtor.
21. **Severability.** Each of the provisions contained in this Security Agreement is distinct and severable and a declaration of invalidity, illegality or unenforceability of any such provision or part thereof by a court of competent jurisdiction shall not affect the validity or enforceability of any other provision of this Security Agreement.
22. **Notices.** Any notice required or desired to be given hereunder or under any Financing Document or under any instrument supplemental hereto shall be in writing and may be given by personal delivery, by facsimile or other means of electronic communication or by sending the same by registered mail, postage prepaid, to Secured Party or to the Debtor at their respective addresses set out above and, in the case of electronic communication, to the facsimile numbers set out above. Any notice so delivered shall be conclusively deemed given when personally delivered and any notice sent by facsimile or other means of electronic transmission shall be deemed to have been delivered on the Business Day following the sending of the notice, and any notice so mailed shall be conclusively deemed given on the third Business Day following the day of mailing, provided that in the event of a known disruption of postal service, notice shall not be given by mail. Any address for notice or payments herein referred to may be changed by notice in writing given pursuant hereto.

Notwithstanding the foregoing, if the Personal Property Security Act requires that notice be given in a special manner, then such notice or communication shall be given in such manner.

23. **General.**

- (a) The Debtor authorizes Secured Party to file such financing statements, notices of security interest, caveats and other documents and do such acts and things as Secured Party may consider appropriate to perfect its security in the Collateral, to protect and preserve its interest in the Collateral and to realize upon the Collateral.
- (b) Nothing in this Security Agreement will in any way obligate Secured Party to advance any funds, or otherwise make or cause to make credit available to the Debtor, nor will Secured Party have any liability for any failure or delay in its part to exercise any rights hereunder.
- (c) If more than one Debtor executes this Security Agreement, the obligations of such Debtors hereunder shall be joint and several.
- (d) The division of this Security Agreement into sections and the insertion of headings are for convenience of reference only and shall not affect the construction or interpretation of this Security Agreement.
- (e) When the context so requires, the singular shall include the plural and vice versa and words importing gender include all genders; all rights, advantages, privileges, immunities, powers and things hereby secured to the Debtor shall be equally secured to and exercised by its successors and assigns.
- (f) Time is of the essence in this Security Agreement.

24. **Receipt.** The Debtor acknowledges that it has received an executed copy of this Security Agreement and, to the extent permitted by law, waives all rights to receive from Secured Party a copy of any financing statement or financing change statement filed, or any verification statement received, at any time in respect of this Security Agreement or any supplemental or collateral security granted to Secured Party.

25. **Governing Law.** This Security Agreement or any amendment or renewal thereof will be governed by and construed in accordance with the laws of Nova Scotia and the laws of Canada applicable therein and the Debtor hereby irrevocably attorns to the jurisdiction of the courts of such province.

[Signature Page Follows]

The Debtor has duly executed this Security Agreement as of the date first written above.

MERNOVA MEDICINAL INC.

Per:


Name: Micheline MacKay

Title: President

c/s

SCHEDULE "A"

LOCATION AND DESCRIPTION OF COLLATERAL

Location of Collateral:

Nova Scotia

Description of Collateral:

(include equipment by item or kind and, where applicable, the make, model and serial number and, in the case of motor vehicles, the Vehicle Identification numbers.)]

Q

2025

Hfx No.

Attached is Exhibit "Q" referred
to in the Affidavit of Micheline
MacKay sworn before me on
April 9, 2025



Signature

ASHA PELLY
A Barrister of the Supreme
Court of Nova Scotia

THIS COLLATERAL MORTGAGE made this 14th day of November, 2022.

BETWEEN:

MERNOVA MEDICINAL INC., a body corporate

(the "**Mortgagor**")

-and-

BRIANT NOMINEES PTY LIMITED, for and on behalf of the Lenders (as defined in the Loan Trust Deed) having CAN 080 130 007

(the "**Security Agent**")

1. **Definitions.** In this Collateral Mortgage, the following terms shall have the following meanings:

"Bankruptcy Legislation" means any present or future laws relating to bankruptcy or insolvency reorganization, or compromise of debts or other similar laws, including without limitation the *Companies' Creditors Arrangement Act* (Canada) and the *Bankruptcy and Insolvency Act* (Canada).

"Business Day" means any day except Saturday, Sunday or a statutory or civic holiday in the Province of Nova Scotia and the Country of Australia.

"Chattels" has the meaning ascribed to it in clause (y) of Section 6 of this Collateral Mortgage.

"Claims" has the meaning ascribed to it in clause (z) of Section 6 of this Collateral Mortgage.

"Collateral Mortgage" means this Collateral Mortgage to which the Mortgagor and the Security Agent are parties, and any amendments from time to time made hereafter by the Mortgagor and the Security Agent in writing in accordance with the provisions hereof

"Costs" means all reasonable fees, costs, charges and expenses of the Security Agent of and incidental to:

- (i) the negotiation, preparation, execution, subordination, postponement and registration of the Collateral Mortgage and any other instruments connected herewith and every renewal or discharge thereof;
- (ii) the collection of any amounts payable hereunder, enforcement of any covenants contained herein and the realization of the security herein contained;
- (iii) procuring or attempting to procure payment of any Indebtedness or any other amounts due and payable hereunder, including foreclosure, power of sale or execution proceedings commenced by the Security Agent or any other party;

- (iv) any inspection required to be made of the Mortgaged Premises, or review of plans, specifications and other documentation which may require the approval or consent of the Security Agent;
- (v) all repairs and replacements required to be made to the Mortgaged Premises;
- (vi) the Security Agent having to go into possession of the Mortgaged Premises and secure, complete and equip the building or Improvements in any way in connection herewith;
- (vii) the Security Agent's renewal of any leasehold interest;
- (viii) the exercise of any of the powers of a Receiver contained herein; and
- (ix) all solicitor's costs, charges and expenses relating to any of the foregoing and any necessary examination of title to the Mortgaged Premises.

For greater certainty, Costs shall:

- (i) extend to and include reasonable legal costs incurred by the Security Agent as between solicitor and his own client;
- (ii) be payable forthwith by the Mortgagor;
- (iii) bear interest at the Interest Rate; and
- (iv) be a charge on the Mortgaged Premises.

"Event of Default" has the meaning ascribed to it in Section 13 of this Collateral Mortgage.

"Fixtures" includes all fixtures, buildings, erections, appurtenances, plants and Improvements, fixed or otherwise, now or hereafter put on the Lands, including without limitation all fences, elevators, furnaces, boilers, oil burners, water heaters, electric light fixtures, window blinds, screen and storm doors and windows, and all air-conditioning, plumbing, cooling, ventilating, cooking, refrigeration and heating equipment and all other apparatus and equipment appurtenant to the Mortgaged Premises.

"Financing Documents" mean, collectively (i) the Guarantee, (ii) any and all promissory notes, guarantees or indemnities executed by the Mortgagor in favour of the Lenders, and (iii) this Collateral Mortgage and any other security delivered to the Lenders or the Security Agent by the Mortgagor from time to time.

"Improvements" include any construction, installation, alteration, addition, repair or demolition to any part of the Mortgaged Premises now existing or hereafter constructed or to be constructed on the Lands.

"Indebtedness" means all moneys and liabilities matured or not, whether present or future, direct or indirect, absolute or contingent, now or at any time hereafter owing or

incurred, by the Mortgagor to the Lenders or the Security Agent, arising under or in connection with the Loan Trust Deed, this Collateral Mortgage, or any other Financing Document, and all interest, damages and Costs, and all premiums of insurance upon any Fixtures, Taxes or other amounts paid by the Lenders in accordance with the Loan Trust Deed or the Security Agent in accordance with the provisions of this Collateral Mortgage.

"Interest Rate" means the highest rate chargeable by Lenders from time to time on the Obligations.

"Guarantee" means the guarantee of even date herewith, pursuant to which the Mortgagor guaranteed the liabilities and obligations of Creso Pharma Limited under the Loan Trust Deed.

"Loan Trust Deed" means the loan trust deed issued by Creso Pharma Limited and dated as of November 11, 2022, as the same may be amended, restated, supplemented, substituted or replaced from time to time.

"Lands" means the lands and premises described in Schedule "A" annexed hereto.

"Monitor" has the meaning ascribed to it in Section 11 of this Collateral Mortgage.

"Mortgaged Premises" means the Lands and all Fixtures.

"Lenders" has the meaning ascribed thereto in the Loan Trust Deed.

"Obligations" means all present and future Indebtedness and obligations of the Mortgagor to the Lenders or the Security Agent arising under or in connection with the Loan Trust Deed and the Financing Documents, whether direct or indirect, absolute or contingent, liquidated or unliquidated, as principal or as surety, alone or with others, of whatsoever nature or kind, in any currency or otherwise, under or in respect of agreements or dealings between the Mortgagor and the Lenders or the Security Agent or agreements or dealings between the Mortgagor and others by which the Lenders or the Security Agent may be or become in any manner whatsoever a creditor of the Mortgagor, including, without limitation, obligations under any Financing Documents.

"Permitted Liens" means any liens or encumbrances specifically consented to by the Security Agent in any Financing Document other than this Collateral Mortgage.

"Receiver" shall include one or more of a receiver and a receiver and manager of all or any portion of the Mortgaged Premises appointed by the Security Agent pursuant to this Collateral Mortgage or by a court of competent jurisdiction.

"Secured Party" means, collectively, the Security Agent and the Lenders.

"Security Agent" means Briant Nominees Pty Limited (ACN 116 102 768), in its capacity as Security Agent appointed pursuant to the Loan Trust Deed.

"Taxes" means all taxes, rates and other impositions whatsoever which are now or may hereafter be imposed, charged or levied by any authority creating a lien or charge on the Mortgaged Premises or any part thereof,

2. **Successors.** The word "**successor**" as used in this Collateral Mortgage shall include an heir, executor, administrator, personal representative or successor.

3. **Collateral Mortgage.** As security for the payment and performance of all Obligations, the Mortgagor hereby charges, mortgages, and grants a security interest in the Mortgaged Premises to and in favour of the Security Agent, provided such security shall be limited to the maximum principal amount of **Five Million Australian Dollars (AUS\$5,000,000.00)** together with all applicable interest and Costs in accordance with the terms of this Collateral Mortgage.

4. **Defeasance.** Provided this Collateral Mortgage to be void upon payment in full on demand of all Indebtedness secured hereby, Costs and Taxes and the performance in full of all other Obligations.

5. **Demand.** In the event that the Mortgagor is called upon to pay any Indebtedness in accordance with the terms under which the same is or becomes payable or in the event of the default which is continuing by the Mortgagor in the performance of any of the covenants of the Mortgagor under any Financing Document, the Mortgagor shall be obligated to pay and the Security Agent shall be entitled to forthwith make demand for payment of all such Indebtedness and any other monies secured hereby.

6. **Covenants of Mortgagor.** The Mortgagor hereby covenants, agrees and declares as follows:

- (a) The Mortgagor shall pay to the Security Agent the Indebtedness at the time or times and in the manner applicable thereto including as provided in any Financing Document.
- (b) The Mortgagor is the sole legal and beneficial owner of and has good title in fee simple to the Mortgaged Premises free of all encumbrances other than the Permitted Liens.
- (c) The Mortgagor has the right to charge the Mortgaged Premises to the Security Agent and to give this Collateral Mortgage to the Security Agent upon the covenants contained herein.
- (d) On default, the Security Agent shall have quiet possession of the Mortgaged Premises, free from all encumbrances other than the Permitted Liens.
- (e) The Mortgagor will execute at the Mortgagor's expense such lender assurances of the Mortgaged Premises as may be requisite.
- (f) The Mortgagor has done no act to encumber the Mortgaged Premises, except the Permitted Liens.
- (g) The Mortgagor shall pay as they fall due all Permitted Liens and Taxes and shall not suffer any construction, statutory or other liens or rights of retention, other than Permitted Liens, to remain outstanding upon any of the Mortgaged Premises. The Mortgagor shall, within one (1) month from the date fixed for payment of the last instalment of Taxes in each year, furnish the Security Agent, if requested by it, with receipted tax bills showing all such Taxes for the year have been paid in full.

- (h) The Mortgagor shall not remove, destroy, lease, sell or otherwise dispose of any of the Mortgaged Premises or portion thereof or any interest therein. In the event the Mortgaged Premises or any part thereof are sold or disposed of prior to the full discharge of this Collateral Mortgage in any manner not authorized by this Collateral Mortgage, then all proceeds of such sale or disposition received by the Mortgagor shall be held by the Mortgagor as trustee for the Security Agent until the Mortgagor has been fully released from this Collateral Mortgage by the Security Agent.
- (i) The Mortgagor shall place or cause to be placed and keep in force insurance in respect of the said Lands, Improvements and Fixtures to its full insurable value or in such amounts as the Security Agent may reasonably require against all risks, with insurers approved by the Security Agent and under policies satisfactory in form to the Security Agent; and the loss clause in all such policies will be made payable to the Security Agent and no insurance will be carried on the said Lands, Improvements and Fixtures other than such as is made payable to the Security Agent in accordance with the provisions of this paragraph; and the Mortgagor will not do or omit or cause or suffer anything to be done or omitted whereby the policy or policies of insurance may be voided or become void; and will pay all premiums and sums of money necessary for such purposes promptly as the same shall become due; and will forthwith assign and deliver to the Security Agent the policy or policies of insurance and all renewal receipts thereto appertaining; and will deliver evidence of renewal to the Security Agent at least seven days prior to the expiration of any policy; and in the event of any breach of the foregoing covenants respecting insurance the Security Agent, without prejudice to its other rights hereunder, may, at its option effect such insurance as it may deem necessary on behalf of the Mortgagor and any amount paid thereof by the Security Agent shall be payable forthwith to the Security Agent and shall be a charge upon the Mortgaged Premises and shall bear interest at the highest rate charged in the Indebtedness from the time of such payments until paid.
- (j) The Mortgagor shall forthwith on the happening of any loss or damage furnish at its own expense all necessary proofs and do all necessary acts to enable the Security Agent to obtain payment of the insurance moneys; and any such insurance moneys received by the Security Agent may, at the option of the Security Agent, be applied in repairing or rebuilding the damaged or destroyed Improvements or Fixtures, or be applied to the payment of the moneys hereby secured in such manner as the Security Agent may determine, or partly in one way and partly in another, and in the event of there being a surplus, if any, to pay the same to the Mortgagor or any person appearing to be entitled thereto.
- (k) The Mortgagor shall allow any employees or authorized agents of the Security Agent at any reasonable time to enter the premises of the Mortgagor to inspect the Mortgaged Premises, including without limitation the right to undertake soil, ground water, environmental or other tests, measurements or surveys in, on or below the Mortgaged Premises, and to inspect the books and records of the Mortgagor and make extracts therefrom, and shall permit the Security Agent prompt access to such other persons as the Security Agent may deem necessary or desirable for the purposes of inspecting or verifying any matters relating to any part of the

Mortgaged Premises or the books and records of the Mortgagor, provided that any information so obtained shall be kept confidential, save as required by the Security Agent in exercising its rights hereunder. If an event of default shall have occurred and be continuing under this clause, the Mortgagor shall pay all costs and expenses or agents retained by the Security Agent for purposes of inspection under this clause (k).

- (l) Without the prior written consent of the Security Agent, the Mortgagor shall not create or suffer to exist any charge or encumbrance over all or any portion of the Mortgaged Premises ranking or purporting to rank prior to, *pari passu* with or subordinate to the charges hereof, other than Permitted Liens.
- (m) The Mortgagor shall not grant, create, assume or permit to exist any conditional sale agreement, mortgage, pledge, charge, assignment, lease or other security, except Permitted Liens, whether fixed or floating upon the whole or any part of the Mortgaged Premises. This covenant shall be a restrictive covenant for the benefit of the Security Agent's interest as mortgagee of the Mortgaged Premises and the burden shall run with the interest of the Mortgagor as owners of the Mortgaged Premises.
- (n) All Fixtures are and shall, immediately on being placed upon the Mortgaged Premises, become fixtures and a part of the Mortgaged Premises and form a part of this security; and the Mortgagor hereby grants and releases to the Security Agent all of its claims upon the Mortgaged Premises subject to the proviso for defeasance in Section 4 above.
- (o) The Security Agent may distrain for arrears of interest and for overdue principal and any other sum payable hereunder. The Mortgagor waives the right to claim exceptions mid agrees that the Security Agent shall not be limited in the amount for which it may distrain.
- (p) The Security Agent may make any payment or cure any default. under any Permitted Encumbrance and may pay and satisfy the whole or any part of any liens, Taxes, charges or encumbrances now or hereafter existing in respect of the Mortgaged Premises. In the event of the Security Agent making any such payment or curing a default or satisfying any such liens, Taxes, charges or encumbrances it shall be entitled to all the equities and securities of the person or persons so paid and is hereby authorized to retain any discharge thereof without registration for so long as it may think fit so to do.
- (q) The Mortgagor will keep the Mortgaged Premises in good condition and repair and shall not permit any act of waste to be committed upon the Mortgaged Premises. If the Mortgagor neglects to keep the Mortgaged Premises in good condition and repair or commits or permits any act of waste on the Mortgaged Premises (as to which the Security Agent shall be sole judge), the Security Agent may make such repairs and replacements as it deems necessary.
- (r) The Mortgagor shall diligently and continuously maintain, develop and construct the Improvements or cause the Improvements to be maintained, developed and constructed in accordance with plans and specifications previously approved by

the Security Agent, all in a good and workmanlike manner as first class buildings or Improvements and in the event that the Mortgagor shall fail to proceed diligently with any required work for a period of ten (10) consecutive days, the Security Agent or its representatives may enter into the Mortgaged Premises and do any or all work which they may consider necessary or desirable to complete such Improvements or to protect the same from deterioration.

- (s) The Mortgagor shall not make any material improvement, whether financed by the Security Agent or otherwise, without the prior written consent of the Security Agent which consent will not be unreasonably withheld or delayed and except in accordance with contracts, plans and specifications approved by the Security Agent in writing prior to the commencement of work on the Improvement.
- (t) The Mortgagor shall at all times comply with all of its Obligations.
- (u) Where any portion of the Improvements are to be constructed, they shall be constructed in a good and workmanlike manner using first class quality materials in accordance with the plans and specifications approved by the Security Agent and shall comply with all restrictions, conditions, ordinances, codes, regulations and laws, regulations and the requirements of governmental departments and agencies having direction over, or an interest in the Lands or the Improvements.
- (v) All utility services necessary for the operation and use of the Mortgaged Premises for their intended purpose, including, but not limited to, water supply, storm and sanitary sewer facilities, gas, electric and telephone facilities, are available to the boundaries of the Lands.
- (w) The Lands are contiguous to publicly dedicated streets or roads or highways and vehicular and pedestrian access thereto is permitted or, if not, are the dominant tenement of an easement or easements creating the perpetual right of such access to any such publicly dedicated streets or roads or highways.
- (x) Any defects in the construction or variation in the construction of any of the Improvements shall be promptly corrected by the Mortgagor to the satisfaction of the Security Agent.
- (y) Any and all of the personal property, elevators, furnaces, refrigerators, ranges, hot water tanks, dishwashers, carpeting, furniture, furnishings, fixtures, attachments and equipment (collectively the "**Chattels**") delivered upon, or attached to the Mortgaged Premises or intended to become a part thereof, will be kept free and clear of all chattel mortgages, conditional vendors' liens and all liens, encumbrances and security interests other than as may be granted to the Security Agent and the Mortgagor will be the absolute owner of the Chattels and will, from time to time, furnish the Security Agent with satisfactory evidence of such ownership, including searches of applicable public records. Upon the Security Agent's request, the Mortgagor will forthwith execute and deliver a supplemental debenture or other security instrument upon the Chattels and such other supporting documents as the Security Agent may require in connection therewith, including financing statements and searches of records under any applicable legislation.

- (z) The Mortgagor will pay or cause to be paid as soon as the same are due all claims and demands of contractors and materialmen and all wages, salaries, holiday pay, workers compensation assessments or other charges of any nature or kind (the "**Claims**"), which could in any circumstances constitute a lien or charge on the Mortgaged Premises and the Mortgagor will from time to time on demand provide the Security Agent with such books, payrolls, or other records, receipts, certificates and declarations as the Security Agent may deem necessary to satisfy itself that such Claims have been paid as soon as the same are due.

7. **Quiet Possession.** Until default of payment, breach of any covenant contained herein, or default in performance of its Obligations, the Mortgagor shall have quiet possession of the Mortgaged Premises.

8. **Condominium.** If the Mortgaged Premises or any part thereof is or becomes a unit or units in a condominium, the provisions of this section shall apply. The Mortgagor covenants with the Security Agent that:

- (a) The Mortgagor will promptly observe and perform all obligations imposed on the Mortgagor by the Condominium Act (Nova Scotia) or similar legislation and by the Declaration, the By-laws and the Rules, as amended from time to time, of the Condominium Corporation, by virtue of the Mortgagor's ownership or the Mortgaged Premises. Any breach of the said duties and obligations shall constitute a breach of covenant under this Collateral Mortgage;
- (b) Without limiting or restricting the generality of the foregoing:
- (i) The Mortgagor will pay promptly when due any contributions to common expenses required of the Mortgagor as owner of the Mortgaged Premises;
- (ii) The Mortgagor will transmit to the Security Agent forthwith upon the demand of the Security Agent satisfactory proof that all common expenses assessed against or in respect of the Mortgaged Premises have been paid as assessed;
- (iii) The Security Agent may pay out of and deduct from any advance of monies secured hereunder all contributions to the common expenses assessed against or in respect of the Mortgaged Premises which have become due and payable and are unpaid at the date of such advance; and
- (iv) Whenever and so long as the Security Agent so requires the Mortgagor shall on or before the date when any sum becomes payable by the Mortgagor in respect of common expenses pay such sum to the Security Agent. The Security Agent shall forthwith on receipt thereof remit all such sums to the Condominium Corporation on behalf of the Mortgagor or as the Condominium Corporation may from time to time direct;
- (c) The Security Agent is hereby irrevocably authorized and empowered to exercise the right of the Mortgagor as the owner of the Mortgaged Premises, to vote or to consent in all matters relating to the affairs of the Condominium Corporation provided that:

- (i) The Security Agent may at any time or from time to time give notice in writing to the Mortgagor and the Condominium Corporation that the Security Agent does not intend to exercise the said right to vote or consent and in that event until the Security Agent revokes the said notice the Mortgagor may exercise the right to vote or consent. Any such notice may be for an indeterminate period of time or for a limited period of time or for a specific meeting or matter;
 - (ii) The Security Agent shall not by virtue of the assignment to the Security Agent of the said right to vote or consent, be under any obligation to vote or consent or to protect the interests of the Mortgagor; and
 - (iii) The exercise of the said right to vote or consent shall not constitute the Security Agent a mortgagee in possession.
- (d) If the Mortgaged Premises or any part thereof shall become a unit or units in a condominium at any time after the execution and delivery of this Collateral Mortgage, the Mortgagor shall, whenever requested by the Security Agent, execute and deliver any further and other charges, assurances or other instruments as the Security Agent shall require in order to preserve, protect or perfect the security provided by this Collateral Mortgage and each of the provisions thereof, including without limitation a further charge covering all of the units in the said condominium and their appurtenant common interests.

9. **Waivers.** The Security Agent may waive in writing any breach by the Mortgagor of any of the provisions contained in this Collateral Mortgage or any default by the Mortgagor in the observance or performance of any covenant or condition required to be observed or performed by the Mortgagor under any applicable Financing Document, provided that no such waiver by the Security Agent shall extend to or be taken in any manner to affect any subsequent breach or default or the rights resulting therefrom.

10. **Performance of Covenants.** If the Mortgagor shall fail to perform any covenant on its part contained in any Financing Document, the Security Agent may in its absolute discretion perform any such covenant capable of being performed by it, but the Security Agent shall be under no obligation to do so. If any such covenant requires the payment of money or if the Mortgaged Premises shall become subject to any encumbrance ranking in priority to the lien hereof other than a Permitted Encumbrance, the Security Agent may in its absolute discretion make such payment and/or pay or discharge such encumbrance, but shall be under no obligation to do so. All sums so paid by the Security Agent shall immediately be payable by the Mortgagor to the Security Agent, shall bear interest at the Interest Rate until paid in full and shall constitute a charge upon the Mortgaged Premises. No such performance or payment shall relieve the Mortgagor from any default hereunder or any consequences of such default.

11. **Appointment of Monitor.** If in the opinion of the Security Agent, acting reasonably, a material adverse change has occurred in the financial condition of the Mortgagor, or if the Security Agent in good faith believes that the ability of the Mortgagor to pay any or their obligations to the Security Agent or to perform any other covenant contained herein has become impaired, or if an event of default has occurred, the Security Agent may by written notice to the Mortgagor, appoint a monitor (the "**Monitor**") to investigate any or a particular aspect of the Mortgagor or its business and affairs for the purpose of reporting to the Security Agent. The Mortgagor shall give the Monitor

its full co-operation, including full access to Facilities, assets and records of the Mortgagor and to their creditors, customers, contractors, employees, auditors, legal counsel and agents. The Monitor shall have no responsibility for the affairs of the Mortgagor nor shall it participate in the management of the Mortgagor's affairs and shall incur no liability in respect thereof or otherwise in connection with the Mortgagor, its business and affairs or the Mortgaged Premises. The Monitor shall act solely on behalf of the Security Agent and shall have no contractual relationship with the Mortgagor as a consultant or otherwise. The appointment of Monitor shall not be regarded as an act of enforcement of this Collateral Mortgage. All reasonable fees and expenses of the Monitor (including complete reimbursement for 100% of all legal fees and disbursements) shall be paid by the Mortgagor upon submission to it of a written invoice therefor. The Security Agent at its option upon the occurrence of an event of default may appoint or seek to have appointed the Monitor or Receiver, receiver and manager, liquidator, or trustee in bankruptcy of the Mortgagor or the Mortgaged Premises or any part thereof.

12. **Continuing and Additional Security.** The security hereby constituted is continuing security for the payment of all Indebtedness and the fulfilment of all Obligations and such security is in addition to any other security now or hereafter held by the Security Agent. The taking of any action or proceedings or refraining from so doing, or any other dealings with any other security for the moneys secured hereby, shall not release or affect the obligations of the Mortgagor hereunder or under any Financing Document.

13. **Default.** The security hereby created shall become enforceable in each of the following events (each of which shall constitute an **"Event of Default"**):

- (a) a breach of covenant or warranty, a "default", an "event of default" or similar circumstance identified in any Financing Document; or
- (b) if the Security Agent shall make an authorized and proper written demand for payment of any Indebtedness pursuant to any Financing Document and payment in full has not been received by the Security Agent forthwith after such demand has been made.

14. **Remedies.** Upon the happening of any Event of Default, in addition to any other rights or remedies available to it hereunder or at common law or equity or pursuant to any statute, and to the extent that such remedies are available in the province in which the Mortgaged Premises is located, the Security Agent shall have the following rights and powers:

- (a) to enter upon and possess all or any part of the Mortgaged Premises;
- (b) to hold, use, repair, preserve, maintain, complete, construct and build all or any part of the Mortgaged Premises and make such replacements thereof and changes or additions thereto as the Security Agent shall deem advisable;
- (c) on default of payment for at least fifteen (15) days the Security Agent or its agents or representatives may on giving the notice, if any, required by Section 13 above enter on and/or lease the Mortgaged Premises or on default of payment for at least fifteen (15) days, subject to the laws conferred on mortgagees in the province or territory where the Mortgaged Premises are located, may on at least thirty (30) days' notice sell the Mortgaged Premises. In the event that the giving of such notice shall not be required by law or to the extent that such requirements shall not be

applicable, it is agreed that notice may be effectually given by giving it in accordance with paragraph 29 hereof; and such notice shall be sufficient although not addressed to any person or persons by name or designation and notwithstanding that any person to be affected thereby may be unknown, unascertained or under disability. The Security Agent may sell the Mortgaged Premises or any part thereof by public auction or private sale, for such price as can reasonably be obtained therefor, and on such terms as to credit and otherwise, and with such conditions of sale and stipulations as to title or evidence or commencement of title or otherwise, as it shall in its discretion deem proper, and in the event of any sale on credit or for part cash and part credit, the Security Agent shall not be accountable for or charged with any moneys until actually received. The Security Agent may rescind or vary any contract of sale and may buy in and resell the Mortgaged Premises or any part thereof without being answerable for loss occasioned thereby. No purchaser or lessee shall be bound to enquire into the legality, regularity or propriety of any sale or lease or be affected by notice of any irregularity or impropriety of any kind; and no lack of default or want of notice or other requirement or any irregularity or impropriety of any kind shall invalidate any sale or lease hereunder. The Security Agent may sell or lease without entering into actual possession of the Mortgaged Premises and when it desires to take possession it may break locks and bolts and while in possession or upon any sale or lease the Security Agent shall be accountable only for moneys which are actually received by it. Sales may be made from time to time of parts of the Mortgaged Premises to satisfy any portion of the indebtedness or other sums owing hereunder and leaving the indebtedness or the residue thereof secured hereunder on the remaining Mortgaged Premises. The Mortgagor hereby appoints the Security Agent its true and lawful attorney and agent to do all things and execute all documents to effectually complete such sale. The Security Agent may lease or take sale proceedings hereunder notwithstanding, that other mortgage proceedings have been taken or are then pending; and

- (d) to appoint by instrument in writing any person or persons to be a Receiver of all or any portion of the undertaking, property and assets of the Mortgagor forming the Mortgaged Premises and all rents, issues, incomes and profits to be derived therefrom, to fix the Receiver's remuneration and from time to time to remove any Receiver so appointed and appoint another or others in his stead;
- (e) to apply to any court of competent jurisdiction for the appointment of a Receiver of all or any portion of the undertaking, property and assets hereby charged; and
- (f) to apply to any court of competent jurisdiction to foreclose the Mortgagor's right, title and equity of redemption to the Mortgaged Premises or any part or portion thereof, or any other action, suit, remedy, or proceeding authorized or permitted under this Collateral Mortgage or by law or equity.

15. **Powers of Receiver.**

- (a) Any Receiver shall have all of the powers or the Security Agent set forth in this Collateral Mortgage and, in addition, subject to applicable laws in the province in which the Mortgaged Premises is located, shall have the following powers:

- (i) to carry on the business of the Mortgagor and to enter into any compromise or arrangement on behalf of the Mortgagor;
- (ii) with the prior written consent of the Security Agent to borrow money in Iris name or in the Mortgagor's name, for the purpose of carrying on the business of the Mortgagor and for the preservation and realization of the undertaking, property and assets of the Mortgagor including, without limitation, the right to pay persons having prior charges or encumbrances on properties on which the Mortgagor may hold charges or encumbrances, with any amount so borrowed and any interest thereon to be a charge upon the Mortgaged Premises in priority to this Collateral Mortgage;
- (iii) to make such arrangements, at such time or times as the Receiver may deem necessary without the concurrence of any other persons, for the repairing, finishing, adding to, or putting in order the Mortgaged Premises including without restricting the generality of the foregoing to complete, with such variations, additions and deletions as the Security Agent may approve, the construction of the Mortgaged Premises, or award the same to others to complete, and in either of such cases, shall have the right to take possession of and use or permit others to use all or any part of the Mortgagor's materials, supplies, plans, tools, equipment (including appliances on the Lands) and property of every kind and description;
- (iv) to sell or lease or concur in the selling or leasing of the whole or any part of the Mortgaged Premises and in exercising the Receiver's foregoing power to sell or lease the Mortgaged Premises the Receiver may in his absolute discretion:
 - (A) sell or lease the whole or any part of the Mortgaged Premises by public or private tender or by private contract,
 - (B) grant options to purchase or lease or both,
 - (C) grant rights of first refusal to purchase or lease or both,
 - (D) complete any contract for sale, lease, option or right of first refusal,
 - (E) enter into open, exclusive and multiple listing contracts for sale or lease,
 - (F) sign and file subdivision, condominium, strata, consolidation or other plans or declarations,
 - (G) complete and file prospectuses, disclosure statements or affidavits in connection with any proposed disposition of the Mortgaged Premises or any portion or portions thereof,
 - (H) effect a sale or lease by conveying in the name of or on behalf of the Mortgagor or otherwise,

- (I) make any stipulation as to title or conveyance or commencement of title,
 - (J) rescind or vary any contract of sale, lease, option or right of first refusal,
 - (K) resell or release without being answerable for any loss occasioned thereby,
 - (L) sell on terms as to credit as shall appear to be most advantageous to the Receiver and if a sale is on credit the Receiver shall not be accountable for any moneys until actually received, and
 - (M) make any arrangements or compromises which the Receiver shall think expedient;
- (b) Any Receiver appointed pursuant to the provisions hereof shall be deemed to be an agent of the Mortgagor for the purposes of:
- (i) carrying on and managing the business and affairs of the Mortgagor, and
 - (ii) establishing liability for all of the acts or omissions of the Receiver while acting in any capacity hereunder and the Security Agent shall not be liable for such acts or omissions,

provided that, without restricting the generality of the foregoing, the Mortgagor irrevocably authorizes the Security Agent to give instructions to the Receiver relating to the performance of its duties as set out herein,

16. **Attorney.** The Mortgagor hereby irrevocably nominates, constitutes and appoints the Security Agent and any person further designated by the Security Agent as the true and lawful attorney of the Mortgagor for and in the name of the Mortgagor after an Event of Default has occurred and is continuing and this Collateral Mortgage or any other security held by the Security Agent in respect of the Indebtedness or other Obligations has become enforceable, to execute and do any deeds, documents, transfers, demands, assignments, assurances, consents and things which the Mortgagor is obliged to sign, execute or do hereunder and to commence, continue and defend any proceedings authorized to be taken hereunder and generally to use the name of the Mortgagor in the exercise of all or any of the powers hereby conferred on the Mortgagor and on any Receiver appointed hereunder.

17. **Application of Moneys.** All moneys actually received by the Security Agent or the Receiver pursuant to Sections 14 and 15 of this Collateral Mortgage shall be applied:

- (a) first, in payment of claims, if any, of creditors of the Mortgagor (including any claim of the Receiver pursuant to Section 15(a)), ranking in priority to the charges created by this Collateral Mortgage as directed by the Security Agent or the Receiver;
- (b) second, in or towards payment of all applicable Costs;

- (c) third, in or towards payment: or satisfaction of any remaining Indebtedness in such order as the Security Agent in its sole discretion may determine;
- (d) fourth, in or towards the payment of the obligation of the Mortgagor to persons, if any, with charges or security interests against the Mortgaged Premises ranking subsequent to those in favour of the Security Agent; and
- (e) fifth, subject to applicable law, any surplus shall be paid to the Mortgagor.

18. **Release, Extensions, etc.** The Security Agent may in its sole discretion at all times release any part or parts of the Mortgaged Premises either with or without any consideration therefor, with out responsibility therefor and without thereby releasing any other part or the Mortgaged Premises or any person from his obligations under any applicable Financing Document or from any of the covenants herein or therein contained and without being accountable to the Mortgagor for the value thereof or for any money except that actually received by the Security Agent, it being expressly agreed that every part of the Mortgaged Premises into which it is or may hereafter be divided does and shall stand charged with the whole of the amount hereby secured. The Security Agent may grant time, renewals, extensions, indulgences, releases and discharges to, may take additional securities may give any securities up, may abstain from taking securities or from perfecting securities, may accept compositions, and may otherwise deal with the Mortgagor and all other persons and securities as the Security Agent may see fit without prejudicing the rights of the Security Agent under this Collateral Mortgage.

19. **No Change in Rights.** No sale or other dealing by the Mortgagor with the Mortgaged Premises or any part thereof shall in any way change the liability of the Mortgagor or in any way alter the rights or the Security Agent as against the Mortgagor or the amount or terms of any Indebtedness or of any Financing Document.

20. **No Merger.** The taking of any judgment or the exercise of any power of seizure or sale shall not operate to extinguish the liability of the Mortgagor to perform its Obligations or to pay Indebtedness hereby secured, shall not operate as a merger of any covenant herein contained or affect the rights of the Lenders or the Security Agent to interest at the Interest Rate in effect from time to time hereunder, and the acceptance of any payment or other security shall not constitute or create any novation. The execution and delivery of this Collateral Mortgage or of any instruments or documents supplemental hereto shall not operate as a merger of any representation, warranty, term, condition or other provision contained in any other obligation or indebtedness of the Mortgagor to the Lenders or the Security Agent or under the Loan Trust Deed or the Financing Documents.

21. **Assignment of Rents.** Subject to the proviso for defeasance, and as additional and separate continuing security for the Mortgagor's Obligations, the Mortgagor hereby assigns to the Security Agent subject to the rights of the holders of the Permitted Liens all present and future leases of the Mortgaged Premises or any part thereof, and all rents, issues, incomes and profits now or hereafter derived from the leases, sub-leases or the Mortgaged Premises or any part thereof, together with the benefit of all covenants, agreements and provisos contained in such leases or sub-leases as the case may be. The Mortgagor will execute and deliver to the Security Agent, from time to time, upon the request of the Security Agent and at the expense of the Mortgagor, assignments in registrable form in the Security Agent's usual form of all leases and rents relating to the Mortgaged Premises and such other notices or documents as may be required by the Security Agent. Until an Event of Default occurs the Mortgagor may demand, receive,

collect and enjoy the rents only as the same fall due and payable and, except for the last month's rental, not in advance, but nothing shall permit or authorize the Mortgagor to collect or receive rents contrary to the covenants contained herein. Nothing in this Collateral Mortgage shall make the Security Agent responsible for the collection of rents payable under any lease of the Mortgaged Premises or any part thereof or for the performance of any covenants, terms or conditions contained in any such lease. The Security Agent shall be liable to account only for such rents as actually come into its hands after the deductions of reasonable collection charges in respect thereof and may apply such rents to the repayment of the indebtedness and Costs.

22. **Interpretation.** Unless the context otherwise requires, words reporting the singular include the plural and vice-versa and words importing gender include all genders; all rights, advantages, privileges, immunities, powers and things hereby secured to the Security Agent shall be equally secured to and exercisable by its successors and assigns; all covenants and liabilities entered into or imposed hereunder upon the Mortgagor shall be equally binding upon its heirs, executors, administrators and assigns or successors and assigns as the case may be; all such covenants, liabilities and obligations shall be joint and several; time shall be of the essence hereof; and all provisions hereof shall have effect notwithstanding any statute to the contrary.

23. **Headings.** The division of this Collateral Mortgage into separate sections, paragraphs and clauses and the insertion of headings are included for convenience of reference only and are not intended to affect the construction or interpretation of the Collateral Mortgage nor are they intended to be full or accurate descriptions of the contents.

24. **No Obligation to Advance.** Neither the execution nor registration of this Collateral Mortgage, nor the advance of any moneys of any amounts secured hereby shall bind the Security Agent to advance any amounts pursuant to any Financing Document secured hereby or any part thereof, but nevertheless the charges created hereby shall take effect upon execution hereof.

25. **Disclosure of Information.** The Mortgagor acknowledges that pursuant to the provisions of applicable construction lien legislation, the *Personal Property Security Act* (Nova Scotia) and other similar legislation, the Security Agent may be obliged to release information relating to the Loan Trust Deed, the Guarantee, this Collateral Mortgage, the Indebtedness and any amounts advanced thereunder or secured hereby. The Mortgagor hereby authorizes the Security Agent to re-lease all such information and any other information it may, from time to time, be required to release by law to those entitled to such information. The Mortgagor further authorizes the Security Agent and the Lenders to share any and all information relating to the Financing Documents or the Loan Trust Deed between the Security Agent and the Lenders as they may request from time to time.

26. **Intentionally Deleted.**

27. **Discharge.** After payment in full of all Indebtedness and Costs and the performance of all Obligations, the Security Agent shall within a reasonable period of time after receipt of a written request therefor from the Mortgagor, provide the Mortgagor with a discharge of the Collateral Mortgage or an assignment or transfer of the Collateral Mortgage if so required and directed by the Mortgagor; any such discharge, assignment or transfer shall be prepared by the Security Agent at the expense of the Mortgagor.

28. **Proper Law.** This Collateral Mortgage shall be governed by and construed in accordance with the laws of the Province of Nova Scotia and the laws of Canada applicable therein.

29. **Notice and Payments.** Any payments not received by the Lenders or the Security Agent by two o'clock p.m. on a Business Day shall be deemed to have been received on the next Business Day. Any notice required or desired to be given hereunder shall be in writing and may be given by personal delivery, by facsimile or other means of electronic communication or by sending the same by registered mail, postage prepaid, to the Mortgagor or the Security Agent at their addresses and, in the case of electronic communication to the facsimile numbers set forth below:

(a) in the case of the Security Agent, to:

22 Lindsay Street, Perth WA 6000

Email: bmcmaster@garrisoncapital.net

Attention: Brian Keith McMaster

(b) in the case of the Mortgagor:

176 Sangster's Bridge Road
Windsor Forks, NS B0n 2T0

Email:

Attention: Micheline MacKay

Any notice so delivered shall be conclusively deemed given when personally delivered, any notice sent by facsimile or other means of electronic transmission shall be deemed to have been delivered on the day it is sent, if such notice is sent prior to 4:00pm local time on a Business Day in the place in or to which the notice is delivered, or otherwise on the next Business Day, notice shall not be given by mail. Any address for notice or payments may be changed by notice given pursuant hereto, The Mortgagor acknowledges that the Security Agent will provide copies of any notice received under this Collateral Mortgage to the Lenders as may be required pursuant to the Loan Trust Deed.

[Remainder of this page intentionally left blank Signature Page Follows.]

WITNESS

Witness

Per:

Name: **Micheline MacKay**

Title: **President**

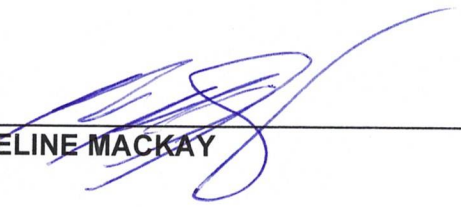
AFFIDAVIT

I, Micheline MacKay, of Windsor Forks Nova Scotia, make oath and say that:

1. I am the President of Mernova Medicinal Inc., the "Corporation" and have a personal knowledge of the matters herein deposed to.
2. I executed the foregoing instrument for and on behalf of the Corporation.
3. I am authorized to execute the foregoing instrument on behalf of the Corporation and thereby bind the Corporation.
4. I acknowledge that the Corporation executed the foregoing Instrument by its proper officer(s) duly authorized in that regard on the date of this affidavit; this acknowledgment is made for the purpose of registering such Instrument pursuant to s.31(a) of the *Registry Act*, R.S.N.S. 1989, c.392 or s. 79(1)(a) of the *Land Registration Act* as the case may be, for the purpose of registering the instrument.
5. The Corporation is a resident of Canada under the *Income Tax Act* (Canada).
6. The ownership of a share or an interest in a share of the Corporation does not entitle the owner of such share or interest in such share to occupy a dwelling owned by the Corporation.

SWORN TO at _____, in the County of)
_____, Province of Nova Scotia, this)
___ day of _____, 2022, before me:)

A Barrister of the Supreme Court
of Nova Scotia



MICHELINE MACKAY

SCHEDULE "A"

PID 45018595

Parcel Description

ALL THAT certain parcel of land at or near the Town of Windsor, in the County of Hants, Province of Nova Scotia and more particularly described as follows:

BEGINNING at the point of intersection of the northeastern boundary of Lot 27 and the southeastern boundary of Ivey Lane Extension;

THENCE N 41 degrees 52' 15" E along said southeastern boundary a distance 153.31 feet to the northeastern boundary of Ivey Lane Extension;

THENCE N 48 degrees 07' 45" W along said northeastern boundary a distance of 210.00 feet to the southeastern boundary of Ivey Lane Extension;

THENCE N 41 degrees 52' 15" E along said southeastern boundary a distance of 10.00 feet to the northeastern boundary of Ivey Lane Extension;

THENCE N 48 degrees 07' 45" W along said northeastern boundary a distance of 228.81 feet to the southeastern boundary of Ivey Lane Extension;

THENCE N 39 degrees 24' 15" E along said southeastern boundary a distance of 57.20 feet to the southwestern boundary of Ivey Lane Extension;

THENCE S 50 degrees 35' 45" E along said southwestern boundary a distance of 22.00 feet to the southeastern boundary of Ivey Lane Extension;

THENCE N 39 degrees 24' 15" E along said southeastern boundary a distance of 200.00 feet to the southwestern boundary of Ivey Lane Extension;

THENCE S 50 degrees 35' 45" E along said southwestern boundary a distance of 35.00 feet to the southeastern boundary of Ivey Lane Extension;

THENCE N 39 degrees 24' 15" E along said southeastern boundary a distance of 89.13 feet to a point of curvature;

THENCE along the curved southeastern boundary of Ivey Lane Extension following a circular curve to the left, having a radius of 680.74 feet, an arc distance of 416.47 feet to a point of curvature;

THENCE N 4 degrees 21' 05" E along the southeastern boundary of Ivey Lane Extension a distance of 13.41 feet to the southeastern boundary of Wentworth Road;

THENCE N 82 degrees 31' 34" E along said road boundary a distance of 7.85 feet to the southwestern boundary of lands of Barry Hennigar;

THENCE S 24 degrees 34' 10" E along said southwestern boundary a distance of 496.03 feet;

THENCE S 47 degrees 00' 10" E along the southwestern boundary of lands of Barry Hennigar a distance of 650.00 feet to the northwestern boundary of lands of Canadian Gypsum Company Limited;

THENCE S 60 degrees 33' 55" W along said northwestern boundary a distance of 741.76 feet to the northeastern boundary of Lot 27;

THENCE N 48 degrees 07' 45" W along said northeastern boundary a distance of 326.81 feet to the point of beginning, containing an area of 13.37 acres.

SAVING AND EXCEPTING Parcel X as conveyed to the Town of Windsor by deed recorded at the Registry of Deeds for Hants County as Book 438 Page 116.

ALSO SAVING AND EXCEPTING Lot 30A conveyed to S. & K. Crawford Enterprises Limited by deed recorded at the Registry for Hants County as Book 641 Page 14.

ALSO SAVING AND EXCEPTING Parcel 1 of Lot 30A-1 conveyed to S. & K. Crawford Enterprises Limited by deed recorded at the Registry for Hants County as Book 644 Page 114.

ALSO SAVING AND EXCEPTING Parcel A of Lot 27A conveyed to Sepracor Canada Limited by deed recorded at the Registry for Hants County as Book 847 Page 246.

ALSO SAVING AND EXCEPTING Lot 28A conveyed to Mernova Medicinal Inc. by deed recorded at the Registry for Hants County as Document 105136023

SUBJECT to an easement granted to the Town of Windsor by Deed recorded at the Registry of Deeds for Hants County as Book 438 Page 116.

SUBJECT to an easement in favour of Nova Scotia Power Inc. recorded at the Registry of Deeds for Hants County as Book 992 Page 405.

SUBJECT to an easement in favour of Nova Scotia Power Inc. recorded at the Registry of Deeds for Hants County as Document 100166710.

SUBJECT to a Lease of property recorded at the Registry of Deeds for Hants County as Document 102457968.

SUBJECT to a Lease of property recorded at the Registry of Deeds for Hants County as Document number 3722 in Book 929 at page 389 and amended by document number 114565651 recorded November 15, 2019..

AND SUBJECT to an easement associated with the above-referenced lease of property, as more particularly described in a Lease of property recorded at the Registry of Deeds for Hants County as Document number 3722 in Book 929 at page 389 and amended by document number 114565651 recorded November 15, 2019..

SUBJECT to Restrictive Covenants as described in Book 941 at page 436 and amended by Amending Agreement recorded as Document 105608765.

*** Municipal Government Act, Part IX Compliance ***

Not Subject To:

The parcel was created by a subdivision that predates subdivision control or planning legislation or by-laws in the municipality and therefore no subdivision approval was required for creation of this parcel.

PID 45395514

Parcel Description

Place Name: Ivey Lane, Wentworth Creek
Municipality/County: Municipality of the District of Hants West
Designation of Parcel on Plan: Lot 28A
Title of Plan: Plan of Subdivision Lot 28A Lands of Nova Scotia Business Incorporated
Registration County: Hants
Registration Number of Plan: 104858254
Registration Date of Plan: 2014-04-04

SUBJECT TO restrictive covenants as described in Book 941 at page 436.

*** Municipal Government Act, Part IX Compliance ***

Compliance:

The parcel is created by a subdivision (details below) that has been filed under the Registry Act or registered under the Land Registration Act

Registration District: HANTS COUNTY
Registration Year: 2014
Plan or Document Number: 104858254

R

2025

Hfx No.

Attached is Exhibit "R" referred
to in the Affidavit of Micheline
MacKay sworn before me on
April 9, 2025



Signature

ASHA PELLY
A Barrister of the Supreme
Court of Nova Scotia

THIS GENERAL ASSIGNMENT OF RENTS AND LEASES is made as of the 14th day of November, 2022.

BETWEEN:

MERNOVA MEDICINAL INC., a body corporate

(the "**Assignor**")

- and -

BRIANT NOMINEES PTY LIMITED, for and on behalf of the
Lenders (as defined in the Loan Trust Deed) having ACN 080 130
007

(the "**Security Agent**")

WHEREAS the Assignor has granted a collateral mortgage to and in favour of the Security Agent dated of even date herewith (the "**Mortgage**"), and charging the lands and premises described in Schedule "A" attached hereto (which lands and all buildings at any time situate there on during the existence of the Mortgage are hereinafter referred to as the "**Mortgaged Premises**");

AND WHEREAS as additional security for the obligations secured by the Mortgage the Assignor is required to assign, subject to the terms and conditions hereinafter set forth, the benefit of all leases and the rents now due or accruing due relating to the Mortgaged Premises to and in favour of the Security Agent;

NOW THEREFORE THIS INDENTURE WITNESSETH that in consideration of the premises and of the said loan being made by the Lenders to the Assignor, the parties hereto mutually covenant, declare and agree as follows:

1. The Assignor assigns to the Security Agent, its successors and assigns, as security for all indebtedness, liability and obligations secured by the Mortgage, and until the indebtedness, liability and obligations secured by the Mortgage has been fully paid and satisfied, the full right, title, benefit and interest in and to every present and future lease or sublease, agreement to lease or sublease, tenancy, agreement as to use or occupation and license, indemnity or guarantee of all or any of the obligations of any existing or future tenant, subtenant, occupier, licensee, indemnitor or guarantor (collectively, the "**Tenants**" and individually a "**Tenant**"), assignment and agreement to assume the obligations of any existing or future Tenant, whether or not pursuant to any written lease, agreement, guarantee, indemnity or license, in respect of the whole or any portion of the Mortgaged Premises, in each case as amended, supplemented, modified, replaced or restated from time to time (collectively, the "**Leases**" and individually a "**Lease**").
2. The Assignor hereby assigns to the Security Agent and its successors and assigns, as security for the principal, interest and other amounts secured by the Mortgage, and until the moneys due under and by virtue of the Mortgage have been fully paid and satisfied, all rents and other moneys now due and payable or hereafter to become due and payable from the Mortgaged Premises and the benefit of all covenants of tenants, subtenants, occupier, licensee, indemnitors and guarantors and assignees (collectively, the "**Rents**");

- (a) under every existing and future Lease, which shall include all subleases, and agreements to lease or sublease, of the whole or any portion of the Mortgaged Premises;
- (b) in respect of every existing and future tenancy, agreement as to use or occupation and License in respect of the whole or any portion of the Mortgaged Premises, whether or not pursuant to any written lease, agreement or license;
- (c) under every existing and future indemnity or guarantee of all or any of the obligations of any existing or future Tenant, of the whole or any portion of the Mortgaged Premises;
- (d) under every existing and future assignment and agreement to assume the obligations of Tenants of the whole or any portion of the Mortgaged Premises;

with full power and authority to demand, collect, sue for, recover, receive and give receipts for the Rents and to enforce payment thereof in the name of the Assignor or the owner from time to time of the Mortgaged Premises

- 3. The Assignor also covenants and agrees that it will observe and perform all of its obligations under the Leases in accordance with their terms and will not do anything to adversely impact the Leases.
- 4. The Assignment of the Lease hereunder shall not extent or apply to the last day of the term of any Lease or any agreement therefore now held or hereafter acquired by the Assignor, but should the Security Agent enforce the said Assignment of Lease or the Mortgage, the Assignor shall thereafter stand possessed of such last day and shall hold it in trust to assign same to any person acquiring such term ill the course of the enforcement of this Assignment.
- 5. The Assignor covenants that each and every one of the Leases is a good and subsisting Lease at the date hereof, and that there are no breaches of any of the covenants, terms and conditions or any default under any of those Leases and that there has been no prepayment of rent under any of those Leases (except, if so provided in the Lease, for payment of rent for the last month of the term).
- 6. The Assignor also covenants and agrees that the Assignor will not, without written consent of the Security Agent:
 - (a) except for any of the Leases which relate to residential premises only, cancel any Lease or accept a surrender thereof unless the Assignor and Tenants of the Lease execute a new Lease which shall go into effect prior to or simultaneously with the cancellation or surrender of the former Lease. The new Lease shall provide for rent payments no less than the rent payable under the cancelled or surrendered Lease, shall not diminish the Tenant's obligation to pay taxes and insurance, and shall run to a date not prior to the expiration of the cancelled or surrendered. Lease; nor be on terms otherwise less favourable to the Assignor then the existing Lease;
 - (b) except for any of the Leases which relate to residential premises only, modify, alter or amend any Lease, either orally or in writing, so as to decrease the term, reduce the rent, diminish the Tenant's obligations to pay taxes and insurance or increase

the Assignor's obligation to make repairs in connection with the Lease; or otherwise materially reduce the obligation of the Tenant or increase the burden on the Assignor;

- (c) consent to the assignment of any Tenant's interest in any Lease which will relieve the Tenant of liability for payment of rent or the performance of the terms and conditions of the Lease;
- (d) lease or agree to lease any part of the Mortgaged Premises except at a rent, on terms and conditions and to Tenants at least as favourable and desirable to the Assignor as those which a prudent landlord would accept for the part of the Mortgaged Premises to be leased;
- (e) assign, pledge, hypothecate, grant a security interest in or otherwise encumber any Lease or the rents or revenues due or to become due thereunder, or any part thereof, other than to the Security Agent.

Any of the above acts, if done without the written consent of the Security Agent, shall not be binding on the Security Agent. The Assignor shall have the right, regardless of this assignment, to modify the Leases and to take any other action with respect thereto which does not violate the specific provisions of sub-paragraphs (a) to (c) above,

- 7. The Assignor shall be permitted to collect and receive the Rents as and when they shall become due and payable according to the terms of each of the Leases, unless and until there shall be default made in any payment provided for in the Mortgage or any related agreement between the Security Agent and the Assignor, or until the breach of any covenant on the part of the Assignor contained in the Mortgage or any related agreement between the Security Agent and the Assignor, in which case the Security Agent may give notice in writing to the Tenant advising of default. In such event the Assignor hereby irrevocably directs such Tenant to make payment of Rent due after receipt of such notice to the Security Agent or as the Security Agent may direct, upon being furnished with a true copy of this Assignment and the aforesaid notice in writing, without any further direction or authority being required by such Tenant,
- 8. The Security Agent shall not, by virtue of this agreement, or its receipt of the Rents or any of them, become or be deemed a mortgagee in possession of the Mortgaged Premises, and nothing herein contained shall have the effect of making the Security Agent or its successors or assigns responsible for the collection of the Rents or any of them, or for the observance or performance of any of the covenants, obligations or conditions under or in respect of the Leases, or any of them, to be observed and performed by the Assignor.
- 9. In the exercise of the powers herein granted to the Security Agent, no liability shall be asserted or enforced against the Security Agent, all such liability being hereby expressly waived and released by the Assignor. The Security Agent shall not be obligated to perform or discharge any obligation, duty or liability under the Leases, or under or by reason of this assignment, and the Assignor shall and does hereby agree to indemnify the Security Agent for and to hold it harmless of and from any and all liability, loss or damage which it may or might incur under the Leases or under or by reason of this assignment and of and from any and all claims and demands whatsoever which may be asserted against it by reason of agreements contained in the Leases. Should the Security Agent incur any such liability, loss or damage under the Leases or by reason of this assignment, or the defence

of any such claims or demands, the amount thereof, including costs, expenses and all legal fees and disbursements, shall be secured hereby, and the Assignor shall reimburse the Security Agent therefore immediately upon demand.

10. The Security Agent shall be liable to account only for such moneys as shall actually come into its hands, less all costs and expenses and other proper deductions, and such moneys shall be applied on account of any indebtedness of the Assignor to the Security Agent.
11. The Assignor hereby agrees to execute such further assurances as may be reasonably required by the Security Agent from time to time to perfect this Agreement and whenever in the future any Lease with respect to the Mortgaged Premises or any part thereof is made, the Assignor will forthwith advise the Security Agent of the terms thereof and, if requested by the Security Agent, give the Security Agent a specific assignment of the Lease and Rents thereunder in the form requested by the Security Agent.
12. Whenever any and all default under the Mortgage has been cured, and all taxes and insurance on the Mortgaged Premises have been paid to date, and all moneys which the Security Agent or its agents may have expended or become liable for in connection with the Mortgaged Premises have been fully repaid, the Assignor shall resume collection of the Rentals on the Mortgaged Premises until further default has occurred and shall also be entitled to receive any remaining balance of the Rents and revenues realized from the Mortgaged Premises.
13. The Assignor shall not at any time during the existence of the Mortgage assign, create a security interest in, pledge, hypothecate or otherwise encumber any Lease now or hereafter existing in respect of the Mortgaged Premises or the Rents and revenues due or to become due thereunder, or any part thereof, other than to the Security Agent.
14. The Assignor shall reimburse, indemnify and hold harmless the Security Agent for and from any and all expenses, losses, damages and liabilities which the Security Agent may reasonably incur by reason of this Agreement and the exercise by or on behalf of the Security Agent of any rights under this Agreement.
15. The Assignor will, at the request of the Security Agent, specifically assign any Lease to the Security Agent.
16. The Assignor hereby agrees to execute such further documents and instruments and to do all such further acts and things as may be reasonably required by the Security Agent from time to time to perfect and carry out the purpose and intent of this Assignment.
17. The rights or remedies given to the Security Agent hereunder shall be cumulative of and not substituted for any rights and remedies to which the Security Agent may be entitled under the Mortgage or at law, and the taking of this additional security shall in no way lessen, hinder or prejudice such rights or remedies,
18. It is understood and agreed that a full and complete discharge of the Mortgage shall operate as a full and complete release of the Security Agent's rights and interest hereunder and that when the Mortgage has been fully discharged this instrument shall be of no further effect.

19. Upon default under the Mortgage, the Assignor hereby nominates, constitutes and appoints the Security Agent to be the true and lawful attorney of the Assignor for and in the name of the Assignor, with full power of substitution, to demand, collect, sue for and enforce payment of all Rents, and to enforce observance by the Tenants of their covenants, conditions, provisos, stipulations and agreements contained in the Leases, and for the purposes aforesaid, or any of them, the Assignor hereby authorizes the Security Agent, its employees and agents, at the Security Agent's sole option, upon default as described in the Mortgage and while same is continuing:
- (a) to enter upon the Mortgaged Premises (either personally or by its receiver or receiver-manager) and to collect, in the name of the Assignor, or in the name of the Security Agent, the Rents accrued but unpaid and in arrears at the date of such default, as well as the Rents thereafter accruing and becoming payable during the period of the continuance of the said or any other default; and to this end, the Assignor further agrees that the Assignor will facilitate in all reasonable ways the Security Agent's collection of the Rents and will, upon request by the Security Agent, execute a written notice to each Tenant directing the Tenant to pay Rent to the Security Agent; and,
 - (b) to institute such actions at law or in equity or take such proceedings by distress or otherwise as the Security Agent, acting reasonably, shall from time to time deem fit or proper, and for the purposes aforesaid, or any of them, to make, sign and execute any and all warrants of distress and other documents or instruments in the name of the Assignor as the Security Agent shall deem fit or proper, the cost of all distrains and other expenses to be paid in cash by the Assignor or, at the discretion of the Security Agent, to be added to and form part of the monies secured by the Mortgage and to bear interest at the rate therein set forth;

and the Assignor agrees with the Security Agent that this power of attorney shall be irrevocable so long as any monies remain owing to the Security Agent and secured by the Mortgage.

20. Capitalized terms in this Assignment shall have the same meaning as ascribed to them in the Mortgage.
21. The terms and conditions hereof shall be binding upon and enure to the benefit of the respective successors and assigns of the parties hereto and shall be in full force and effect upon execution and delivery of the same by the Assignor to the Security Agent and without execution and delivery by the Security Agent to the Assignor.
22. Any notice required or desired to be given hereunder shall be in writing and shall be given and delivered in accordance with requirements for the giving and delivery of notice as set out in the Mortgage, as amended from time to time.
23. This Agreement shall be governed by and construed in accordance with the laws of the Province of Nova Scotia and the laws of Canada applicable therein.

[Remainder of page intentionally left blank — Signature Page Follows]

IN WITNESS WHEREOF the Mortgagor has properly executed this General Assignment of Rents and Leases on the day and year first above written.

WITNESS

MERNOVA MEDICINAL INC.

Per

Name: Micheline MacKay

Title: President

CANADA
PROVINCE OF NOVA SCOTIA

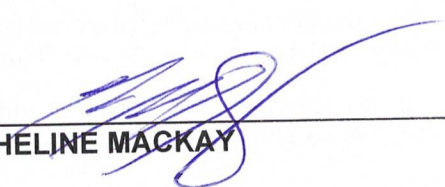
AFFIDAVIT

I, Micheline MacKay, of Windsor Forks Nova Scotia, make oath and say that:

1. I am the President of Mernova Medicinal Inc., the "Corporation" and have a personal knowledge of the matters herein deposed to.
2. I executed the foregoing instrument for and on behalf of the Corporation.
3. I am authorized to execute the foregoing instrument on behalf of the Corporation and thereby bind the Corporation.
4. I acknowledge that the Corporation executed the foregoing Instrument by its proper officer(s) duly authorized in that regard on the date of this affidavit; this acknowledgment is made for the purpose of registering such Instrument pursuant to s.31(a) of the *Registry Act*, R.S.N.S. 1989, c.392 or s. 79(1)(a) of the *Land Registration Act* as the case may be, for the purpose of registering the instrument.
5. The Corporation is a resident of Canada under the *Income Tax Act* (Canada).
6. The ownership of a share or an interest in a share of the Corporation does not entitle the owner of such share or interest in such share to occupy a dwelling owned by the Corporation.

SWORN TO at _____, in the County of)
_____, Province of Nova Scotia, this)
___ day of _____, 2022, before me:)

A Barrister of the Supreme Court
of Nova Scotia



MICHELINE MACKAY

SCHEDULE "A"

PID 45018595

Parcel Description

ALL THAT certain parcel of land at or near the Town of Windsor, in the County of Hants, Province of Nova Scotia and more particularly described as follows:

BEGINNING at the point of intersection of the northeastern boundary of Lot 27 and the southeastern boundary of Ivey Lane Extension;

THENCE N 41 degrees 52' 15" E along said southeastern boundary a distance 153.31 feet to the northeastern boundary of Ivey Lane Extension;

THENCE N 48 degrees 07' 45" W along said northeastern boundary a distance of 210.00 feet to the southeastern boundary of Ivey Lane Extension;

THENCE N 41 degrees 52' 15" E along said southeastern boundary a distance of 10.00 feet to the northeastern boundary of Ivey Lane Extension;

THENCE N 48 degrees 07' 45" W along said northeastern boundary a distance of 228.81 feet to the southeastern boundary of Ivey Lane Extension;

THENCE N 39 degrees 24' 15" E along said southeastern boundary a distance of 57.20 feet to the southwestern boundary of Ivey Lane Extension;

THENCE S 50 degrees 35' 45" E along said southwestern boundary a distance of 22.00 feet to the southeastern boundary of Ivey Lane Extension;

THENCE N 39 degrees 24' 15" E along said southeastern boundary a distance of 200.00 feet to the southwestern boundary of Ivey Lane Extension;

THENCE S 50 degrees 35' 45" E along said southwestern boundary a distance of 35.00 feet to the southeastern boundary of Ivey Lane Extension;

THENCE N 39 degrees 24' 15" E along said southeastern boundary a distance of 89.13 feet to a point of curvature;

THENCE along the curved southeastern boundary of Ivey Lane Extension following a circular curve to the left, having a radius of 680.74 feet, an arc distance of 416.47 feet to a point of curvature;

THENCE N 4 degrees 21' 05" E along the southeastern boundary of Ivey Lane Extension a distance of 13.41 feet to the southeastern boundary of Wentworth Road;

THENCE N 82 degrees 31' 34" E along said road boundary a distance of 7.85 feet to the southwestern boundary of lands of Barry Hennigar;

THENCE S 24 degrees 34' 10" E along said southwestern boundary a distance of 496.03 feet;

THENCE S 47 degrees 00' 10" E along the southwestern boundary of lands of Barry Hennigar a distance of 650.00 feet to the northwestern boundary of lands of Canadian Gypsum Company Limited;

THENCE S 60 degrees 33' 55" W along said northwestern boundary a distance of 741.76 feet to the northeastern boundary of Lot 27;

THENCE N 48 degrees 07' 45" W along said northeastern boundary a distance of 326.81 feet to the point of beginning, containing an area of 13.37 acres.

SAVING AND EXCEPTING Parcel X as conveyed to the Town of Windsor by deed recorded at the Registry of Deeds for Hants County as Book 438 Page 116.

ALSO SAVING AND EXCEPTING Lot 30A conveyed to S. & K. Crawford Enterprises Limited by deed recorded at the Registry for Hants County as Book 641 Page 14.

ALSO SAVING AND EXCEPTING Parcel 1 of Lot 30A-1 conveyed to S. & K. Crawford Enterprises Limited by deed recorded at the Registry for Hants County as Book 644 Page 114.

ALSO SAVING AND EXCEPTING Parcel A of Lot 27A conveyed to Sepracor Canada Limited by deed recorded at the Registry for Hants County as Book 847 Page 246.

ALSO SAVING AND EXCEPTING Lot 28A conveyed to Mernova Medicinal Inc. by deed recorded at the Registry for Hants County as Document 105136023

SUBJECT to an easement granted to the Town of Windsor by Deed recorded at the Registry of Deeds for Hants County as Book 438 Page 116.

SUBJECT to an easement in favour of Nova Scotia Power Inc. recorded at the Registry of Deeds for Hants County as Book 992 Page 405.

SUBJECT to an easement in favour of Nova Scotia Power Inc. recorded at the Registry of Deeds for Hants County as Document 100166710.

SUBJECT to a Lease of property recorded at the Registry of Deeds for Hants County as Document 102457968.

SUBJECT to a Lease of property recorded at the Registry of Deeds for Hants County as Document number 3722 in Book 929 at page 389 and amended by document number 114565651 recorded November 15, 2019..

AND SUBJECT to an easement associated with the above-referenced lease of property, as more particularly described in a Lease of property recorded at the Registry of Deeds for Hants County as Document number 3722 in Book 929 at page 389 and amended by document number 114565651 recorded November 15, 2019..

SUBJECT to Restrictive Covenants as described in Book 941 at page 436 and amended by Amending Agreement recorded as Document 105608765.

*** Municipal Government Act, Part IX Compliance ***

Not Subject To:

The parcel was created by a subdivision that predates subdivision control or planning legislation or by-laws in the municipality and therefore no subdivision approval was required for creation of this parcel.

PID 45395514

Parcel Description

Place Name: Ivey Lane, Wentworth Creek
Municipality/County: Municipality of the District of Hants West
Designation of Parcel on Plan: Lot 28A
Title of Plan: Plan of Subdivision Lot 28A Lands of Nova Scotia Business Incorporated
Registration County: Hants
Registration Number of Plan: 104858254
Registration Date of Plan: 2014-04-04

SUBJECT TO restrictive covenants as described in Book 941 at page 436.

*** Municipal Government Act, Part IX Compliance ***

Compliance:

The parcel is created by a subdivision (details below) that has been filed under the Registry Act or registered under the Land Registration Act

Registration District: HANTS COUNTY
Registration Year: 2014
Plan or Document Number: 104858254

S

2025

Hfx No.

Attached is Exhibit "S" referred
to in the Affidavit of Micheline
MacKay sworn before me on
April 9, 2025



Signature

ASHA PELLY
A Barrister of the Supreme
Court of Nova Scotia

This report lists registrations in the Personal Property Registry that match the following search criteria:

Province or Territory Searched: Nova Scotia
Type of Search: Debtors (Enterprise)
Search Criteria: MERNOVA MEDICINAL INC.
Date and Time of Search (YYYY-MM-DD hh:mm): 2025-04-08 08:21 (Atlantic)
Transaction Number: 26877028
Searched By: M174776

The following table lists records that match the Debtors (Enterprise) you specified.

Exact	Included	Original Registration Number	Enterprise Name	Place
*	*	37104577	MERNOVA MEDICINAL INC.	Windsor Forks
*	*	39791611	Mernova Medicinal INC.	Windsor Forks
*	*	41148180	Mernova Medicinal Inc.	Windsor Forks

An '*' in the 'Exact' column indicates that the Debtor (Enterprise) exactly matches the search criteria.

Included Column Legend

- An asterisk (*) in the 'Included' column indicates that the registration's details are included within the Search Result Report.

Registration Counts

- 3 registration(s) contained information that **exactly** matched the search criteria you specified.

- 0 registration(s) contained information that **closely** matched the search criteria you specified.

When reviewing the registrations below, note that a registration which has expired or been discharged within the last 30 days can still be re-registered by the secured party.

All registration date/time values are stated in Atlantic Time.

For more information concerning the Personal Property Registry, go to www.acol.ca

Registration Details for Registration Number: 37104577

Province or Territory: Nova Scotia
Registration Type: PPSA Financing Statement

Registration History

Registration Activity	Registration Number	Date/Time (Atlantic) (YYYY-MM-DD hh:mm)	Expiry Date (YYYY-MM-DD)	File Number
Original	37104577	2022-11-17 16:56	2027-11-17	224484

This registration has **not** been the subject of an Amendment or Global Change. The following registration information was added by the original registration and has not been deleted.

Debtors

Type: Enterprise

MERNOVA MEDICINAL INC.
176 Sangster's Bridge Road
Windsor Forks NS B0N 2T0
Canada

Secured Parties

Type: Enterprise
BRIANT NOMINEES PTY LIMITED, as Agent
Attn: Brian Keith McMaster
22 Lindsay Street
Perth - WA 6000
Australia

General Collateral

A security interest is taken in all of the debtor's present and after-acquired personal property.

Registration Details for Registration Number: 39791611

Province or Territory: Nova Scotia
Registration Type: PPSA Financing Statement

Registration History

Registration Activity	Registration Number	Date/Time (Atlantic) (YYYY-MM-DD hh:mm)	Expiry Date (YYYY-MM-DD)	File Number
Original	39791611	2024-06-27 16:16	2029-06-27	L4649

This registration has **not** been the subject of an Amendment or Global Change. The following registration information was added by the original registration and has not been deleted.

Debtors

Type: Enterprise
Mernova Medicinal INC.
Mackay, Micheline
176 Sangster's Bridge Road
Windsor Forks NS B0N 2T0
Canada

Secured Parties

Type: Enterprise
BRUCE LEASING LIMITED
Barker, Justin
President
PO Box 970
90 Commercial Street

Middleton NS B0S 1P0
Canada
Phone #: 902-765-1302
Fax #: 902-825-2525

Serial Numbered Collateral

Serial Number	Collateral Type	Description	Added By	Deleted By
3MVDMBBCM4RM688724	Motor Vehicle	2024 Mazda CX-30	39791611	

Registration Details for Registration Number: 41148180

Province or Territory: Nova Scotia
Registration Type: PPSA Financing Statement

Registration History

Registration Activity	Registration Number	Date/Time (Atlantic) (YYYY-MM-DD hh:mm)	Expiry Date (YYYY-MM-DD)	File Number
Original	41148180	2025-04-04 08:29	2035-04-04	4101072110

This registration has **not** been the subject of an Amendment or Global Change. The following registration information was added by the original registration and has not been deleted.

Debtors

Type: Enterprise
Mernova Medicinal Inc.
176 Sangster's Bridge Road
Windsor Forks NS B0N 2T0
Canada

Secured Parties

Type: Enterprise
La Plata Capital, LLC
90 Madison Street, Suite 303
Denver CO 80206
USA

General Collateral

A security interest is taken in all of the Debtor's present and after-acquired personal property.

Additional Information

This is a re-registration of registration number 37338035 which inadvertently expired on January 18, 2025.

END OF REPORT

T

2025

Hfx No.

Attached is Exhibit "T" referred
to in the Affidavit of Micheline
MacKay sworn before me on
April 9, 2025



Signature

ASHA PELLY
A Barrister of the Supreme
Court of Nova Scotia

BRIANT NOMINEES PTY LTD

28 March 2025

Mernova Medicinal Inc.

Ritual Green Craft Cannabis
50 Ivey Lane, Windsor NS, B0N 2T0

Attn: Chief Executive Officer

Re: Amounts owing by Melodiol Global Health Limited (“Melodiol”) to Briant Nominees Pty Ltd. (in its capacity as Trustee and Security Agent, the “Lender”) guaranteed by Mernova Medicinal Inc. (“Mernova”)

Ms. MacKay:

As of the date hereof, Melodiol is indebted to the Lender, in its capacity as trustee and security agent, in the amount of AUD\$3,433,702 (the “**Outstanding Obligations**”) with respect to certain credit facilities, plus costs, expense and interest pursuant to the terms of, among other documents, the Loan Trust Deed dated November 11, 2022 (as amended or restated from time to time, the “**Loan Trust Deed**”).

Mernova guaranteed the Outstanding Obligations in favour of the Lender pursuant to the terms of Guarantee and Indemnity Agreement, dated November 14, 2022 (the “**Guarantee**”), which was secured by Mernova by way of the following:

- (a) a General Security Agreement dated November 14, 2022;
- (b) a Collateral Mortgage dated November 14, 2022; and
- (c) a General Assignment of Rents and Leases dated November 14, 2022:

(collectively, the “**Security**”)

As you are aware, Melodiol is in default of various covenants under the above-referenced Loan Trust Deed, including without limitation, failing to pay amounts when due, and was placed into administration proceedings in Australia on December 3, 2024. WA Insolvency Solutions was appointed as the administrator of Melodiol.

As a result of the foregoing, the Lender hereby demands immediate payment by Mernova of the Outstanding Obligations, plus accruing interest, expenses, and costs, including legal costs on a solicitor and own client (full-indemnity) basis pursuant to the terms of the Guarantee.

Be advised that if payment in the amount of the Outstanding Obligations, plus accruing interest, expenses, and costs, including legal costs on a solicitor and own client (full-indemnity) basis, is not delivered to our office in the form of a certified cheque or bank draft made payable to the Lender by no later than **12:00PM (Halifax Time) on April 15, 2025**, the Lender shall exercise all remedies against you as are available to it under the Guarantee and Security, as at law, and in equity.

This is a very serious matter. We trust that you will govern yourselves accordingly.

Yours truly,

**BRIANT NOMINEES PTY LTD., in its
capacity as Trustee and Security Agent**

Per: 

Name: Brian McMaster
Title: Authorized Signatory

FORM 86

Notice of Intention to Enforce a Security

To: Mernova Medicinal Inc., an insolvent person (the “**Debtor**”)

Take notice that:

1. Briant Nominees Pty Ltd. (the “**Lender**”), a secured creditor, intends to enforce its security on the property of the Debtor, as described below:
 - a. all of the Debtor’s present and after acquired personal property.
 - b. the real property of the Debtor with Parcel Identification Numbers 45018595 and 45395514 (the “**Real Property**”).
 - c. all rents and leases relating to the Real Property.
2. The security (the “**Security**”) that is to be enforced is the following:
 - a. General Security Agreement dated November 14, 2022;
 - b. Collateral Mortgage dated November 14, 2022; and
 - c. General Assignment of Rents and Leases dated November 14, 2022.
3. The total amount of indebtedness secured by the security is AUD\$1,644,737, plus costs of enforcement of security, plus interest at the rate outlined in the loan agreement(s).
4. The secured creditor will not have the right to enforce the security until after the expiry of the 10-day period after this notice is sent unless the insolvent person consents to an earlier enforcement.

Dated at Perth, Australia, this 28th day of March, 2025.

**BRIANT NOMINEES PTY LTD., in its
capacity as Trustee and Security Agent**

Per: 

Name: Brian McMaster

Title: Authorized Signatory

CONSENT AND WAIVER

THE UNDERSIGNED hereby:

1. Acknowledges receipt of the Notice of Intention to Enforce Security;
2. Waives the ten days of notice required under section 244 of the *Bankruptcy and Insolvency Act* (Canada); and
3. Consents to the immediate enforcement by the Lender of the Security referred to herein.

DATED this __ day of _____, 2025.

MERNOVA MEDICINAL INC

Per:

Name: Micheline MacKay
Title: Authorized Signatory

U

2025

Hfx No.

Attached is Exhibit "U" referred
to in the Affidavit of Micheline
MacKay sworn before me on
April 9, 2025



Signature

ASHA PELLY
A Barrister of the Supreme
Court of Nova Scotia

MELODIOL GLOBAL HEALTH LIMITED
ACN 609 406 911 (formerly, Creso Pharma Limited)
(Borrower)

and

LA PLATA CAPITAL LLC,
a Delaware limited liability company
(Lender)

THIRD AMENDED AND RESTATED CONVERTING LOAN DEED

THIS DEED is made the 4th day of September, 2023

BETWEEN

MELODIOL GLOBAL HEALTH LIMITED (ACN 609 406 911) (formerly Creso Pharma Limited) of Suite 5 CPC, 145 Stirling Highway, Nedlands WA 6009 (**Borrower**);

AND

LA PLATA CAPITAL LLC of 90 Madison Street, Suite 303, Denver, Colorado 80206 (**Lender**).

RECITALS

- A. On 17 January 2023, the Borrower and the Lender entered into a converting loan deed (Original Deed) pursuant to which the Lender made a loan available to the Borrower in the amount of US\$1,282,500.00.
- B. The Lender advanced the 17 January 2023 loan to Borrower.
- C. The Borrower assumed a further debt in the amount of US\$500,000.00 owing to the Lender by ABBY&FINN LLC ('ABBY&FINN'), being a 31.25% interest in the Lender's existing loan to ABBY&FINN via a participation agreement dated March 2, 2023.
- D. On 2 March 2023, the Borrower and the Lender entered into an amended and restated converting loan deed agreeing to amend and completely restate the Original Deed (Restated Deed) pursuant to which the Lender made an additional loan available to the Borrower in the amount of US\$500,000.00.
- E. On or about 14 June 2023, The Borrower assumed a further debt owing to the Lender in the amount of US\$900,000.00 owing to the Lender by ABBY&FINN, being the remaining 68.75% interest in the Lender's existing loan to ABBY&FINN via a participation and transfer agreement dated April 17, 2023 relative to the loan described in Schedule 1 and 2 of this Deed as the First Loan, and as consideration for these Lender accommodations.
- F. The Borrower has not timely made the June 2023 interest payments owed to Lender, and now wishes to modify its obligations to Lender pursuant to this Deed.
- G. The parties have agreed to amend the Restated Deed on the terms set out in this Deed and completely restate the Restated Deed on the terms set out in this Deed.

IT IS AGREED as follows:

1. DEFINITIONS AND INTERPRETATION

1.1. Definitions

In this Deed:

Administrator has the same meaning as in the Corporations Act.

Application Form means an application form for Convertible Notes substantially in the form set out in Schedule 3.

ASIC means the Australian Securities and Investments Commission.

ASIC Instrument means ASIC Instrument 2016/82.

ASX means ASX Limited (ACN 008 624 691) or the financial market operated by it as the context requires.

ASX Listing Rules means the official ASX Listing Rules of ASX from time to time with any modification or waivers in their application to the Company which ASX may grant.

Attorney means an attorney appointed under a Finance Document.

Auditor means the auditor or firm of auditors appointed from time to time by the Borrower as required by the Corporations Act.

Authorisation means:

- (a) any consent, registration, filing, agreement, notice of non-objection, notarisation, certificate, license, approval, permit, authority or exemption; or
- (b) in relation to anything which a Government Authority may prohibit or restrict within a specific period, the expiry of that period without intervention or action or notice of intended intervention or action.

Bank Account means the bank account of the Borrower, the details of which are below:

Bank:	Westpac
Name of Account:	Melodiol Global Health Limited
BSB:	036 406
Account Number:	290 137

Business Day means a day on which banks are open for general banking business in Perth, other than a Saturday or a Sunday or public holiday, and which is also a Business Day for the purposes of the ASX Listing Rules.

Certificate means a certificate issued by the Borrower in respect of a Convertible Note in the **form** in Schedule 4.

Collateral means the present and after acquired Property of Mernova including Mernova's personal property and the real property and improvements in respect of which the Security has been granted.

Borrower Default Notice has the meaning given in clause 10.1 of this Deed.

Conditions means the Convertible Note Conditions and the Loan Conditions (as applicable).

Constitution means the constitution of the Borrower.

Conversion Notice means the notice in substantially the same form as Schedule 5 which may be given by a Lender to the Borrower pursuant to Schedule 4, clause 4.

Conversion Option and **Convert** means the option conferred by Schedule 4, clause 4 on a Lender to convert all or part of the Convertible Notes held by the Lender into Shares and free attaching New Options.

Conversion Price means AUD\$0.05.

Conversion Rate means the rate set out in Schedule 4, clause 4.2.

Convertible Note or **Note** means a convertible note issued by the Borrower under this Deed and the Convertible Note Conditions which is outstanding.

Convertible Note Conditions means the terms and conditions applicable to Convertible Notes, including in Schedule 4 and as provided in the remainder of this Deed.

Corporations Act means the Corporations Act 2001 (Cth).

Date of Conversion means the date on which Shares and free attaching New Options are issued to a Lender in accordance with Schedule 4 clause 4.1.

Drawdown Date means the dates on which Loan is made or deemed to have been made by the Lender to the Borrower as set out in Schedule 1, or such other date agreed in writing by the Lender and the Borrower, subject to the terms of this Deed.

Deed and **this Deed** means the agreement constituted by this document and includes the recitals.

Duty means any transfer, transaction or registration duty or similar charge imposed by any Governmental Authority and includes any interest, fine, penalty, charge or other amount imposed in respect of any of them.

Encumbrance means an interest or power:

- (a) reserved in or over an interest in any asset, including any retention of title; or
- (b) created or otherwise arising in or over any interest in any asset under a security agreement, bill of sale, mortgage, charge, lien, pledge, trust or power or any other agreement having similar effect,

by way of, or having similar commercial effect to, security for the payment of a debt, any other monetary obligation or the performance of any other obligation and includes any agreement to grant or create any of the above, but does not include the Trustee Obligation.

Event of Default means an event set out in clause 9.

Event of Insolvency means:

- (a) a controller (as defined in section 9 of the Corporations Law), administrator, trustee or similar officer is appointed in respect of the Borrower or any property of the Borrower;
- (b) a liquidator or provisional liquidator is appointed in respect of the Borrower; or
- (c) the Borrower becomes, or admits in writing that it is, or is declared or deemed under any applicable law to be, insolvent or unable to pay its debts as and when they become due and payable.

Execution Date means the date of this Deed.

Finance Document means:

- (a) this Deed;
- (b) the Certificates (including the Convertible Note Conditions);
- (c) the Loan Confirmation Form (including the Loan Conditions);
- (d) the Security; and

any document or agreement entered into or given under (a) or (b) or (c) or (d) above.

Government Authority means any government or any governmental, semi-governmental, administrative, fiscal or judicial body, department, commission, authority, tribunal, agency or entity.

Group means the Borrower and its Subsidiaries and affiliated corporate entities.

Interest Rate means the rate of interest payable as set out in clause 2 of each Schedules 2 and 4.

Law means:

- (a) any law; or
- (b) any administrative guideline, directive, regulation, request or policy of any Government Authority whether or not having the force of law and, if not having the force of law, the observance of which is in accordance with the practice of responsible banks or financial institutions.

Liabilities means all liabilities and provisions including, without limitation, liabilities and provisions in respect of:

- (a) income and other taxes;
- (b) annual and long service leave of employees; and
- (c) dividends recommended, declared or accrued but unpaid.

Liquidation includes winding up, dissolution, deregistration, administration, amalgamation, receivership, assignment for the benefit of creditors, arrangement or compromise with creditors or bankruptcy.

Liquidator means the liquidator, provisional liquidator, trustee, administrator, manager, receiver, receiver and manager or other officer who is appointed to administer or implement the Liquidation.

Loan means the loan amounts set out in Schedule 2 which have been provided to the Borrower, or otherwise assumed by the Borrower, from or by the Lender in accordance with the terms of this Deed.

Loan Conditions means the terms and conditions applicable to Loans, including in Schedule 2 and as provided in the remainder of this Deed.

Loan Confirmation Form means a confirmation form for the advance of Loans substantially in the form set out in Schedule 1.

Loan Trust Deed means the loan trust deed dated 11 November 2022 between the Borrower and Briant Nominees PTY LTD ACN 080 130 007 ("Trustee").

Loan Obligations means all liabilities of the Borrower to the Lender, and of the Borrower to the Lender, under the Loans, including the Principal Amount Outstanding and fees and interest on the Principal Amount Outstanding (in accordance with Schedule 2, clause 2).

Material Adverse Change means any event or circumstances or series of events or circumstances which alone or together have a Material Adverse Effect.

Material Adverse Effect means an event which is reasonably likely to have a material adverse effect on:

- (a) the Borrower's ability to perform and comply with its obligations under this Deed or Lenders' rights and remedies under it;
- (b) the condition (financial or otherwise), operations, earnings, business, properties of the Borrower (or the Group, where applicable, taken as a whole); or
- (c) the validity or enforceability of any Finance Document

Maturity Date in relation to:

- (a) each Loan the first to occur of:
 - (i) Repayment Date; and
 - (ii) any earlier date on which the Borrower repays the Loan in accordance with the Loan Conditions, including, but not limited to, upon redemption of the Loan; and
- (b) each Convertible Note means the first to occur of:
 - (i) the Date of Conversion;
 - (ii) Repayment Date; and
 - (iii) any earlier date on which the Borrower repays the Convertible Note in accordance with the Convertible Note Conditions, including, but not limited to, upon redemption of the Convertible Note.

Mernova means Mernova Medicinal Inc. (a wholly owned subsidiary of the Borrower).

New Option means an option to acquire a Share exercisable at AUD\$0.08 each on or before 31 January 2027.

Notice of Dispute has the meaning given to it in clause 16.1.

Notice Period has the meaning given to it in clause 16.2.

Outstanding Moneys means the Principal Amount Outstanding and any fees and interest payable on the Loans (in accordance with Schedule 2, clause 2) and the Convertible Notes (in accordance with Schedule 4, clause 2) and any other moneys payable to the Lender (including damages) under or in respect of this Deed, the Loans or the Convertible Notes and, in relation to a Lender, means that portion of those moneys which is owing to that Lender.

Party means a party to this Deed.

Principal Amount Outstanding means the principal amount outstanding from time to time under the Loans and the Convertible Notes.

Property means all property and assets from time to time of Mernova.

Receiver means a receiver or receiver and manager appointed under the Security.

Redemption Amount means the face value of the Loans and/or Convertible Notes (where applicable) plus fees and interest which have accrued but which have not become due, plus unpaid fees and interest up to the Date of Redemption of the Loans and/or Convertible Notes, in accordance with Schedule 2 clause 3 or Schedule 4, clause 3.

Redemption Notice means the notice which may be given by a Lender under clause 9.

Register means a register of holders of Loans or Convertible Notes (as applicable) established and maintained in Perth under clause 12, Schedule 2, clause 1.4 and Schedule 4, clause 1.5.

Related Body Corporate has the meaning given to it in the Corporations Act.

Repayment Date means the Maturity Date that is set forth in the Loan Confirmation Form.

Rules has the meaning given to it in clause 16.2.

Security means a general security and property mortgage granted over the land and buildings of Mernova's Cannabis Cultivation Facility located in Nova Scotia, Canada (but for clarity, Security will be subordinate to any Convertible Notes issued up to a maximum amount of AUD\$5 million relating to the Trustee Obligation and will be second highest ranking a) Security of the Borrower, and b) Encumbrance against the personal property of Mernova and the land and Facility described in this paragraph, subject only to the mortgage granted to the Trustee for the benefit of the Lenders under the Loan Trust Deed dated November 11, 2022 between Borrower and Trustee).

Share means a fully paid ordinary share in the capital of the Borrower. Shareholder means holder of Shares.

Subsidiaries has the meaning given to it in the Corporations Act.

Trustee means Briant Nominees Pty Ltd (ACN 080 130 007).

Trustee Obligation means the obligation owed to the Trustee and various lenders under the Loan Trust Deed pursuant to which the Borrower has granted a general security and property mortgage over the land and buildings of Mernova's Cannabis Cultivation Facility located in Nova Scotia, Canada, until such time as the monies owed under the Loan Trust Deed are paid in full.

1.2. Interpretation

In this Deed:

- (a) headings are for convenience only and do not affect its interpretation;
- (b) no provision of this Deed will be construed adversely to a Party because that Party was responsible for the preparation of this Deed or that provision;
- (c) specifying anything after the words "include" or "for example" or similar expressions does not limit what else is included;

and, unless the context otherwise requires:

- (a) an obligation or liability assumed by, or a right conferred on, two or more parties binds or benefits all of them jointly and each of them severally;

- (b) the expression person includes an individual, the estate of an individual, a corporation, an authority, an association or joint venture (whether incorporated or unincorporated), a partnership and a trust;
- (c) a reference to any Party includes that Party's executors, administrators, successors and permitted assigns, including any person taking by way of novation;
- (d) a reference to a body, other than a Party to this Deed whether statutory or not:
 - (i) which ceases to exist; or
 - (ii) whose powers or functions are transferred to another body,is a reference to the body which replaces it or substantially succeed its powers or functions;
- (e) a reference to any document (including this Deed) is to that document as varied, novated, ratified or replaced from time to time;
- (f) a reference to any statute or to any statutory provision includes any statutory modification or re-enactment of it or any statutory provision substituted for it, and all ordinances, by-laws, regulations, rules and statutory instruments (however described) issued under it;
- (g) words importing the singular include the plural (and vice versa) and words indicating a gender include every other gender;
- (h) references to parties, clauses, schedules, exhibits or annexures are references to parties, clauses, schedules, exhibits and annexures to or of this Deed and a reference to this Deed includes any schedule, exhibit or annexure to this Deed;
- (i) where a word or phrase is given a defined meaning, any other part of speech or grammatical form of that word or phrase has a corresponding meaning;
- (j) a reference to time is to Western Standard Time as observed in Perth, Western Australia;
- (k) if a period of time is specified and dates from a given day or the day of an event, it is to be calculated exclusive of that day;
- (l) a reference to a day is to be interpreted as the period of time commencing at midnight and ending 24 hours later;
- (m) if an act prescribed under this Deed to be done by a Party on or by a given day is done after 5.00pm on that day, it is taken to be done on the next day;
- (n) where an action is required to be undertaken on a day that is not a Business Day it shall be undertaken on the next Business Day;

- (o) a reference to a payment is to a payment by bank cheque or such other form of cleared funds the recipient otherwise allows in the relevant lawful currency specified;
 - (p) a reference to \$ or **dollar** is to the lawful currency of the United States of America;
 - (q) a reference to AUD\$ or A\$ is to the lawful currency of the Commonwealth of Australia;
 - (r) if any currency conversion shall be required in connection with this Deed, such conversion shall be made using the exchange rate for conversion of the foreign currency into U.S. Dollars, quoted by the Reserve Bank of Australia on its website <https://www.rba.gov.au/statistics/frequency/exchange-rates.html> on the Business Day prior to the date on which the currency conversion calculation is to be made; and
 - (s) a reference to a Party using or an obligation on a Party to use reasonable endeavours or its best endeavours does not oblige that Party to:
 - (i) pay money:
 - (A) in the form of an inducement or consideration to a third Party to procure something (other than the payment of immaterial expenses or costs, including costs of advisers, to procure the relevant thing); or
 - (B) in circumstances that are commercially onerous or unreasonable in the context of this Deed;
 - (ii) provide other valuable consideration to or for the benefit of any person; or
 - (iii) agree to commercially onerous or unreasonable conditions.
-

2. LOAN

2.1. Loans

The Borrower, or its affiliate, has and may from time to time drawn down on the Loan set out in the Loan Confirmation Form (submitted by the Lender) together with the Principal Amount Outstanding (currently, \$1,282,500.00 U. S. Dollars deemed to be advanced on January 17, 2023, a further \$500,000 U.S. Dollars deemed to be advanced on the March 2, 2023, and an additional \$900,000 U.S. Dollars deemed to be advanced on June 14, 2023, not exceeding the Loan in accordance with and subject to this Deed.

2.2. Conditions of Issue

The terms of the Loan will be in accordance with the Loan Conditions.

2.3. Loan Conditions and this Deed binding

This Deed including the Loan Conditions will be binding on the Borrower and the Lender.

3. CONDITIONS PRECEDENT TO THE LOANS**3.1. Conditions precedent**

The Borrower is obligated to comply with, and Lender is entitled to confirm that it is satisfied that each of the following conditions precedent has been satisfied (or the Lender is otherwise prepared to waive the conditions precedent):

- (a) no Material Adverse Change having occurred to the Borrower;
- (b) all consents or approvals from third party required for the Borrower to grant the Security has been obtained; and
- (c) the execution of the relevant documents for the grant of Security by each of Mernova and the Lender and the delivery of the Security documentation to the Lender in accordance with clause 6.1.

3.2. Benefit of conditions

- (a) The conditions precedent set out above are for the benefit of the Lender and may only be waived by notice in writing to the Borrower from the Lender, in its absolute discretion.
- (b) The parties agree that such conditions precedent cannot be waived to the extent such waiver would comprise a breach of Law or the ASX Listing Rules, as applicable.

3.3. Best Efforts

The Borrower must use its best efforts and co-operate with the Lender to procure the satisfaction of the conditions precedent set out in clause 3.1 in a timely manner.

4. CONDITIONS PRECEDENT TO THE CONVERTIBLE NOTES**4.1. Conditions precedent**

The Lender is not entitled to subscribe for the Convertible Notes and the Borrower must not issue the Convertible Notes unless and until each of the following conditions precedent has been satisfied:

- (a) the Borrower has made an offer to the Lender, inviting the Lender to subscribe for Convertible Notes on the terms and conditions set out in Schedule 4; and
- (b) the Borrower has obtained Shareholder approval for the purposes of ASX Listing Rule 7.1, for the issue of the Convertible Notes (and Shares and New Options on

conversion of the Convertible Notes) to the Lender or their nominees on conversion.

4.2. Benefit of conditions

- (a) The conditions precedent in clause 4.1 cannot be waived.
 - (b) For the avoidance of doubt, if the conditions precedent in clause 4.1 are not satisfied on or before 5:00pm (WST) on 30 September 2023 (or such later date as the Lender may agree):
 - (i) the Borrower will not make an offer to the Lenders to subscribe for Notes in replacement of the Loan; and
-
- (ii) the Loan Conditions will continue to apply to the Outstanding Moneys.

5. CONVERTIBLE NOTES

5.1. Issue of Convertible Notes

Subject to clause 4.1, the Borrower will issue Convertible Notes to the Lender who submit duly completed Application Forms in respect of the Lender's Principal Amount Outstanding.

5.2. Conditions of issue

Each Convertible Note will be issued subject to the Convertible Note Conditions.

5.3. Convertible Note Conditions and this Deed binding

This Deed including the Convertible Note Conditions will be binding on the Borrower and the Lender.

5.4. Validity of Convertible Notes

Each Convertible Note issued for valuable consideration will be deemed to have been validly issued and constituted under this Deed and entitled to the benefit of the provisions of this Deed and the Convertible Note Conditions, notwithstanding that it may subsequently be determined that the issue of such Convertible Note was in breach of any provision of this Deed or the Convertible Note Conditions.

5.5. Registration of Convertible Notes

- (a) The Borrower will issue Certificates in respect of the Convertible Notes. The Borrower (or its share registry) will provide Lenders with a statement that sets out the number of Convertible Notes issued to a Lender.
- (b) When Convertible Notes are issued to a Lender the Borrower will include in the Register the particulars required by clause 12.

5.6. Equal ranking

All Convertible Notes will rank equally.

5.7. Fees relating to issue of Convertible Notes

The Borrower may pay to any person a commission, brokerage or procuration or other fees in relation to the issue or purchase of Convertible Notes (including, without limitation, for underwriting the issue or purchase of Convertible Notes).

5.8. Purchase by Borrower

The Borrower may from time to time and in accordance with the Convertible Note Conditions purchase issued Convertible Notes by private treaty and may cancel or re-issue any of those Convertible Notes so purchased subject to any necessary Shareholder or regulatory approvals.

6. SECURITY

6.1. Grant of Security

- (a) Subject to clause 6.1(b), the repayment of (among other things) each and every amount now or at any time in the future owed or owing to the Lender in respect of the Loans and/or the Convertible Notes (including the Lenders' fees and interest pursuant to Schedule 2, clause 2 and Schedule 4, clause 2) will be secured by the Security encumbering the Collateral.
- (b) The Security has been delivered to the Lender , and remains in full force and effect securing all amounts due to Lender hereunder.

7. PAYMENT ON LOANS OR CONVERTIBLE NOTES

7.1. Payment of Outstanding Moneys

Subject to the Conditions, the Borrower must make payment of the Principal Amount Outstanding and interest (pursuant to Schedule 2, clause 2 and Schedule 4, clause 2) in respect of the Loan or Convertible Notes to the Lender directly as and when due in accordance with this Deed. If a promissory note is not issued memorializing the Loan, this Deed shall serve as the original evidence of indebtedness with the same validity and enforceability as a promissory note, in addition to the other rights and obligations hereunder.

8. OBLIGATIONS OF BORROWER

8.1. Notice of default

The Borrower must notify the Lender in writing of the occurrence of any Event of Default immediately upon becoming aware of the same, in each case stating what action it is taking

to cure the default and procure its directors to notify the Lender immediately they are aware that any condition of this Deed (including any condition precedent in clause 4.1) or the Conditions cannot be fulfilled or has been breached.

8.2. Details of Security

The Borrower undertakes to the Lender that it will not permit Mernova to create or allow to exist a charge or any other Encumbrance, other than the Security, on the whole or any part of its present or future Property without the prior written consent of the Lender.

8.3. Disposal of Collateral

The Borrower undertakes to the Lender that it will procure that Mernova will not dispose of (or agree to dispose of) any of the Collateral (either in a single transaction or in a series of transactions whether related or not and whether voluntary or involuntary) except disposals made to pay Lender in full under the Loans or with the consent of the Lender, which consent must not be unreasonably withheld.

8.4. Representations and Warranties

The Borrower represents and warrants to the Lender that subject to the satisfaction of the conditions in clauses 3.13.1(b) and 3.1(c):

- (a) **status:** it is duly incorporated in its place of incorporation and is validly existing under the laws of that jurisdiction with power to own its assets and carry on its business;
- (b) **corporate authority:** it has taken all necessary action to authorise the execution, delivery and performance of the Finance Documents;
- (c) **documents binding:** the Finance Documents constitute legal, valid and binding obligations enforceable against it in accordance with their terms;
- (d) **transactions permitted:** the execution, delivery and performance of the Finance Documents did not and will not:
 - (i) contravene its constitution, any law, Authorisation, agreement or obligation binding upon it or applicable to its assets or revenues;
 - (ii) cause any limitation on its powers or the powers of its directors to be exceeded;
 - (iii) result in the creation of any security interest over any of its assets or revenues (other than the Security);
 - (iv) result in the acceleration or cancellation of any agreement or obligation in respect of its indebtedness; or

- (v) involve any act, matter or thing which constitutes (or which would, with the giving of notice, the passage of time or the fulfillment of any other condition, constitute) an event of default or prepayment, cancellation or similar event under any agreement or obligation relating to its indebtedness;
- (e) **Authorisations:** all Authorisations necessary or advisable from any person for or in connection with the execution, delivery and performance by it and the validity and enforceability against it of the Finance Documents have been obtained and are in full force and effect and it is not necessary in order to ensure the validity, enforceability or admissibility in evidence of the Finance Documents in any relevant jurisdiction that the Finance Documents or any other document be filed or registered with any person or stamped;
- (f) **accuracy of information:** all information given to the Lender by or with its authority in connection with the Finance Documents, at the time it was given, was true and correct in all material respects and if the information was given prior to the date of this Deed, at the date of this Deed, or, if the information was given later, when provided, in the light of the circumstances subsisting at the time and all expressions of expectation, intention belief and opinion contained in that information were given honestly and on reasonable grounds after due and careful enquiry;
- (g) **no litigation:** no proceeding or other procedure for the resolution of disputes is currently taking place, pending or, to the best of the Borrower's knowledge, threatened against the Borrower or the business, assets or revenues of the Borrower;
- (h) **other default:** it is not in default in any material respect under any law, Authorisation, agreement or obligation binding upon it or applicable to its business, assets or revenues;
- (i) **Accounts:** the most recent financial statements of the Borrower for the time being were prepared in accordance with applicable accounting standards and show a true and fair view of the financial position of the Borrower as at the end of, and the results of its operations for, the financial period to which they relate and the Borrower has no indebtedness or other Liabilities which have not been disclosed in those financial statements;
- (j) **not a trustee:** it is not the trustee of any trust;
- (k) **no immunity:** neither the Borrower nor any of its assets or revenues have any immunity from jurisdiction, suit, execution, attachment or other legal process in any jurisdiction in which its assets are located or business is carried on;
- (l) **completeness:** there is no fact known to it which has not been disclosed in writing by it to the Lender or as otherwise disclosed by the Borrower to ASX, which materially and adversely affects it; and

- (m) **Event of Default:** no Event of Default has occurred which has not been remedied or waived in writing.

8.5. Repetition of Representations and Warranties

The representation and warranties in, or given under, this Deed including, but not limited to clause 8.4 survive the execution of this Deed.

9. COVENANTS BY COMPANY

The Borrower hereby covenants with the Lender that it will comply with the following covenants.

9.1. Conduct of business

The Borrower will carry on and conduct the business of the Borrower in a proper and efficient manner and will procure that each of its Subsidiaries will carry on and conduct their businesses in a proper and efficient manner.

9.2. Use of Principal Amount Outstanding

The Borrower agrees that it may use the Principal Amount Outstanding only for the purposes permitted in writing by the Lender and for no other purposes.

9.3. Finance Documents

The Borrower will comply with, perform and observe all its obligations under the Finance Documents.

9.4. Negative Undertaking

- (a) Subject to the Trust Loan Deed only, the Borrower must procure that Mernova will not, prior to the repayment or conversion of the Loans and/or Convertible Notes (whichever is applicable) and prior to repayment of all amounts payable to the Lenders and Trustee pursuant to the Finance Documents:
 - (i) create, permit, suffer to exist, or agree to, any interest or additional Encumbrance over the Property or any Collateral (other than pursuant to the Finance Documents);
 - (ii) undertake any consolidation or re-classification of its Securities;
 - (iii) declare or pay dividends in relation to its Securities or undertake any distribution of capital other than in the context of a scheme of arrangement;
 - (iv) issue shares or other Securities, without the approval of the Lender, or as permitted by this Deed or in accordance with clause 9.4(b);

- (v) acquire, or dispose of, any Property which alone or in aggregate has a value in excess of \$1,000,000; or
 - (vi) make any material amendment to any employment agreements or increase the remuneration of any directors or officers or employees of Mernova, unless such amendments or increases are commercially reasonable in the circumstances in which they are made and are not made to a person that is a director or officer of the Borrower.
- (b) The Borrower and Mernova may, prior to the repayment or the conversion of the Convertible Notes (whichever is applicable), issue shares or other Securities provided that:
- (i) the proposed issue is to be undertaken on reasonable commercial arm's length terms having regard to the market price of the Shares and the funding requirements of the Group and its business; and
 - (ii) any Securities proposed to be issued are equity securities which will be subordinated to the Convertible Notes in the event of a winding up or administration of the Borrower or any member of the Group.

10. EVENTS OF DEFAULT

10.1. Events

Each of the following events is an Event of Default:

- (a) **(unremedied default in payment)** if the Borrower fails to make payment of any Outstanding Moneys in respect of the Loans or Convertible Notes in accordance with the Conditions within five (5) Business Days of the relevant due date for payment and the default has not been remedied to the satisfaction of the Lender within a further five (5) Business Days (provided the Lender has given the Borrower at least two (2) Business Days written notice of the default);
- (b) **(unremedied material breach)** if either the Borrower or Mernova (as applicable) commit a breach of a representation, covenant, condition or obligation imposed on it by any Finance Document or the Conditions (other than a failure to pay any Outstanding Moneys) and, if that breach is capable of remedy, that breach has not been remedied to the satisfaction of the Lender within five (5) Business Days of the Borrower receiving notice of the breach from the Lender requiring that breach to be remedied;
- (c) **(winding up)** if an order is made or a resolution is effectively passed (and is not set aside or withdrawn within fifteen (15) Business Days) for the winding up of the Borrower except for the purposes of a reconstruction or amalgamation with the prior written consent of the Lender (such consent not to be unreasonably withheld);

- (d) **(liquidation)** if the Borrower enters Liquidation provided that the Liquidator does not retire or is not removed within ten (10) Business Days after the date of appointment;
- (e) **(material change in Constitution)** the Borrower makes a material change to its Constitution without the consent of the Lender (which consent must not be unreasonably withheld);
- (f) **(failure to perfect)** the security interest granted to Lender is not properly perfected, does not result in a second priority lien position against the Collateral, or is otherwise defective; and
- (g) **(event of default)** if an event of default occurs under another Finance Document.

The Borrower must notify the Lender of the occurrence of an Event of Default within two (2) Business Days of its occurrence (**Borrower Default Notice**).

10.2. Action upon an Event of Default

- (a) The Lender will be entitled where an Event of Default has occurred:
 - (i) to commence proceedings for the winding up of the Borrower but the proceeds of any such enforcement action must be dealt with in accordance with clause 10.4;
 - (A) to issue Redemption Notices requiring the Borrower to repay the Loans or redeem the Convertible Notes provided that the Lender has first given the Borrower notice of the Event of Default and the Borrower has not remedied the Event of Default within ten (10) days of receipt of the Lender's notice;
 - (ii) to take other action relating to enforcement of:
 - (A) payment of Outstanding Moneys to Lenders; or
 - (B) any Finance Document, including enforcement of Lender's lien or Security against the Collateral;
 - (iii) to prove in any Liquidation of the Borrower (irrespective of when that Liquidation is commenced) subject to this Deed, and in particular to the provisions set out in clause 10.4; and.
 - (iv) the prevailing party in any action referenced above shall be entitled to recover its attorneys' fees and costs.

10.3. No enforcement

Whether or not an Event of Default has occurred, no Lenders may demand, plead or seek to enforce, directly or indirectly, including by way of set off or counterclaim, or in any other manner, the payment of any obligations of the Borrower in respect of the Loans, Convertible Notes or the Finance Documents other than as provided for in this clause 9.

10.4. Liquidation

Upon the Borrower entering Liquidation the Loan or if converted to a Convertible Note, each Convertible Note will be due to be redeemed for an amount equal to the Redemption Amount of the Loan or Convertible Note calculated at the date of the Borrower entering Liquidation.

11. CONFIDENTIALITY

This Deed shall be kept confidential by the Parties except if such information:

- (a) is or becomes available to the public (but not as a result of authorised disclosure into the public domain of such information by the party receiving the information);
- (b) is required to be disclosed by applicable law or stock exchange rules or regulations; or
- (c) is made available by any party to its legal or financial advisers in connection with any transaction contemplated herein and that such legal or financial adviser is bound by confidentiality obligations similar to those set out in this clause.

12. REGISTER OF LENDERS

12.1. Maintenance of Register

The Borrower must establish and maintain or cause to be established and maintained a Register in accordance with section 168 of the Corporations Act and there must be entered into the Register all information required by section 171 of the Corporations Act.

12.2. Alteration of Register

The Register will be altered accordingly on receipt of details of any change of name or address of Lender notified in writing to the Borrower and accompanied in the case of change of name by any evidence which the Borrower may reasonably require.

12.3. Register to be kept open

Subject to clause 12.4 and to any instrument of exemption granted by the ASIC to the Borrower from the provisions of section 168 of the Corporations Act ("Instrument of Exemption") the Register will remain open at all reasonable times during normal business hours for inspection by the Lender or any person authorised in writing by either of them. Upon requisition from the Lender, the Borrower must provide the Lender within 14 days with a document setting out that Lender's registry entry in the Register (a **Lender**

Statement). This Deed constitutes an acknowledgment of indebtedness in respect of all the outstanding Loans and/or Convertible Notes on issue at any time. A Lender Statement does not constitute a certificate of title or an acknowledgment of debt.

12.4. Closure of Register

On giving a notice by advertisement or otherwise as may be required by Law the Borrower may from time to time close any Register for any period or periods not exceeding 30 days in aggregate in any calendar year.

12.5. No trust

No notice of any trust express implied or constructive will be entered in any Register.

12.6. Compliance with conditions

The Borrower agrees to comply with all conditions relating to the Registers which may be imposed on it under the terms of any Instrument of Exemption granted to it.

12.7. Delegation

The Borrower may delegate any of its powers and obligations in respect of the Registers.

13. NOTICES

13.1. Requirements for Notice

Each notice authorised or required to be given to a Party shall be in writing and may be delivered personally or sent by properly addressed and prepaid mail or email in each case addressed to the Party at its address set out in clause 13.2, or as the case may be to such other address as it may from time to time notify to the other Parties pursuant to clause 13.3.

13.2. Address of Parties

The initial address of the Parties shall be as follows:

In the case of the Borrower:

Address: Suite 5 CPC, 145 Stirling Highway, Nedlands WA 6009
Email: winton@azc.com.au
Attention: Winton Willesee, Joint Company Secretary

In the case of the Lender:

Address: 90 Madison Street, Suite 303
Denver, Colorado 80206 U.S.A.
Email: Geoff@laplata.capital
Attention: Geoff Long, President

13.3. Change of Address

Each Party may from time to time change its address by giving notice pursuant to clause 13.1 to the other Parties.

13.4. Receipt of Notice

Any notice given pursuant to clause 13.1 will be conclusively deemed to have been received:

- (a) in the case of personal delivery, on the actual day of delivery if delivered prior to 5 pm (Perth time) on a Business Day or on the next following Business Day if delivered after 5 pm (Perth time) on a Business Day or on a day other than a Business Day;
- (b) if sent by mail, on the second clear Business Day after the day of posting; or
- (c) if sent by email, when a delivery confirmation report is received by the sender which records the time that the e-mail was delivered to the addressee's e-mail address (unless the sender receives a delivery failure notification indicating that the e-mail has not been delivered to the addressee),

but if the delivery or receipt is on a day that is not a Business Day or is after 5:00 pm (addressee's time) it is regarded as received at 9:00 am on the following Business Day.

14. FURTHER ASSURANCE

Each Party shall sign, execute and do all deeds, acts, documents and things as may reasonably be required by the other Party to effectively carry out and give effect to the terms and intentions of this Deed.

15. GOVERNING LAW

This Deed shall be governed by and construed in accordance with the law from time to time in the State of Western Australia and the Parties agree to submit to the non-exclusive jurisdiction of the courts of Western Australia and the courts which hear appeals therefrom.

16. DISPUTE RESOLUTION

16.1. Notice of Dispute

If a dispute arises in connection with this document, a Party to the dispute must give to the other party a dispute notice specifying the dispute and requiring its resolution under this clause 16 (**Notice of Dispute**).

16.2. Failure to resolve dispute

If the dispute the subject of the Notice of Dispute is not resolved within seven (7) days of the Notice of Dispute being given to the other Party (**Notice Period**), the dispute is, by

reason of this clause, submitted to mediation. The mediation must be conducted in Perth, Western Australia. The Mediation Rules (dated 8 September 2016) (**Rules**) apply to the mediation to the extent that such Rules do not conflict with this clause 16.

16.3. Appointment of mediator

If the Parties have not agreed upon the mediator and/or the mediator's remuneration within seven (7) days after the Notice Period expires, then, to the extent that there is no agreement between the Parties:

- (a) the mediator will be the person appointed by; and
- (b) the remuneration of the mediator will be the amount or rate determined by, the Resolution Institute.

16.4. Referral to Court

If a dispute the subject of a Notice of Dispute is not settled by mediation within twenty-eight (28) days of the date of appointment of the mediator, a Party may then, but not earlier, commence proceedings in any court of competent jurisdiction.

16.5. Injunctive declaratory or other interlocutory relief

Nothing in this clause 16 prevents a Party from obtaining injunctive, declaratory or other interlocutory relief from any court of competent jurisdiction at any time.

17. VARIATION

No modification or alteration of the terms of this Deed shall be binding unless made in writing dated subsequent to the date of this Deed and duly executed by the Parties.

18. COSTS

18.1. Duty

All Duty assessed on or in respect of this Deed shall be paid by the Lender.

18.2. Legal costs

Each Party shall bear their own legal costs of and incidental to the preparation, negotiation and execution of this Deed.

19. MISCELLANEOUS

19.1. Assignment

No Party may assign any right or obligation under this Deed without the prior written consent of the other Party.

19.2. Severance

If any provision of this Deed is invalid and not enforceable in accordance with its terms, all other provisions which are self-sustaining and capable of separate enforcement without regard to the invalid provision, shall be and continue to be valid and forceful in accordance with their terms.

19.3. Waiver

Without limiting any other provision of this Deed, the parties agree that:

- (a) failure to exercise or enforce, or a delay in exercising or enforcing, or the partial exercise or enforcement of, a right, power or remedy provided by law or under this Deed by a party does not preclude, or operate as a waiver of, the exercise or enforcement, or further exercise or enforcement, of that or any other right, power or remedy provided by law or under this Deed;
- (b) a waiver given by a party under this Deed is only effective and binding on that party if it is given or confirmed in writing by that party; and
- (c) no waiver of a breach of a term of this Deed operates as a waiver of another breach of that term or of a breach of any other term of this Deed.

19.4. No merger

The rights and obligations of the parties under this Deed do not merge on completion of any transaction contemplated by this Deed.

19.5. Enurement

The provisions of this Deed will enure for the benefit of and be binding on the parties and their respective successors and permitted substitutes and assigns and (where applicable) legal personal representatives.

19.6. Entire agreement

This Deed shall constitute the sole understanding of the Parties with respect to the subject matter and replaces all other agreements with respect thereto.

19.7. Counterparts

This Deed may be executed in any number of counterparts (including by way of facsimile) each of which shall be deemed for all purposes to be an original and all such counterparts taken together shall be deemed to constitute one and the same instrument.

19.8. Time

Time shall be of the essence in this Deed in all respects

SCHEDULE 1 – LOAN CONFIRMATION FORM

MELODIOL GLOBAL HEALTH LIMITED
ACN 609 406 911
(Borrower)

LOAN CONFIRMATION FORM

TO: The Directors
Melodiol Global Health Limited

La Plata Capital LLC (**the Lender**) is deemed to have advanced \$1,282,500.00 U.S. Dollars to the Borrower on January 17, 2023, a further \$500,000 U.S. Dollars to the Borrower on March 2, 2023, and an additional \$900,000 U.S. Dollars to the Borrower on June 14, 2023 (together, the **Principal**), and Borrower acknowledges receipt of the same:

Face Value of Loan:

First Loan: \$1,282,500 U. S. Dollars; Maturity Date: June 2, 2024.

Second Loan: \$500,000 U.S. Dollars; Maturity Date: June 2, 2024.

Third Loan: \$900,000 U.S. Dollars; Maturity Date: June 2, 2024.

Total Loan subject to the Deed: \$2,682,500 U.S. Dollars.

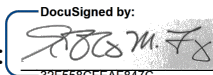
For the avoidance of doubt, concurrent to the execution of this document, Lender and Borrower executed a Loan Modification Agreement which alters the interest schedule of the First Loan, Second Loan and Third Loan, the payment terms of which are incorporated herein by this reference.

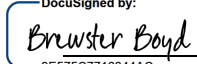
The Lender covenants in favour of the Borrower that it will be bound by the Constitution of the Borrower and the terms and conditions of the Loans and other terms as provided for under the Third Amended and Restated Converting Loan Deed entered into between the Borrower and the Lender on or about September 4, 2023.

As agreed, the Borrower will, subject to obtaining shareholder approval in general meeting, issue to the Lender (or its nominee) 37,037 New Options for every \$2,500 that the Lender loans to the Borrower.

The Lender confirms that any subscription for Convertible Notes and application of the Principal to such a subscription of Convertible Notes is subject to and conditional upon the Borrower making an offer to the Lender to subscribe for Convertible Notes and the Borrower obtaining Shareholder approval (at the Borrower's general meeting to be held in September 2023) for the purposes of ASX Listing Rule 7.1. Accordingly, until those conditions are obtained the Loans are simply considered secured loans. The Lenders will need to subscribe for Convertible Notes formally (subject to applicable conditions) for the Principal to become convertible.

DATED: _____

SIGNED by: 
32E558CFEAF847C
Geoff Long, President of La Plata Capital LLC
in the presence of:

DocuSigned by:

9E575G7716344AC...
Signature of Witness

Name of witness (print)

SCHEDULE 2 – LOAN CONFIRMATION FORM

Loan Confirmation

Melodiol Global Health Limited (ACN 609 406 911)
(the **Borrower**)

THIS IS TO CERTIFY that La Plata Capital LLC (**Lender**) is the registered lender of the loan specified below which was advanced prior to the execution of this Confirmation (**Loan**).

The Loan confers on the Lender the rights, power and privileges and shall be subject to the terms and conditions as set out in the document titled Third Amended and Restated Converting Loan Deed dated September 4, 2023 between the Borrower and the Lender (the **Deed**). Except where otherwise specified, terms defined in the Deed have the same meaning in this document.

Borrower has obtained all approvals, authorizations and consents as may be required for the Loan from Lender to be enforceable and secured by the Collateral, pursuant to the terms set forth herein.

By advancing the funds for the Loan, the registered holder is taken to have agreed to be bound by the Deed.

Face Value of Loan:

First Loan: \$1,282,500 U. S. Dollars; Maturity Date: June 2, 2024.

Second Loan: \$500,000 U.S. Dollars; Maturity Date: June 2, 2024.

Third Loan: \$900,000 U.S. Dollars; Maturity Date: June 2, 2024.

Total Loan subject to the Deed: \$2,682,500 U.S. Dollars

For the avoidance of doubt, concurrent to the execution of this document, Lender and Borrower will execute a Loan Modification Agreement which alters the interest schedule of the First Loan, Second Loan and Third Loan, the payment terms of which are incorporated herein by this reference.

DATED: September 4, 2023

EXECUTED AS A DEED by)
MELODIOL GLOBAL HEALTH LIMITED)
CAN 609 406 911)
In accordance with section 127 of the)
Corporations Act 2001 (Cth):)

DocuSigned by:

Will Lay

89EEC54D03E441A...

Signature of director

Name of director

DocuSigned by:

E Dawson

DD4EB093220745B...

Signature of director/company
secretary*
(*please delete as applicable)

Signature of director/company
secretary*
(*please delete as applicable)

1. THE LOANS

1.1. Terms

The Loan will:

- (a) bear fees and interest as set out in Schedule 2, clause 2,
- (b) be convertible, into Notes, subject to conditions as provided in Schedule 2, clause 4; and
- (c) where the Loan has not been replaced through the issue of Convertible Notes, be redeemed in accordance with Schedule 2, clause 3.

1.2. Security

The Loans will be secured by the Collateral encumbering the Security in accordance with the terms of the Deed, including without limitation the provisions of clause 6 of the Deed.

1.3. Withholding Tax

- (a) All payments or credits to, or to the account of the Lender (including payment of, and credits in respect of their fees and interest) will be made net of any tax in respect thereof required by law to be withheld, deducted or paid by the Borrower except to the extent that the Borrower is satisfied that the Lender is exempt from any such tax or is a person in respect of whom any such withholding, deduction or payment is not required to be made. Any Lender claiming any such exemption or to be such a person will provide the Borrower with such evidence as the Borrower may from time to time require to satisfy itself as to the validity of such claim.
- (b) The Borrower may make any deduction or withholding from any amount payable to the Lender in respect of the Loan for or on account of withholding or other tax required by law to be deducted or withheld, and, where any such deduction or withholding has been made and the amount thereof accounted for by the Borrower to the Commissioner of Taxation or other appropriate taxing authority and the balance of the amount payable has been paid to the Lender concerned, the full amount payable to such Lender will be deemed to have been duly paid and satisfied by the Borrower.

1.4. Entry in Loan Register

The Borrower must ensure that each Lender's details are entered in the loan register.

2. INTEREST

- (a) The Borrower agrees to pay the Lender interest payments equal to (i) 30% per annum on the Principal Amount Outstanding of the First Loan and (ii) 30% per annum on the Principal Amount Outstanding on the Second Loan and the Third

Loan (with 50% of this interest payment being made on each interest payment date and 50% on maturity).

- (b) Interest is payable on the Principal Amount Outstanding with respect to a Loan from the date of the Loan until repaid or, where Convertible Notes are applied for to replace the Loan, the date that the Convertible Notes are issued at the rate set out in clause 2(a) above, accruing daily from the subscription date and computed on a daily basis on a year of 365 days.
- (c) Where Convertible Notes are issued the unpaid interest for the relevant month becomes repayable in accordance with the Convertible Note Conditions as if the Convertible Notes had been on issue since the beginning of the relevant month.
- (d) The interest payments will be made pursuant to the Loan Modification Agreement.
- (e) The Lender agrees that the fixed interest payment payable by the Borrower under Schedule 2, clause 2(a) will, at the Borrower's election, be satisfied through payment of the interest component in cash.

3. REDEMPTION

3.1. Redemption

Subject to Schedule 2, clauses 4 and 5 the Loan will be redeemed on the first to occur of the following:

- (a) the receipt by the Borrower of a Redemption Notice in respect of the Loan as a result of the exercise by the Lender under clause 10.2 of the Deed; or
- (b) on the Maturity Date, if the Lender does not subscribe for Convertible Notes for whatever reason on or around 30 September 2023.

3.2. Timing of redemption

Subject to Schedule 2, clauses 4 and 5, a Loan will be repaid

- (a) in the event of the occurrence of an event in accordance with Schedule 2, clause 3.1(a) within 10 Business Days after that event; or
- (b) in the event that the Lender does not subscribe for Convertible Notes for whatever reason on or around 30 September 2023, on the Maturity Date,

and the Borrower will deliver to the Lender a cheque or draft or by electronic transfer in favour of the Lender or such other person as the Lender will have directed the Borrower in writing, for the Redemption Amount (including the amount of any accrued but unpaid fees and interest)

3.3. Redemption of the Loan:

The Lender will only be entitled to issue a Redemption Notice pursuant to clause 10.2 of the Deed and only in respect of the whole of the face value of those Loans.

3.4. Exclusion

The Lender will not be entitled to require redemption of any Loans held by him or her otherwise than pursuant to this Schedule 2, clause 3.

4. NOTE SUBSCRIPTION

4.1. Conversion

- (a) Subject to clause 4.1 of the Deed as soon as is reasonably practicable from the date an Application Form is received by the Borrower from a Lender, the Borrower will proceed to issue to the Lender that number of Convertible Notes as calculated in accordance with Schedule 2, clause 4.2.
- (b) The issue of Convertible Notes in accordance with this clause will be and be deemed for all purposes to be in full satisfaction and discharge of the Loan owing to the Lender pursuant to the Loan Confirmation Form but the issue of Notes pursuant to this clause will in no way affect any liability of the Borrower for unpaid fees and interest accrued up to the Date of Conversion which the Borrower will pay to the Lender in accordance with Schedule 2, clause 2 as if the Convertible Notes were issued on the date of the Loan.
- (c) The Convertible Notes issued pursuant to this clause will rank equally in all respects with all other Convertible Notes and will be on the terms as set out in Schedule 4 of the Deed.

4.2. Number of Convertible Notes

Subject to Schedule 2, clause 4.4, the number of Convertible Notes the Lender will be entitled to apply for under the Application Form will be equal to the face value of the relevant Loan divided by \$2,500.00.

4.3. No other rights of conversion

A Loan will only be replaced or converted to Convertible Notes as set out in this Schedule 2, clause 4.

4.4. Reconstruction

- (a) Subject to the Law and the ASX Listing Rules, as applicable, if there is a reconstruction (including, consolidation, subdivision, reduction or return) of the issued capital of the Borrower before the issue of those Convertible Notes, the basis for conversion of those Convertible Notes to be set out in the Conversion Rate (in the event those Convertible Notes are issued) will be reconstructed in the same proportion as the issued capital of the Borrower is reconstructed and in a manner

which will not result in any additional benefits being conferred on the Lender which are not conferred on the Shareholders of the Borrower, (subject to the same provisions with respect to rounding of entitlements as sanctioned by the meeting of Shareholders approving the reconstruction of capital) but in all other respects the terms for conversion of those Convertible Notes will remain unchanged.

- (b) The adjustments in this Schedule 2, clause 4.4 will, subject to the Law and the ASX Listing Rules (as applicable), be determined by the Borrower.

4.5. Satisfaction of obligations

The issue of Convertible Notes by the Borrower to a Lender under this Schedule 2 clause 4 will be deemed to have satisfied the Borrower's obligations to the Lender in respect of the Loan and the obligations in respect of the Principal Amount Outstanding will be satisfied on the terms of the Convertible Notes.

5. TAKEOVER, CHANGE IN CONTROL, OR SALE OF MAIN

UNDERTAKING Other than as contemplated by this Deed, if:

- (a) a takeover bid (as defined in the Corporations Act) is made for 50% or more of the Shares and that bidder is successful in acquiring a relevant interest in 50% or more of the Shares;
- (b) there is a change in control of 50% or more of the Shares; or
- (c) there is a sale of the main undertaking of the Borrower that would require approval of the Shareholders in accordance with ASX Listing Rule 11.2,

at any time after the issue of the Loans and prior to the issue of Convertible Notes in respect of such Loans, then the Borrower will give to each Lender written notice of the takeover bid, change of control, or sale of main business undertaking within 10 Business Days of receiving notice of it (or entering into an agreement in respect of the proposed disposal).

6. FOREIGN HOLDERS

Where Loans are held by or on behalf of a person resident outside Australia, then, but despite any other terms or conditions applicable to such Loans, it will be a condition precedent to the right of the Lender to obtain Convertible Notes on conversion that the requirements of all applicable laws of the Commonwealth of Australia or any of its States or Territories and of the country of residence of the Lender in respect of such conversion are satisfied so that such conversion will not result in a breach of any such applicable law by the Borrower.

7. REGISTRATION OF TRANSFERS

7.1. Transfer

- (a) The Loans (in whole or part) may be transferred or assigned by a Lender provided the transfer or assignment is notified and consented to by the Borrower at least three (3) Business Days prior to the date of transfer or assignment.
- (b) It is a condition of transfer or assignment of the Loans that the transferee or assignee enters into a deed of covenant with the Borrower agreeing to be bound by the Loan Conditions as if the transferee or assignee were named as the Lender of the Loan.
- (c) It is a further condition of transfer or assignment of the Loans that the transferee or assignee must provide the Borrower with current contact information, including fax and email for the purposes of receiving notice from the Borrower pursuant to these terms of the Loan.

7.2. Recording transfers

The Borrower or share registry will promptly upon being satisfied that the transfer has been properly effected, accept the transfer by making an inscription in the register recording the transfer of the relevant Loan.

7.3. Directions

- (a) Subject to the Deed and these Conditions, and any conditions proposed by the Borrower at the time the Loans are advanced and any notations on the register, the Borrower will comply with any payment or distribution direction made by a transferee:
 - (i) in an application for transfer of Loan on and from the time of registration of that transfer; and
 - (ii) at any subsequent time in such form as the Borrower will from time to time determine.
- (b) A direction from any one or more joint holders of a Loan will bind all the joint holders. If more than one direction is received from joint holders of a Loan the direction of the senior is to be accepted to the exclusion of the other directions and for this purpose seniority is determined by the order in which the names appear in the register of Lenders in respect of the joint holding.

7.4. Transmission

Subject to Schedule 2 clause 7.1, a person becoming entitled to the benefit of the Loan as a consequence of the death or bankruptcy of a Lender or of a vesting order or a person administering the estate of a Lender may, upon producing such evidence as to that entitlement or status as the Borrower consider sufficient, transfer the Loan of that Lender or, if so entitled, become registered as the holder of the Loan.

7.5. Non-Registration of Third-Party Interests

A Loan will be registered by name only without reference to any trusteeships. Any entry in the register of the name and address of a Lender and the amount owed to that Lender is conclusive evidence of title subject to rectification for fraud or error.

7.6. Person registered

The person registered as a Lender of an amount of Loans will be treated by the Borrower as the absolute owner of that amount of Loans. The Borrower, except as ordered by a Court or as required by statute, will not be obliged to take notice of any claim to a Loan. Entry in the Register of the name and address of a Lender and the face value of the Loan held by that Lender is conclusive evidence of title subject to rectification for fraud or error.

SCHEDULE 3 – CONVERTIBLE NOTE APPLICATION FORM

MELODIOL GLOBAL HEALTH LIMITED
ACN 609 406 911
(Borrower)

APPLICATION FORM

TO: The Directors
Melodiol Global Health Limited

La Plata Capital LLC (the **Lender**) hereby applies for [insert number] Convertible Notes with a face value of \$2,500 each (in aggregate \$[insert]) (the **Principal**) to be issued by the Borrower.

The Lender covenants in favour of the Borrower that it will be bound by the Constitution of the Borrower and the terms and conditions of the Convertible Notes and other terms as provided for under the Second Amended and Restated Converting Loan Deed entered into between the Borrower and Lender on June [insert], 2023 (**Deed**).

The Lender confirms that the Borrower is to apply the outstanding principal amount of the Lender's existing Loan under the Deed to the Principal of the Convertible Note.

Accordingly, on issue, the Convertible Notes applied for under this Application Form will be and are deemed for all purposes to be in full satisfaction and discharge of the Loan owing to the Lender pursuant to the Loan and will be replaced by the terms of the Convertible Notes. Any liability of the Borrower for unpaid fees and interest accrued up to the issue of the Convertible Notes will be payable by the Borrower in accordance with Schedule 4, clause 2 of the Deed.

DATED: _____

SIGNED by: _____
Geoff Long, President of La Plata Capital LLC
in the presence of:

Signature of Witness

Name of witness (print)

SCHEDULE 4 – CERTIFICATE AND CONDITIONS OF CONVERTIBLE NOTES

Convertible Note Certificate

Certificate Number: []

Melodiol Global Health Limited (ACN 609 406 911)
(the **Borrower**)

THIS IS TO CERTIFY that La Plata Capital LLC (**Lender**) is the registered holder of the Convertible Notes specified below which were issued on [insert] 2023 (**Convertible Notes**).

There will be three classes of Convertible Notes as they relate to the First Loan, the Second Loan and the Third Loan.

The Convertible Notes confer on the Lender the rights, power and privileges and shall be subject to the terms and conditions as set out in the document titled Second Amended and Restated Converting Loan Deed dated June [insert], 2023 between the Borrower and the Lender (the **Deed**). Except where otherwise specified, terms defined in the Deed have the same meaning in this document.

By its subscription for or purchase of Convertible Notes, the registered holder is taken to have agreed to be bound by the Deed.

Number of Convertible Notes:	513 Convertibles Notes replacing the First Loan (First Convertible Notes)
	200 Convertibles Notes replacing the Second Loan (Second Convertible Notes)
	[insert] Convertible Notes replacing the Third Loan (Third Convertible Notes)

Face Value of each Convertible Note:	\$2,500
--------------------------------------	---------

Maturity Date:	the same as for the First Loan, Second Loan, and the Third Loan.
----------------	--

DATED:	[insert]
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EXECUTED AS A DEED by	)
MELODIOL GLOBAL HEALTH LIMITED	)
ACN 609 406 911	)
in accordance with section 127 of the	)

Corporations Act 2001 (Cth):

)

Signature of director

Signature of director/company
secretary*
(*please delete as applicable)

Name of director

Signature of director/company
secretary*
(*please delete as applicable)

1. THE NOTE ISSUE

1.1. Terms

These Convertible Notes will each:

- (a) have a face value of \$2,500.00 for each Convertible Note;
- (b) bear fees and interest as set out in Schedule 4, clause 2;
- (c) be convertible, subject to conditions as provided in Schedule 4, clause 4, into Shares and New Options; and
- (d) where the whole or part of the Convertible Notes have not been converted pursuant to the exercise of the Conversion Option, be redeemed in accordance with Schedule 4, clause 3.

1.2. Security

The Convertible Notes will be secured by the Security in accordance with the terms of the Deed, including without limitation the provisions of clause 6 of the Deed.

1.3. Quotation

The Convertible Notes will not be quoted.

1.4. Withholding Tax

- (a) All payments or credits to, or to the account of Lenders (including payment of, and credits in respect of their fees and interest) will be made net of any tax in respect thereof required by law to be withheld, deducted or paid by the Borrower except to the extent that the Borrower is satisfied that the Lender is exempt from any such tax or is a person in respect of whom any such withholding, deduction or payment is not required to be made. Any Lender claiming any such exemption or to be such a person will provide the Borrower with such evidence as the Borrower may from time to time require to satisfy itself as to the validity of such claim.
- (b) The Borrower may make any deduction or withholding from any amount payable to a Lender in respect of Convertible Notes for or on account of withholding or other tax required by law to be deducted or withheld, and, where any such deduction or withholding has been made and the amount thereof accounted for by the Borrower to the Commissioner of Taxation or other appropriate taxing authority and the balance of the amount payable has been paid to the Lender concerned, the full amount payable to such Lender will be deemed to have been duly paid and satisfied by the Borrower.

1.5. Entry in Register

The Borrower must ensure that each Lender's details are entered in the Register.

2. INTEREST

- (a) The Borrower agrees to pay the Lender, as a holder of one or more Convertible Notes, interest payments equal to (i) 30% per annum in respect of the First Convertible Notes on the Principal Amount Outstanding for those Convertible Notes, (ii) 30% per annum in respect of the Second Convertible Notes on the Principal Amount Outstanding and the Third Convertible Notes (with 50% of this interest payment being made on each interest payment date and 50% on maturity)
- (b) Interest is payable on the Principal Amount Outstanding from the date of issue of the Convertible Notes until the Convertible Notes are either redeemed or converted into Shares at a rates set out in clause 2(a) above, accruing daily from the subscription date and computed on a daily basis on a year of 365 days.
- (c) The interest payments will be made on a quarterly basis in arrears, with first payment date being 30 June 2023.
- (d) Where Convertible Notes are issued during a month the unpaid interest in respect of the relevant Loan (that is replaced by the Convertible Note) for the relevant month becomes repayable in accordance with this clause as if the Convertible Notes had been on issue since the beginning of the relevant month.
- (e) Each holder of the Convertible Notes agrees that the fixed interest payment payable by the Borrower under Schedule 4, clause 2(a) will, at the Borrower's election, be satisfied through payment of the interest component in cash.

3. REDEMPTION

3.1. Redemption

Subject to Schedule 4, clauses 4 and 5 a Convertible Note will be redeemed on the first to occur of the following:

- (a) the receipt by the Borrower of a Redemption Notice in respect of the Convertible Note as a result of the exercise by the Lender under clause 9 of the Deed; or
- (b) on the Maturity Date.

3.2. Timing of redemption

Subject to Schedule 4, clauses 4 and 5, a Convertible Note will be redeemed:

- (a) in the event of the occurrence of an event in accordance with Schedule 4, clause 3.1(a) within 10 Business Days after that event;
- (b) on the Maturity Date,

and the Borrower will deliver to the Lender a cheque or draft or by electronic transfer in favour of the Lender or such other person as the Lender will have directed the Borrower in writing, for the Redemption Amount (including the amount of any accrued but unpaid fees and interest).

3.3. Redemption of the Notes

The Lender will only be entitled to issue a Redemption Notice pursuant to an exercise of their respective rights under clauses 10.2 of the Deed, and only in respect of the whole of the face value of those Notes.

3.4. Exclusion

The Lender will not be entitled to require redemption of any Convertible Notes held by him or her otherwise than pursuant to this Schedule 4, clause 3.

4. CONVERSION

4.1. Conversion

- (a) A Lender will be entitled to Convert all of the Notes held by that Lender in accordance with this Schedule 4, clause 4 by delivering a Conversion Notice to the Borrower, subject to Schedule 4 clause 4, at any time from the date of issue of the Convertible Notes until the Last Conversion Date.
- (b) If the Maturity Date arrives, a Conversion Notice has not been delivered to the Borrower and there is no Event of Default outstanding, the Borrower will be required to redeem the Convertible Notes for their face value (plus any unpaid interest).
- (c) A Lender may exercise the Conversion Option in respect of the whole or part of the Notes held by that Lender, but not in respect of a proportion only of the face value of a Note held by that Lender. Subject to clause 4.1 of the Deed and Schedule 4, clause 8.1, as soon as is reasonably practicable from the date a Conversion Notice is received in accordance with Schedule 4, clause 4.1(a), the Borrower will proceed to issue to the Lender that number of Shares and New Options as calculated in accordance with Schedule 4, clause 4.2.
- (d) The issue of Shares (as fully paid) and the issue of New Options on conversion pursuant to this clause will be and be deemed for all purposes to be in full satisfaction and discharge of the principal amount owing to the Lender pursuant to the Convertible Notes the subject of the Conversion Notice but the conversion pursuant to this clause will in no way affect any liability of the Borrower for unpaid fees and interest accrued up to the Date of Conversion which the Borrower will pay to the Lender in accordance with Schedule 4, clause 2.

- (e) The Shares issued upon the conversion pursuant to this clause will rank equally in all respects with all issued ordinary shares in the capital of the Borrower at the Date of Conversion.
- (f) The Borrower will make application for official quotation by the ASX of all Shares and New Options issued upon the conversion pursuant to this clause. Such application will be made as soon as reasonably practicable after Shares are so issued.
- (g) As soon as reasonably practicable from the date of the issue of Shares and New Options to a Lender upon the conversion pursuant to this clause, the Borrower will deliver to the Lender a holding statement in respect of the Shares and New Options so issued.

4.2. Conversion Rate

Subject to Schedule 4, clause 4.5:

- (a) the number of Shares to which a Lender will be entitled on conversion of each Note will be equal to the face value of the Note divided by the Conversion Price; and
- (b) the number of New Options to which a Lender will be entitled on conversion of each Note is one (1) New Option for every four (4) Shares issued to a Lender on conversion. Any fractional entitlements will be rounded down to the next whole number.

4.3. No other rights of conversion

A Convertible Note will only be converted to Shares and New Options as set out in this Schedule 4, clause 4.

4.4. Shares issued on conversion

The Shares to be issued on conversion under this Schedule 4 will be shares with respect to which no provision is made (whether by the Constitution of the Borrower or other instrument constituting or defining the constitution of the Borrower or otherwise) for changing or converting them into shares of another class, except for the purpose of enabling, in accordance with any law relating to companies, the consolidation and division of all or any of the share capital of the Borrower or of another company or the subdivision of all or any of the shares in the capital of the Borrower or of another company.

4.5. Reconstruction

- (a) Subject to the Law and the ASX Listing Rules, as applicable, if there is a reconstruction (including, consolidation, subdivision, reduction or return) of the issued capital of the Borrower, the basis for conversion of the Notes set out in the Conversion Rate will be reconstructed in the same proportion as the issued capital of the Borrower is reconstructed and in a manner which will not result in any

additional benefits being conferred on the Lender which are not conferred on the Shareholders of the Borrower, (subject to the same provisions with respect to rounding of entitlements as sanctioned by the meeting of Shareholders approving the reconstruction of capital) but in all other respects the terms for conversion of the Notes will remain unchanged.

- (b) The adjustments in this Schedule 4, clause 4.5 will, subject to the Law and the ASX Listing Rules (as applicable), be determined by the Borrower.

4.6. Borrower obligations

- (a) Subject to the Borrower either:

- (i) not having complied with the ASIC Instrument at the time of issue of the Notes; or
- (ii) issued the Notes pursuant to a prospectus that is compliant with Chapter 6D of the Corporations Act;

each time Shares and New Options are issued pursuant to Schedule 4, clause 4.1, the Borrower must:

- (iii) subject to Schedule 4, clause 4.6(b) immediately issue a notice to ASX that complies with sections 708A(5)(e) and 708A(6) of the Corporations Act (and such notice must confirm that the Borrower has not withheld any excluded information for the purposes of section 708A(6)(e) of the Corporations Act); and
 - (iv) sign all documents and do all acts and things (including by lodging an Appendix 3B with ASX and otherwise as required of it by ASX) to ensure that the Shares and New Options are quoted on the official list as soon as reasonably practicable.
- (b) If a notice delivered under Schedule 4, clause 4.6(a) for any reason is not effective to ensure that an offer for sale of the Shares and New Options does not require disclosure to investors, the Borrower must no later than forty (40) days after the date of issue of the Shares and New Options lodge with ASIC a prospectus prepared in accordance with the Corporations Act and do all such things necessary to satisfy section 708A(11) of the Corporations Act to ensure that an offer for sale of the Shares and New Options does not require disclosure to investors.

4.7. Satisfaction of obligations

The issue of Shares and New Options by the Borrower upon exercise of the Conversion Option by the Lender under this clause 4 will be deemed to have satisfied the Borrower's obligations to the Lender in respect of the principal amount owing to the Lender pursuant to the Convertible Notes which have been converted into those Shares and New Options.

5. TAKEOVER, CHANGE IN CONTROL, OR SALE OF MAIN UNDERTAKING

Other than as contemplated by this Deed, if:

- (a) a takeover bid (as defined in the Corporations Act) is made for 50% or more of the Shares and that bidder is successful in acquiring a relevant interest in 50% or more of the Shares;
- (b) there is a change in control of 50% or more of the Shares; or
- (c) there is a sale of the main undertaking of the Borrower that would require approval of the Shareholders in accordance with ASX Listing Rule 11.2,

at any time after the issue of the Convertible Notes and prior to the issue of a Conversion Notice in respect of such Convertible Notes, then the Borrower will give to each Lender written notice of the takeover bid, change of control, or sale of main business undertaking within ten (10) Business Days of receiving notice of it (or entering into an agreement in respect of the proposed disposal).

6. RIGHT TO ATTEND MEETINGS

A Lender is entitled to attend any Shareholder meeting of the Borrower. A Note does not carry a right to vote at any Shareholder meeting unless provided for by the ASX Listing Rules or the Corporations Act.

7. FOREIGN HOLDERS

Where Convertible Notes are held by or on behalf of a person resident outside Australia, then, but despite any other terms or conditions applicable to such Convertible Notes, it will be a condition precedent to the right of the Lender to receive payment of any amount payable under this Schedule 4 or to obtain Shares and New Options on conversion that the requirements of all applicable laws of the Commonwealth of Australia or any of its States or Territories and of the country of residence of the Lender in respect of such payment or conversion are satisfied so that such payment or conversion will not result in a breach of any such applicable law by the Borrower.

8. CONVERSION TO VOTING SHARES PRECLUDED

8.1. Breaches of law

Notwithstanding any other term of the Deed or these Conditions, a Lender is not entitled to Convert (and the Borrower is entitled to refuse to Convert) such number of Convertible Notes that would result in:

- (a) a person acquiring Voting Shares in the Borrower in breach of section 606 of the Corporations Act (or any equivalent provision) where none of the items in section 611 of the Corporations Act apply;

- (b) a breach of the Borrower's placement capacity under ASX Listing Rule 7.1; or
- (c) a person acquiring Shares where a notification or consent being required to be sent to, or consent required under, any legislation by which the Borrower and its Related Bodies Corporate are bound is not obtained.

8.2. Statutory Declaration

The Borrower may in its discretion require a Lender to provide a statutory declaration confirming that the circumstances referred to in Schedule 4, clause 8.1 do not exist in respect of any Conversion by that Lender.

9. REGISTRATION OF TRANSFERS

9.1. Transfer

- (a) The Convertible Notes (in whole or part) may be transferred or assigned by a Lender provided the transfer or assignment is notified and consented to by the Borrower at least 3 Business Days prior to the date of transfer or assignment.
- (b) It is a condition of transfer or assignment of the Convertible Notes that the transferee or assignee enters into a deed of covenant with the Borrower agreeing to be bound by the Convertible Note Conditions as if the transferee or assignee were named as the Lender of the Convertible Notes.
- (c) It is a further condition of transfer or assignment of the Convertible Notes that the transferee or assignee must provide the Borrower with current contact information, including fax and email for the purposes of receiving notice from the Borrower pursuant to these terms of the Convertible Note.

9.2. Recording transfers

The Borrower or share registry will promptly upon being satisfied that the transfer has been properly effected, accept the transfer by making an inscription in the Register recording the transfer of the relevant Convertible Note.

9.3. Administration

- (a) The Borrower's share registry will register the transfer of a Convertible Note notwithstanding that the transfer form (in respect of an off-market transfer) to which the transfer relates has not been marked by the Borrower.
- (b) The Borrower or the Borrower's share registry will procure that all transfer forms (in respect of off-market transfers) which are registered will be retained by the Borrower for a period of 7 years after receipt but any transfer form which the Borrower declines to register will (except in the case of fraud or suspected fraud) be returned on demand to the person depositing the same.

- (c) The Borrower will not register the transfer of a Convertible Note on or after its Maturity Date.

9.4. Directions

- (a) Subject to the Deed and these Conditions, and any conditions proposed by the Borrower at the time the Convertible Notes are issued and any notations on the Register, the Borrower will comply with any payment or distribution direction made by a transferee:
 - (i) in an application for transfer of Convertible Notes on and from the time of registration of that transfer; and
 - (ii) at any subsequent time in such form as the Borrower will from time to time determine.
- (b) A direction from any one or more joint holders of a Convertible Note will bind all the joint holders. If more than one direction is received from joint holders of a Convertible Note the direction of the senior is to be accepted to the exclusion of the other directions and for this purpose seniority is determined by the order in which the names appear in the Register of Lenders in respect of the joint holding.

9.5. Transmission

Subject to Schedule 4 clause 8.1, a person becoming entitled to Convertible Notes as a consequence of the death or bankruptcy of a Lender or of a vesting order or a person administering the estate of a Lender may, upon producing such evidence as to that entitlement or status as the Borrower considers sufficient, transfer the Convertible Notes of that Lender or, if so entitled, become registered as the holder of the Convertible Notes.

9.6. Non-Registration of Third Party Interests

Convertible Notes will be registered by name only without reference to any trusteeships. Any entry in the Register of the name and address of a Lender and the amount owed to that Lender is conclusive evidence of title subject to rectification for fraud or error.

9.7. Person registered

The person registered as a Lender of an amount of Convertible Notes will be treated by the Borrower as the absolute owner of that amount of Convertible Notes. The Borrower, except as ordered by a Court or as required by statute, will not be obliged to take notice of any claim to a Convertible Note. Entry in the Register of the name and address of a Lender and the number of Notes held by that Lender is conclusive evidence of title subject to rectification for fraud or error.

SCHEDULE 5 – CONVERSION NOTICE

To: The Directors
Cresco Pharma Limited

NOTICE is given of the exercise by La Plata Capital LLC of its right to convert [insert number] of the Convertible Notes issued by Cresco Pharma Limited ACN 609 406 911 (the **Borrower**) under an Second Amended and Restated Converting Loan Agreement dated on or about June [insert], 2023 (**Deed**).

The Borrower must issue shares and options in the Borrower for the Convertible Notes the subject of this notice in the manner and on the basis set out in clause 4 of the Convertible Note Conditions in Schedule 4 to the Deed. Fractional entitlements to securities are to be rounded down to the nearest whole number.

It is acknowledged that the Borrower may reasonably require provision of further information to prove the title of the person exercising the option to convert.

DATED this day of 2023

EXECUTED BY [INSERT COMPANY NAME])
ACN [INSERT ACN])
in accordance with section 127 of the)
Corporations Act 2001 (Cth):)

Signature of director

Signature of director/company secretary*

Name of director

Signature of director/company secretary*

*please delete as applicable

EXECUTED by the Parties as an agreement.

EXECUTED by)
MELODIOL GLOBAL HEALTH LIMITED)
ACN 609 406 911)
in accordance with section 127 of the)
Corporations Act 2001 (Cth):)

DocuSigned by:

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Signature of director

DocuSigned by:

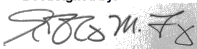
D04E8093220745B...
Signature of director/company secretary*
(please delete as applicable)

Name of director

Signature of director/company secretary*
(please delete as applicable)

For a Lender who is a company:

EXECUTED by)
LA PLATA CAPITAL LLC,)
a Delaware limited liability company)
in accordance with its constituent documents and)
place of incorporation:)

DocuSigned by:

32F58CFEAF847C...
Signature of director/sole director and
sole company secretary (please delete
as applicable)

Signature of director

Name of director/company secretary

Name of director

LOAN MODIFICATION AGREEMENT

This Loan Modification Agreement ("**Agreement**") is made and entered into effective the 4th day of September, 2023 ("**Effective Date**"), by and between MELODIOL GLOBAL HEALTH LIMITED (formerly, CRESO PHARMA LIMITED ACN 609 406 911) ("**Melodial**" or "**Borrower**"), LA PLATA CAPITAL, LLC, a Delaware limited liability company ("**Lender**"), and JODI SCOTT and MICHAEL HOYT (collectively, the "**Guarantors**").

BACKGROUND

A. Sierra Sage Herbs, LLC, a Colorado limited liability company ("**Sierra**"), and Lender entered into a Loan Agreement dated June 29, 2021, as modified from time-to-time, enabling Borrower to borrow Two Million and 00/100ths Dollars (\$2,000,000.00) from Lender for, among other things, working capital and operating expenses necessary for its ongoing business (the "**Sierra Loan**").

B. Repayment of the Sierra Loan was guaranteed by a Guaranty Agreement dated June 29, 2021, executed by Guarantors (the "**Guaranty Agreement**").

C. The Sierra Loan was modified on three separate occasions (the "**Amendments**"), the last of which was to facilitate Sierra's sale of 100% of its equity to Melodiol in a stock acquisition transaction, in exchange for publicly traded Melodiol shares of stock. As a result, Melodiol also acquired an interest in assuring that the Sierra Loan was repaid and Lender did not enforce its rights and remedies thereunder.

D. With Lender's consent and by the execution and delivery of the Converting Loan Deed dated January 17, 2023 between Lender and Melodiol, the Finance Documents referenced therein, and the attendant ancillary documents (collectively, the "**CLD**"), Melodiol decreased the principal balance of the Loan by \$1,282,500.00 by becoming obligated to pay Lender that amount. The \$1,282,500.00 owed to Lender by Melodiol under the CLD are secured by a second lien priority Mortgage and an Assignment of Leases encumbering the real estate and improvements owned by Mernova Medical Inc. located in Nova Scotia (the "**Mernova Land**"), and by a General Security Agreement granting Lender a second lien priority security interest in all of Mernova's business assets (the "**Mernova Personal Property**").

E. On February 27, 2023, Melodiol paid an additional \$250,000.00 and the attorneys' fees owed under the Loan were paid by Melodiol.

F. Following the February 27, 2023 payment by Melodiol, the remaining balance of the Loan, including interest, was \$474,495.62, which was satisfied in the following manner by Melodiol on March 2, 2023: (1) \$471,929.63 by \$467,500.00 of Melodiol Convertible Notes issued to Lender pursuant to the Loan Trust Deed dated November 11, 2022 (the "**LTD**") and (2) \$4,813.36 in cash. The amounts owed to Lender by Melodiol under the LTD (the "**First Priority Obligations**") are secured by a first lien priority Mortgage and an Assignment of Leases (together, the "**First Land Security Instruments**") encumbering the Mernova Land and by a General Security Agreement (the "**First Security Agreement**") granting Lender a first lien priority security interest in the Mernova Personal Property.

G. On the same date, Melodiol issued an additional \$500,000.00 U.S. of Melodiol Convertible Notes pursuant to the Amended and Restated Converting Loan Deed dated March 2, 2023, the Finance Documents referenced therein, and the ancillary documents (collectively, the "**Restated CLD**") in exchange for a \$500,000.00 interest in Lender's participation in the

commercial loan to Abby&Finn, LLC, a Colorado limited liability company (“A&F”) dated April 21, 2021(the “**Melodiol Participation**”).

H. The Restated CLD incorporates both the \$1,282,500.00 originally owed by Melodiol under the CLD and the \$500,000.00 owed by Melodiol for the Melodiol Participation. The amounts owed to Lender by Melodiol under the Restated CLD, as later amended and restated or otherwise modified, (the “**Second Priority Obligations**”) are secured by a second lien priority Mortgage and Assignment of Leases (together, the “**Second Land Security Instruments**”) encumbering the Mernova Land and by a General Security Agreement granting Lender a second lien priority security interest in the Mernova Business Assets (the “**Second Security Agreement**”), both instruments having been properly recorded in applicable records to perfect the security interests.

I. Pursuant to a Continuing Guaranty dated on or about January 11, 2023, the Guarantors have guaranteed repayment to Lender of \$1,750,000.00 in total of the amounts due under the Restated CLD (\$1,282,500.00 of the First Loan, as defined therein) and the amounts due under the LTD (the “**Guaranty**”).

J. Pursuant to a Loan Modification Agreement, a Second Amended and Restated Converting Loan Deed (“**Second Restated CLD**”) and a Participation Agreement, each dated on or about June 14, 2023, the following amendments were taken: 1) Borrower acquired Lender’s remaining interest in Lender’s secured note to A&F by increasing the amount of the Second Priority Obligations under the Second Restated CLD by \$900,000, 2) Borrower was provided the ability to and completed the repayment of interest due to Lender on March 31, 2023, via the issuance of 18,981,000 shares of Borrower common stock, 3) Lender provided Borrower the option to satisfy the June 30, 2023 and September 30, 2023 interest payments due to Lender via the issuance of Borrower common stock equal to 1.5 times the interest due in each period, subject to prior shareholder approval, 4) Borrower extended the maturity of \$800,000 of its existing Second Priority Obligations from July 2023 to June 2, 2024, 5) Lender agreed that remaining balance of \$482,500 of its existing Second Priority Obligations would have a maturity extension to October 17, 2023, with an automatic extension to June 2, 2024 following Borrower’s repayment of remaining non-Borrower first priority obligations, and 6) Lender agreed to extend maturity for its existing \$500,000 Second Priority Obligations from March 2024 to June 2, 2024, and to extend maturity for its existing \$467,500 of First Priority Obligations from September 2023, to June 2, 2024.

K. The LTD, First Land Security Instruments, First Security Agreement, Second Restated CLD, Second Land Security Instruments, Second Security Agreement, the Guaranty, and all documents prepared and recorded to perfect the security interests granted therein are collectively referenced in this Agreement as the “**Melodiol Loan Documents**.”

L. Lender has notified Borrower that in respect of the June 30 interest payments, shareholder approval has not been obtained in a timeline consistent with the Melodiol Loan Documents and as such Lender has proposed a remedy to this breach.

L. Lender is amenable to accommodate Melodiol, however, only pursuant to the terms, and for the consideration, set forth herein.

NOW, THEREFORE, in consideration of the foregoing premises, which are hereby incorporated into and made a part of this Agreement, the covenants and agreements hereinafter set forth, and other good and valuable consideration, the receipt and sufficiency of which are

hereby acknowledged, each of the undersigned, intending to be legally bound, do hereby agree as follows:

AGREEMENT

1. Concurrently with the execution of this Agreement, Lender and Melodiol shall execute and deliver a Third Amended and Restated Converting Loan Deed ("**Third Restated CLD**") in the form attached hereto as **Exhibit A**, incorporating the modifications set forth herein and replacing the Second Restated CLD.

2. a. Concurrently with the execution of this Agreement, the following modifications to certain interest and principal payments set forth in the Third Restated CLD and the LTD shall become effective:

i. With respect to the June 30, 2023 interest payment, Borrower agrees to remedy the breach of the Second Restated CLD on or around September 30, 2023 by: 1) issuing 1.7x the interest due on June 30, 2023, being \$175,051, in Borrower common stock, and 2) issuing 2.2x the interest amount due on September 30, 2023, being \$184,315, in Borrower common stock. Both issuances will be subject to shareholder approval and a floor price of \$0.002.

ii. Borrower will make a one-time cash payment of \$160,000 to Lender on or around September 30, 2023, in exchange for the following amendments: 1) Lender will waive the October 2023 maturity date of \$482,500 of principal, in favor of a new maturity date of June 2, 2024; 2) Commencing on November 15, 2023, in addition to paying in arrears the monthly accrued and unpaid interest, Borrower shall begin to pay principal at a rate of \$80,000 per month, in U.S. Dollars or in Borrower common stock subject to a ratio of 1.5x, shareholder approval, and a floor price of \$0.002. For the avoidance of doubt, the monthly payments on the 15th of each month, commencing on November 15, will include all interest on all Lender debt, payable in arrears, in U.S. Dollars or in Borrower common stock subject to a ratio of 1.5x, shareholder approval, and a floor price of \$0.002. The payments will complete on May 15, 2024. The deemed price of Borrower common stock will be the closing price on the trading day immediately prior to issuance. In the event that Borrower is not able to obtain shareholder approval for any Borrower common stock issuance described herein, the attendant obligation shall nevertheless be due to Lender in U.S. Dollars or by the issuance of Borrower common stock, at the option of Lender.

4. Notwithstanding any provision contained herein or in the Deed Loan Documents, as amended, however, the Guaranty executed by Guarantors shall not be terminated and shall instead remain a continuing obligation of Guarantors. The Continuing Guaranty shall remain in full force and effect until Lender is paid all amounts due under (1) the First Loan as defined in the Amended and Restated Deed Loan Documents and (2) the Loan Trust Deed dated November 11, 2022, or such amounts are converted to Melodiol equity.

5. Except as modified above, the Melodiol Loan Documents continue in full force and effect and are hereby ratified and confirmed by Melodiol and Guarantors. Further, this

Modification constitutes an amendment of and not a replacement or payment of the Melodiol and Guarantors obligations to Lender.

6. Melodiol and Guarantors each hereby represent, agree, and agree not to contest, the following:

(a) The recital of facts set forth in this Agreement is true and correct in all material respects.

(b) All outstanding and unpaid amounts with respect to the LTD and Second Restated CLD are validly owing to Lender by Melodiol in respect thereof and are not subject to any right of offset, defense, deduction, claim, or counterclaim in favor of any borrower or guarantor.

(c) The transactions contemplated herein are in the best interest of Guarantors and Melodiol and their respective affiliates, managers, members, officers, shareholders, representatives, investors, agents, employees, successors and assigns (collectively, the "Melodiol Parties"), and is not based in any manner upon any promise, representations, warranty, covenant, duress, or statement of any kind by Lender, or its affiliates, managers, members, representatives, investors, agents, employees, successors or assigns the (collectively, the "Lender Parties").

(d) Lender has no obligation to accept a payoff of the amounts owed by Melodiol under the terms of the transactions contemplated herein.

(e) The Melodiol Parties have obtained all company duly authorized consents necessary or required to execute this Agreement, to complete the transactions set forth herein and to bind their respective companies to each document to which they are a signatory. The Borrower will submit a fully executed Consent to the transactions contemplated herein, within 48 hours of execution of this Agreement, in a form acceptable to Lender.

(f) No indulgence or part indulgence by Lender and nothing contained herein or in any other agreement between Melodiol and Lender, nor any other action or inaction by Lender has waived or shall constitute a waiver of any default or Event of Default which may exist under the Melodiol Loan Documents, as amended, or an election of remedies by Lender or a waiver of any of the rights, remedies or recourse of Lender afforded by law or in equity.

(g) Notwithstanding Section 12.5(i) of the LTD, Section 8.2 of the Restated CLD, the Second Restated CLD, or the Third Restated CLD or any other provision within these documents or in the Melodiol Loan Documents, all outstanding and unpaid amounts with respect to the LTD and Third Restated CLD are properly secured by the First Land Security Instruments and the First Security Agreement and by the Second Land Security Instruments and the Second Security Agreement, respectively, and the security interests that Melodiol granted Lender under these documents have been properly perfected.

(h) All conditions precedent under the LTD and the Third Restated CLD have been satisfied and the amounts owed to Lender are enforceable under all rights and remedies afforded Lender under these documents.

7. The failure of Melodiol or any Guarantor to comply with any provision of this Agreement or the breach of any representation, warranty or covenant contained in this Agreement shall constitute an Event of Default under the LTD and the Third Restated CLD, and any such

Event of Default shall entitle Lender to exercise any and all remedies to which it may be entitled with respect to an Event of Default under such documents and applicable law.

8. Binding Effect. The terms and conditions, covenants, agreements, powers, privileges and notices of authorization contained herein shall be binding upon and shall inure to the benefit of Lender, Borrower, Guarantors and Melodiol, and their respective successors, assigns, agents, and attorneys. No person other than the parties hereto shall be authorized to rely upon the contents of this Agreement or be deemed a beneficiary thereof.

9. Severability. Wherever possible, each provision of this Agreement shall be interpreted in such a manner as to be effective and valid under applicable law, but if any provision of this Agreement shall be prohibited by or invalid under any such law, such provision shall be ineffective to the extent of such prohibition or invalidity without invalidating the remainder of such provision, or the remaining provisions of this Agreement.

10. Governing Law. This Agreement shall be governed by the laws of the State of Colorado.

11. Entire Agreement. This Agreement constitutes the entire agreement among the parties hereto with respect to the subject matter hereof. There are no oral agreements among the parties hereto, and Borrower specifically acknowledges and agrees that it is not relying on any oral representation from Lender, its predecessors, successors, assigns, subsidiaries, affiliates and related entities, members, directors, officers, directors, accountants, attorneys, employees, agents, representatives, or servants.

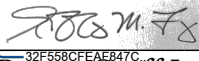
12. Counterparts. This Agreement may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which shall be deemed to be an original, but all of which taken together shall constitute one and the same agreement.

[SIGNATURES ON FOLLOWING PAGE]

IN WITNESS WHEREOF, Lender, Guarantors, and Melodiol have caused this Agreement to be duly executed effective as of September 4, 2023.

LENDER:

LA PLATA CAPITAL LLC, a Delaware limited liability company

DocuSigned by:


By: Geoff Long
Title: President

GUARANTORS:

DocuSigned by:

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Jodi Scott

DocuSigned by:

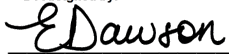
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Michael Hoyt

MELODIOL:

MELODIOL GLOBAL HEALTH

DocuSigned by:
By: 
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William Lay, CEO and Managing Director

DocuSigned by:

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Signature of Melodiol Secretary

LOAN MODIFICATION AGREEMENT

This Loan Modification Agreement ("**Agreement**") is made and entered into effective the ____ day of November, 2023 ("**Effective Date**"), by and between MELODIOL GLOBAL HEALTH LIMITED (formerly, CRESO PHARMA LIMITED ACN 609 406 911) ("**Melodial**" or "**Borrower**"), LA PLATA CAPITAL, LLC, a Delaware limited liability company ("**Lender**"), and JODI SCOTT and MICHAEL HOYT (collectively, the "**Guarantors**").

BACKGROUND

A. Sierra Sage Herbs, LLC, a Colorado limited liability company ("**Sierra**"), and Lender entered into a Loan Agreement dated June 29, 2021, as modified from time-to-time, enabling Borrower to borrow Two Million and 00/100ths Dollars (\$2,000,000.00) from Lender for, among other things, working capital and operating expenses necessary for its ongoing business (the "**Sierra Loan**").

B. Repayment of the Sierra Loan was guaranteed by a Guaranty Agreement dated June 29, 2021, executed by Guarantors (the "**Guaranty Agreement**").

C. The Sierra Loan was modified on three separate occasions (the "**Amendments**"), the last of which was to facilitate Sierra's sale of 100% of its equity to Melodiol in a stock acquisition transaction, in exchange for publicly traded Melodiol shares of stock. As a result, Melodiol also acquired an interest in assuring that the Sierra Loan was repaid and Lender did not enforce its rights and remedies thereunder.

D. With Lender's consent and by the execution and delivery of the Converting Loan Deed dated January 17, 2023 between Lender and Melodiol, the Finance Documents referenced therein, and the attendant ancillary documents (collectively, the "**CLD**"), Melodiol decreased the principal balance of the Loan by \$1,282,500.00 by becoming obligated to pay Lender that amount. The \$1,282,500.00 owed to Lender by Melodiol under the CLD is secured by a second lien priority Mortgage and an Assignment of Leases encumbering the real estate and improvements owned by Mernova Medical Inc. located in Nova Scotia (the "**Mernova Land**"), and by a General Security Agreement granting Lender a second lien priority security interest in all of Mernova's business assets (the "**Mernova Personal Property**").

E. On February 27, 2023, Melodiol paid an additional \$250,000.00 and the attorneys' fees owed under the Loan were paid by Melodiol.

F. Following the February 27, 2023 payment by Melodiol, the remaining balance of the Loan, including interest, was \$474,495.62, which was satisfied in the following manner by Melodiol on March 2, 2023: (1) \$471,929.63 by \$467,500.00 of Melodiol Convertible Notes issued to Lender pursuant to the Loan Trust Deed dated November 11, 2022 (the "**LTD**") and (2) \$4,813.36 in cash. The amounts owed to Lender by Melodiol under the LTD (the "**First Priority Obligations**") are secured by a first lien priority Mortgage and an Assignment of Leases (together, the "**First Land Security Instruments**") encumbering the Mernova Land and by a General Security Agreement (the "**First Security Agreement**") granting Lender a first lien priority security interest in the Mernova Personal Property.

G. On the same date, Melodiol issued an additional \$500,000.00 U.S. of Melodiol Convertible Notes pursuant to the Amended and Restated Converting Loan Deed dated March 2, 2023, the Finance Documents referenced therein, and the ancillary documents (collectively, the "**Restated CLD**") in exchange for a \$500,000.00 interest in Lender's participation in the

commercial loan to Abby&Finn, LLC, a Colorado limited liability company (“**A&F**”) dated April 21, 2021(the “**Melodiol Participation**”).

H. The Restated CLD incorporates both the \$1,282,500.00 originally owed by Melodiol under the CLD and the \$500,000.00 owed by Melodiol for the Melodiol Participation. The amounts owed to Lender by Melodiol under the Restated CLD, as later amended and restated or otherwise modified, (the “**Second Priority Obligations**”) are secured by a second lien priority Mortgage and Assignment of Leases (together, the “**Second Land Security Instruments**”) encumbering the Mernova Land and by a General Security Agreement granting Lender a second lien priority security interest in the Mernova Business Assets (the “**Second Security Agreement**”), both instruments having been properly recorded in applicable records to perfect the security interests.

I. Pursuant to a Continuing Guaranty dated on or about January 11, 2023, the Guarantors have guaranteed repayment to Lender of \$1,750,000.00 in total of the amounts due under the Restated CLD (\$1,282,500.00 of the First Loan, as defined therein) and the amounts due under the LTD (the “**Guaranty**”).

J. Pursuant to a Loan Modification Agreement (“**June Loan Modification**”), a Second Amended and Restated Converting Loan Deed (“**Second Restated CLD**”) and a Participation Agreement, each dated on or about June 14, 2023, the following amendments were taken: 1) Borrower acquired Lender’s remaining interest in Lender’s secured note to A&F by increasing the amount of the Second Priority Obligations under the Second Restated CLD by \$900,000, 2) Borrower was provided the ability to and completed the repayment of interest due to Lender on March 31, 2023, via the issuance of 18,981,000 shares of Borrower common stock, 3) Lender provided Borrower the option to satisfy the June 30, 2023 and September 30, 2023 interest payments due to Lender via the issuance of Borrower common stock equal to 1.5 times the interest due in each period, subject to prior shareholder approval, 4) Borrower extended the maturity of \$800,000 of its existing Second Priority Obligations from July 2023 to June 2, 2024, 5) Lender agreed that remaining balance of \$482,500 of its existing Second Priority Obligations would have a maturity extension to October 17, 2023, with an automatic extension to June 2, 2024 following Borrower’s repayment of remaining non-Borrower first priority obligations, and 6) Lender agreed to extend maturity for its existing \$500,000 Second Priority Obligations from March 2024 to June 2, 2024, and to extend maturity for its existing \$467,500 of First Priority Obligations from September 2023, to June 2, 2024.

K. Pursuant to a Loan Modification Agreement dated August 25, 2023 (“**August Loan Modification**”) and a Third Amended and Restated Converting Loan Deed (“**Third Restated CLD**”), Borrower agreed to remedy its breach of the June 30, 2023 interest payment under the Second Restated CLD no later than September 30, 2023 by: 1) issuing 1.7x the interest due on June 30, 2023, being \$175,051, in Borrower common stock, and 2) issuing 2.2x the interest amount due on September 30, 2023, being \$262,586, in Borrower common stock. Borrower further agreed to make a one-time cash payment of \$160,000 to Lender on or before September 30, 2023 (“**Modification Fee**”), in exchange for the following amendments: 1) Lender to waive the October 2023 maturity date of \$482,500 of principal, in favor of a new maturity date of June 2, 2024; 2) Commencing on November 1, 2023, in addition to paying in arrears the monthly accrued and unpaid interest, Borrower to begin to pay principal at a rate of \$80,000 per month, in U.S. Dollars or in Borrower common stock subject to a ratio of 1.5x, shareholder approval, and a floor price of \$0.001.

L. The LTD, First Land Security Instruments, First Security Agreement, Second Restated CLD, Second Land Security Instruments, Second Security Agreement, the Guaranty, the

June Loan Modification, the August Loan Modification, and all documents prepared and recorded to perfect the security interests granted therein are collectively referenced in this Agreement as the "**Melodiol Loan Documents.**"

L. Borrower has been unable to pay the Modification Fee due to Lender on or before September 30, 2023, or to make its November 15, 2023 payment to Lender in the amount of \$172,157.53 ("**November 2023 Payment**") consistent with the Melodiol Loan Documents and as such Borrower has proposed a remedy to this breach.

L. Lender is amenable to accommodate Melodiol, however, only pursuant to the terms, and for the consideration, set forth herein.

NOW, THEREFORE, in consideration of the foregoing premises, which are hereby incorporated into and made a part of this Agreement, the covenants and agreements hereinafter set forth, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, each of the undersigned, intending to be legally bound, do hereby agree as follows:

AGREEMENT

1. Concurrently with the execution of this Agreement, Lender and Melodiol shall execute and deliver a Fourth Amended and Restated Converting Loan Deed ("**Fourth Restated CLD**") in the form attached hereto as **Exhibit A**, incorporating the modifications set forth herein and replacing the Third Restated CLD.

2. a. Concurrently with the execution of this Agreement, the following modifications set forth in the Fourth Restated CLD shall become effective:

i. Subject to Borrower's satisfaction of the conditions set forth in Sections 2. a. ii. and iii. below, Borrower's deadline to pay the Modification Fee and the November 2023 Payment shall be deferred to on or around January 15, 2024. Both issuances will be subject to shareholder approval and a floor price of \$0.001.

iii. The Modification Fee and the November 2023 Payment shall be adjusted to reflect a 1.1x multiple if paid in cash or a 2.0x multiple if paid in shares. Specifically, the Modification Fee shall be paid in cash for \$176,000 USD or in shares for \$320,000 USD, and the November 2023 Payment shall be paid in cash for \$189,373.28 USD or in shares for \$344,315 USD.

4. Notwithstanding any provision contained herein or in the Deed Loan Documents, as amended, however, the Guaranty executed by Guarantors shall not be terminated and shall instead remain a continuing obligation of Guarantors. The Continuing Guaranty shall remain in full force and effect until Lender is paid all amounts due under (1) the First Loan as defined in the Amended and Restated Deed Loan Documents and (2) the Loan Trust Deed dated November 11, 2022, or such amounts are converted to Melodiol equity.

5. Except as modified above, the Melodiol Loan Documents continue in full force and effect and are hereby ratified and confirmed by Melodiol and Guarantors. Further, this

Modification constitutes an amendment of and not a replacement or payment of the Melodiol and Guarantors obligations to Lender.

6. Melodiol and Guarantors each hereby represent, agree, and agree not to contest, the following:

(a) The recital of facts set forth in this Agreement is true and correct in all material respects.

(b) All outstanding and unpaid amounts with respect to the LTD and Second Restated CLD are validly owing to Lender by Melodiol in respect thereof and are not subject to any right of offset, defense, deduction, claim, or counterclaim in favor of any borrower or guarantor.

(c) The transactions contemplated herein are in the best interest of Guarantors and Melodiol and their respective affiliates, managers, members, officers, shareholders, representatives, investors, agents, employees, successors and assigns (collectively, the "Melodiol Parties"), and is not based in any manner upon any promise, representations, warranty, covenant, duress, or statement of any kind by Lender, or its affiliates, managers, members, representatives, investors, agents, employees, successors or assigns the (collectively, the "Lender Parties").

(d) Lender has no obligation to accept a payoff of the amounts owed by Melodiol under the terms of the transactions contemplated herein, and Lender has no legal or equitable obligation to make any further accommodations to Melodiol or to Guarantors.

(e) The Melodiol Parties have obtained all company duly authorized consents necessary or required to execute this Agreement, to complete the transactions set forth herein and to bind their respective companies to each document to which they are a signatory. The Borrower will submit a fully executed Consent to the transactions contemplated herein, within 48 hours of execution of this Agreement, in a form acceptable to Lender.

(f) No indulgence or part indulgence by Lender and nothing contained herein or in any other agreement between Melodiol and Lender, nor any other action or inaction by Lender has waived or shall constitute a waiver of any default or Event of Default which may exist under the Melodiol Loan Documents, as amended, or an election of remedies by Lender or a waiver of any of the rights, remedies or recourse of Lender afforded by law or in equity.

(g) Notwithstanding Section 12.5(i) of the LTD, Section 8.2 of the Restated CLD, the Second Restated CLD, the Third Restated CLD, the Fourth Restated CLD or any other provision within these documents or in the Melodiol Loan Documents, all outstanding and unpaid amounts with respect to the LTD and Fourth Restated CLD are properly secured by the First Land Security Instruments and the First Security Agreement and by the Second Land Security Instruments and the Second Security Agreement, respectively, and the security interests that Melodiol granted Lender under these documents have been properly perfected and are legally enforceable.

(h) All conditions precedent under the LTD and the Fourth Restated CLD have been satisfied and the amounts owed to Lender are enforceable under all rights and remedies afforded Lender under these documents.

7. The failure of Melodiol or any Guarantor to comply with any provision of this Agreement or the breach of any representation, warranty or covenant contained in this Agreement

shall constitute an Event of Default under the LTD and the Fourth Restated CLD, and any such Event of Default shall entitle Lender to exercise any and all remedies to which it may be entitled with respect to an Event of Default under such documents and applicable law.

8. Binding Effect. The terms and conditions, covenants, agreements, powers, privileges and notices of authorization contained herein shall be binding upon and shall inure to the benefit of Lender, Borrower, Guarantors and Melodiol, and their respective successors, assigns, agents, and attorneys. No person other than the parties hereto shall be authorized to rely upon the contents of this Agreement or be deemed a beneficiary thereof.

9. Severability. Wherever possible, each provision of this Agreement shall be interpreted in such a manner as to be effective and valid under applicable law, but if any provision of this Agreement shall be prohibited by or invalid under any such law, such provision shall be ineffective to the extent of such prohibition or invalidity without invalidating the remainder of such provision, or the remaining provisions of this Agreement.

10. Governing Law. This Agreement shall be governed by the laws of the State of Colorado.

11. Entire Agreement. This Agreement constitutes the entire agreement among the parties hereto with respect to the subject matter hereof. There are no oral agreements among the parties hereto, and Borrower specifically acknowledges and agrees that it is not relying on any oral representation from Lender, its predecessors, successors, assigns, subsidiaries, affiliates and related entities, members, directors, officers, directors, accountants, attorneys, employees, agents, representatives, or servants.

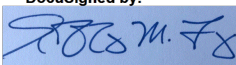
12. Counterparts. This Agreement may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which shall be deemed to be an original, but all of which taken together shall constitute one and the same agreement.

[SIGNATURES ON FOLLOWING PAGE]

IN WITNESS WHEREOF, Lender, Guarantors, and Melodiol have caused this Agreement to be duly executed effective as of November __, 2023.

LENDER:

LA PLATA CAPITAL LLC, a Delaware limited liability company

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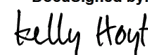
By: Geoff Long
Title: President

GUARANTORS:

DocuSigned by:

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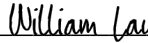
Jodi Scott

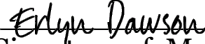
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Michael Hoyt

MELODIOL:

MELODIOL GLOBAL HEALTH

DocuSigned by:
By: 
William Lay, CEO and Managing Director

DocuSigned by:

Signature of Melodiol Secretary

V

2025

Hfx No.

Attached is **Exhibit "V"** referred
to in the Affidavit of Micheline
MacKay sworn before me on
April 9, 2025



Signature

ASHA PELLY
A Barrister of the Supreme
Court of Nova Scotia

GUARANTEE AND INDEMNITY OF MERNOVA MEDICINAL INC.

TO:

LA PLATA CAPITAL, a Delaware limited liability company

RECITALS:

- A. The Secured Party (as defined herein) has agreed to enter into certain financing arrangements with Melodiol Global Health Limited, formerly Creso Pharma Limited (the "**Borrower**") and it is a condition of such arrangements that the undersigned, Mernova Medicinal Inc. (the "**Guarantor**"), does execute and deliver this Guarantee and Indemnity (this "**Agreement**") in favour of the Secured Party.
- B. By the Loan Deed described below, and the Mortgage executed by Guarantor in connection therewith, Guarantor agreed and intended to execute this Guarantee and Indemnity on January 17, 2023 in favour of Secured Party, and therefore this Guaranty and Indemnity is effective January 17, 2023 (the "Effective Date") notwithstanding the date of execution.
- C. The Guarantor will derive substantial direct and indirect benefits and advantages from the financing arrangements made by the Secured Party in favour of the Borrower.

FOR VALUE RECEIVED and intending to be legally bound by this Agreement, the Guarantor agrees as follows:

SECTION 1. GUARANTEE

- 1.1 **Definitions.** In this Agreement the following terms have the following meanings ascribed thereto:
 - (a) "**Lender**" has the meaning ascribed thereto in the Converting Loan Deed issued by Creso Pharma Ltd. and dated as of January 17, 2023 as the same may be amended, restated, supplemented, substituted or replaced from time to time (the "**Loan Deed**"); and
 - (b) "**Secured Party**" means, the Lender, La Plata Capital LLC.
- 1.2 The Guarantor unconditionally guarantees and covenants with Secured Party that the Borrower will duly and punctually pay to Secured Party all debts and liabilities, present or future, direct or indirect, absolute or contingent, matured or not at any time owing by the Borrower to Secured Party wherever incurred and whether incurred by the Borrower alone or with another or others, including, without limitation, all the principal of, interest on and all other moneys owing under or in connection with the Loan Deed as the same may be amended, restated, supplemented, substituted or replaced from time to time, and under the Loan Trust Deed between Borrower and Briant Nominees dated November 11, 2022, as the same may be amended, restated, supplemented, substituted or replaced from time to time, as and when the same become due and payable to Lender (the "**Guaranteed Liabilities**").
- 1.3 The Guarantor hereby acknowledges communication of the terms of the Loan Deed and consents to and approves of the same. The guarantee herein contained shall take effect and be binding upon the Guarantor notwithstanding any defect in or omission from any documentation or security delivered by the Borrower to the Secured Party or any default in or omission from the Loan Deed or any non-registration or non-filing or defective registration or filing or by reason of any failure of the security delivered pursuant to the Loan Deed or any other security.
- 1.4 The liability of the Guarantor under Section 1.1 hereof shall be joint and several with that of the Borrower and shall be absolute and unconditional. The Guarantor shall for all purposes of the guarantee be regarded as in the same position as a principal debtor, and hereby expressly waives demand, presentment, protest and notice thereof and of default. The obligation of the Guarantor hereunder shall be deemed to arise in respect of each default.

SECTION 2. INDEMNITY

- 2.1 The Guarantor also unconditionally agrees that, if the Borrower does not unconditionally and irrevocably pay any of the Guaranteed Liabilities when due and those Guaranteed Liabilities are not recoverable from the Guarantor for any reason under Section 1, the Guarantor shall indemnify Secured Party immediately on demand against any cost, loss, damage, expense or liability suffered by Secured Party as a result of the Borrower's failure to do so.

SECTION 3.
DEFAULT AND ENFORCEMENT

- 3.1 If the Borrower shall make default in payment of the principal of, interest on or any other moneys owing to the Lender on any of the Guaranteed Liabilities including, without limitation, any principal of, interest on or other monies owing under the Loan Deed as and when the same become due and payable, then the Guarantor shall forthwith on demand by the Lender pay to the Secured Party the principal, interest and other moneys in default.
- 3.2 If the Guarantor shall fail forthwith on demand to make good any such default, the Secured Party may in its discretion proceed with the enforcement of its rights hereunder and may proceed to enforce such rights or from time to time any thereof prior to, contemporaneously with or after any action taken under any security or other documents delivered by the Borrower or others to the Secured Party, including the Loan Deed. The Guarantor shall pay on demand all costs and expenses (including complete reimbursement for 100% of all legal fees and disbursements) incurred by the Secured Party in enforcing or attempting to enforce its rights hereunder and all proceedings taken in relation hereto; all such costs and expenses and other moneys payable hereunder shall bear interest at the greater of the loan rate or the interest rate provided for in any of the Loan Deed, other security or loan documents.
- 3.3 All sums paid to or recovered by the Secured Party pursuant to the provisions hereof shall be applied by it in payment of its costs and expenses payable hereunder and the principal, interest and other moneys owing to Secured Party including, without limitation, all amounts owing under or in connection with the Loan Deed in such order as the Secured Party in its sole discretion may determine.
- 3.4 The Secured Party may waive any default of the Guarantor hereunder upon such terms and conditions as it may determine provided that no such waiver shall extend to or be taken in any manner whatsoever to affect any subsequent default or the rights resulting therefrom.
- 3.5 Any moneys paid by or recovered from the Guarantor hereunder shall be held to have been paid pro tanto in discharge of the liability of the Guarantor hereunder, but not in discharge of the liability of the Borrower, and in the event of any such payment by or recovery from the Guarantor, the Guarantor hereby assigns any rights with respect to or arising from such payment or recovery (including without limitation any right of subrogation) to the Secured Party unless or until the Secured Party has received in the aggregate payment in full of all moneys owing to Secured Party including, without limitation, amounts owing under or in connection with the Loan Deed. If the Guarantor receives money in payment of any such debts and liabilities, the Guarantor will hold them in trust for, and will immediately pay funds to, the Secured Party without reducing the Guarantor's liability under this Agreement.

SECTION 4.
ABSOLUTE LIABILITY

- 4.1 The liability of the Guarantor under this Agreement is absolute and unconditional. It will not be limited or reduced, nor will Secured Party be responsible or owe any duty (as a fiduciary or otherwise) to the Guarantor, nor will Secured Party's rights under this Agreement be prejudiced, by the existence or occurrence (with or without the Guarantor's knowledge or consent) of any one or more of the following events:
- (a) any termination, invalidity, unenforceability or release by Secured Party or any of its rights against the Borrower or against any other person or of any security;
 - (b) any increase, reduction, renewal, substitution or other change in, or discontinuance of, the terms relating to the Guaranteed Liabilities or to any credit extended by Secured Party to the Borrower; any agreement to any proposal or scheme of arrangement concerning, or granting any extensions of time or any other indulgences or concessions to, the Borrower or any other person; any taking or giving up of any security; abstaining from taking, perfecting, filing or registering any security; allowing any security to lapse (whether by failing to make or maintain any registration, filing or otherwise); or any neglect or omission by Secured Party in respect of, or in the course of, doing any of these things;
 - (c) accepting compositions from compromises, arrangements or plans of reorganizations or granting releases or discharges to the Borrower or any other person, or any other dealing with the Borrower or any other person or with any security that the Secured Party considers appropriate;
 - (d) any unenforceability or loss of or in respect of the Loan Deed or any security held from time to time by Secured Party from the undersigned, the Borrower or any other person, whether the loss is due to the means or timing of any registration, disposition or realization of any collateral that is the subject of that

security or otherwise due to Secured Party's fault or any other reason;

- (e) any change in the Borrower's name; or any reorganization (whether by way of amalgamation, merger, transfer, sale lease or otherwise) of the Borrower or the Borrower's business;
- (f) any change in the Borrower's financial condition or that of the Guarantor or any other guarantor (including insolvency and bankruptcy);
- (g) any change of effective control of the Borrower;
- (h) any event, whether or not attributable to Secured Party, that may be considered to have caused or accelerated the bankruptcy or insolvency of the Borrower, the Guarantor or any other guarantor, or to have resulted in the initiation of any such proceedings;
- (i) the Secured Party's filing of any claim for payment with any administrator, provisional liquidator, conservator, trustee, receiver, custodian or other similar officer appointed for the Borrower or for all or substantially all of the Borrower's assets;
- (j) any failure by Secured Party to abide by any of the terms and conditions of Secured Party's agreements with, or to meet any of its obligations or duties owed to, the undersigned, the Borrower or any person, or any breach of any duty (whether as a fiduciary or otherwise) that exists or is alleged to exist between Secured Party and the Guarantor, the Borrower or any person;
- (k) any incapacity, disability, or lack or limitation of status or of the power of the Borrower or of the Borrower's directors, managers, officers, partners or agents; the discovery that the Borrower is not or may not be a legal entity; or any irregularity, defect or informality in the incurring of any of the Guaranteed Liabilities;
- (l) any event whatsoever that might be a defense available to, or result in a reduction or discharge of, the Guarantor, the Borrower or any other person in respect of either the Guaranteed Liabilities or the Guarantor's liability under this Agreement; or
- (m) any amendment to any, some or all of the Loan Deed or any other security or agreements entered into under or in connection therewith.

For greater certainty, the undersigned agrees that the Secured Party may deal with the Guarantor, the Borrower and any other person in any manner without affecting the Guarantor's liability under this Agreement.

Any claims by the Guarantor against Secured Party and its agents in respect of any of the foregoing matters or otherwise are hereby waived.

- 4.2 After all moneys payable by the Borrower to the Lender including, without limitation, amounts owing under the Loan Deed, have been paid in full, this Agreement shall cease and become null and void and the Secured Party shall, at the request and at the expense of the Guarantor execute and deliver a release to the Guarantor.

SECTION 5. **MISCELLANEOUS**

- 5.1 Any notices given hereunder shall be conclusively deemed effectively given if delivered personally to either of the parties hereto at the address for such party given above or if forwarded by registered mail to such party at such address. Any notice so mailed shall be conclusively deemed given on the third business day after the day of mailing, provided that in the event of a known disruption of postal service notice shall be given by personal delivery only. Either party hereto may effect a change of address by written notice given to the other party hereto in accordance with this section.
- 5.2 This Agreement shall be construed in accordance with and governed by the laws of the Province of Nova Scotia.
- 5.3 This Agreement shall enure to the benefit of Secured Party and its successors and assigns and be binding upon the successors and any permitted assigns of the Guarantor

[Signature Page Follows]

IN WITNESS WHEREOF the Guarantor has executed this Agreement on April 3, 2025 to be effective as of the Effective Date.

MERNOVA MEDICINAL INC.

By: 
Name: Micheline MacKay
Title: President & CEO

Signature Page to Guarantee – Mernova Medicinal Inc.

W

2025

Hfx No.

Attached is Exhibit "W" referred
to in the Affidavit of Micheline
MacKay sworn before me on
April 9, 2025



Signature

ASHA PELLY
A Barrister of the Supreme
Court of Nova Scotia

GENERAL SECURITY AGREEMENT OF MERNOVA MEDICINAL INC.

TO: LA PLATA CAPITAL LLC, a Delaware limited liability company

EFFECTIVE DATE: April 3, 2025

FOR VALUE RECEIVED and intending to be legally bound by this general security agreement (this "**Security Agreement**"), the undersigned, Mernova Medicinal Inc. (the "**Debtor**"), agrees as follows:

1. **Security.** As security for the payment and performance of all present and future indebtedness, liabilities and obligations of the Debtor to La Plata Capital LLC (the "**Secured Party**"), whether direct or indirect, absolute or contingent, liquidated or unliquidated, as principal or as surety, alone or with others, of whatsoever nature or kind, in any currency or otherwise, under or in respect of agreements or dealings between the Debtor and Secured Party or agreements or dealings between the Debtor and others by which Secured Party may be or become in any manner whatsoever a creditor of the Debtor (all such indebtedness, liabilities, obligations, expenditures, costs and expenses are hereinafter collectively referred to as the "**Obligations**") including, without limitation, obligations under (i) the guarantee dated of even date herewith and effective January 13, 2023 in respect of the obligations and indebtedness of Creso Pharma Limited to the Secured Party (as amended, from time to time, the "**Guarantee**") pursuant to the Loan Trust Deed between Melodiol and Briant Nominees dated November 11, 2022, as the same may be amended, restated or supplemented from time-to-time and a Converting Loan Deed dated January 17, 2023, issued by Creso Pharma Limited to the Secured Party, as the same may be amended, restated or supplemented from time-to-time (collectively, the "**Loan Deeds**"), (ii) any promissory notes, guarantees or indemnities executed by the Debtor in favour of Secured Party, and (iii) this Security Agreement and any other security delivered to Secured Party by the Debtor from time to time (collectively, the "**Financing Documents**"), the Debtor hereby assigns, charges, pledges, mortgages and grants to Secured Party a security interest in all of the undertaking, property and assets of the Debtor, both real and personal, immoveable and moveable, tangible and intangible, legal and equitable, of whatsoever nature and kind and wheresoever situate, now owned or hereafter acquired by or on behalf of the Debtor or in respect of which the Debtor now or hereafter has any right, title or interest (all of which is hereinafter called the "**Collateral**"), including without limitation:
 - (a) **Intangibles** - all intangible property including without limitation book debts and accounts, all contractual rights and insurance claims, licenses, computer software, warranties, ownership certificates, patents, trademarks, trade names, goodwill, copyrights and other industrial property of the Debtor;
 - (b) **Books & Records** - all of the Debtor's, manuals, publications, letters, deeds, documents, writings, papers, invoices, books of account and other books relating to or being records of debts, chattel paper or documents of title or by which such are or may hereafter be secured, evidenced, acknowledged or made payable;
 - (c) **Equipment** - all of the Debtor's tools, machinery, equipment, apparatus, furniture, plants, fixtures, vehicles and other tangible personal property, other than Inventory (as defined below), (collectively, the "**Equipment**") including, without limitation, the Equipment described in Schedule "A" hereto, if any;
 - (d) **Inventory** - all of the Debtor's tangible personal property held for sale or lease or that have been leased or that are to be furnished or have been furnished under a contract of service, or that are raw materials, work in process, or materials used or consumed in a business or profession or that are finished goods (collectively, the "**Inventory**");
 - (e) **Other Property** - the Debtor's undertaking and all of the Debtor's other property and assets including, without limitation, uncalled capital, judgments, rights, franchises, chattel paper, documents of title, goods, instruments, and money (as those terms are defined in the Personal Property Security Act governing this Security Agreement); and
 - (f) **Investment Property** - all of the Debtor's investment property, including shares stock, warrants, bonds, debenture stock and other securities (in each case whether evidenced by a security certificate or an

uncertificated security) and financial assets, security entitlements, securities accounts, futures contracts and futures accounts; and

- (g) **Proceeds** - all of the Debtor's property in any form derived directly or indirectly from any use or dealing with the Collateral or that indemnifies or compensates for loss of or damage to the Collateral (collectively, the "**Proceeds**");

but excluding, (A) any consumer goods, and (B) the last day of the term of any lease, verbal or written, or any agreement therefor now held or hereafter held by the Debtor, but should such charge become enforceable, the Debtor shall thereafter stand possessed of the last day of such leasehold interest in trust for Secured Party and shall assign and dispose thereof as Secured Party may direct.

2. **Attachment.** The security interest given hereunder will attach immediately upon the execution of this Security Agreement. The security interest granted hereby has not been postponed and will attach to any particular Collateral as soon as the Debtor has rights in such Collateral.

3. **General Covenants.** The Debtor hereby declares, covenants and agrees that it:

- (a) **To Pay Rents and Taxes** - shall pay all rents, taxes and assessments lawfully imposed upon the Real Property where the Collateral is located or any part thereof when the same become due and payable, and shall provide to Secured Party on request receipts for such payment;
- (b) **Conduct of Business** - shall carry on and conduct its business in a proper and efficient manner, shall not materially alter the kind of business carried on by it, shall observe and perform all of its obligations under leases, licenses and other agreements to which it is a party so as to preserve and protect the Collateral and its value, and shall comply with all laws, regulations and judgments applicable to the Debtor and all of its property, assets and undertaking;
- (c) **Not to Sell** - shall not, except for Inventory sold in the ordinary course of business and except as otherwise expressly permitted in any Financing Document, remove, destroy, lease, sell or otherwise dispose or part with possession of any of the Collateral;
- (d) **No Other Liens** - shall not create, assume or suffer to exist any charge, lien, federal or provincial government priority claim arising pursuant to statute including any deemed trust, security interest or encumbrance upon any Collateral except as permitted in any applicable Financing Document. No provision hereof shall be construed as a subordination or postponement of the security interest created hereunder to or in favour of any other charge, lien, security interest or encumbrance, whether or not it is permitted;
- (e) **To Hold Proceeds of Unauthorized Sale in Trust** - in the event the Collateral or any part thereof is sold or disposed of prior to the full discharge of this Security Agreement by Secured Party, in any manner not authorized by this Security Agreement, shall hold all proceeds of such sale or disposition received by the Debtor as trustee for Secured Party until the Debtor has been fully released from this Security Agreement by Secured Party;
- (f) **To Insure** - shall keep insured the Collateral to its full insurable value or in such amounts as Secured Party may reasonably require against all risks, with insurers approved by Secured Party and will pay all premiums necessary for such purposes as the same shall become due;

Inspection by Secured Party - shall allow any employees or third parties retained by Secured Party at any reasonable time to enter the premises of the Debtor or others to inspect the Collateral and to inspect the books and records of the Debtor relating to the Collateral and make extracts therefrom, and shall permit Secured Party prompt access to such other persons, as Secured Party may deem necessary or desirable for the purposes of inspecting or verifying any matters relating to any part of the Collateral or the books and records of the Debtor relating to the Collateral, provided that any information so obtained shall be kept confidential, save as required by Secured Party in exercising its rights hereunder or pursuant to any applicable law or court order. The Debtor shall pay all costs and expenses of third parties (including complete reimbursement for 100% of all legal fees and disbursements) retained by Secured Party for purposes of inspection under this Section 3(g);

- (g) **Use and Maintenance** - shall cause the Collateral to be operated in accordance with any applicable manufacturer's manuals or instructions, by competent and duly qualified personnel. Any and all additions and accessions to and parts and replacements for the Collateral shall immediately become subject to the security interest created hereby. The Debtor shall not change the intended use of the Collateral without obtaining the prior written consent of Secured Party which will not be unreasonably withheld or delayed;
- (h) **Possession and Control** - shall, on request by Secured Party, deliver to Secured Party possession of all chattel paper, instruments and negotiable documents of title. The Obligor shall also take whatever steps Secured Party requires to enable Secured Party to obtain control of any investment property forming part of the Collateral, including (a) arranging for any securities intermediary, futures intermediary or issuer of uncertificated securities to enter into an agreement satisfactory to Secured Party to enable Secured Party to obtain control, (b) delivering any certificated security to Secured Party with any necessary endorsement and (c) having any security registered in the name of Secured Party or its nominee;
- U) **Location of Collateral** - shall keep the Collateral in the locations set forth in Schedule "A" hereto, except for goods in transit to such locations, or Inventory on lease or consignment, or with the prior written consent of Secured Party and provided that the Debtor shall effect such further registrations and obtain such other consents and grant such other security, at the sole cost and expense of the Debtor, as may be required or desirable to protect or preserve the security hereby created and to maintain the priority intended to be granted to Secured Party hereunder as against all others including landlords; and
- (k) **No Affixation** - shall not permit the Collateral to be attached to or affixed to real or other personal property without the prior written consent of Secured Party which will not be unreasonably withheld or delayed. The Debtor shall obtain and deliver to Secured Party such waivers as Secured Party may reasonably request from any owner, landlord or mortgagee of premises on which the Collateral is located or to which the Collateral may become affixed or attached. The Debtor shall promptly do, execute and deliver all such further acts, documents, agreements or assurances as Secured Party may reasonably require for giving effect to the intent of this Security Agreement and shall register such notice or documents against the title to such premises as Secured Party may reasonably request to protect its interests hereunder and shall maintain plates or marks showing the name of Secured Party upon the Collateral as requested.

4. **Waiver of Covenants.** Secured Party may waive in writing any breach by the Debtor of any of the provisions contained in this Security Agreement or any default by the Debtor in the observance or performance of any covenant or condition required to be observed or performed by the Debtor hereunder, provided that no such waiver or any other act, failure to act or omission by Secured Party shall extend to or be taken in any manner to affect any subsequent breach or default or the rights of Secured Party resulting therefrom.

5. **Performance of Covenants by Secured Party.** If the Debtor shall fail to perform any covenant on its part herein contained, Secured Party may in its absolute discretion perform any such covenant capable of being performed by it, but Secured Party shall be under no obligation to do so. If any such covenant requires the payment of money or if the Collateral or any part thereof shall become subject to any charge, lien, security interest or encumbrance ranking in priority to the security interest created hereby, Secured Party may in its absolute discretion make such payment and/or pay or discharge such charge, lien, security interest or encumbrance, but Secured Party shall be under no obligation to do so. All sums so paid by Secured Party, together with interest at the highest rate chargeable by Secured Party from time to time on the Obligations, shall be payable by the Debtor on demand and shall constitute a charge upon the Collateral. No such performance or payment shall relieve the Debtor from any default hereunder or any consequences of such default.

6. **Events of Default.** Each of the following events shall constitute an "Event of Default":

- (a) a "default", an "event of default" or similar circumstance identified in any Financing Document; or
- (b) the failure of the Debtor to pay any of the Obligations when due; or
- (c) any demand for payment validly made by Secured Party pursuant to any Financing Document that is not met in accordance with the terms of the demand.

7. **Enforcement.** Upon the happening of any Event of Default, the security granted herein shall become immediately enforceable and Secured Party may at its option declare this Security Agreement to be in default and may exercise any rights, powers or remedies available to Secured Party at law or in equity or under the Personal Property Security Act or other applicable legislation and, in addition, may exercise one or more of the following rights, powers or remedies, which rights, powers and remedies are cumulative:

- (a) to, without exercising any of its other rights or remedies hereunder, give notice of the security interest in, and the assignment to, Secured Party of any debt or liability forming part of the Collateral and may direct such person to make all payments on account of any such debt or liability to Secured Party;
- (b) to declare the full amount of the Obligations to be immediately due and payable;
- (c) to terminate the Debtor's right to possession of the Collateral, cause the Debtor to immediately assemble and deliver the Collateral at such place or places as may be specified by Secured Party, and enter upon the premises where the Collateral is located and take immediate possession thereof, whether it is affixed to the realty or not, and remove the Collateral without liability to Secured Party for or by reason of such entry or taking of possession, whether for damage to property caused by taking such or otherwise;
- (d) to enter upon and hold, possess, use, repair, preserve and maintain all or any part of the Collateral and make such replacements thereof and additions thereto as Secured Party shall deem advisable;
- (e) to sell, for cash or credit or part cash and part credit, lease or dispose of or otherwise realize upon the whole or any part of the Collateral whether by public or private sale as Secured Party in its absolute discretion may determine without notice to the Debtor or advertisement and after deducting from the proceeds of sale (including complete reimbursement for 100% of all legal fees and disbursements) incurred in the repossession, sale, lease or other disposition of the Collateral apply the proceeds thereof to the Obligations in the manner and order to be determined by Secured Party, provided however that Secured Party shall only be liable to account to the Debtor, any subsequent encumbrancers and others for money actually received by Secured Party and provided that the Debtor shall pay any deficiency forthwith;
- (f) to appoint by instrument in writing any person or persons to be a receiver or receiver and manager of all or any portion of the Collateral, to fix the receiver's remuneration and to remove any receiver so appointed and appoint another or others in its stead;
- (g) to apply to any court of competent jurisdiction for the appointment of a receiver or receiver and manager for all or any portion of the Collateral;
- (h) to have any instruments or investment property registered in its name or in the name of its nominee and shall be entitled but not required to exercise voting and other rights that the holder of that Collateral may at any time have; but Secured Party shall not be responsible for any loss occasioned by the exercise of those rights or by failure to exercise them. Secured Party may also enforce its rights under any agreement with any securities intermediary, futures intermediary or issuer of uncertificated securities; and
- (i) to retain the Collateral in satisfaction of the Obligations.

8. **Powers of Receiver.**

- (a) Any receiver (which term includes a receiver and manager) shall have all of the powers of Secured Party set forth in this Security Agreement and, in addition, shall have the following powers:
 - (i) to lease all or any portion of the Collateral and for this purpose execute contracts in the name of the Debtor, which contracts shall be binding upon the Debtor and the Debtor hereby irrevocably constitutes such receiver as its attorney for such purposes;
 - (ii) to take possession of the Collateral, collect all rents, issues, incomes and profits derived therefrom and realize upon any additional or collateral security granted by the Debtor to Secured Party and for that purpose may take any proceedings in the name of the Debtor or otherwise; and

to carry on or concur in carrying on the business which the Debtor is conducting and for that purpose the receiver may borrow money on the security of the Collateral in priority to this Security Agreement;

- (b) Any receiver appointed pursuant to the provisions hereof shall be deemed to be the agent of the Debtor for the purposes of:
 - (i) carrying on and managing the business and affairs of the Debtor, and
 - (ii) establishing liability for all of the acts or omissions of the receiver while acting in any capacity hereunder and Secured Party shall not be liable for such acts or omissions,

provided that, without restricting the generality of the foregoing, the Debtor irrevocably authorizes Secured Party to give instructions to the receiver relating to the performance of its duties as set out herein.

9. **Application of Moneys.** All moneys actually received by Secured Party or by the receiver pursuant to Sections 7 and 8 of this Security Agreement shall be applied:

- (a) first, in payment of those claims, if any, of secured creditors of the Debtor (including any claims of the receiver pursuant to Section 8(a)), ranking in priority to the charges created by this Security Agreement as directed by Secured Party or the receiver;
- (b) second, in payment of all costs, charges and expenses of and incidental to the appointment of the receiver (including complete reimbursement for 100% of all legal fees and disbursements) and the exercise by the receiver or Secured Party of all or any of the powers granted to them under this Security Agreement, including the reasonable remuneration of the Receiver or any agent or employee of the receiver or any agent of Secured Party and all outgoings properly paid by the receiver or Secured Party in exercising their powers as aforesaid;
- (c) third, in or towards the payment to Secured Party of all other obligations due to it by the Debtor in such order as Secured Party in its sole discretion may determine;
- (d) fourth, in or towards the payment of the obligation of the Debtor to persons if any, with security interests against Collateral ranking subsequent to those in favour of Secured Party; and
- (e) fifth, subject to applicable law any surplus shall be paid to the Debtor.

10. **Possession of Collateral.** The Debtor acknowledges that Secured Party or any receiver appointed by it may take possession of Collateral wherever it may be located and by any method permitted by law and the Debtor agrees upon request from Secured Party or any such Receiver to assemble and deliver possession of the Collateral at such place or places as directed.

11. **Realization Costs.** The Debtor shall pay all costs and expenses (including complete reimbursement for 100% of all legal fees and disbursements) of Secured Party incidental to or which in any way relates to this Security Agreement or its enforcement, including, (i) taking, recovering or possessing the Collateral; (ii) taking any actions or other proceedings to enforce the remedies provided herein or otherwise in relation to this Security Agreement or the Collateral, or by reason of a default under any Financing Document or the non-payment of the moneys thereby secured; (iii) taking or responding to proceedings, giving notices and giving responses required under any applicable law concerning or relating to any Financing Document, including compliance with the provisions of applicable bankruptcy, insolvency, personal property security and mortgage enforcement legislation; and (iv) obtaining the advice of counsel and other advisors in relation to the foregoing, all such costs and expenses and other monies payable hereunder, together with interest at the highest rate chargeable by Secured Party from time to time on the Obligations, shall form part of the Obligations, shall be payable by the Debtor on demand and shall be secured hereby.

12. **Deficiency.** The Debtor shall remain liable to Secured Party for any deficiency after the proceeds of any sale, lease or disposition of Collateral are received by Secured Party and applied in accordance with the provisions of Section 9(c) hereof.

13. **Appointment of Monitor.** If in the opinion of Secured Party, acting reasonably, a material adverse change has occurred in the financial condition of the Debtor, or if Secured Party in good faith believes that the ability of the Debtor to pay any of its obligations to Secured Party or to perform any other covenant contained herein has become impaired or if an Event of Default has occurred, Secured Party may by written notice to the Debtor, appoint a monitor (the "**Monitor**") to investigate any or a particular aspect of the Collateral, the Debtor or its business and affairs for the purpose of reporting to Secured Party. The Debtor shall give the Monitor its full co-operation, including full access to facilities, assets and records of the Debtor and to its creditors, customers, contractors, officers, directors, employees, auditors, legal counsel and agents. The Monitor shall have no responsibility for the affairs of the Debtor nor shall it participate in the management of the Debtor's affairs and shall incur no liability in respect thereof or otherwise in connection with the Debtor, its business and affairs or the Collateral. The Monitor shall act solely on behalf of Secured Party and shall have no contractual relationship with the Debtor as a consultant or otherwise. The appointment of a Monitor shall not be regarded as an act of enforcement of this Security Agreement. All reasonable fees and expenses of the Monitor (including complete reimbursement for 100% of all legal fees and disbursements) shall be paid by the Debtor upon submission to it of a written invoice therefor. Secured Party may at its option upon the occurrence of an event of default appoint or seek to have appointed the Monitor as receiver, receiver and manager, liquidator, or trustee in bankruptcy of the Debtor or the Collateral or any part thereof.
14. **Application of Insurance Proceeds.** Any insurance moneys received by Secured Party may at the option of Secured Party be applied to rebuilding or repairing the Collateral, or be paid to the Debtor, or any such moneys may be applied in the sole discretion of Secured Party, in whole or in part, to the repayment of the Obligations or any part thereof whether then due or not, with any partial payments to be credited against principal instalments payable thereunder in inverse order of their maturity dates.
15. **No Merger or Novation.** The taking of any judgment or the exercise of any power of seizure or sale shall not operate to extinguish the liability of the Debtor to perform its obligations hereunder or to pay the Obligations hereby secured, shall not operate as a merger of any covenant herein contained or affect the right of Secured Party to interest in effect from time to time hereunder and the acceptance of any payment or other security shall not constitute or create any novation. The execution and delivery of this Security Agreement or of any instruments or documents supplemental hereto shall not operate as a merger of any representation, warranty, term, condition or other provision contained in any other obligation or indebtedness of the Debtor to Secured Party or under any Financing Document.
16. **Security in Addition.** The security hereby constituted is in addition to any other security now or hereafter held by Secured Party. The taking of any action or proceedings or refraining from so doing, or any other dealings with any other security for the moneys secured hereby, shall not release or affect the security created hereby.
17. **Partial Discharges.** Secured Party may in its sole discretion grant partial discharges or releases of security in respect of any of the Collateral on such terms and conditions as it shall deem fit and no such partial discharges or releases shall affect the remainder of the security created hereby nor shall it alter the obligations of the Debtor under the Obligations or hereunder.
18. **Assignment.** This Security Agreement may be assigned by Secured Party to any other person and, if so assigned, the assignee shall have and be entitled to exercise any and all discretions, rights and powers of Secured Party hereunder, and all references herein to Secured Party shall include such assignee. The Debtor may not assign this Security Agreement or any of its rights or obligations hereunder. This Security Agreement shall enure to the benefit of and be binding upon the parties hereto and their respective heirs, executors, administrators, successors and permitted assigns. In any action brought by an assignee of this Security Agreement and the security interest or any part thereof to enforce any rights hereunder, the Debtor shall not assert against the assignee any claim or defense which the Debtor now has or hereafter may have against Secured Party.
19. **Limited Power of Attorney.** The Debtor hereby appoints Secured Party as the Debtor's attorney, with full power of substitution, in the name and on behalf of the Debtor, to execute, deliver and do all such acts, deeds, leases, documents, transfers, demands, conveyances, assignments, contracts, assurances, consents, financing statements and things as the Debtor has agreed to execute, deliver and do hereunder, under any Financing Document or otherwise, or as may be required by Secured Party or any receiver to give effect to this Security Agreement or in the exercise of any rights, powers or remedies hereby conferred on Secured Party or any receiver, and generally to use the name of the Debtor in the exercise of all or any of the rights, powers or remedies hereby conferred on Secured Party or any receiver. This appointment, being coupled with an interest,

shall not be revoked by the insolvency, bankruptcy, dissolution, liquidation or other termination of the existence of the Debtor or for any other reason.

20. **Amalgamation.** The Debtor acknowledges that if it amalgamates with any other corporation or corporations (a) the Collateral and the lien created hereby shall extend to and include all the property and assets of each of the amalgamating corporations and the amalgamated corporation and to any property or assets of the amalgamated corporation thereafter owned or acquired, (b) the term "Debtor", where used herein shall extend to and include each of the amalgamating corporations and the amalgamated corporation, and (c) the term, "Obligations", where used herein shall extend to and include the Obligations of each of the amalgamating corporations and the amalgamated corporation. Nothing in this Section 20 shall be interpreted as permitting the Debtor to amalgamate in violation of any covenant of the Debtor contained herein or in any other agreement binding the Debtor.
21. **Severability.** Each of the provisions contained in this Security Agreement is distinct and severable and a declaration of invalidity, illegality or unenforceability of any such provision or part thereof by a court of competent jurisdiction shall not affect the validity or enforceability of any other provision of this Security Agreement.
22. **Notices.** Any notice required or desired to be given hereunder or under any Financing Document or under any instrument supplemental hereto shall be in writing and may be given by personal delivery, by facsimile or other means of electronic communication or by sending the same by registered mail, postage prepaid, to Secured Party or to the Debtor at their respective addresses set out above and, in the case of electronic communication, to the facsimile numbers set out above. Any notice so delivered shall be conclusively deemed given when personally delivered and any notice sent by facsimile or other means of electronic transmission shall be deemed to have been delivered on the Business Day following the sending of the notice, and any notice so mailed shall be conclusively deemed given on the third Business Day following the day of mailing, provided that in the event of a known disruption of postal service, notice shall not be given by mail. Any address for notice or payments herein referred to may be changed by notice in writing given pursuant hereto.

Notwithstanding the foregoing, if the Personal Property Security Act requires that notice be given in a special manner, then such notice or communication shall be given in such manner.

23. **General.**
- (a) The Debtor authorizes Secured Party to file such financing statements, notices of security interest, caveats and other documents and do such acts and things as Secured Party may consider appropriate to perfect its security in the Collateral, to protect and preserve its interest in the Collateral and to realize upon the Collateral.
 - (b) Nothing in this Security Agreement will in any way obligate Secured Party to advance any funds, or otherwise make or cause to make credit available to the Debtor, nor will Secured Party have any liability for any failure or delay in its part to exercise any rights hereunder.
 - (c) If more than one Debtor executes this Security Agreement, the obligations of such Debtors hereunder shall be joint and several.
 - (d) The division of this Security Agreement into sections and the insertion of headings are for convenience of reference only and shall not affect the construction or interpretation of this Security Agreement.
 - (e) When the context so requires, the singular shall include the plural and vice versa and words importing gender include all genders; all rights, advantages, privileges, immunities, powers and things hereby secured to the Debtor shall be equally secured to and exercised by its successors and assigns.
 - (f) Time is of the essence in this Security Agreement.
24. **Receipt.** The Debtor acknowledges that it has received an executed copy of this Security Agreement and, to the extent permitted by law, waives all rights to receive from Secured Party a copy of any financing statement or financing change statement filed, or any verification statement received, at any time in respect of this Security Agreement or any supplemental or collateral security granted to Secured Party.

25. **Governing Law.** This Security Agreement or any amendment or renewal thereof will be governed by and construed in accordance with the laws of Nova Scotia and the laws of Canada applicable therein and the Debtor hereby irrevocably attorns to the jurisdiction of the courts of such province.

[Signature Page Follows]

The Debtor has duly executed this Security Agreement as of the Effective Date.

MERNOVA MEDICINAL INC.

By: 

Name: Micheline MacKay

Title: President & CEO

c/s

Signature Page to GSA - Mernova Medicinal Inc.

SCHEDULE "A"

LOCATION AND DESCRIPTION OF COLLATERAL

Location of Collateral:

Nova Scotia

Description of Collateral:

(include equipment by item or kind and, where applicable, the make, model and serial number and, in the case of motor vehicles, the Vehicle Identification numbers.)]

X

2025

Hfx No.

Attached is Exhibit "X" referred
to in the Affidavit of Micheline
MacKay sworn before me on
April 9, 2025



Signature

ASHA PELLY
A Barrister of the Supreme
Court of Nova Scotia

THIS COLLATERAL MORTGAGE made this 17th day of January, 2023.

BETWEEN:

MERNOVA MEDICINAL INC., a company formed pursuant to the laws of Nova Scotia, Canada

(the "Mortgagor")

-and-

LA PLATA CAPITAL, LLC, a Delaware limited liability company

(the "Secured Party")

1. **Definitions.** In this Collateral Mortgage, the following terms shall have the following meanings:

"Bankruptcy Legislation" means any present or future laws relating to bankruptcy or insolvency reorganization, or compromise of debts or other similar laws, including without limitation the *Companies' Creditors Arrangement Act* (Canada) and the *Bankruptcy and Insolvency Act* (Canada).

"Business Day" means any day except Saturday, Sunday or a statutory or civic holiday in the Province of Nova Scotia and the Country of Australia.

"Chattels" has the meaning ascribed to it in clause (y) of Section 6 of this Collateral Mortgage.

"Claims" has the meaning ascribed to it in clause (z) of Section 6 of this Collateral Mortgage.

"Collateral Mortgage" means this Collateral Mortgage to which the Mortgagor and the Secured Party are parties, and any amendments from time to time made hereafter by the Mortgagor and the Secured Party in writing in accordance with the provisions hereof

"Costs" means all reasonable fees, costs, charges and expenses of the Secured Party of and incidental to:

- (i) the negotiation, preparation, execution, subordination, postponement and registration of the Collateral Mortgage and any other instruments connected herewith and every renewal or discharge thereof;
- (ii) the collection of any amounts payable hereunder, enforcement of any covenants contained herein and the realization of the security herein contained;
- (iii) procuring or attempting to procure payment of any Indebtedness or any other amounts due and payable hereunder, including foreclosure, power of sale or execution proceedings commenced by the Secured Party or any other party;

- (iv) any inspection required to be made of the Mortgaged Premises, or review of plans, specifications and other documentation which may require the approval or consent of the Secured Party;
- (v) all repairs and replacements required to be made to the Mortgaged Premises;
- (vi) the Secured Party having to go into possession of the Mortgaged Premises and secure, complete and equip the building or Improvements in any way in connection herewith;
- (vii) the Secured Party's renewal of any leasehold interest;
- (viii) the exercise of any of the powers of a Receiver contained herein; and
- (ix) all solicitor's costs, charges and expenses relating to any of the foregoing and any necessary examination of title to the Mortgaged Premises.

For greater certainty, Costs shall:

- (i) extend to and include reasonable legal costs incurred by the Secured Party as between solicitor and his own client;
- (ii) be payable forthwith by the Mortgagor;
- (iii) bear interest at the Interest Rate; and
- (iv) be a charge on the Mortgaged Premises.

"Event of Default" has the meaning ascribed to it in Section 13 of this Collateral Mortgage.

"Fixtures" includes all fixtures, buildings, erections, appurtenances, plants and Improvements, fixed or otherwise, now or hereafter put on the Lands, including without limitation all fences, elevators, furnaces, boilers, oil burners, water heaters, electric light fixtures, window blinds, screen and storm doors and windows, and all air-conditioning, plumbing, cooling, ventilating, cooking, refrigeration and heating equipment and all other apparatus and equipment appurtenant to the Mortgaged Premises.

"Financing Documents" mean, collectively (i) the Guarantee, (ii) any and all promissory notes, guarantees or indemnities executed by the Mortgagor in favour of the Secured Party, and (iii) this Collateral Mortgage and any other security delivered to the Secured Party by the Mortgagor from time to time.

"Improvements" include any construction, installation, alteration, addition, repair or demolition to any part of the Mortgaged Premises now existing or hereafter constructed or to be constructed on the Lands.

"Indebtedness" means all moneys and liabilities matured or not, whether present or future, direct or indirect, absolute or contingent, now or at any time hereafter owing or

incurred, by Creso Pharma Limited to the Secured Party arising under or in connection with the Converting Loan Deed, this Collateral Mortgage, or any other Financing Document, and all interest, damages and Costs, and all premiums of insurance upon any Fixtures, Taxes or other amounts paid by the Secured Party in accordance with the Converting Loan Deed or the Secured Party in accordance with the provisions of this Collateral Mortgage.

"Interest Rate" means the highest rate chargeable by Lender from time to time on the Obligations.

"Guarantee" means the guarantee of even date herewith, pursuant to which the Mortgagor guaranteed the liabilities and obligations of Creso Pharma Limited under the Converting Loan Deed.

"Converting Loan Deed" means the converting loan deed issued by Creso Pharma Limited and dated as of January 17, 2023, as the same may be amended, restated, supplemented, substituted or replaced from time to time.

"Lands" means the lands and premises described in Schedule "A" annexed hereto.

"Monitor" has the meaning ascribed to it in Section 11 of this Collateral Mortgage.

"Mortgaged Premises" means the Lands and all Fixtures.

"Lender" has the meaning ascribed thereto in the Converting Loan Deed, and for greater clarity, the Lender as defined under the Converting Loan Deed and the Secured Party defined under this Collateral Mortgage are one and the same entity.

"Obligations" means all present and future Indebtedness and obligations of the Mortgagor to the Lender arising under or in connection with the Converting Loan Deed and the Financing Documents, whether direct or indirect, absolute or contingent, liquidated or unliquidated, as principal or as surety, alone or with others, of whatsoever nature or kind, in any currency or otherwise, under or in respect of agreements or dealings between the Mortgagor and the Secured Party or agreements or dealings between the Mortgagor and others by which the Secured Party may be or become in any manner whatsoever a creditor of the Mortgagor, including, without limitation, obligations under any Financing Documents.

"Permitted Liens" means any liens or encumbrances specifically consented to by the Secured Party in any Financing Document other than this Collateral Mortgage.

"Receiver" shall include one or more of a receiver and a receiver and manager of all or any portion of the Mortgaged Premises appointed by the Secured Party pursuant to this Collateral Mortgage or by a court of competent jurisdiction.

"Taxes" means all taxes, rates and other impositions whatsoever which are now or may hereafter be imposed, charged or levied by any authority creating a lien or charge on the Mortgaged Premises or any part thereof,

2. **Successors.** The word "successor" as used in this Collateral Mortgage shall include an heir, executor, administrator, personal representative or successor.

3. **Collateral Mortgage.** As security for the payment and performance of all Obligations, the Mortgagor hereby charges, mortgages, and grants a security interest in the Mortgaged Premises to and in favour of the Secured Party, provided such security shall be limited to the maximum principal amount of **One Million Two Hundred and Eighty Two Thousand Five Hundred United States Dollars (US\$1,282,500.00)** together with all applicable interest and Costs in accordance with the terms of this Collateral Mortgage.

4. **Defeasance.** Provided this Collateral Mortgage to be void upon payment in full on demand of all Indebtedness secured hereby, Costs and Taxes and the performance in full of all other Obligations.

5. **Demand.** In the event that the Mortgagor is called upon to pay any Indebtedness in accordance with the terms under which the same is or becomes payable or in the event of the default which is continuing by the Mortgagor in the performance of any of the covenants of the Mortgagor under any Financing Document, the Mortgagor shall be obligated to pay and the Secured Party shall be entitled to forthwith make demand for payment of all such Indebtedness and any other monies secured hereby.

6. **Covenants of Mortgagor.** The Mortgagor hereby covenants, agrees and declares as follows:

- (a) The Mortgagor shall pay to the Secured Party the Indebtedness at the time or times and in the manner applicable thereto including as provided in any Financing Document.
- (b) The Mortgagor is the sole legal and beneficial owner of and has good title in fee simple to the Mortgaged Premises free of all encumbrances other than the Permitted Liens.
- (c) The Mortgagor has the right to charge the Mortgaged Premises to the Secured Party and to give this Collateral Mortgage to the Secured Party upon the covenants contained herein.
- (d) On default, the Secured Party shall have quiet possession of the Mortgaged Premises, free from all encumbrances other than the Permitted Liens.
- (e) The Mortgagor will execute at the Mortgagor's expense such further assurances of the Mortgaged Premises as may be requisite.
- (f) The Mortgagor has done no act to encumber the Mortgaged Premises, except the Permitted Liens.
- (g) The Mortgagor shall pay as they fall due all Permitted Liens and Taxes and shall not suffer any construction, statutory or other liens or rights of retention, other than Permitted Liens, to remain outstanding upon any of the Mortgaged Premises. The Mortgagor shall, within one (1) month from the date fixed for payment of the last

instalment of Taxes in each year, furnish the Secured Party, if requested by it, with receipted tax bills showing all such Taxes for the year have been paid in full.

- (h) The Mortgagor shall not remove, destroy, lease, sell or otherwise dispose of any of the Mortgaged Premises or portion thereof or any interest therein. In the event the Mortgaged Premises or any part thereof are sold or disposed of prior to the full discharge of this Collateral Mortgage in any manner not authorized by this Collateral Mortgage, then all proceeds of such sale or disposition received by the Mortgagor shall be held by the Mortgagor as trustee for the Secured Party until the Mortgagor has been fully released from this Collateral Mortgage by the Secured Party.
- (i) The Mortgagor shall place or cause to be placed and keep in force insurance in respect of the said Lands, Improvements and Fixtures to its full insurable value or in such amounts as the Secured Party may reasonably require against all risks, with insurers approved by the Secured Party and under policies satisfactory in form to the Secured Party; and the loss clause in all such policies will be made payable to the Secured Party and no insurance will be carried on the said Lands, Improvements and Fixtures other than such as is made payable to the Secured Party in accordance with the provisions of this paragraph; and the Mortgagor will not do or omit or cause or suffer anything to be done or omitted whereby the policy or policies of insurance may be voided or become void; and will pay all premiums and sums of money necessary for such purposes promptly as the same shall become due; and will forthwith assign and deliver to the Secured Party the policy or policies of insurance and all renewal receipts thereto appertaining; and will deliver evidence of renewal to the Secured Party at least seven days prior to the expiration of any policy; and in the event of any breach of the foregoing covenants respecting insurance the Secured Party, without prejudice to its other rights hereunder, may, at its option effect such insurance as it may deem necessary on behalf of the Mortgagor and any amount paid thereof by the Secured Party shall be payable forthwith to the Secured Party and shall be a charge upon the Mortgaged Premises and shall bear interest at the highest rate charged in the Indebtedness from the time of such payments until paid.
- (j) The Mortgagor shall forthwith on the happening of any loss or damage furnish at its own expense all necessary proofs and do all necessary acts to enable the Secured Party to obtain payment of the insurance moneys; and any such insurance moneys received by the Secured Party may, at the option of the Secured Party, be applied in repairing or rebuilding the damaged or destroyed Improvements or Fixtures, or be applied to the payment of the moneys hereby secured in such manner as the Secured Party may determine, or partly in one way and partly in another, and in the event of there being a surplus, if any, to pay the same to the Mortgagor or any person appearing to be entitled thereto.
- (k) The Mortgagor shall allow any employees or authorized agents of the Secured Party at any reasonable time to enter the premises of the Mortgagor to inspect the Mortgaged Premises, including without limitation the right to undertake soil, ground water, environmental or other tests, measurements or surveys in, on or below the Mortgaged Premises, and to inspect the books and records of the Mortgagor and make extracts therefrom, and shall permit the Secured Party prompt access to

such other persons as the Secured Party may deem necessary or desirable for the purposes of inspecting or verifying any matters relating to any part of the Mortgaged Premises or the books and records of the Mortgagor, provided that any information so obtained shall be kept confidential, save as required by the Secured Party in exercising its rights hereunder. If an event of default shall have occurred and be continuing under this clause, the Mortgagor shall pay all costs and expenses or agents retained by the Secured Party for purposes of inspection under this clause (k).

- (l) Without the prior written consent of the Secured Party, the Mortgagor shall not create or suffer to exist any charge or encumbrance over all or any portion of the Mortgaged Premises ranking or purporting to rank prior to, *pari passu* with or subordinate to the charges hereof, other than Permitted Liens.
- (m) The Mortgagor shall not grant, create, assume or permit to exist any conditional sale agreement, mortgage, pledge, charge, assignment, lease or other security, except Permitted Liens, whether fixed or floating upon the whole or any part of the Mortgaged Premises. This covenant shall be a restrictive covenant for the benefit of the Secured Party's interest as mortgagee of the Mortgaged Premises and the burden shall run with the interest of the Mortgagor as owners of the Mortgaged Premises.
- (n) All Fixtures are and shall, immediately on being placed upon the Mortgaged Premises, become fixtures and a part of the Mortgaged Premises and form a part of this security; and the Mortgagor hereby grants and releases to the Secured Party all of its claims upon the Mortgaged Premises subject to the proviso for defeasance in Section 4 above.
- (o) The Secured Party may distrain for arrears of interest and for overdue principal and any other sum payable hereunder. The Mortgagor waives the right to claim exceptions and agrees that the Secured Party shall not be limited in the amount for which it may distrain.
- (p) The Secured Party may make any payment or cure any default under any Permitted Encumbrance and may pay and satisfy the whole or any part of any liens, Taxes, charges or encumbrances now or hereafter existing in respect of the Mortgaged Premises. In the event of the Secured Party making any such payment or curing a default or satisfying any such liens, Taxes, charges or encumbrances it shall be entitled to all the equities and securities of the person or persons so paid and is hereby authorized to retain any discharge thereof without registration for so long as it may think fit so to do.
- (q) The Mortgagor will keep the Mortgaged Premises in good condition and repair and shall not permit any act of waste to be committed upon the Mortgaged Premises. If the Mortgagor neglects to keep the Mortgaged Premises in good condition and repair or commits or permits any act of waste on the Mortgaged Premises (as to which the Secured Party shall be sole judge), the Secured Party may make such repairs and replacements as it deems necessary.

- (r) The Mortgagor shall diligently and continuously maintain, develop and construct the Improvements or cause the Improvements to be maintained, developed and constructed in accordance with plans and specifications previously approved by the Secured Party, all in a good and workmanlike manner as first class buildings or Improvements and in the event that the Mortgagor shall fail to proceed diligently with any required work for a period of ten (10) consecutive days, the Secured Party or its representatives may enter into the Mortgaged Premises and do any or all work which they may consider necessary or desirable to complete such Improvements or to protect the same from deterioration.
- (s) The Mortgagor shall not make any material improvement, whether financed by the Secured Party or otherwise, without the prior written consent of the Secured Party which consent will not be unreasonably withheld or delayed and except in accordance with contracts, plans and specifications approved by the Secured Party in writing prior to the commencement of work on the Improvement.
- (t) The Mortgagor shall at all times comply with all of its Obligations.
- (u) Where any portion of the Improvements are to be constructed, they shall be constructed in a good and workmanlike manner using first class quality materials in accordance with the plans and specifications approved by the Secured Party and shall comply with all restrictions, conditions, ordinances, codes, regulations and laws, regulations and the requirements of governmental departments and agencies having direction over, or an interest in the Lands or the Improvements.
- (v) All utility services necessary for the operation and use of the Mortgaged. Premises for their intended purpose, including, but not limited to, water supply, storm and sanitary sewer facilities, gas, electric and telephone facilities, are available to the boundaries of the Lands.
- (w) The Lands are contiguous to publicly dedicated streets or roads or highways and vehicular and pedestrian access thereto is permitted or, if not, are the dominant tenement of an easement or easements creating the perpetual right of such access to any such publicly dedicated streets or roads or highways.
- (x) Any defects in the construction or variation in the construction of any of the Improvements shall be promptly corrected by the Mortgagor to the satisfaction of the Secured Party.
- (y) Any and all of the personal property, elevators, furnaces, refrigerators, ranges, hot water tanks, dishwashers, carpeting, furniture, furnishings, fixtures, attachments and equipment (collectively the "Chattels") delivered upon, or attached to the Mortgaged Premises or intended to become a part thereof, will be kept .Free and clear of all chattel mortgages, conditional vendors' liens and all liens, encumbrances and security interests other than as may be granted to the Secured Party and the Mortgagor will be the absolute owner of the Chattels and will, from time to time, furnish the Secured Party with satisfactory evidence of such ownership, including searches of applicable public records. Upon the Secured Party's request, the Mortgagor will forthwith execute and deliver a supplemental debenture or other security instrument upon the Chattels and such other

supporting documents as the Secured Party may require in connection therewith, including financing statements and searches of records under any applicable legislation.

- (z) The Mortgagor will pay or cause to be paid as soon as the same are due all claims and demands of contractors and materialmen and all wages, salaries, holiday pay, workers compensation assessments or other charges of any nature or kind (the "**Claims**"), which could in any circumstances constitute a lien or charge on the Mortgaged Premises and the Mortgagor will from time to time on demand provide the Secured Party with such books, payrolls, or other records, receipts, certificates and declarations as the Secured Party may deem necessary to satisfy itself that such Claims have been paid as soon as the same are due.

7. **Quiet Possession.** Until default of payment, breach of any covenant contained herein, or default in performance of its Obligations, the Mortgagor shall have quiet possession of the Mortgaged Premises.

8. **Condominium.** If the Mortgaged Premises or any part thereof is or becomes a unit or units in a condominium, the provisions of this section shall apply. The Mortgagor covenants with the Secured Party that:

- (a) The Mortgagor will promptly observe and perform all obligations imposed on the Mortgagor by the Condominium Act (Nova Scotia) or similar legislation and by the Declaration, the By-laws and the Rules, as amended from time to time, of the Condominium Corporation, by virtue of the Mortgagor's ownership or the Mortgaged Premises. Any breach of the said duties and obligations shall constitute a breach of covenant under this Collateral Mortgage;
- (b) Without limiting or restricting the generality of the foregoing:
 - (i) The Mortgagor will pay promptly when due any contributions to common expenses required of the Mortgagor as owner of the Mortgaged Premises;
 - (ii) The Mortgagor will transmit to the Secured Party forthwith upon the demand of the Secured Party satisfactory proof that all common expenses assessed against or in respect of the Mortgaged Premises have been paid as assessed;
 - (iii) The Secured Party may pay out of and deduct from any advance of monies secured hereunder all contributions to the common expenses assessed against or in respect of the Mortgaged Premises which have become due and payable and are unpaid at the date of such advance; and
 - (iv) Whenever and so long as the Secured Party so requires the Mortgagor shall on or before the date when any sum becomes payable by the Mortgagor in respect of common expenses pay such sum to the Secured Party. The Secured Party shall forthwith on receipt thereof remit all such sums to the Condominium Corporation on behalf of the Mortgagor or as the Condominium Corporation may from time to time direct;

- (c) The Secured Party is hereby irrevocably authorized and empowered to exercise the right of the Mortgagor as the owner of the Mortgaged Premises, to vote or to consent in all matters relating to the affairs of the Condominium Corporation provided that:
 - (i) The Secured Party may at any time or from time to time give notice in writing to the Mortgagor and the Condominium Corporation that the Secured Party does not intend to exercise the said right to vote or consent and in that event until the Secured Party revokes the said notice the Mortgagor may exercise the right to vote or consent. Any such notice may be for an indeterminate period of time or for a limited period of time or for a specific meeting or matter;
 - (ii) The Secured Party shall not by virtue of the assignment to the Secured Party of the said right to vote or consent, be under any obligation to vote or consent or to protect the interests of the Mortgagor; and
 - (iii) The exercise of the said right to vote or consent shall not constitute the Secured Party a mortgagee in possession.
- (d) If the Mortgaged Premises or any part thereof shall become a unit or units in a condominium at any time after the execution and delivery of this Collateral Mortgage, the Mortgagor shall, whenever requested by the Secured Party, execute and deliver any further and other charges, assurances or other instruments as the Secured Party shall require in order to preserve, protect or perfect the security provided by this Collateral Mortgage and each of the provisions thereof, including without limitation a further charge covering all of the units in the said condominium and their appurtenant common interests.

9. **Waivers.** The Secured Party may waive in writing any breach by the Mortgagor of any of the provisions contained in this Collateral Mortgage or any default by the Mortgagor in the observance or performance of any covenant or condition required to be observed or performed by the Mortgagor under any applicable Financing Document, provided that no such waiver by the Secured Party shall extend to or be taken in any manner to affect any subsequent breach or default or the rights resulting therefrom.

10. **Performance of Covenants.** If the Mortgagor shall fail to perform any covenant on its part contained in any Financing Document, the Secured Party may in its absolute discretion perform any such covenant capable of being performed by it, but the Secured Party shall be under no obligation to do so. If any such covenant requires the payment of money or if the Mortgaged Premises shall become subject to any encumbrance ranking in priority to the lien hereof other than a Permitted Encumbrance, the Secured Party may in its absolute discretion make such payment and/or pay or discharge such encumbrance, but shall be under no obligation to do so. All sums so paid by the Secured Party shall immediately be payable by the Mortgagor to the Secured Party, shall bear interest at the Interest Rate until paid in full and shall constitute a charge upon the Mortgaged Premises. No such performance or payment shall relieve the Mortgagor from any default hereunder or any consequences of such default.

11. **Appointment of Monitor.** If in the opinion of the Secured Party, acting reasonably, a material adverse change has occurred in the financial condition of the Mortgagor, or if the Secured

Party in good faith believes that the ability of the Mortgagor to pay any or their obligations to the Secured Party or to perform any other covenant contained herein has become impaired, or if an event of default has occurred, the Secured Party may by written notice to the Mortgagor, appoint a monitor (the "**Monitor**") to investigate any or a particular aspect of the Mortgagor or its business and affairs for the purpose of reporting to the Secured Party. The Mortgagor shall give the Monitor its full co-operation, including full access to Facilities, assets and records of the Mortgagor and to their creditors, customers, contractors, employees, auditors, legal counsel and agents. The Monitor shall have no responsibility for the affairs of the Mortgagor nor shall it participate in the management of the Mortgagor's affairs and shall incur no liability in respect thereof or otherwise in connection with the Mortgagor, its business and affairs or the Mortgaged Premises. The Monitor shall act solely on behalf of the Secured Party and shall have no contractual relationship with the Mortgagor as a consultant or otherwise. The appointment of Monitor shall not be regarded as an act of enforcement of this Collateral Mortgage. All reasonable fees and expenses of the Monitor (including complete reimbursement for 100% of all legal fees and disbursements) shall be paid by the Mortgagor upon submission to it of a written invoice therefor. The Secured Party at its option upon the occurrence of an event of default may appoint or seek to have appointed the Monitor or Receiver, receiver and manager, liquidator, or trustee in bankruptcy of the Mortgagor or the Mortgaged Premises or any part thereof.

12. **Continuing and Additional Security.** The security hereby constituted is continuing security for the payment of all Indebtedness and the fulfilment of all Obligations and such security is in addition to any other security now or hereafter held by the Secured Party. The taking of any action or proceedings or refraining from so doing, or any other dealings with any other security for the moneys secured hereby, shall not release or affect the obligations of the Mortgagor hereunder or under any Financing Document.

13. **Default.** The security hereby created shall become enforceable in each of the following events (each of which shall constitute an "**Event of Default**"):

- (a) a breach of covenant or warranty, a "default", an "event of default" or similar circumstance identified in any Financing Document; or
- (b) if the Secured Party shall make an authorized and proper written demand for payment of any Indebtedness pursuant to any Financing Document and payment in full has not been received by the Secured Party forthwith after such demand has been made.

14. **Remedies.** Upon the happening of any Event of Default, in addition to any other rights or remedies available to it hereunder or at common law or equity or pursuant to any statute, and to the extent that such remedies are available in the province in which the Mortgaged Premises is located, the Secured Party shall have the following rights and powers:

- (a) to enter upon and possess all or any part of the Mortgaged Premises;
- (b) to hold, use, repair, preserve, maintain, complete, construct and build all or any part of the Mortgaged Premises and make such replacements thereof and changes or additions thereto as the Secured Party shall deem advisable;
- (c) on default of payment for at least fifteen (15) days the Secured Party or its agents or representatives may on giving the notice, if any, required by Section 13 above

enter on and/or lease the Mortgaged Premises or on default of payment for at least fifteen (15) days, subject to the laws conferred on mortgagees in the province or territory where the Mortgaged Premises are located, may on at least thirty (30) days' notice sell the Mortgaged Premises. In the event that the giving of such notice shall not be required by law or to the extent that such requirements shall not be applicable, it is agreed that notice may be effectually given by giving it in accordance with paragraph 29 hereof; and such notice shall be sufficient although not addressed to any person or persons by name or designation and notwithstanding that any person to be affected thereby may be unknown, unascertained or under disability. The Secured Party may sell the Mortgaged Premises or any part thereof by public auction or private sale, for such price as can reasonably be obtained therefor, and on such terms as to credit and otherwise, and with such conditions of sale and stipulations as to title or evidence or commencement of title or otherwise, as it shall in its discretion deem proper, and in the event of any sale on credit or for part cash and part credit, the Secured Party shall not be accountable for or charged with any moneys until actually received. The Secured Party may rescind or vary any contract of sale and may buy in and resell the Mortgaged Premises or any part thereof without being answerable for loss occasioned thereby. No purchaser or lessee shall be bound to enquire into the legality, regularity or propriety of any sale or lease or be affected by notice of any irregularity or impropriety of any kind; and no lack of default or want of notice or other requirement or any irregularity or impropriety of any kind shall invalidate any sale or lease hereunder. The Secured Party may sell or lease without entering into actual possession of the Mortgaged Premises and when it desires to take possession it may break locks and bolts and while in possession or upon any sale or lease the Secured Party shall be accountable only for moneys which are actually received by it. Sales may be made from time to time of parts of the Mortgaged Premises to satisfy any portion of the indebtedness or other sums owing hereunder and leaving the indebtedness or the residue thereof secured hereunder on the remaining Mortgaged Premises. The Mortgagor hereby appoints the Secured Party its true and lawful attorney and agent to do all things and execute all documents to effectually complete such sale. The Secured Party may lease or take sale proceedings hereunder notwithstanding, that other mortgage proceedings have been taken or are then pending; and

- (d) to appoint by instrument in writing any person or persons to be a Receiver of all or any portion of the undertaking, property and assets of the Mortgagor forming the Mortgaged Premises and all rents, issues, incomes and profits to be derived therefrom, to fix the Receiver's remuneration and from time to time to remove any Receiver so appointed and appoint another or others in his stead;
- (e) to apply to any court of competent jurisdiction for the appointment of a Receiver of all or any portion of the undertaking, property and assets hereby charged; and
- (f) to apply to any court of competent jurisdiction to foreclose the Mortgagor's right, title and equity of redemption to the Mortgaged Premises or any part or portion thereof, or any other action, suit, remedy, or proceeding authorized or permitted under this Collateral Mortgage or by law or equity.

15. **Powers of Receiver.**

- (a) Any Receiver shall have all of the powers or the Secured Party set forth in this Collateral Mortgage and, in addition, subject to applicable laws in the province in which the Mortgaged Premises is located, shall have the following powers:
- (i) to carry on the business of the Mortgagor and to enter into any compromise or arrangement on behalf of the Mortgagor;
 - (ii) with the prior written consent of the Secured Party to borrow money in Iris name or in the Mortgagor's name, for the purpose of carrying on the business of the Mortgagor and for the preservation and realization of the undertaking, property and assets of the Mortgagor including, without limitation, the right to pay persons having prior charges or encumbrances on properties on which the Mortgagor may hold charges or encumbrances, with any amount so borrowed and any interest thereon to be a charge upon the Mortgaged Premises in priority to this Collateral Mortgage;
 - (iii) to make such arrangements, at such time or times as the Receiver may deem necessary without the concurrence of any other persons, for the repairing, finishing, adding to, or putting in order the Mortgaged Premises including without restricting the generality of the foregoing to complete, with such variations, additions and deletions as the Secured Party may approve, the construction of the Mortgaged Premises, or award the same to others to complete, and in either of such cases, shall have the right to take possession of and use or permit others to use all or any part of the Mortgagor's materials, supplies, plans, tools, equipment (including appliances on the Lands) and property of every kind and description;
 - (iv) to sell or lease or concur in the selling or leasing of the whole or any part of the Mortgaged Premises and in exercising the Receiver's foregoing power to sell or lease the Mortgaged Premises the Receiver may in his absolute discretion:
 - (A) sell or lease the whole or any part of the Mortgaged Premises by public or private tender or by private contract,
 - (B) grant options to purchase or lease or both,
 - (C) grant rights of first refusal to purchase or lease or both,
 - (D) complete any contract for sale, lease, option or right of first refusal,
 - (E) enter into open, exclusive and multiple listing contracts for sale or lease,
 - (F) sign and file subdivision, condominium, strata, consolidation or other plans or declarations,
 - (G) complete and file prospectuses, disclosure statements or affidavits in connection with any proposed disposition of the Mortgaged Premises or any portion or portions thereof,

- (H) effect a sale or lease by conveying in the name of or on behalf of the Mortgagor or otherwise,
 - (I) make any stipulation as to title or conveyance or commencement of title,
 - (J) rescind or vary any contract of sale, lease, option or right of first refusal,
 - (K) resell or release without being answerable for any loss occasioned thereby,
 - (L) sell on terms as to credit as shall appear to be most advantageous to the Receiver and if a sale is on credit the Receiver shall not be accountable for any moneys until actually received, and
 - (M) make any arrangements or compromises which the Receiver shall think expedient;
- (b) Any Receiver appointed pursuant to the provisions hereof shall be deemed to be an agent of the Mortgagor for the purposes of:
- (i) carrying on and managing the business and affairs of the Mortgagor, and
 - (ii) establishing liability for all of the acts or omissions of the Receiver while acting in any capacity hereunder and the Secured Party shall not be liable for such acts or omissions,

provided that, without restricting the generality of the foregoing, the Mortgagor irrevocably authorizes the Secured Party to give instructions to the Receiver relating to the performance of its duties as set out herein,

16. **Attorney.** The Mortgagor hereby irrevocably nominates, constitutes and appoints the Secured Party and any person further designated by the Secured Party as the true and lawful attorney of the Mortgagor for and in the name of the Mortgagor after an Event of Default has occurred and is continuing and this Collateral Mortgage or any other security held by the Secured Party in the indebtedness or other Obligations has become enforceable, to execute and do any deeds, documents, transfers, demands, assignments, assurances, consents and things which the Mortgagor is obliged to sign, execute or do hereunder and to commence, continue and defend any proceedings authorized to be taken hereunder and generally to use the name of the Mortgagor in the exercise of all or any of the powers hereby conferred on the Mortgagor and on any Receiver appointed hereunder.

17. **Application of Moneys.** All moneys actually received by the Secured Party or the Receiver pursuant to Sections 14 and 15 of this Collateral Mortgage shall be applied:

- (a) first, in payment of claims, if any, of creditors of the Mortgagor (including any claim or the Receiver pursuant to Section 15(a)), ranking in priority to the charges created by this Collateral Mortgage as directed by the Secured Party or the Receiver;

- (b) second, in or towards payment of all applicable Costs;
- (c) third, in or towards payment: or satisfaction of any remaining Indebtedness in such order as the Secured Party in its sole discretion may determine;
- (d) fourth, in or towards the payment of the obligation of the Mortgagor to persons, if any, with charges or security interests against the Mortgaged Premises ranking subsequent to those in favour of the Secured Party; and
- (e) fifth, subject to applicable law, any surplus shall be paid to the Mortgagor.

18. **Release, Extensions, etc.** 'The Secured Party may in its sole discretion at all times release any part or parts of the Mortgaged Premises either with or without any consideration therefor, with out responsibility therefor and without thereby releasing any other part or the Mortgaged Premises or any person from his obligations under any applicable Financing Document or from any of the covenants herein or therein contained and without being accountable to the Mortgagor for the value thereof or for any money except that actually received by the Secured Party, it being expressly agreed that every part of the Mortgaged Premises into which it is or may hereafter be divided does and shall stand charged with the whole of the amount hereby secured. The Secured Party may grant time, renewals, extensions, indulgences, releases and discharges to, may take additional securities may give any securities up, may abstain from taking securities or from perfecting securities, may accept compositions, and may otherwise deal with the Mortgagor and all other persons and securities as the Secured Party may see fit without prejudicing the rights of the Secured Party under this Collateral Mortgage.

19. **No Change in Rights.** No sale or other dealing by the Mortgagor with the Mortgaged Premises or any part thereof shall in any way change the liability of the Mortgagor or in any way alter the rights or the Secured Party as against the Mortgagor or the amount or terms of any Indebtedness or of any Financing Document.

20. **No Merger.** The taking of any judgment or the exercise of any power of seizure or sale shall not operate to extinguish the liability of the Mortgagor to perform its Obligations or to pay Indebtedness hereby secured, shall not operate as a merger of any covenant herein contained or affect the rights of the Secured Party to interest at the Interest Rate in effect from time to time hereunder, and the acceptance of any payment or other security shall not constitute or create any novation. The execution and delivery of this Collateral. Mortgage or of any instruments or documents supplemental hereto shall not operate as a merger of any representation, warranty, term, condition or other provision contained in any other obligation or indebtedness of the Mortgagor to the Lender/Secured Party or under the Converting Loan Deed or the Financing Documents.

21. **Assignment of Rents.** Subject to the proviso for defeasance, and as additional and separate continuing security for the Mortgagor's Obligations, the Mortgagor hereby assigns to the Secured Party subject to the rights of the holders of the Permitted Liens all present and future leases of the Mortgaged Premises or any part thereof, and all rents, issues, incomes and profits now or hereafter derived from the leases, sub-leases or the Mortgaged Premises or any part thereof, together with the benefit of all covenants, agreements and provisos contained in such leases or sub-leases as the case may be. The Mortgagor will execute and deliver to the Secured Party, from time to time, upon the request of the Secured Party and at the expense of the Mortgagor, assignments in registrable form in the Secured Party's usual form of all leases and

rents relating to the Mortgaged Premises and such other notices or documents as may be required by the Secured Party. Until an Event of Default occurs the Mortgagor may demand, receive, collect and enjoy the rents only as the same fall due and payable and, except for the last month's rental, not in advance, but nothing shall permit or authorize the Mortgagor to collect or receive rents contrary to the covenants contained herein. Nothing in this Collateral Mortgage shall make the Secured Party responsible for the collection of rents payable under any lease of the Mortgaged Premises or any part thereof or for the performance of any covenants, terms or conditions contained in any such lease. The Secured Party shall be liable to account only for such rents as actually come into its hands after the deductions of reasonable collection charges in respect thereof and may apply such rents to the repayment of the indebtedness and Costs.

22. **Interpretation.** Unless the context otherwise requires, words reporting the singular include the plural and vice-versa and words importing gender include all genders; all rights, advantages, privileges, immunities, powers and things hereby secured to the Secured Party shall be equally secured to and exercisable by its successors and assigns; all covenants and liabilities entered into or imposed hereunder upon the Mortgagor shall be equally binding upon its heirs, executors, administrators and assigns or successors and assigns as the case may be; all such covenants, liabilities and obligations shall be joint and several; time shall be of the essence hereof; and all provisions hereof shall have effect notwithstanding any statute to the contrary.

23. **Headings.** The division of this Collateral Mortgage into separate sections, paragraphs and clauses and the insertion of headings are included for convenience of reference only and are not intended to affect the construction or interpretation of the Collateral Mortgage nor are they intended to be full or accurate descriptions of the contents.

24. **No Obligation to Advance.** Neither the execution nor registration of this Collateral Mortgage, nor the advance of any moneys of any amounts secured hereby shall bind the Secured Party to advance any amounts pursuant to any Financing Document secured hereby or any part thereof, but nevertheless the charges created hereby shall take effect upon execution hereof.

25. **Disclosure of Information.** The Mortgagor acknowledges that pursuant to the provisions of applicable construction lien legislation, the *Personal Property Security Act* (Nova Scotia) and other similar legislation, the Secured Party may be obliged to release information relating to the Converting Loan Deed, the Guarantee, this Collateral Mortgage, the Indebtedness and any amounts advanced thereunder or secured hereby. The Mortgagor hereby authorizes the Secured Party to re-lease all such information and any other information it may, from time to time, be required to release by law to those entitled to such information.

26. **Intentionally Deleted.**

27. **Discharge.** After payment in full of all Indebtedness and Costs and the performance of all Obligations, the Secured Party shall within a reasonable period of time after receipt of a written request therefor from the Mortgagor, provide the Mortgagor with a discharge of the Collateral Mortgage or an assignment or transfer of the Collateral Mortgage if so required and directed by the Mortgagor; any such discharge, assignment or transfer shall be prepared by the Secured Party at the expense of the Mortgagor.

28. **Proper Law.** This Collateral Mortgage shall be governed by and construed in accordance with the laws of the Province of Nova Scotia and the laws of Canada applicable therein.

29. **Notice and Payments.** Any payments not received by the Secured Party by two o'clock p.m. on a Business Day shall be deemed to have been received on the next Business Day. Any notice required or desired to be given hereunder shall be in writing and may be given by personal delivery, by facsimile or other means of electronic communication or by sending the same by registered mail, postage prepaid, to the Mortgagor or the Secured Party at their addresses and, in the case of electronic communication to the facsimile numbers set forth below:

(a) in the case of the Secured Party, to:

90 Madison Street, Suite 303
Denver, CO 80206

Email: Geoff@laplata.capital

Attention: Geoff Long, President

(b) in the case of the Mortgagor:

176 Sangster's Bridge Road
Windsor Forks, NS B0n 2T0

Email:

Attention: Micheline MacKay

Any notice so delivered shall be conclusively deemed given when personally delivered, any notice sent by facsimile or other means of electronic transmission shall be deemed to have been delivered on the day it is sent, if such notice is sent prior to 4:00pm local time on a Business Day in the place in or to which the notice is delivered, or otherwise on the next Business Day, notice shall not be given by mail. Any address for notice or payments may be changed by notice given pursuant hereto.

[Remainder of this page intentionally left blank Signature Page Follows.]

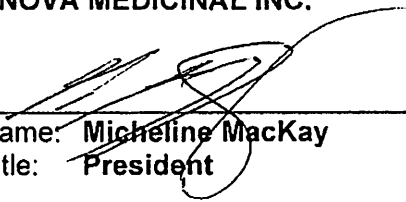
IN WITNESS WHEREOF the Mortgagor has properly executed this Collateral Mortgage on the day and year first above written.

WITNESS



Witness

) MERNOVA MEDICINAL INC.
)
)
)

Per: 

Name: Micheline MacKay
Title: President

CANADA
PROVINCE OF NOVA SCOTIA

AFFIDAVIT

I, Micheline MacKay, of Windsor Forks, Nova Scotia, make oath and say that:

1. I am the President of Mernova Medicinal Inc., the "Corporation" and have a personal knowledge of the matters herein deposed to.
2. I executed the foregoing instrument for and on behalf of the Corporation.
3. I am authorized to execute the foregoing instrument on behalf of the Corporation and thereby bind the Corporation.
4. I acknowledge that the Corporation executed the foregoing Instrument by its proper officer(s) duly authorized in that regard on the date of this affidavit; this acknowledgment is made for the purpose of registering such Instrument pursuant to s.31(a) of the *Registry Act*, R.S.N.S. 1989, c.392 or s. 79(1)(a) of the *Land Registration Act* as the case may be, for the purpose of registering the instrument.
5. The Corporation is a resident of Canada under the *Income Tax Act* (Canada).
6. The ownership of a share or an interest in a share of the Corporation does not entitle the owner of such share or interest in such share to occupy a dwelling owned by the Corporation.

SWORN TO at Windsor, in the County of)
Hants, Province of Nova Scotia, this)
16th day of January, 2023, before me:)

Nicholas F.J. Bartolacci
A Barrister of the Supreme Court
of Nova Scotia

MICHELINE MACKAY

NICHOLAS F.J. BARTOLACCI
A Barrister of the Supreme
Court of Nova Scotia

SCHEDULE "A"

PID 45018595

Parcel Description

ALL THAT certain parcel of land at or near the Town of Windsor, in the County of Hants, Province of Nova Scotia and more particularly described as follows:

BEGINNING at the point of intersection of the northeastern boundary of Lot 27 and the southeastern boundary of Ivey Lane Extension;

THENCE N 41 degrees 52' 15" E along said southeastern boundary a distance 153.31 feet to the northeastern boundary of Ivey Lane Extension;

THENCE N 48 degrees 07' 45" W along said northeastern boundary a distance of 210.00 feet to the southeastern boundary of Ivey Lane Extension;

THENCE N 41 degrees 52' 15" E along said southeastern boundary a distance of 10.00 feet to the northeastern boundary of Ivey Lane Extension;

THENCE N 48 degrees 07' 45" W along said northeastern boundary a distance of 228.81 feet to the southeastern boundary of Ivey Lane Extension;

THENCE N 39 degrees 24' 15" E along said southeastern boundary a distance of 57.20 feet to the southwestern boundary of Ivey Lane Extension;

THENCE S 50 degrees 35' 45" E along said southwestern boundary a distance of 22.00 feet to the southeastern boundary of Ivey Lane Extension;

THENCE N 39 degrees 24' 15" E along said southeastern boundary a distance of 200.00 feet to the southwestern boundary of Ivey Lane Extension;

THENCE S 50 degrees 35' 45" E along said southwestern boundary a distance of 35.00 feet to the southeastern boundary of Ivey Lane Extension;

THENCE N 39 degrees 24' 15" E along said southeastern boundary a distance of 89.13 feet to a point of curvature;

THENCE along the curved southeastern boundary of Ivey Lane Extension following a circular curve to the left, having a radius of 680.74 feet, an arc distance of 416.47 feet to a point of curvature;

THENCE N 4 degrees 21' 05" E along the southeastern boundary of Ivey Lane Extension a distance of 13.41 feet to the southeastern boundary of Wentworth Road;

THENCE N 82 degrees 31' 34" E along said road boundary a distance of 7.85 feet to the southwestern boundary of lands of Barry Hennigar;

THENCE S 24 degrees 34' 10" E along said southwestern boundary a distance of 496.03 feet;

THENCE S 47 degrees 00' 10" E along the southwestern boundary of lands of Barry Hennigar a distance of 650.00 feet to the northwestern boundary of lands of Canadian Gypsum Company Limited;

THENCE S 60 degrees 33' 55" W along said northwestern boundary a distance of 741.76 feet to the northeastern boundary of Lot 27;

THENCE N 48 degrees 07' 45" W along said northeastern boundary a distance of 326.81 feet to the point of beginning, containing an area of 13.37 acres.

SAVING AND EXCEPTING Parcel X as conveyed to the Town of Windsor by deed recorded at the Registry of Deeds for Hants County as Book 438 Page 116.

ALSO SAVING AND EXCEPTING Lot 30A conveyed to S. & K. Crawford Enterprises Limited by deed recorded at the Registry for Hants County as Book 641 Page 14.

ALSO SAVING AND EXCEPTING Parcel 1 of Lot 30A-1 conveyed to S. & K. Crawford Enterprises Limited by deed recorded at the Registry for Hants County as Book 644 Page 114.

ALSO SAVING AND EXCEPTING Parcel A of Lot 27A conveyed to Sepracor Canada Limited by deed recorded at the Registry for Hants County as Book 847 Page 246.

ALSO SAVING AND EXCEPTING Lot 28A conveyed to Mernova Medidinal Inc. by deed recorded at the Registry for Hants County as Document 105136023.

SUBJECT to an easement granted to the Town of Windsor by Deed recorded at the Registry of Deeds for Hants County as Book 438 Page 116.

SUBJECT to an easement in favour of Nova Scotia Power Inc. recorded at the Registry of Deeds for Hants County as Book 992 Page 405.

SUBJECT to an easement in favour of Nova Scotia Power Inc. recorded at the Registry of Deeds for Hants County as Document 100166710.

SUBJECT to a Lease of property recorded at the Registry of Deeds for Hants County as Document 102457968.

SUBJECT to a Lease of property recorded at the Registry of Deeds for Hants County as Document number 3722 in Book 929 at page 389 and amended by document number 114565651 recorded November 15, 2019.

AND SUBJECT to an easement associated with the above-referenced lease of property, as more particularly described in a Lease of property recorded at the Registry of Deeds for Hants County as Document number 3722 in Book 929 at page 389 and amended by document number 114565651 recorded November 15, 2019.

SUBJECT to Restrictive Covenants as described in Book 941 at page 436 and amended by Amending Agreement recorded as Document 105608765.

*** Municipal Government Act, Part IX Compliance ***

Not Subject To:

The parcel was created by a subdivision that predates subdivision control or planning legislation or by laws in the municipality and therefore no subdivision approval was required for creation of this parcel.

PID 45395514

Parcel Description

Place Name: Ivey Lane, Wentworth Creek
Municipality/County: Municipality of the District of Hants West
Designation of Parcel on Plan: Lot 28A
Title of Plan: Plan of Subdivision Lot 28A Lands of Nova Scotia Business Incorporated
Registration County: Hants
Registration Number of Plan: 104858254
Registration Date of Plan: 2014-04-04

SUBJECT TO restrictive covenants as described in Book 941 at page 436.

*** Municipal Government Act, Part IX Compliance ***

Compliance:

The parcel is created by a subdivision (details below) that has been filed under the Registry Act or registered under the Land Registration Act

Registration District: HANTS COUNTY
Registration Year: 2014
Plan or Document Number: 104858254

THIS MORTGAGE AMENDING AGREEMENT made as of April 3, 2025,

BETWEEN:

MERNOVA MEDICINAL INC.,

a company formed pursuant to the laws of Nova Scotia, Canada

(hereinafter the "**Mortgagor**")

-and -

LA PLATA CAPITAL, LLC,

a Delaware limited liability company

(hereinafter the "**Mortgagee**")

WHEREAS:

- A. The Mortgagor granted to the Mortgagee a collateral mortgage in the maximum principal amount of One Million Two Hundred and Eighty-Two Thousand Five Hundred United States Dollars (USD\$1,282,500.00) charging certain lands of the Mortgagor more particularly described in Schedule "A" hereto and registered at the Hants County Land Registration Office on January 18, 2023, as Document No. 121927090 (the "**Mortgage**");
- B. The Mortgagor agreed to a Guarantee of the Obligations therein, including the Converting Loan Deed dated January 17, 2023, as it may further be amended, restated, supplemented or renewed from time to time, including by the Amended and Restated Converting Loan Deed dated March 2, 2023, as further amended, restated, supplemented or renewed from time to time (the "**Loan Agreement**"), pursuant to which the Mortgagee agreed to make certain credit facilities available to Creso Pharma Limited, now known as Melodiol Global Health Limited, and guaranteed by the Mortgagor;
- C. Melodiol Global Health Limited is in default under the Loan Agreement because of a number of defaults, and accordingly the Mortgagee is in a position to commence enforcement proceedings against the Mortgagor;
- D. As consideration of the Mortgagee forbearing from exercising its rights to enforce, and as further security required pursuant to the Loan Agreement, the Mortgagor has requested and the Mortgagee has agreed to amend the terms of Mortgage as set out herein.

NOW THEREFORE THIS AGREEMENT WITNESSETH that in consideration of the said premises and the sum of Ten Dollars (\$10.00) paid by the Mortgagee to the Mortgagor (the receipt of which is hereby acknowledged), it is hereby agreed between the Mortgagee, the Mortgagor that the Mortgage be amended as follows:

1. The Indebtedness as set out in the first recital of the Mortgage and defined at Section 3 of same shall be amended to read "**FIVE MILLION UNITED STATES DOLLARS (USD\$5,000,000)** together with all applicable interest and Costs" in accordance with the terms of said Mortgage.
2. All other terms and conditions of the Mortgage remain in full force and effect, unamended and the Mortgagor confirms that all covenants and conditions as outlined in the Mortgage shall apply *mutatis mutandis* to all properties charged by the Mortgage as amended by this Agreement except as specifically amended herein.

[Signature page follows]

IN WITNESS WHEREOF the Mortgagor has duly executed these presents the day and year first above written.

SIGNED AND DELIVERED, by
videoconference
at Halifax, Nova Scotia, in the presence of:

)

)

)

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)

)

)

MERNOVA MEDICINAL INC.

Michael A. Levin
A Barrister of the Supreme Court of Nova
Scotia

Per: Micheline Mackay, President
I have authority to bind the Company

AFFIDAVIT OF STATUS

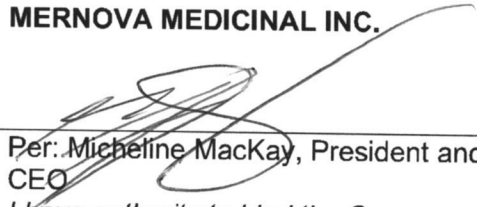
**CANADA
PROVINCE OF NOVA SCOTIA
HALIFAX REGIONAL MUNICIPALITY**

I, Micheline MacKay, of Halifax, in the County of Halifax, Province of Nova Scotia, make oath and say that:

1. I am the President and CEO of MERNOVA MEDICINAL INC. (the "Company").
2. I am an Officer of the Company, duly authorized to execute the annexed document for and on behalf of the Company.
3. I have executed the annexed instrument for and on behalf of the Company and thereby bind the Company.
4. This affidavit is sworn for the purpose of registering the annexed instrument pursuant to s. 31(a) of the Registry Act, R.S.N.S. 1989, c. 392 or s. 79(1)(a) of the Land Registration Act and in compliance with the provisions of the Matrimonial Property Act and the Vital Statistics Act.
5. The Company is a resident of Canada under the Income Tax Act (Canada).
6. The Company has given authorization that this instrument can be signed without the corporate seal, and it is to have effect as if said seal was embossed over the signature.

SIGNED AND DELIVERED, by
videoconference
at Halifax, Nova Scotia, in the presence of:

Michael A. Levin
A Barrister of the Supreme Court of Nova
Scotia

)
) **MERNOVA MEDICINAL INC.**
)
)
)
)
) Per:  Micheline MacKay, President and
) CEO
I have authority to bind the Company

I CERTIFY that on April 3, 2025, Micheline MacKay, one of the parties mentioned in the foregoing and annexed Indenture, signed and executed the said Indenture in my presence and I have signed as a witness to such execution.

Michael A. Levin
A Barrister of the Supreme Court of Nova
Scotia

Schedule A

Parcel Description – PID 45018595

ALL THAT certain parcel of land at or near the Town of Windsor, in the County of Hants, Province of Nova Scotia and more particularly described as follows:

BEGINNING at the point of intersection of the northeastern boundary of Lot 27 and the southeastern boundary of Ivey Lane Extension;

THENCE N 41 degrees 52' 15" E along said southeastern boundary a distance 153.31 feet to the northeastern boundary of Ivey Lane Extension;

THENCE N 48 degrees 07' 45" W along said northeastern boundary a distance of 210.00 feet to the southeastern boundary of Ivey Lane Extension;

THENCE N 41 degrees 52' 15" E along said southeastern boundary a distance of 10.00 feet to the northeastern boundary of Ivey Lane Extension;

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THENCE S 47 degrees 00' 10" E along the southwestern boundary of lands of Barry Hennigar a distance of 650.00 feet to the northwestern boundary of lands of Canadian Gypsum Company Limited;

Parcel Description – PID 45018595

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THENCE N 48 degrees 07' 45" W along said northeastern boundary a distance of 326.81 feet to the point of beginning, containing an area of 13.37 acres.

SAVING AND EXCEPTING Parcel X as conveyed to the Town of Windsor by deed recorded at the Registry of Deeds for Hants County as Book 438 Page 116.

ALSO SAVING AND EXCEPTING Lot 30A conveyed to S. & K. Crawford Enterprises Limited by deed recorded at the Registry for Hants County as Book 641 Page 14.

ALSO SAVING AND EXCEPTING Parcel 1 of Lot 30A-1 conveyed to S. & K. Crawford Enterprises Limited by deed recorded at the Registry for Hants County as Book 644 Page 114.

ALSO SAVING AND EXCEPTING Parcel A of Lot 27A conveyed to Sepracor Canada Limited by deed recorded at the Registry for Hants County as Book 847 Page 246.

ALSO SAVING AND EXCEPTING Lot 28A conveyed to Mernova Medicinal Inc. by deed recorded at the Registry for Hants County as Document 105136023

SUBJECT to an easement granted to the Town of Windsor by Deed recorded at the Registry of Deeds for Hants County as Book 438 Page 116.

SUBJECT to an easement in favour of Nova Scotia Power Inc. recorded at the Registry of Deeds for Hants County as Book 992 Page 405.

SUBJECT to an easement in favour of Nova Scotia Power Inc. recorded at the Registry of Deeds for Hants County as Document 100166710.

SUBJECT to a Lease of property recorded at the Registry of Deeds for Hants County as Document 102457968.

SUBJECT to a Lease of property recorded at the Registry of Deeds for Hants County as Document number 3722 in Book 929 at page 389 and amended by document number 114565651 recorded November 15, 2019..

AND SUBJECT to an easement associated with the above-referenced lease of property, as more particularly described in a Lease of property recorded at the Registry of Deeds for Hants County as Document number 3722 in Book 929 at page 389 and amended by document number 114565651 recorded November 15, 2019..

SUBJECT to Restrictive Covenants as described in Book 941 at page 436 and amended by Amending Agreement recorded as Document 105608765.

*** Municipal Government Act, Part IX Compliance ***

Not Subject To:

Parcel Description – PID 45018595

The parcel was created by a subdivision that predates subdivision control or planning legislation or by-laws in the municipality and therefore no subdivision approval was required for creation of this parcel.

Schedule A – continued

Parcel Description – PID 45395514

Place Name: Ivey Lane, Wentworth Creek
Municipality/County: Municipality of the District of Hants West
Designation of Parcel on Plan: Lot 28A
Title of Plan: Plan of Subdivision Lot 28A Lands of Nova Scotia Business Incorporated
Registration County: Hants
Registration Number of Plan: 104858254
Registration Date of Plan: 2014-04-04

SUBJECT TO restrictive covenants as described in Book 941 at page 436.

*** Municipal Government Act, Part IX Compliance ***

Compliance:

The parcel is created by a subdivision (details below) that has been filed under the Registry Act or registered under the Land Registration Act

Registration District: HANTS COUNTY
Registration Year: 2014
Plan or Document Number: 104858254

Y

2025

Hfx No.

Attached is Exhibit "Y" referred
to in the Affidavit of Micheline
MacKay sworn before me on
April 9, 2025



Signature

ASHA PELLY
A Barrister of the Supreme
Court of Nova Scotia

THIS GENERAL ASSIGNMENT OF RENTS AND LEASES is made as of the 17th day of January, 2023.

BETWEEN:

MERNOVA MEDICINAL INC., a company formed pursuant to the laws of Nova Scotia, Canada

(the "**Assignor**")

- and -

LA PLATA CAPITAL, LLC, a Delaware limited liability company

(the "**Secured Party**")

WHEREAS the Assignor has granted a collateral mortgage to and in favour of the Secured Party dated of even date herewith (the "**Mortgage**"), and charging the lands and premises described in Schedule "A" attached hereto (which lands and all buildings at any time situate there on during the existence of the Mortgage are hereinafter referred to as the "**Mortgaged Premises**");

AND WHEREAS as additional security for the obligations secured by the Mortgage the Assignor is required to assign, subject to the terms and conditions hereinafter set forth, the benefit of all leases and the rents now due or accruing due relating to the Mortgaged Premises to and in favour of the Secured Party;

NOW THEREFORE THIS INDENTURE WITNESSETH that in consideration of the premises and of the said converting loan agreement made between the Secured Party, as lender, and Creso Pharma Limited, as borrower (the "**Converting Loan Agreement**"), the parties hereto mutually covenant, declare and agree as follows:

1. The Assignor assigns to the Secured Party, its successors and assigns, as security for all indebtedness, liability and obligations memorialized in the Converting Loan Agreement secured by the Mortgage, and until such indebtedness, liability and obligations has been fully paid and satisfied, the full right, title, benefit and interest in and to every present and future lease or sublease, agreement to lease or sublease, tenancy, agreement as to use or occupation and license, indemnity or guarantee of all or any of the obligations of any existing or future tenant, subtenant, occupier, licensee, indemnitor or guarantor (collectively, the "**Tenants**" and individually a "**Tenant**"), assignment and agreement to assume the obligations of any existing or future Tenant, whether or not pursuant to any written lease, agreement, guarantee, indemnity or license, in respect of the whole or any portion of the Mortgaged Premises, in each case as amended, supplemented, modified, replaced or restated from time to time (collectively, the "**Leases**" and individually a "**Lease**").
2. The Assignor hereby assigns to the Secured Party and its successors and assigns, as security for the principal, interest and other amounts secured by the Mortgage, and until the moneys due under and by virtue of the Mortgage have been fully paid and satisfied, all rents and other moneys now due and payable or hereafter to become due and payable

from the Mortgaged Premises and the benefit of all covenants of tenants, subtenants, occupier, licensee, indemnitors and guarantors and assignees (collectively, the "**Rents**");

- (a) under every existing and future Lease, which shall include all subleases, and agreements to lease or sublease, of the whole or any portion of the Mortgaged Premises;
- (b) in respect of every existing and future tenancy, agreement as to use or occupation and License in respect of the whole or any portion of the Mortgaged Premises, whether or not pursuant to any written lease, agreement or license;
- (c) under every existing and future indemnity or guarantee of all or any of the obligations of any existing or future Tenant, of the whole or any portion of the Mortgaged Premises;
- (d) under every existing and future assignment and agreement to assume the obligations of Tenants of the whole or any portion of the Mortgaged Premises;

with full power and authority to demand, collect, sue for, recover, receive and give receipts for the Rents and to enforce payment thereof in the name of the Assignor or the owner from time to time of the Mortgaged Premises

- 3. The Assignor also covenants and agrees that it will observe and perform all of its obligations under the Leases in accordance with their terms and will not do anything to adversely impact the Leases.
- 4. The Assignment of the Lease hereunder shall not extent or apply to the last day of the term of any Lease or any agreement therefore now held or hereafter acquired by the Assignor, but should the Secured Party enforce the said Assignment of Lease or the Mortgage, the Assignor shall thereafter stand possessed of such last day and shall hold it in trust to assign same to any person acquiring such term ill the course of the enforcement of this Assignment.
- 5. The Assignor covenants that each and every one of the Leases is a good and subsisting Lease at the date hereof, and that there are no breaches of any of the covenants, terms and conditions or any default under any of those Leases and that there has been no prepayment of rent under any of those Leases (except, if so provided in the Lease, for payment of rent for the last month of the term).
- 6. The Assignor also covenants and agrees that the Assignor will not, without written consent of the Secured Party:
 - (a) except for any of the Leases which relate to residential premises only, cancel any Lease or accept a surrender thereof unless the Assignor and Tenants of the Lease execute a new Lease which shall go into effect prior to or simultaneously with the cancellation or surrender of the former Lease. The new Lease shall provide for rent payments no less than the rent payable under the cancelled or surrendered Lease, shall not diminish the Tenant's obligation to pay taxes and insurance, and shall run to a date not prior to the expiration of the cancelled or surrendered. Lease; nor be on terms otherwise less favourable to the Assignor then the existing Lease;

- (b) except for any of the Leases which relate to residential premises only, modify, alter or amend any Lease, either orally or in writing, so as to decrease the term, reduce the rent, diminish the Tenant's obligations to pay taxes and insurance or increase the Assignor's obligation to make repairs in connection with the Lease; or otherwise materially reduce the obligation of the Tenant or increase the burden on the Assignor;
- (c) consent to the assignment of any Tenant's interest in any Lease which will relieve the Tenant of liability for payment of rent or the performance of the terms and conditions of the Lease;
- (d) lease or agree to lease any part of the Mortgaged Premises except at a rent, on terms and conditions and to Tenants at least as favourable and desirable to the Assignor as those which a prudent landlord would accept for the part of the Mortgaged Premises to be leased;
- (e) assign, pledge, hypothecate, grant a security interest in or otherwise encumber any Lease or the rents or revenues due or to become due thereunder, or any part thereof, other than to the Secured Party.

Any of the above acts, if done without the written consent of the Secured Party, shall not be binding on the Secured Party. The Assignor shall have the right, regardless of this assignment, to modify the Leases and to take any other action with respect thereto which does not violate the specific provisions of sub-paragraphs (a) to (c) above,

- 7. The Assignor shall be permitted to collect and receive the Rents as and when they shall become due and payable according to the terms of each of the Leases, unless and until there shall be default made in any payment provided for in the Mortgage or any related agreement between the Secured Party and the Assignor, or until the breach of any covenant on the part of the Assignor contained in the Mortgage or any related agreement between the Secured Party and the Assignor, in which case the Secured Party may give notice in writing to the Tenant advising of default. In such event the Assignor hereby irrevocably directs such Tenant to make payment of Rent due after receipt of such notice to the Secured Party or as the Secured Party may direct, upon being furnished with a true copy of this Assignment and the aforesaid notice in writing, without any further direction or authority being required by such Tenant,
- 8. The Secured Party shall not, by virtue of this agreement, or its receipt of the Rents or any of them, become or be deemed a mortgagee in possession of the Mortgaged Premises, and nothing herein contained shall have the effect of making the Secured Party or its successors or assigns responsible for the collection of the Rents or any of them, or for the observance or performance of any of the covenants, obligations or conditions under or in respect of the Leases, or any of them, to be observed and performed by the Assignor.
- 9. In the exercise of the powers herein granted to the Secured Party, no liability shall be asserted or enforced against the Secured Party, all such liability being hereby expressly waived and released by the Assignor. The Secured Party shall not be obligated to perform or discharge any obligation, duty or liability under the Leases, or under or by reason of this assignment, and the Assignor shall and does hereby agree to indemnify the Secured Party for and to hold it harmless of and from any and all liability, loss or damage which it may or might incur under the Leases or under or by reason of this assignment and of and

from any and all claims and demands whatsoever which may be asserted against it by reason of agreements contained in the Leases. Should the Secured Party incur any such liability, loss or damage under the Leases or by reason of this assignment, or the defence of any such claims or demands, the amount thereof, including costs, expenses and all legal fees and disbursements, shall be secured hereby, and the Assignor shall reimburse the Secured Party therefore immediately upon demand.

10. The Secured Party shall be liable to account only for such moneys as shall actually come into its hands, less all costs and expenses and other proper deductions, and such moneys shall be applied on account of any indebtedness of the Assignor to the Secured Party
11. The Assignor hereby agrees to execute such further assurances as may be reasonably required by the Secured Party from time to time to perfect this Agreement and whenever in the future any Lease with respect to the Mortgaged Premises or any part thereof is made, the Assignor will forthwith advise the Secured Party of the terms thereof and, if requested by the Secured Party, give the Secured Party a specific assignment of the Lease and Rents thereunder in the form requested by the Secured Party.
12. Whenever any and all default under the Mortgage has been cured, and all taxes and insurance on the Mortgaged Premises have been paid to date, and all moneys which the Secured Party or its agents may have expended or become liable for in connection with the Mortgaged Premises have been fully repaid, the Assignor shall resume collection of the Rentals on the Mortgaged Premises until further default has occurred and shall also be entitled to receive any remaining balance of the Rents and revenues realized from the Mortgaged Premises.
13. The Assignor shall not at any time during the existence of the Mortgage assign, create a security interest in, pledge, hypothecate or otherwise encumber any Lease now or hereafter existing in respect of the Mortgaged Premises or the Rents and revenues due or to become due thereunder, or any part thereof, other than to the Secured Party.
14. The Assignor shall reimburse, indemnify and hold harmless the Secured Party for and from any and all expenses, losses, damages and liabilities which the Secured Party may reasonably incur by reason of this Agreement and the exercise by or on behalf of the Secured Party of any rights under this Agreement.
15. The Assignor will, at the request of the Secured Party, specifically assign any Lease to the Secured Party.
16. The Assignor hereby agrees to execute such further documents and instruments and to do all such further acts and things as may be reasonably required by the Secured Party from time to time to perfect and carry out the purpose and intent of this Assignment.
17. The rights or remedies given to the Secured Party hereunder shall be cumulative of and not substituted for any rights and remedies to which the Secured Party may be entitled under the Mortgage or at law, and the taking of this additional security shall in no way lessen, hinder or prejudice such rights or remedies,
18. It is understood and agreed that a full and complete discharge of the Mortgage shall operate as a full and complete release of the Secured Party's rights and interest hereunder

and that when the Mortgage has been fully discharged this instrument shall be of no further effect.

19. Upon default under the Mortgage, the Assignor hereby nominates, constitutes and appoints the Secured Party to be the true and lawful attorney of the Assignor for and in the name of the Assignor, with full power of substitution, to demand, collect, sue for and enforce payment of all Rents, and to enforce observance by the Tenants of their covenants, conditions, provisos, stipulations and agreements contained in the Leases, and for the purposes aforesaid, or any of them, the Assignor hereby authorizes the Secured Party, its employees and agents, at the Secured Party's sole option, upon default as described in the Mortgage and while same is continuing:
- (a) to enter upon the Mortgaged Premises (either personally or by its receiver or receiver-manager) and to collect, in the name of the Assignor, or in the name of the Secured Party, the Rents accrued but unpaid and in arrears at the date of such default, as well as the Rents thereafter accruing and becoming payable during the period of the continuance of the said or any other default; and to this end, the Assignor further agrees that the Assignor will facilitate in all reasonable ways the Secured Party's collection of the Rents and will, upon request by the Secured Party, execute a written notice to each Tenant directing the Tenant to pay Rent to the Secured Party; and,
 - (b) to institute such actions at law or in equity or take such proceedings by distress or otherwise as the Secured Party, acting reasonably, shall from time to time deem fit or proper, and for the purposes aforesaid, or any of them, to make, sign and execute any and all warrants of distress and other documents or instruments in the name of the Assignor as the Secured Party shall deem fit or proper, the cost of all distrains and other expenses to be paid in cash by the Assignor or, at the discretion of the Secured Party, to be added to and form part of the monies secured by the Mortgage and to bear interest at the rate therein set forth;

and the Assignor agrees with the Secured Party that this power of attorney shall be irrevocable so long as any monies remain owing to the Secured Party and secured by the Mortgage.

20. Capitalized terms in this Assignment shall have the same meaning as ascribed to them in the Mortgage.
21. The terms and conditions hereof shall be binding upon and enure to the benefit of the respective successors and assigns of the parties hereto and shall be in full force and effect upon execution and delivery of the same by the Assignor to the Secured Party and without execution and delivery by the Secured Party to the Assignor.
22. Any notice required or desired to be given hereunder shall be in writing and shall be given and delivered in accordance with requirements for the giving and delivery of notice as set out in the Mortgage, as amended from time to time.
23. This Agreement shall be governed by and construed in accordance with the laws of the Province of Nova Scotia and the laws of Canada applicable therein.

[Remainder of page intentionally left blank — Signature Page Follows]

IN WITNESS WHEREOF the Mortgagor has properly executed this General Assignment of Rents and Leases on the day and year first above written.

WITNESS



NICHOLAS F.J. BARTOLACCI
A Barrister of the Supreme
Court of Nova Scotia

) **MERNOVA MEDICINAL INC.**
)
)
)
) Per 
)
) Name: Micheline MacKay
) Title: President
)

CANADA
PROVINCE OF NOVA SCOTIA

AFFIDAVIT

I, Micheline MacKay, of Windsor Forks, Nova Scotia, make oath and say that:

1. I am the President of Mernova Medicinal Inc., the "Corporation" and have a personal knowledge of the matters herein deposed to.
2. I executed the foregoing instrument for and on behalf of the Corporation.
3. I am authorized to execute the foregoing instrument on behalf of the Corporation and thereby bind the Corporation.
4. I acknowledge that the Corporation executed the foregoing Instrument by its proper officer(s) duly authorized in that regard on the date of this affidavit; this acknowledgment is made for the purpose of registering such Instrument pursuant to s.31(a) of the *Registry Act*, R.S.N.S. 1989, c.392 or s. 79(1)(a) of the *Land Registration Act* as the case may be, for the purpose of registering the instrument.
5. The Corporation is a resident of Canada under the *Income Tax Act* (Canada).
6. The ownership of a share or an interest in a share of the Corporation does not entitle the owner of such share or interest in such share to occupy a dwelling owned by the Corporation.

SWORN TO at Windsor, in the County of)
Hants, Province of Nova Scotia, this)
16th day of January, 2023, before me:)

N. Bartolacci

A Barrister of the Supreme Court
of Nova Scotia

MICHELINE MACKAY

NICHOLAS F.J. BARTOLACCI
A Barrister of the Supreme
Court of Nova Scotia

SCHEDULE "A"

PID 45018595

Parcel Description

ALL THAT certain parcel of land at or near the Town of Windsor, in the County of Hants, Province of Nova Scotia and more particularly described as follows:

BEGINNING at the point of intersection of the northeastern boundary of Lot 27 and the southeastern boundary of Ivey Lane Extension;

THENCE N 41 degrees 52' 15" E along said southeastern boundary a distance 153.31 feet to the northeastern boundary of Ivey Lane Extension;

THENCE N 48 degrees 07' 45" W along said northeastern boundary a distance of 210.00 feet to the southeastern boundary of Ivey Lane Extension;

THENCE N 41 degrees 52' 15" E along said southeastern boundary a distance of 10.00 feet to the northeastern boundary of Ivey Lane Extension;

THENCE N 48 degrees 07' 45" W along said northeastern boundary a distance of 228.81 feet to the southeastern boundary of Ivey Lane Extension;

THENCE N 39 degrees 24' 15" E along said southeastern boundary a distance of 57.20 feet to the southwestern boundary of Ivey Lane Extension;

THENCE S 50 degrees 35' 45" E along said southwestern boundary a distance of 22.00 feet to the southeastern boundary of Ivey Lane Extension;

THENCE N 39 degrees 24' 15" E along said southeastern boundary a distance of 200.00 feet to the southwestern boundary of Ivey Lane Extension;

THENCE S 50 degrees 35' 45" E along said southwestern boundary a distance of 35.00 feet to the southeastern boundary of Ivey Lane Extension;

THENCE N 39 degrees 24' 15" E along said southeastern boundary a distance of 89.13 feet to a point of curvature;

THENCE along the curved southeastern boundary of Ivey Lane Extension following a circular curve to the left, having a radius of 680.74 feet, an arc distance of 416.47 feet to a point of curvature;

THENCE N 4 degrees 21' 05" E along the southeastern boundary of Ivey Lane Extension a distance of 13.41 feet to the southeastern boundary of Wentworth Road;

THENCE N 82 degrees 31' 34" E along said road boundary a distance of 7.85 feet to the southwestern boundary of lands of Barry Hennigar;

THENCE S 24 degrees 34' 10" E along said southwestern boundary a distance of 496.03 feet;

THENCE S 47 degrees 00' 10" E along the southwestern boundary of lands of Barry Hennigar a distance of 650.00 feet to the northwestern boundary of lands of Canadian Gypsum Company Limited;

THENCE S 60 degrees 33' 55" W along said northwestern boundary a distance of 741.76 feet to the northeastern boundary of Lot 27;

THENCE N 48 degrees 07' 45" W along said northeastern boundary a distance of 326.81 feet to the point of beginning, containing an area of 13.37 acres.

SAVING AND EXCEPTING Parcel X as conveyed to the Town of Windsor by deed recorded at the Registry of Deeds for Hants County as Book 438 Page 116.

ALSO SAVING AND EXCEPTING Lot 30A conveyed to S. & K. Crawford Enterprises Limited by deed recorded at the Registry for Hants County as Book 641 Page 14.

ALSO SAVING AND EXCEPTING Parcel 1 of Lot 30A-1 conveyed to S. & K. Crawford Enterprises Limited by deed recorded at the Registry for Hants County as Book 644 Page 114.

ALSO SAVING AND EXCEPTING Parcel A of Lot 27A conveyed to Sepracor Canada Limited by deed recorded at the Registry for Hants County as Book 847 Page 246.

ALSO SAVING AND EXCEPTING Lot 28A conveyed to Mernova Medicinal Inc. by deed recorded at the Registry for Hants County as Document 105136023

SUBJECT to an easement granted to the Town of Windsor by Deed recorded at the Registry of Deeds for Hants County as Book 438 Page 116.

SUBJECT to an easement in favour of Nova Scotia Power Inc. recorded at the Registry of Deeds for Hants County as Book 992 Page 405.

SUBJECT to an easement in favour of Nova Scotia Power Inc. recorded at the Registry of Deeds for Hants County as Document 100166710.

SUBJECT to a Lease of property recorded at the Registry of Deeds for Hants County as Document 102457968.

SUBJECT to a Lease of property recorded at the Registry of Deeds for Hants County as Document number 3722 in Book 929 at page 389 and amended by document number 114565651 recorded November 15, 2019..

AND SUBJECT to an easement associated with the above-referenced lease of property, as more particularly described in a Lease of property recorded at the Registry of Deeds for Hants County as Document number 3722 in Book 929 at page 389 and amended by document number 114565651 recorded November 15, 2019..

SUBJECT to Restrictive Covenants as described in Book 941 at page 436 and amended by Amending Agreement recorded as Document 105608765.

*** Municipal Government Act, Part IX Compliance ***

Not Subject To:

The parcel was created by a subdivision that predates subdivision control or planning legislation or by-laws in the municipality and therefore no subdivision approval was required for creation of this parcel.

PID 45395514

Parcel Description

Place Name: Ivey Lane, Wentworth Creek
Municipality/County: Municipality of the District of Hants West
Designation of Parcel on Plan: Lot 28A
Title of Plan: Plan of Subdivision Lot 28A Lands of Nova Scotia Business Incorporated
Registration County: Hants
Registration Number of Plan: 104858254
Registration Date of Plan: 2014-04-04

SUBJECT TO restrictive covenants as described in Book 941 at page 436.

*** Municipal Government Act, Part IX Compliance ***

Compliance:

The parcel is created by a subdivision (details below) that has been filed under the Registry Act or registered under the Land Registration Act

Registration District: HANTS COUNTY
Registration Year: 2014
Plan or Document Number: 104858254

Z

2025

Hfx No.

Attached is Exhibit "Z" referred
to in the Affidavit of Micheline
MacKay sworn before me on
April 9, 2025



Signature

ASHA PELLY
A Barrister of the Supreme
Court of Nova Scotia

April 4, 2025

Mernova Medicinal Inc.

Ritual Green Craft Cannabis

50 Ivey Lane, Windsor NS, B0N 2T0

Attn: Micheline MacKay, Chief Executive Officer

Re: **Amounts owing by Melodiol Global Health Limited ("Melodiol") to La Plata Capital, LLC (the "Lender") guaranteed by Mernova Medicinal Inc. ("Mernova")**

Ms. MacKay:

We serve as legal counsel to Lender, La Plata Capital LLC. This amends and replaces our previous letter to you dated April 3, 2025. As of March 31, 2025, Melodiol is indebted to the Lender in the amount of USD\$4,660,041.22 (the "**Outstanding Obligations**") with respect to certain credit facilities, plus costs, expense and interest pursuant to the terms of, among other documents, the Loan Trust Deed between Melodiol and Briant Nominees dated November 11, 2022 and the Converting Loan Deed dated January 17, 2023 (each as further amended or restated from time to time, collectively the "**Loan Deeds**").

Mernova guaranteed the Outstanding Obligations in favour of the Lender pursuant to the terms of Guarantee and Indemnity Agreement, dated effective January 17, 2023 (the "**Guarantee**"), which was secured by Mernova by way of the following:

- (a) a General Assignment of Rents and Leases dated January 17, 2023;
 - (b) a Collateral Mortgage dated January 17, 2023, as amended; and
 - (c) a General Security Agreement dated April 3, 2025,
- (collectively, the "**Security**").

As you are aware, Melodiol is in default of various covenants under the above-referenced Loan Deeds, including without limitation, failing to pay amounts when due, and was placed into administration proceedings in Australia on December 3, 2024. WA Insolvency Solutions was appointed as the administrator of Melodiol.

As a result of the foregoing, the Lender hereby demands immediate payment by Mernova of the Outstanding Obligations, plus accruing interest, expenses, and costs, including legal costs on a solicitor and own client (full-indemnity) basis pursuant to the terms of the Guarantee.

Be advised that if payment in the amount of the Outstanding Obligations, plus accruing interest, expenses, and costs, including legal costs on a solicitor and own client (full-indemnity) basis, is not delivered to our office in the form of a certified cheque or bank draft made payable to the Lender

1144 Fifteenth Street, Suite 2400, Denver, CO 80202

STINSON LLP / STINSON.COM

April 4, 2025
Page 2

by no later than **12:00PM (Halifax Time) on April 15, 2025**, the Lender shall exercise all remedies against you as are available to it under the Guarantee and Security, as at law, and in equity.

This is a very serious matter. We trust that you will govern yourselves accordingly.

Sincerely,

Stinson LLP

A handwritten signature in black ink, appearing to read "Mark F. Bell". The signature is fluid and cursive, with the first name "Mark" and last name "Bell" clearly distinguishable.

Mark F. Bell

MFB:drb

FORM 86

Notice of Intention to Enforce a Security

To: Mernova Medicinal Inc., an insolvent person (the "**Debtor**")

Take notice that:

1. La Plata Capital, LLC (the "**Lender**"), a secured creditor, intends to enforce its security on the property of the Debtor, as described below:
 - a. all of the Debtor's present and after acquired personal property.
 - b. the real property of the Debtor with Parcel Identification Numbers 45018595 and 45395514 (the "**Real Property**").
 - c. all rents and leases relating to the Real Property.
2. The security (the "**Security**") that is to be enforced is the following:
 - a. General Security Agreement dated April 3, 2025;
 - b. Collateral Mortgage dated January 17, 2023, as amended; and
 - c. General Assignment of Rents and Leases dated January 17, 2023:
3. The total amount of indebtedness secured by the security on March 31, 2025 is USD\$4,660,041.22, plus costs of enforcement of security, plus interest at the rate outlined in the loan agreement(s).
4. The secured creditor will not have the right to enforce the security until after the expiry of the 10-day period after this notice is sent unless the insolvent person consents to an earlier enforcement.

Dated at Denver, Colorado, this 4th day of April, 2025.

LA PLATA CAPITAL, LLC

Per:



Name: Mark Forrest Bell

Title: Attorney in Fact and Authorized
Signatory

CONSENT AND WAIVER

THE UNDERSIGNED hereby:

1. Acknowledges receipt of the Notice of Intention to Enforce Security;
2. Waives the ten days of notice required under section 244 of the *Bankruptcy and Insolvency Act* (Canada); and
3. Consents to the immediate enforcement by the Lender of the Security referred to herein.

DATED this ____ day of _____, 2025.

MERNOVA MEDICINAL INC

Per:

Name: Micheline MacKay
Title: Authorized Signatory

AA

2025

Hfx No.

Attached is Exhibit "AA" referred
to in the Affidavit of Micheline
MacKay sworn before me on
April 9, 2025



Signature

ASHA PELLY
A Barrister of the Supreme
Court of Nova Scotia



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Live Chat

Account Activity

Member Name MERNOVA MEDICINAL INC.

Member Number 11002007

Account Name 070 LOAN

Current Balance \$40,000.00

Interest Rate 0.000%

[More Details](#)

Loan Line of Credit Limit \$40,000.00

Advanced Amount \$40,000.00

Started on 25-May-2020

Disbursement Date 25-May-2020

Maturing on 31-Dec-2025

Current Interest Term Information

Length of Current Term 67 months

Loan Payment Information

Payment Due Date 31-Jan-2023

50 most recent transactions in the last 15 days

December 08, 2020

070 LOAN

Date	Description	Amount	Balance
08-Dec-2020	BALANCE AS OF 12/08/2020		\$40,000.00

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