

31 January 2022

December 2021 Quarterly Update Meluka Growth Increases

- **Group¹ unaudited revenues of \$1.1m for the quarter, up 8% QoQ, Meluka Australia revenue up 30% QoQ**
- **Meluka Australia unaudited half year revenues up 34% on HY21 to \$750k and excluding China/Taiwan up 142% on HY21**
- **Half year revenue growth in all existing markets of Australia, US and Canada**
- **Strong initial sales performance in Japan, with growth every quarter to date since launch**
- **Alliance entered into with health and wellness company Neptune Bio-Innovations to significantly expand Meluka Australia's national retail distribution channel**
- **Diabetes pre-meal drink to be launched as Omni-D™ under licence agreement between Omni Innovation (38% EVE) and Myopharm Limited**
- **Meluka Australia to be one of the first Australian businesses to launch on WhatsApp commerce**

EVE Health Group (ASX:EVE, EVE or the Company), a vertically integrated health, nutrition and wellness company, has today released its Appendix 4C Report for the three-month period to 31 December 2021 and is pleased to provide a review of operational progress during the quarter.

The December quarter saw Group¹ revenues of \$1.1 million, up \$0.1m on the prior quarter. Growth was led by Meluka Australia which was up 30% QoQ and has YTD unaudited revenue of \$750,000 in FY22. The revenue has increased 34% compared to the prior half year. Australian revenue is up 359%, US revenue is up 21% and Canada revenue up 492% on the prior half year period. In addition, the launch into Japan started better than expected with revenue in the December quarter doubling that of the September quarter. The primary driver of this growth has been Meluka Australia's probiotic beverage line which recorded the strongest growth of 427% from the prior corresponding half year period.

The sale of bulk oils in the Australian market was again slower in the quarter. Sales of our 2021 organic tea tree harvest have been subdued due to lower demand from European and US markets as a result of lengthy shipping timeframes. Wholesale buyers are increasingly unwilling to accept extended delivery schedules created by global shipping constraints and are reverting to sourcing product from local markets or purchasing conventional oil instead of organic. Jenbrook's sales team are actively pursuing customers locally in Australia to sell the balance of the 2021 harvest.

The following is a summary of the breakup of group¹ revenue by category, region and sales channel for the quarter and YTD.

¹ Group revenue includes the revenue from all 100% owned subsidiaries as well as associates Naturally Australian Products (49% owned by EVE) and Omni Innovation (38% owned by EVE), the figures for associates are not consolidated into the Appendix 4C.

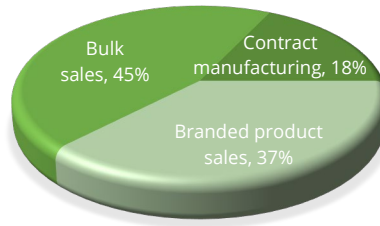


Figure 1: Breakdown of sales across EVE companies by product type in December quarter

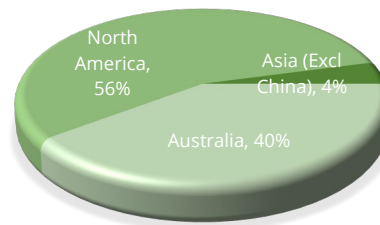


Figure 2: Breakdown of sales across EVE companies by region in December quarter

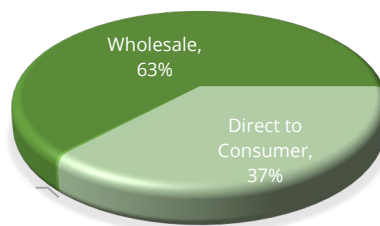


Figure 3: Breakdown of sales across EVE companies by sales channel in December quarter

Operational Progress

Meluka Australia

Continued Product Development

The Company recently announced an expansion of its product development in the probiotics space (See ASX release 19 October 2021), expediting the development of new products under a Collaboration Agreement with Probiotics Australia.

Meluka Australia's ambitious new product development program is progressing well. A new Collagen Probiotic Concentrate drink was released in December and four new probiotic products are expected to be launched before the end of the March 2022 quarter. The focus for the new products is expanding on the success of the established probiotic products. As at the date of publishing the Collagen Probiotic Concentrate release has been a great success and a further production run is already planned. We expect to introduce this product into the US in Q4 FY22.

Pioneering New eCommerce Channels

Meluka Australia is excited to be one of the first businesses in Australia to be launching its eCommerce store on WhatsApp commerce. Direct messaging channels are believed to be the future of eCommerce and Meluka Australia has taken the opportunity to leverage this exciting opportunity to launch its store via this evolving and rapidly growing eCommerce channel. The launch is expected to take place during February.

Alliance Agreement with Neptune Bio-Innovations

Meluka Australia has entered into an Alliance Agreement (the Agreement) with Australian health and wellness company, Neptune Bio-Innovations. Neptune Bio-Innovations has a range of consumer products in the health and wellness space and distribution agreements with various Australian food and pharmacy networks.

Under the Agreement, Meluka Australia and Neptune Bio-Innovations will establish an Australian sales force to seek and manage distribution opportunities for members of the alliance, raise awareness of the alliance members products, increase sales through distribution opportunities while providing a low-cost opportunity for each party to access a dedicated sales network.

Neptune Bio-Innovations' sales & marketing director, Mr Mark Nguyen, who was previously Head of Sales at Eco Farms, a leading distributor of organic and natural food products in Australia, will be managing this alliance. Neptune-Bio currently has distribution arrangements in place with several high-profile distributors across FMCG retailers, pharmacy and organic goods distribution channels, including Eco Farms, Symbion, API, Vero Foods and Born Organics. These networks will be available for Meluka's products as part of the Alliance.

Each Alliance member will be responsible for provision of their products to the alliance, Meluka's being a range of premium honeys, probiotic products, and essential oils. While Neptune Bio-Innovations' responsibilities will include presenting alliance members products to potential distributors, managing the relationship with distributors and appointing and managing the sales team. Each member of the alliance will pay costs of the alliance in accordance with their proportion of the alliance. Initially, there is proposed to be four members of the alliance.

Each member of the Alliance will receive the revenue generated by their own product sales. The Company cannot comment on the impact of the Agreement on the Company's revenue at this stage.

The Alliance has identified two other proposed members, which are anticipated to be members before the commencement date of the Alliance. Each member of the alliance will pay an equal split of the costs incurred by the Alliance.

The alliance arrangement will commence in February.

North America Distribution expansion opportunities

Discussions with new distribution partners in both the US and Canada have continued during the quarter. Large distributor partners in the US and Canada are interested in Meluka's product range and it is expected that once comprehensive broker representation is established in both markets these distributors will take on the Meluka Australia product range. Meluka expects to achieve this soon after the new products arrive in its US warehouse.

New Product of the Year

The Australian Organic Annual Industry Awards celebrate excellence in the organic industry. The awards are coordinated by the Australian peak organic industry body, Australian Organic Limited (AOL) and are in their seventh year. The awards recognise the outstanding and innovative contributions members of the organic industry have made over the past year.

At their award ceremony - hosted virtually on 12 November - the Company's 'Meluka Apple Cider Vinegar infused Raw Honey' was named New Product of the Year for 2021. The award was judged by a panel of industry experts.

The product was only launched in the Australian market in April 2021, with the product conceived and developed internally to combine the health benefits of apple cider vinegar while addressing issues consumers face (a burning taste) by combining it with organic raw honey. The product is already the second highest performance honey product in the Meluka Australia range. The success of the product both commercially and critically, is a vindication of the Company's investment in its team and capabilities to develop unique health and wellness products.

Meluka Australia was also a finalist in the Exporter of the Year category.



Image 1: 2021 New Product of the Year Award

Asia

The Company is continuing to see strong growth in its newest market, Japan. Sales on Amazon Japan were a record for the quarter. Currently we have six core products available for the Japanese market and it is expected that once the new shipment of six new products, which are expected to clear customs during February 2022, then sales will continue to grow quickly as Meluka's brand awareness becomes established in this new market. The new products include Meluka's botanical range of honey which is expected to be very well received in the Japanese market with no other similar products currently available to the Japanese consumers.

The timing of these new products is aligned with Japan's largest food expo, Foodex, which will be held in March. Meluka Australia has been chosen to display its products as part of the popular Australian pavilion and will be promoted by in country NSW trade officials alongside Meluka Australia CEO Ben Rohr.

Currently shipping timeframes are approximately 4-6 weeks excluding customs clearance.

Jenbrook

The Company owns and operates the Robyndale organic tea tree plantation in the Bungawalbin Valley in Northern New South Wales. Harvesting of the final areas of plantation were not completed during the quarter due to boggy ground conditions and heavy rainfall events being experienced. The 2021 harvest remains at 5.5 tonnes of organic tea tree oil. Areas remaining to be harvested will be incorporated into the 2022 harvest figures.

In the interim the company has been focussing on maintenance of machinery and equipment for the forthcoming 2022 harvest and has been trialling new methods of wild craft harvesting to improve production rates and lower the cost profile for this style of harvesting. So far, the harvest team achieved a 40% reduction in the total time to harvest a bin in the old growth forest. Trials are continuing in accessible areas of the forest.

Sales of the 2021 harvest have been very slow due to lower demand from European and US markets as a result of lengthy shipping timeframes. Wholesale buyers are increasingly unwilling accept extended delivery schedules resulting from global logistics/shipping issues. Many buyers are reverting to sourcing product from local markets or purchasing conventional oil instead of organic. Jenbrook's sales team are actively pursuing customers locally in Australia to sell the balance of the 2021 harvest.

Naturally Australian Products Inc (49% EVE)

Naturally Australian Products (NAP), the US distribution business held 49% by EVE, which sells bulk essential oils and extracts to North American businesses recorded revenue of \$0.45 million in the quarter. Growth continues to be temporarily hampered by supply and logistics delays getting essential oils into the US.

NAP is owned 49% by EVE, accordingly it is accounted for as an investment in an associate, **meaning its revenue is not consolidated into the Appendix 4C.**

Omni Innovation (38% EVE)

The Company's licensee, Myopharm Limited ("Myopharm"), an unlisted Australian biotechnology company, continued to progress to a full scale consumer launch in Australia of then pre-meal glycaemic control product for Type 2 diabetes and Pre-Type 2 diabetes.

Since entering into the licencing agreement, Myopharm, supported by Omni Innovation, have been continuing to progress activities towards a consumer launch of Omni Innovation's product with activities including brand development, packaging development and work to establish consumer pathways.

Under brand name, Omni-D™ the product was recently launched to participants at the Australasian Diabetes Congress, this step is in the leadup to a full consumer launch early in 2022 through healthcare and allied health network in Australia.

Omni Innovation has also licensed the product to Myopharm for China, Europe and the UK and these launched are also expected to follow later in 2022.



Image 2: Recently revised packaging under the Omni-D™ brand name.

Omni is owned 38% by EVE, accordingly it is accounted for as an investment in an associate, **meaning its revenue is not consolidated into the Appendix 4C.**

Corporate & Financial Update

Key statistics

- Total unaudited Group¹ revenue for the quarter was \$1.1 million
- Cash at bank of \$0.95 million
- Inventory increased to \$1.2 million
- Receivables and prepayments decreased to \$0.55 million from \$0.8m
- Creditors payable consistent at \$0.4 million
- \$1.1 million in debt facilities with \$0.6 million drawn, \$0.1m repaid in the quarter

Overall, the cash outflow was lower in the quarter due to the higher receipts from customers. Sales of organic tea tree oil harvested during the quarter is expected to be realised as revenue throughout the financial year.

The key financial metrics for the quarter include:

- Receipts from customers totalled \$0.9m, up from \$0.5m in the prior quarter with a decrease in receivables of \$0.25m
- Product manufacturing and operating costs of \$0.45m, were \$0.05m higher than the prior quarter
- Advertising and marketing activities spend of \$0.6m in the quarter, were \$0.1m higher than the prior quarter. This included marketing costs for the launch of the botanical probiotics range.
- Net cash used in operating activities of \$1m, a decrease from the prior quarter cash used of \$1.2m, primarily due to the higher receipts from customers in the period. Staff costs were slightly higher than the prior quarter while administration costs were slightly lower than the prior quarter
- \$60,000 on one off plant and equipment purchases
- During the quarter the Company has paid \$95,000 in director fees and \$26,000 for a fully provisioned office and administration staff

Annual General Meeting

The Company's 2021 Annual General Meeting was held on Thursday 25 November 2021, and all resolutions were passed by shareholders.

Company name change

Following shareholder approval for the change of the Company's name to EVE Health Group Limited at the

Company's AGM, the name change took effect on Wednesday, 1 December 2021. EVE Health Group more accurately reflects the Company's focus on being a leader in the health and wellness sector.

Outlook

The next two quarters are very active for the company with company highlights to include:

- Rollout of new Probiotic Product Range in collaboration with Probiotics Australia
 - Launch of a new probiotic strain developed from our beehives
 - Launch of new products in probiotic concentrate drinks range
 - Development of the several new ranges of probiotic product
 - Development of new products incorporating our proprietary Meluka probiotic strain
- New honey products to expand current range
- Expansion of product offering into Japan and the US with the launch of the botanic honey range and essential oil blends range and introduction of products from our new probiotic range
- Pioneering launch of Meluka's eCommerce store on WhatsApp commerce
- Meluka Australia is planning to add a major distribution partner in North America.

Commenting on the update, Managing Director Bill Fry said: "The December quarter highlighted the continued growth of our Meluka Australia brand. Revenues from Meluka are increasingly comprising a larger portion of total revenues for Eve Health Group. This performance was particularly pleasing as all regions exhibited increasing sales growth. With a variety of new products about to be introduced into each of these markets we expect to be able to continue this growth trend through 2022.

Authorised for release by Bill Fry, Managing Director.

— ENDS —

For more information, please contact:

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About EVE Health Group

EVE Health Group, (ASX: EVE) is a leading, vertically integrated producer of branded nutrition, health and wellness products. The Company has global reach and application to fast-growing markets across Australia and New Zealand, Asia Pacific and North America. Our mission is to create high quality, innovative, natural and sustainable health and wellness products that help the wellbeing of consumers and in turn help our people, shareholders and community prosper.

For further information, please visit www.evehealthgroup.com.au and follow us on LinkedIn or Twitter.

¹ Group revenue includes the revenue from all 100% owned subsidiaries as well as associates Naturally Australian Products (49% owned by EVE) and Omni Innovation (38% owned by EVE), the figures for associates are not consolidated into the following Appendix 4C.

Appendix 4C

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

For the purposes of the consolidated statement of cash flows, only cash flows from EVE, Jenbrook Pty Ltd and Meluka Health are included. Cash flows from associates Naturally Australian Products and Omni Innovation are not included in the below figures.

Name of entity

EVE Health Group Limited

ABN

89 106 523 611

Quarter ended ("current quarter")

31 December 2021

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
1.	Cash flows from operating activities		
1.1	Receipts from customers	936	1,407
1.2	Payments for		
	(a) research and development	(11)	(18)
	(b) product manufacturing and operating costs	(465)	(871)
	(c) advertising and marketing	(606)	(1,083)
	(d) leased assets	(31)	(61)
	(e) staff costs	(615)	(1,166)
	(f) administration and corporate costs	(180)	(439)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	1	2
1.5	Interest and other costs of finance paid	(4)	(9)
1.6	Income taxes paid	-	-
1.7	Government grants and tax incentives	10	72
1.8	Other (provide details if material)	-	-
1.9	Net cash from / (used in) operating activities	(967)	(2,167)
2.	Cash flows from investing activities		
2.1	Payments to or for acquire:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	(4)	(22)
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	-	-
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	Net cash from / (used in) investing activities	(4)	(22)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	-
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	-
3.5	Proceeds from borrowings	-	107
3.6	Repayment of borrowings	(117)	(137)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	Net cash from / (used in) financing activities	(117)	(30)

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	2,031	3,160
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(967)	(2,167)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(4)	(22)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(117)	30
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	941	941

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	941	1,531
5.2	Call deposits	-	500
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	941	2,031

6. Payments to related parties of the entity and their associates		Current quarter \$A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	121
6.2	Aggregate amount of payments to related parties and their associates included in item 2	
<i>Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.</i>		

7. Financing facilities <i>Note: the term "facility" includes all forms of financing arrangements available to the entity. Add notes as necessary for an understanding of the sources of finance available to the entity.</i>		Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
7.1	Loan facilities	1,051	576
7.2	Credit standby arrangements		
7.3	Other (please specify)		
7.4	Total financing facilities		
7.5	Unused financing facilities available at quarter end		475
7.6	<p>Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.</p> <p>Business Loan (maturity of 25/03/2034) and Revolving Agri Line Facility (on-going) provided by ANZ to Jenbrook Pty Ltd. Interest rate is 2% less than the Business Mortgage Index Rate (variable). Security provided over the Robyndale farm.</p> <p>On acquisition of Meluka Health, an existing shareholder loan of \$100,613 became a facility of the group. This loan is unsecured with nil interest and is due on 25/02/2022.</p> <p>Equipment financing facility with a 36-month term and nil interest rate. Vehicle financing with a 36-month term and a 2.84% interest rate.</p>		

8.	Estimated cash available for future operating activities	\$A'000
8.1	Net cash from / (used in) operating activities (item 1.9)	(967)
8.2	Cash and cash equivalents at quarter end (item 4.6)	941
8.3	Unused finance facilities available at quarter end (item 7.5)	475
8.4	Total available funding (item 8.2 + item 8.3)	1,416
8.5	Estimated quarters of funding available (item 8.4 divided by item 8.1)	1
<i>Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.</i>		
8.6	If item 8.5 is less than 2 quarters, please provide answers to the following questions:	
8.6.1	Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?	
	Answer: Generally, yes, due to the requirement for marketing activities to support brand development and new product launches. This is expected to lead to revenue growth which will reduce net operating cash flows.	
8.6.2	Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?	
	Answer: The Company is routinely assessing its requirement for additional equity or debt to fund its operations. It has been able to successfully raise additional funding in the past and sees no reason why it would not be successful in the future.	
8.6.3	Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?	
	Answer: Yes. The Company believes it will be able to obtain sufficient funding to continue its operations as detailed in 8.6.2.	
<i>Note: where item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered.</i>		

Compliance statement

1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.

2 This statement gives a true and fair view of the matters disclosed.

Date: 31 January 2022

Authorised by: Bill Fry, Managing Director
(Name of body or officer authorising release – see note 4)

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, AASB 107: *Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.