

28 February 2022

## Appendix 4D - Results for Announcement to the Market

Provided below are the Results for Announcement to the Market in accordance with ASX Listing Rule 4.2A and Appendix 4D for EVE Health Group Limited (formerly EVE Investments) and its controlled entities for the period ended 31 December 2021 (the reporting period) compared with the period ended 31 December 2020 (the prior period).

				\$
Revenue from ordinary activities	Down	29.20%	to	1,225,149
Loss from ordinary activities after tax attributable to members	Up	132.73%	to	(3,194,348)
Net loss for the period attributable to members	Up	132.73%	to	(3,194,348)

### Net tangible assets per security

	31-Dec-21	31-Dec-20
	\$	\$
Net tangible assets per ordinary security	0.0021	0.0032

### Dividends

No dividends were paid, declared or determined during the reporting period.

### Details of associates and joint venture entities

	Ownership Interest		Contribution to Gain / (Loss)	
	31-Dec-21	31-Dec-20	31-Dec-21	31-Dec-20
	%	%	\$	\$
Omniblend Innovation Pty Ltd	37.7%	37.7%	(258,948)	(192,487)
Naturally Australian Products Inc.	49.0%	49.0%	-	-

### Details of entities over which control was gained or lost during the period

No change in the period.

### Independent auditor's report

The Consolidated Financial Statements upon which this Appendix 4D is based have been reviewed and the Independent Auditor's Report to the shareholders of EVE Health Group is included in the financial statements for the half-year ended 31 December 2021 that accompanies this announcement.

## Commentary

Commentary on the results for the reporting period is contained within the financial statements for the half-year ended 31 December 2021 that accompanies this announcement.

*Authorised for release by Bill Fry, Managing Director.*

— ENDS —

### ***For more information, please contact:***

#### **Company enquiries**

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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](http://www.evehealthgroup.com.au) and follow us on LinkedIn or Twitter.

# eve

## HEALTH GROUP

(FORMERLY KNOWN AS EVE INVESTMENTS LIMITED)

ABN 89 106 523 611

Interim Financial Report  
for the six months ended  
31 December 2021

## Contents

Interim Financial Statements – 31 December 2021

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## Director's Report

Interim Financial Statements – 31 December 2021

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The Directors of the Group present their report for EVE Health Group Limited for the half-year ended 31 December 2021.

### Directors

Directors of the Company at any time during or since the end of the half-year are:

Mr George Cameron-Dow – Non-Executive Chairman

Mr Gregory (Bill) Fry – Managing Director

Mr Alasdair Cooke – Non-Executive Director

Mr Carlos Jin – Non-Executive Director

Mr James Lin – Non-Executive Director

### Review of operations

EVE Health Group (formerly EVE Investments) is an Australian Securities Exchange listed vertically integrated producer of branded health, nutrition and wellness products. The Company has global reach and application to fast-growing markets across Australia and New Zealand, Asia Pacific and North America.

### Expansion of probiotic offering in collaboration with Probiotics Australia

*Strategic decision: New probiotic range in collaboration with Probiotics Australia*

As a result of the strong sales performance of the Company's existing probiotics products growth in Australia and the US, EVE made a strategic decision to expand its range of probiotic products incorporating prebiotics, probiotics and the newly emerging postbiotics.

To expedite the development of these new products, EVE entered into a Collaboration Agreement with leading Australian probiotics company, Probiotics Australia for the production of new unique probiotic strains derived from Meluka Australia's beehives. Probiotics Australia has a TGA/cGMP certified facility dedicated to producing high quality probiotic organisms and Active Pharmaceutical Ingredients (APIs).

Under the Agreement, Meluka Australia ("Meluka") and Probiotics Australia have agreed to collaborate to identify and produce a new bacterial strain from Meluka beehives located on the EVE organic tea tree properties and will collaborate in developing a range of products that incorporate the strain.

Potential consumer products utilising the probiotic strain are being developed, with the development of this new product range to contribute to establishing Meluka as a leading Australian producer of probiotic products for both local and international markets.

### *Growth of the probiotics market*

A heightened awareness of the importance of health and wellbeing will be a key driver for continued growth in the domestic health and wellness market category, including probiotics. In 2020, seven out of ten people supported their health with a form of complementary medicine<sup>1</sup>. The popularity of natural healthcare products continues to increase with a growth rate of seven per cent year on year.<sup>2</sup>

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<sup>1</sup> Complementary Medicines Australia

<sup>2</sup> Austrade

## Director's Report

Interim Financial Statements – 31 December 2021

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The Australian dietary supplements market size is expected to record a 3% current value CAGR to reach sales of AUD2.1 billion in 2026. Consumer focus has shifted to taking a proactive approach to support gut health, which is inextricably linked to overall immunity. This is a major factor projected to drive demand for products that contain probiotics. Industry projections report that interest in immune health is likely to increase post Covid-19, demonstrating substantial market potential.<sup>3</sup>

Interest in functional nutrition, such as probiotic fortified foods and beverages, has seen a boost in popularity, which is expected to continue, as immunity building for overall wellbeing appeals to the health-conscious consumer that has an increased awareness of the link between diet and overall health.

In Australia, the domestic consumption opportunity for fortified and functional foods is expected to reach \$5.5 billion by 2030 and the export market opportunity expected to reach \$4.2 billion<sup>4</sup>. Australia's clean and green brand reputation is said to support the growth of this sector in overseas markets.

Opportunity also exists to diversify into other markets, given the versatility of probiotics, which can be utilised in a wide variety of applications including in functional foods, cosmetic and personal care. The probiotics market is estimated to be valued at USD 61.1 billion and projected to reach USD 91.1 billion by 2026.<sup>5</sup>

### Distribution

#### *Australia*

Australian online sales for the period continued to perform well with the probiotic beverage range the leading sales product range in Australia. Meluka entered into an Alliance Agreement (the "Agreement") with Australian health and wellness company, Neptune Bio-Innovations ("Neptune-Bio"). Neptune Bio 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 and Neptune Bio 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's 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 the 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. Neptune Bio's

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<sup>3</sup> Euromonitor International

<sup>4</sup> CSIRO Growth Opportunities for Australian food and agribusiness 2019

<sup>5</sup> <https://www.globenewswire.com/en/news-release/2021/07/23/2268057/28124/en/Global-Probiotics-Market-2021-to-2026-Probiotics-Can-Replace-Pharmaceutical-Agents-Presenting-Opportunities.html>

## Director's Report

Interim Financial Statements – 31 December 2021

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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 are proposed to be four members of the alliance.

Each member of the alliance will receive the revenue generated by their own product sales and each member of the alliance will pay an equal split of the costs incurred by the alliance. The alliance arrangement is expected to commence in the third quarter of FY22.

### *USA*

Shipping timeframes to the US have increased along with the cost of shipments. As a result, Meluka has been sending smaller shipments on a more frequent basis to ensure that sufficient inventory is available to meet consumer requirements. It has also instituted a price increase of 15% for its native wildflower organic honey, its leading sales product in the US. The price increase has had no impact on sales volumes of the product.

The Probiotic Concentrate beverage line saw strong growth in the period. This growth is attributable to increasing brand awareness due to investment in an online marketing campaign with further commitment of marketing expenditure planned for the forthcoming 12 months. Additionally, the Company continued social media market activities to support the honey range on the Amazon channel and the sales into the Whole Foods Market chain in North Western California.

Discussions with new distributors in both the US and Canada have been continuing. Large distributors 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.

### *Asia*

The Company is continuing to see strong growth in its newest market, Japan. Sales on Amazon Japan have grown each quarter since launching in the market in the last quarter of FY21.

Currently Meluka have six core products available for the Japanese market. Six new products will be available for sale in March 2022 following the expected customs clearance, lines which should allow sales to 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 Japanese consumers.

The launch timing of these new products is aligned with Japan's largest food expo, Foodex, which will be held in March 2022. Meluka Australia has been chosen to showcase 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.

Excluding a small quantum of sales through e-commerce in Singapore, there were no other sales to the Asian market in the period.

## Director's Report

Interim Financial Statements – 31 December 2021

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### **Jenbrook**

The Company owns and operates the Robyndale organic tea tree plantation in the Bungawalbin Valley in Northern New South Wales. The 2021 harvest was impacted by boggy ground conditions and heavy rainfall events being experienced, with 5.5 tonnes of organic tea tree oil being harvested. The harvest was consistent with the long-term yield, albeit down on the prior year's harvest. Areas that were unable to be harvested will be incorporated into the 2022 harvest figures.

Following the conclusion of the harvest, the Jenbrook team have been planning soil improvement trials formalised with Southern Cross University, aiming to steadily improve the nutrient and organic quality levels of the soil to ensure its regeneration for future sustainability. There is also a weed maintenance program and on-going maintenance of machinery and equipment ahead of the forthcoming 2022 harvest. Jenbrook have also 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 to 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 its 2021 harvest.

### **Impairment**

The impact of COVID-19 continued to be detrimental to the performance of the Company's distributor in China, resulting in no sales to this market in the period. Revenue in contract manufacturing was impacted negatively by installation of new equipment early in the period while sales of branded products, which grew 37% on the prior corresponding period, was still lower than forecast and shipping costs were higher and delivery times were longer. While the Company still expects strong growth in markets such as Australia, USA and Japan for branded product sales in future periods, the above factors have led to the Company recognising an impairment loss of \$825,059 on the Meluka CGU in the period.

### **Investments in associates**

#### *Naturally Australian Products Inc (NAP) (49% EVE)*

Naturally Australian Products, a US distribution business which sells bulk essential oils and extracts to North American businesses, recorded revenue of \$1.04 million in the period, down from \$2.3m in the corresponding period. Revenue continues to be temporarily hampered by supply and logistics delays sending essential oils into the US.

#### *Omni Innovation (38% EVE)*

Omni Innovation continued to progress its agreement with Myopharm Limited ("Myopharm"), an unlisted Australian biotechnology company following entering into a binding term sheet for a 15-year licence. On-going royalties to Omni Innovation, with minimum annual payments to maintain exclusivity, are also payable under the agreement between the parties based off product sales in the territories.



## Director's Report

Interim Financial Statements – 31 December 2021

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Since entering into the licencing agreement, Myopharm, supported by Omni Innovation, have been progressing 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 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 with launches in these territories also expected to follow later in 2022. Omni Innovation continues to pursue licensing arrangements in other territories including the USA and India, both territories with large populations of those living with diabetes and pre-diabetes as well as being markets that Omni Innovation has patented its pre-meal drink technology.

### 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.

### Auditor's Independence Declaration

The auditor's Independence Declaration is set out on page 22 and forms part of the Directors' report for the half year ended 31 December 2021.



Gregory (Bill) Fry  
Managing Director  
Perth, 28 February 2022

## Consolidated Statement of Profit or Loss & Other Comprehensive Income

For the half-year ended 31 December 2021

	<i>Note</i>	<b>31-Dec-21</b>	<b>31-Dec-20</b>
		<b>\$</b>	<b>\$</b>
Revenue	9	1,225,149	1,730,382
Costs of goods sold		(707,880)	(1,004,383)
<b>Gross profit before fair value adjustments</b>		517,269	725,999
Change in fair value of biological assets		177,618	296,679
<b>Gross profit</b>		694,887	1,022,678
Other income		73,319	259,579
Professional fees	10	(88,078)	(168,324)
Employee benefit expense	10	(1,090,334)	(1,047,772)
Share-based payments		(71,560)	(55,454)
Share of net profit / (loss) of associates accounted for using the equity method	3	(258,948)	(192,487)
Impairment expense	5	(825,059)	-
Other expenses	10	(1,627,542)	(1,138,141)
Net financial expense		(1,033)	(52,658)
<b>Loss before income tax</b>		(3,194,348)	(1,372,580)
Income tax (expense) / benefit		-	-
<b>Loss for the period</b>		(3,194,348)	(1,372,580)
<b>Total comprehensive loss attributable to:</b>			
Equity holders of the Company		(3,194,348)	(1,372,580)
<b>Total comprehensive loss for the period</b>		(3,194,348)	(1,372,580)
<b>Loss per share for loss attributable to the ordinary equity holders of the Company:</b>			
Basic and diluted loss per share (cents)		(0.08)	(0.04)

*The consolidated statement of profit or loss & other comprehensive income is to be read in conjunction with the accompanying notes.*

## Consolidated Statement of Financial Position

As at 31 December 2021

	<i>Note</i>	<b>31-Dec-21</b> \$	<b>30-Jun-21</b> \$
<b>Assets</b>			
<i>Current Assets</i>			
Cash and cash equivalents		941,134	3,160,409
Trade and other receivables		155,992	352,429
Inventories		1,408,560	1,109,799
Biological assets		39,833	77,228
<b>Total current assets</b>		<b>2,545,519</b>	<b>4,699,865</b>
<i>Non-current Assets</i>			
Property, plant and equipment	4	4,727,679	4,777,150
Goodwill	5	-	825,059
Intangibles		103,434	110,284
Right-of-use assets	6	443,233	446,845
Biological assets		11,000	11,000
Equity accounted investments	3	442,019	700,967
Loans to associates		336,180	352,734
<b>Total non-current assets</b>		<b>6,063,545</b>	<b>7,224,039</b>
<b>Total assets</b>		<b>8,609,064</b>	<b>11,923,904</b>
<b>Liabilities</b>			
<i>Current Liabilities</i>			
Trade and other payables		514,055	721,237
Borrowings	7	156,702	146,345
Lease liabilities	6	100,203	83,924
<b>Total current liabilities</b>		<b>770,960</b>	<b>951,506</b>
<i>Non-current Liabilities</i>			
Borrowings	7	419,604	414,494
Lease liabilities	6	353,498	370,113
<b>Total non-current liabilities</b>		<b>773,102</b>	<b>784,607</b>
<b>Total liabilities</b>		<b>1,544,062</b>	<b>1,736,113</b>
<b>Net assets</b>		<b>7,065,002</b>	<b>10,187,791</b>
<b>Equity</b>			
Issued capital	11	33,609,712	33,609,712
Reserves		414,884	343,323
Accumulated losses		(26,959,594)	(23,765,244)
<b>Total equity attributable to shareholders of the Company</b>		<b>7,065,002</b>	<b>10,187,791</b>

*The consolidated statement of financial position is to be read in conjunction with the accompanying notes.*

## Consolidated Statement of Changes in Equity

For the half-year ended 31 December 2021

	Issued capital	Accumulated losses	Share-based payments	Total
Half-year ended 31 December 2021	\$	\$	\$	\$
<b>Total equity at 1 July 2021</b>	<b>33,609,712</b>	<b>(23,765,244)</b>	<b>343,323</b>	<b>10,187,791</b>
Loss for the period	-	(3,194,350)	-	(3,194,350)
Other comprehensive income	-	-	-	-
Total comprehensive loss for the period	-	(3,194,350)	-	(3,194,350)
<b>Transactions with owners in their capacity as owners:</b>				
Share issue net of issue costs	-	-	-	-
Share based payment expense	-	-	71,561	71,561
	-	-	71,561	71,561
<b>Total equity at 31 December 2021</b>	<b>33,609,712</b>	<b>(26,959,594)</b>	<b>414,884</b>	<b>7,065,002</b>
<b>Half-year ended 31 December 2020</b>				
<b>Total equity at 1 July 2020</b>	<b>32,971,096</b>	<b>(20,275,406)</b>	<b>297,492</b>	<b>12,993,182</b>
Loss for the period	-	(1,372,580)	-	(1,372,580)
Other comprehensive income	-	-	-	-
Total comprehensive loss for the period	-	(1,372,580)	-	(1,372,580)
<b>Transactions with owners in their capacity as owners:</b>				
Share issue net of issue costs	638,617	-	-	638,617
Share based payment expense	-	-	55,454	55,454
Transfer from reserve to accumulated losses	-	131,250	(131,250)	-
	638,617	131,250	(75,796)	694,071
<b>Total equity at 31 December 2020</b>	<b>33,609,713</b>	<b>(21,516,736)</b>	<b>221,696</b>	<b>12,314,673</b>

*The consolidated statement of changes in equity is to be read in conjunction with the accompanying notes.*

## Consolidated Statement of Cash Flows

For the half-year ended 31 December 2021

	31-Dec-21 \$	31-Dec-20 \$
<b>Cash flows from operating activities</b>		
Receipts from customers	1,398,497	2,202,665
Cash paid to suppliers and employees	(3,569,109)	(2,922,625)
Interest received	1,534	13,476
Interest paid	(8,866)	(8,677)
Other income received	72,300	92,280
<b>Net cash (used) in operating activities</b>	<b>(2,105,644)</b>	<b>(622,881)</b>
<b>Cash flows from investing activities</b>		
Acquisition of property, plant and equipment	(22,424)	(135,506)
<b>Net cash (used) in investing activities</b>	<b>(22,424)</b>	<b>(135,506)</b>
<b>Cash flows from financing activities</b>		
Proceeds from the issue of share capital	-	656,500
Payment for share issuance costs	-	(17,884)
Lease payments	(61,059)	(41,108)
Proceeds from borrowings	107,277	-
Repayments of borrowings	(137,417)	-
<b>Net cash (used) in / provided by financing activities</b>	<b>(91,199)</b>	<b>597,508</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>	<b>(2,219,267)</b>	<b>(160,879)</b>
<b>Cash and cash equivalents at 1 July</b>	<b>3,160,409</b>	<b>5,138,409</b>
Effect of exchange rates fluctuations on cash held	-	-
<b>Cash and cash equivalents at 31 December</b>	<b>941,142</b>	<b>4,977,530</b>

*The consolidated statement of cash flows is to be read in conjunction with the accompanying notes.*

# Notes to the Consolidated Financial Statements

For the half-year ended 31 December 2021

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## 1. Basis of preparation of half-year statements

These general purpose financial statements are for the interim half-year reporting period ended 31 December 2021 and have been prepared in accordance with *Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Act 2001*.

The financial report does not include all the notes of the type normally included in the annual financial statements. Accordingly, this report is to be read in conjunction with the annual financial statements for the year ended 30 June 2021 and any public announcements made by EVE Health Group Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

## 2. Significant accounting Policies

The accounting policies applied by the Group in these interim financial statements are the same as those applied by the Group in its financial statements as at and for the year ended 30 June 2021 and corresponding interim reporting period, with addition to those noted below:

### *Going Concern*

The financial statements have been prepared on the basis that the entity is a going concern, which contemplates the continuity of normal business activity, realisation of assets and settlement of liabilities in the normal course of business. Subsequent to period end the Company completed a placement to raise \$1.4 million (refer note 17). On this basis the directors are satisfied the group has sufficient funds to meet the working capital requirements and future commitments for at least the next 12 months.

### *New, revised, or amending Accounting Standards and Interpretations adopted*

The entity has adopted all new, revised, or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the entity.

### *Standards and Interpretations in issue not yet adopted*

The Directors have also reviewed all of the new and revised Standards and Interpretations in issue not yet adopted for the half-year ended 31 December 2021.

There is no material impact of the proposed Standards and Interpretations on the Company.

## 3. Investments in associates

The Company's investments into both Omni Innovation and Naturally Australia Products LLC ("NAP") are recognised as investments in associates. The Company holds only 37.7% of Omni Innovation and is not in a position to control the Company's Board or overall direction, although it does hold significant influence.

## Notes to the Consolidated Financial Statements

For the half-year ended 31 December 2021

### Significant Judgment

The 49% investment in NAP has been deemed to be a joint venture with the other equity holder. Key decisions that impact on NAP effectively require the approval of all of NAP's shareholders and therefore EVE is not in a position to control the investment in its own right.

	31-Dec-21	30-Jun-21
	\$	\$
<b>Balance at the beginning of the period</b>	700,967	1,169,401
Share of losses after income tax	(258,947)	(468,434)
<b>Balance at the end of the period</b>	442,020	700,967

	Ownership	Company's share of:			
	interest %	Assets \$	Liabilities \$	Revenues \$	Profits / (losses) \$
Omni Innovation	37.70%	293,575	222,938	-	(258,947)
Naturally Australian Products	49.00%	516,023	737,270	509,650	(110,918)

The \$442,020 value of investments at 31 December 2021 represented the carrying value of Omni Innovation.

The Company's \$110,918 share of losses after income tax in Naturally Australian Products hasn't been taken up as the Company's carrying value of Naturally Australian Products is nil.

The Company's share of losses for Omni Innovation includes an amortisation of the investment in Omni Innovation of \$187,588. The difference between the carrying value of the investment and the net assets of Omni Innovation is amortised based on a diminishing value basis over a useful life, being a seven-year period ended March 2023.

### Loans to associates

	31-Dec-21	30-Jun-21
	\$	\$
<b>Loans to associates</b>		
<b>Balance at the beginning of the period</b>	352,734	354,686
Fair-value change on loan extension	(42,918)	-
Unrealised foreign exchange movement	11,427	(28,618)
Amortised financial expense	14,936	26,666
<b>Balance at the end of the period</b>	336,179	352,734

Loans to associates have a repayment date of 31 December 2024 and have a nil interest rate and are denominated in USD.

In the period, the fair value of the loan was re-fair valued due to the loan term being extended by 18 months. The loans to associates have a fair value of \$336,179 and were calculated based on cash flows discounted using an 8% discount rate.

## Notes to the Consolidated Financial Statements

For the half-year ended 31 December 2021

### 4. Property, plant and equipment

	Freehold land	Freehold buildings	Bearer assets	Furniture & fittings	Motor vehicles	Plant & equipment	Computer equipment	Total
	\$	\$	\$	\$	\$	\$	\$	\$
<b>At 30 June 2021</b>								
Cost or fair value	2,783,208	297,697	1,244,562	8,062	58,603	813,919	27,589	5,233,641
Accumulated depreciation	-	(38,849)	(163,971)	(2,271)	(16,744)	(226,270)	(8,386)	(456,491)
Net book amount	2,783,208	258,849	1,080,592	5,791	41,860	587,649	19,203	4,777,150
<b>Half-year ended 31 December 2021</b>								
Opening net book amount	2,783,208	258,849	1,080,592	5,791	41,860	587,649	19,203	4,777,150
Additions	-	-	-	-	45,771	17,941	4,483	68,195
Depreciation charge	-	(7,774)	(41,273)	(819)	(6,710)	(56,299)	(4,791)	(117,666)
Closing Net Book Amount	2,783,208	251,075	1,039,319	4,972	80,921	549,291	18,895	4,727,679
<b>At 31 December 2021</b>								
Cost or fair value	2,783,208	297,697	1,244,562	8,062	104,374	831,860	32,071	5,301,834
Accumulated depreciation	-	(46,622)	(205,243)	(3,090)	(23,453)	(282,569)	(13,178)	(574,155)
Net book amount	2,783,208	251,075	1,039,319	4,972	80,921	549,291	18,893	4,727,679

### 5. Goodwill

	31-Dec-21	30-Jun-21
	\$	\$
<b>Balance at the beginning of the period</b>	825,059	825,059
Impairment	(825,059)	-
<b>Balance at the end of the period</b>	-	825,059

#### *Impairment*

AASB 136 requires annual impairment testing to be performed for goodwill and when circumstances indicate the carrying value may be impaired. The goodwill of \$825,059 acquired through the Meluka Health business combination has been allocated to the Meluka Health Cash Generating Unit ("CGU") for impairment testing using the value in use method. Value in use has been derived by calculating the discounted value of net cash flows expected to be derived from the CGU. Value in use has been based on a Board approved budget for year 1, forecasts based off the following assumptions for years 2 - 5 with a terminal value calculated to simulate the value of cash flows beyond that period.

The impact of COVID-19 continued to be detrimental to the performance of the Company's distributor in China, resulting in no sales to this market in the period. Revenue in contract manufacturing was impacted negatively by installation of new equipment early in the period while sales of branded products, which grew 37% on the prior corresponding period was still lower than forecast and shipping costs were higher and delivery times were longer. While the Company still expects strong growth in markets such as Australia, USA and Japan for branded product sales in future period, the value-in-use model assumes a more conservative annual growth rate of 16%.

The model has excluded the value of cash flows from financing activity and non-cash items such as depreciation and amortisation. Sensitivity analysis on the model also highlighted that



## Notes to the Consolidated Financial Statements

For the half-year ended 31 December 2021

a small deterioration in the annual growth rate or a reduction in the forecast gross margin would lead to a material impairment of goodwill.

Based off the value in use model, an impairment expense of \$825,059 (2021: nil) was recognised during the year. No impairment expense was recorded against the remaining assets of the CGU.

The value in use model used the following assumptions:

Key Assumption	Input
CGU budget with revenue of \$4m and a gross margin of 56%	Year 1 (2022)
Annual growth rate (years 2 – 5)	16%
Average gross margin	59%
Pre-tax discount rate	14.77%
Long-term growth rate	0%

Key Assumption	Approach used to determine values
Short-term growth rate	Average annual growth rate over years 2 - 5 based on management's expectations of market development.
Average gross margin	Average annual gross margin over the five-year forecast period based on past performance and expectation for the future.
Pre-tax discount rate	Reflects specific risks relating to the entity and the industries which it operates within.

The model has excluded the value of cash flows from financing activity and non-cash items such as depreciation and amortisation. Based off the value in use model, an impairment expense of \$825,059 (2021: nil) was recognised during the period. No impairment expense was recorded against the remaining assets of the CGU, as the recoverable assets value exceed the carrying amount as at 31 December 2021.

### 6. Leases

The balance sheet shows the following amounts relating to leases:

	31-Dec-21	30-Jun-21
	\$	\$
<b>Right-of-use assets</b>		
Buildings	78,921	61,911
Land	364,312	384,934
<b>Total right-of-use assets</b>	<b>443,233</b>	<b>446,845</b>
<b>Lease liabilities</b>	<b>\$</b>	<b>\$</b>
Current	100,203	83,924
Non-current	353,498	370,113
<b>Total lease liabilities</b>	<b>453,701</b>	<b>454,037</b>

In the period, the Company entered into an additional lease for a manufacturing facility at the conclusion of the existing lease.

The statement of profit or loss shows the following amounts relating to leases:

## Notes to the Consolidated Financial Statements

For the half-year ended 31 December 2021

	31-Dec-21 \$	31-Dec-20 \$
<b>Depreciation charge of right-of-use assets</b>		
Buildings	34,014	29,920
Land	20,622	7,778
<b>Total depreciation</b>	54,636	37,698
Interest expense (included in other expenses)	9,549	4,671

### 7. Borrowings

	31-Dec-21 \$	30-Jun-21 \$
<b>Borrowings</b>		
Meluka loan (i)	100,613	100,613
Equipment financing (ii)	14,077	20,376
Business loan (iii)	25,880	25,356
Vehicle financing (iv)	16,132	-
<b>Current borrowings</b>	156,702	146,345
	<b>31-Dec-21 \$</b>	<b>30-Jun-21 \$</b>
Equipment financing (ii)	17,596	24,634
Business loan (iii)	375,511	389,860
Vehicle financing (iv)	26,497	-
<b>Non-current borrowings</b>	419,604	414,494

(i) Nil interest rate with a 3-year term, ending in February 2022, no debt covenants.

(ii) Equipment financing with nil interest rate and a 3-year term to March 2024. Secured by a charge against the equipment, no debt covenants.

(iii) Variable interest rate with a 15-year term, ending in 2034, with principal repayments commencing in 2021. Secured by a mortgage against the Robyndale property, no debt covenants.

(iv) Vehicle financing with a 2.84% interest rate and a 3-year term to August 2024. Secured by a charge against the vehicle, no debt covenants.

### 8. Segment reporting

The Company's Board receives segment information across three reportable business segments, Jenbrook, Meluka and Investment.

Period ended 31 December 2021	Jenbrook \$	Meluka \$	Investment \$	Unallocated \$	Consolidated \$
Total segment revenue	136,609	1,088,540	-	-	1,225,149
Segment net gain / (loss) after tax	(7,586)	(1,042,326)	(287,330)	(1,857,106)	(3,194,348)
Segment assets	5,277,381	2,069,701	778,199	483,783	8,609,064
Segment liabilities	892,001	449,995	-	202,066	1,544,062

## Notes to the Consolidated Financial Statements

For the half-year ended 31 December 2021

<b>Period ended 31 December 2020</b>	<b>Jenbrook</b>	<b>Meluka</b>	<b>Investment</b>	<b>Unallocated</b>	<b>Consolidated</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Total segment revenue	630,195	1,100,187	-	-	1,730,382
Segment net gain / (loss) after tax	205,865	(568,315)	(179,496)	(830,634)	(1,372,580)
<b>Period ended 30 June 2021</b>	<b>Jenbrook</b>	<b>Meluka</b>	<b>Investment</b>	<b>Unallocated</b>	<b>Consolidated</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Segment assets	5,532,017	2,691,930	1,053,701	2,646,256	11,923,904
Segment liabilities	952,976	521,716	-	261,421	1,736,113

### 9. Revenue

	<b>31-Dec-21</b>	<b>31-Dec-20</b>
	<b>\$</b>	<b>\$</b>
<b>At a point in time</b>		
Bulk sales	136,609	666,582
Branded product sales	790,550	575,554
Contract manufacturing	297,990	488,246
	<u>1,225,149</u>	<u>1,730,382</u>

#### *Disaggregation of revenue from contracts with customers*

The Group derives its revenue from the bulk sale of essential oils, branded consumer product sales and the provision of contract manufacturing services. The transfer of goods is a point in time for all product lines.

Revenue is recognised when or as the Group transfers control of goods or services to a customer at the amount to which the Group expects to be entitled. If the consideration promised includes a variable component, the Group estimates the expected consideration for the estimated impact of the variable component at the point of recognition and re-estimated at every reporting period.

The Group primarily generates revenue from the sale of tea tree oil and essential oils, honey sales and contract manufacturing.

Revenue from the sale of these goods is recognised when control over the inventory has transferred to the customer. Control is generally considered to have passed when:

- physical possession and inventory risk is transferred (including via a third-party transport provider);
- payment terms for the sale of goods can be clearly identified through invoices issued to customers; and
- the customer has no practical ability to reject the product where it is within contractually specified limits.

## Notes to the Consolidated Financial Statements

For the half-year ended 31 December 2021

### 10. Expenses

	31-Dec-21 \$	31-Dec-20 \$
<b>Professional fees</b>		
Audit fees	26,195	25,496
Tax consulting services	2,500	7,250
Legal costs	2,907	9,459
Corporate consultants	35,212	17,763
Other professional fees	21,264	108,356
	<b>88,078</b>	<b>168,324</b>
<b>Employee benefit expense</b>		
Wages	793,552	771,315
Directors fees	278,661	265,461
Payroll tax	15,963	10,996
Fringe benefits tax	2,158	-
	<b>1,090,334</b>	<b>1,047,772</b>
	31-Dec-21 \$	31-Dec-20 \$
<b>Other expenses</b>		
Corporate costs	52,525	39,161
Premises and insurance	191,213	241,995
Marketing expenses	1,067,861	562,792
Travelling costs	364	6,873
Financing costs	28,383	(12,991)
Depreciation - property, plant and equipment	117,666	108,387
Depreciation - right-to-use assets	54,636	37,698
Amortisation	6,850	6,850
Other operating expenses	108,044	147,377
	<b>1,627,542</b>	<b>1,138,141</b>

### 11. Issued capital

	31-Dec-21 \$	30-Jun-21 \$
Issued capital	35,765,832	35,765,832
Cost of share issue	(2,156,120)	(2,156,120)
	<b>33,609,712</b>	<b>33,609,712</b>

	31-Dec-21 Shares	30-Jun-21 Shares	31-Dec-21 \$	30-Jun-21 \$
<b>Issues of ordinary shares during the half-year</b>				
<b>Balance at the beginning of the period</b>	3,843,141,890	3,726,225,222	33,609,712	32,971,096
Placement at 0.6 cents per share	-	1	-	-
Conversion of unlisted options	-	109,416,667	-	656,500
Conversion of performance rights	-	7,500,000	-	-
Capital raising costs	-	-	-	(17,884)
<b>Balance at the end of the period</b>	<b>3,843,141,890</b>	<b>3,843,141,890</b>	<b>33,609,712</b>	<b>33,609,712</b>

## Notes to the Consolidated Financial Statements

For the half-year ended 31 December 2021

### 12. Share-based payments

Equity-settled share-based payments are measured at fair value at the date of grant. Fair value is measured by use of a Black-Scholes option pricing model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Company's estimate of shares that will eventually vest.

For cash-settled share-based payments, a liability equal to the portion of the goods or services received is recognised at the current fair value determined at each reporting date.

	31-Dec-21	31-Dec-20
	\$	\$
Performance rights (a)	8,515	27,342
Incentive options (b)	63,045	28,112
<b>Share-based payments recognised in the income statement</b>	<b>71,560</b>	<b>55,454</b>

#### a) Performance rights

The EVE Employee Incentive Scheme is designed to provide long-term incentives for senior managers and above (including executive Directors) to deliver long-term shareholder returns. Participation in the plan is at the Board's discretion and no individual has a contractual right to participate in the plan or to receive any guaranteed benefits.

Performance Rights are granted under the plan for no consideration. Performance Rights granted under the plan carry no dividend or voting rights. When vested, each performance right is convertible into one ordinary share.

The terms and conditions of each grant of performance rights is disclosed within the 30 June 2021 Annual Report.

At each reporting date the likelihood of each performance right hurdle is reviewed by management and the share-based payment adjusted accordingly. During the year \$8,515 (2020: \$27,342) of expense was recorded. This value was based off the underlying share price on the date of issue and likelihood of the performance right hurdle being met.

#### b) Incentive options

Options are granted under the EVE Employee Incentive Scheme for no consideration. Options granted under the plan carry no dividend or voting rights. When vested, each option is convertible into one ordinary share upon payment of the exercise fee.

In FY2022, nil incentive options were granted. In the prior period (2021), the Company issued 55,000,000 incentive options. All options have an exercise price of 1.6 cents and a four-year life. The key terms of the options issued in the period are below.

## Notes to the Consolidated Financial Statements

For the half-year ended 31 December 2021

Issue Date	Expiry date	Tranche	Number granted	Value at grant date \$	Vested in period \$	Vested at 31-Dec-21	Unvested at 31-Dec-2021	Note
26-Nov-20	26-Nov-24	A	8,000,000	31,534	10,315	8,000,000	-	
28-Oct-20	28-Oct-24	A	17,000,000	67,845	20,354	15,000,000	-	<sup>1</sup>
26-Nov-20	26-Nov-24	B	8,000,000	35,464	9,512	-	8,000,000	
28-Oct-20	28-Oct-24	B	17,000,000	76,117	19,588	-	15,000,000	<sup>1</sup>
28-Oct-20	28-Oct-24	C	2,500,000	9,593	-	-	-	<sup>2</sup>
28-Oct-20	28-Oct-24	D	2,500,000	10,861	3,276	-	2,500,000	
			<u>55,000,000</u>	<u>231,414</u>	<u>63,045</u>	<u>23,000,000</u>	<u>25,500,000</u>	

<sup>1</sup> 2,000,000 options in each of tranche A and B lapsed prior to the vesting hurdle being met.

<sup>2</sup> 2,500,000 options failed to meet the vesting hurdle and lapsed.

Tranche	Hurdle	Likelihood
A	Continuous service until 13 October 2021	Met
B	Continuous service until 13 October 2022	> 50%
C	Achievement of budgeted gross revenue for FY21	Not met
D	Achievement of budgeted gross revenue for FY22	> 50%

During the year a \$63,045 (2021: \$28,112) expense was recorded.

### 13. Dividends

No dividends were declared or paid by the Company.

### 14. Related parties

Transactions with the related parties are consistent with those disclosed in the 30 June 2021 financial report.

### 15. Capital and other commitments

There were no capital or other commitments at reporting date.

### 16. Contingent assets and liabilities

There are no identified contingent assets or liabilities as at reporting date.

### 17. Events occurring after the reporting period

On 22 February 2022, the Company announced a placement to raise \$1.4m via the placement of 466,666,667 shares at \$0.003. Placement participants will, subject to shareholder approval, also receive a 1:1 unlisted option exercisable at \$0.005 within two years. The placement shares were allotted on 28 February 2022.

In late February 2022, the Northern NSW region, where the Company's tea tree operations are located, was impacted by a significant rainfall event with many areas in the region experiencing flooding. At this stage, the Company is continuing to monitor and assess for potential impacts to its farming operations.

Other than those disclosed above, there are no matters or circumstances have arisen since the end of the financial period which significantly affected or may significantly affect the operations, results or the state of affairs of the entity in future financial years.

## Directors' Declaration

For the half-year ended 31 December 2021

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- 1 In the opinion of the directors of EVE Health Group Limited:
  - a. The financial statements and notes set out on pages 8 to 20 are in accordance with the Corporations Act 2001, including:
    - i. Giving a true and fair view of the entity's financial position as at 31 December 2021 and of its performance for the half-year ended on that date; and
    - ii. Complying with AASB 134 Interim Financial Reporting, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
  - b. there are reasonable grounds to believe that EVE Health Group Limited will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the directors.



Gregory (Bill) Fry  
Managing Director  
Perth, 28 February 2022

# Auditor's Independence Declaration

For the half-year ended 31 December 2021

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## DECLARATION OF INDEPENDENCE BY ASHLEIGH WOODLEY TO THE DIRECTORS OF EVE HEALTH GROUP LIMITED

As lead auditor for the review of EVE Health Group Limited for the half-year ended 31 December 2021, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
2. No contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of EVE Health Group Limited and the entities it controlled during the period.

A handwritten signature in black ink, appearing to read 'Ashleigh Woodley', is written over a light blue horizontal line.

**Ashleigh Woodley**  
Director

**BDO Audit (WA) Pty Ltd**  
Perth, 28 February 2022



# Independent Audit Report

For the half-year ended 31 December 2021

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## INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of EVE Health Group Limited

### Report on the Half-Year Financial Report

#### Conclusion

We have reviewed the half-year financial report of EVE Health Group Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2021, 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 half-year ended on that date, a summary of statement of accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of the Group does not comply with the *Corporations Act 2001* including:

- (i) Giving a true and fair view of the Group's financial position as at 31 December 2021 and of its financial performance for the half-year ended on that date; and
- (ii) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

#### Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report. We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to the audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001* which has been given to the directors of the Company, would be the same terms if given to the directors as at the time of this auditor's review report.

#### Responsibility of the directors for the financial report

The directors of the Company are responsible for the preparation of the half-year 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 half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

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# Independent Audit Report

For the half-year ended 31 December 2021

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## Auditor's responsibility for the review of the financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2021 and its financial performance for the half-year ended on that date and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

**BDO Audit (WA) Pty Ltd**

A handwritten signature in black ink, appearing to read 'Ashleigh Woodley'. Above the signature, the letters 'BDO' are written in a simple, blocky font.

**Ashleigh Woodley**  
Director

Perth, 28 February 2022