

31 January 2023

December 2022 Quarterly Update

- **Meluka Australia revenue in Australian market up 20% QoQ**
- **Growth continues to be driven by the ongoing strong performance of the leading beverage category up 20% QoQ**
- **Launch of Meluka Australia's first probiotic supplement powder system for improved digestive health in late January 2023**
- **Completion of sale of investment in Omni Innovation, proceeds of \$0.34m received**
- **Multiple parties have expressed interest in the purchase of tea tree properties**

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 2022 and provides a review of operational progress during the quarter.

Group¹ revenues in the December quarter were \$1.14 million, with Meluka Australia revenue up 26% QoQ driven by 20% growth QoQ in the Australian market. It is pleasing to see momentum continuing to build for the Meluka branded products in Australia, resulting in another record quarter of branded products sales in Australia. The Company has also received interest from parties in purchasing the Company's Jendale and Robyndale organic tea tree properties in Northern NSW. Any divestment of the properties, if it proceeded, would free up capital to be re-invested into other parts of the Group as well as supporting the Company's continuing review of new business opportunities in order to grow its health and wellness portfolio.

Meluka Australia

Australia

Meluka Australia's (**Meluka**) successive growth during the period culminated in another record quarter of Australian sales for its branded range, supported by ongoing consumer interest for its health and wellness products in the digestive health category. The branded beverage range continues to be the leading contributor to Australian revenue, recording the strongest growth of 160% from the prior corresponding half year period. Figure 1 evidences the growth in total order numbers on the direct-to-consumer website channel in Australia, which has increased for the fifth consecutive quarter.

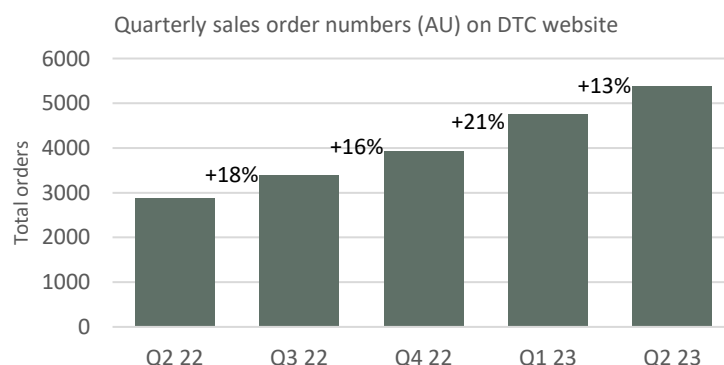


Figure 1: Quarterly sales order numbers in Australia (orders can be for multiple products)

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.

During the quarter the company transitioned to fulfilment by a third party distribution provider based in New South Wales for its branded products in Australia. Third party fulfilment will result in increased operating efficiency and allow for scalability as the Company focuses on executing its growth strategy in its home market in expanding its digestive health product offerings.

A variety of marketing initiatives centred around key holidays were successfully executed during the last quarter of the calendar year, traditionally a highly competitive advertising period. The strong emphasis on marketing resulted in Australian revenue during the Black Friday Cyber Monday event in November up 130% on the direct-to-consumer website compared to the 2021 event and culminating in November delivering the best ever revenue month in Australia on the direct-to-consumer website. Other holiday campaigns included a collaboration with a Melbourne bar to create a signature mocktail beverage as part of the brand's Summer Spritz kit launch campaign, leveraging the rise in popularity of non-alcoholic beverage options which contain functional nutritional ingredients.

The success of Meluka's first advertising feature in the Sydney Morning Herald in July was exceeded during a November campaign featuring Meluka's leading product in the beverage range, the P3 Gut Builder, in The Age, a Melbourne newspaper. The feature delivered exceptional results in building consumer awareness of the new product and reaching new audiences.

Figure 2: Advertising feature in The Age, Melbourne - November 2022

Meluka Australia's first probiotic supplement powder system for improved digestive health was launched in Australia subsequent to quarter end. The functional gut nutrition solution is in the form of a 3-step supplement powder system, each of which contain pre, pro and postbiotics as well as selected functional superfood ingredients in an easy to consume and versatile offering. The pipeline for future new product development continues, with plans to expand the offering of digestive health products which contain Meluka's proprietary probiotic strain and a variety of effective, functional nutritional ingredients.

Other regions

It was pleasing to see revenue across the Company's export regions in North America and Japan increase during the period, despite maintaining the level of advertising spend. A further purchase order for Meluka Australia's native raw honey from Whole Foods Market, Inc was received and fulfilled post quarter end.

Jenbrook

The Company owns and operates the Robyndale organic tea tree plantation in the Bungawalbin Valley in Northern New South Wales. The heavy rainfall events that were being suffered on the east coast continued

to hamper operations during the quarter. Poor ground conditions prevented mobilisation of machinery until early December. Activities in December concentrated on slashing of plantation areas and cultivation between tree rows to remove weeds. These activities will continue through January and early February. The Company still has adequate inventory of organic tea tree oil products to meet customer demands.

With the continued growth of the Meluka business, the Company considered the need to maintain its tea tree operations as they form an increasingly smaller portion of the Company's overall revenue. As such it engaged Elders to seek expressions of interest for the purchase of both the Jendale and Robyndale properties. To date there have been multiple parties that have expressed interest and the Company is considering the sale of these properties as part of a review of its overall business portfolio.

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 \$0.4 million in the quarter.

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)

During the quarter the sale of its approximately 38% interest in Omni Innovation to Myopharm Limited was completed (see ASX release 16 September 2022). EVE received \$335,000 in the quarter, being its proportion of the proceeds of the share sale and distribution of net cash proceeds.

Corporate & Financial Update

Key statistics

- Total unaudited Group¹ revenue for the quarter was \$1.1 million
- Cash at bank of \$0.45 million
- Inventory level reduced by \$0.1 million to \$1.3 million
- Receivables and prepayments consistent at \$0.3 million
- Creditors payable decreased from \$0.4 million to \$0.3 million
- \$0.9 million in debt facilities with \$0.42 million drawn

The key financial metrics for the quarter include:

- Receipts from customers totalled \$0.75 million, up \$0.15 million on the prior quarter
- Product manufacturing and operating costs were consistent with the prior quarter at \$0.4 million
- Advertising and marketing activities spend of \$0.3 million in the quarter consistent with the prior quarter
- Net cash used in operating activities of \$0.6m was consistent with the prior quarter.
- During the quarter the Company made payments to related parties of \$52,000 in director fees and \$44,000 for a fully provisioned office and administration staff

Government grants

The Company entered into a Grant Agreement with the Australian Trade and Investment Commission to cover grants under the program for FY22 and FY23. \$25,000 was received in the quarter for FY22.

Outlook

- Launch of a range of new probiotic formulations targeted at a variety of health issues
- Continued targeting of businesses to grow the Company's health and wellness portfolio
- Rationalisation of further company assets to support the continued growth of its probiotics business
- Cost saving initiatives will continue to be maintained across the Group

Commenting on the update, Managing Director Bill Fry said: “The December quarter provided another record quarter of revenue for Company’s Meluka brand. Sales of its probiotics products continue to lead the way with its new P3 Gut Builder probiotic drink quickly becoming the highest selling product. What is particularly pleasing is the large number of positive customer reviews received for the P3 Gut Builder.

Successive growth in Australia quarter on quarter and increasing branded sales see momentum continuing to build for Meluka. Ongoing consumer interest has been especially encouraging and has the brand well positioned to continue the growth trend it has been experiencing into 2023 and beyond. The late January launch of Meluka’s first probiotic supplement powder system is an exciting milestone for the Company and a variety of new product development is in the pipeline for future release in line with the Company’s growth strategy, reinforcing the unique health and wellness position of the Meluka product offerings.

Rationalisation of non-core assets will continue into 2023 to support the growth of our probiotics business.”

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 2022

| 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 | 753 | 1,355 |
| 1.2 | Payments for | | |
| a) | research and development | (4) | (6) |
| b) | product manufacturing and operating costs | (388) | (707) |
| c) | advertising and marketing | (313) | (663) |
| d) | leased assets | (12) | (31) |
| e) | staff costs | (444) | (831) |
| f) | administration and corporate costs | (203) | (383) |
| 1.3 | Dividends received (see note 3) | - | - |
| 1.4 | Interest received | - | - |
| 1.5 | Interest and other costs of finance paid | (7) | (13) |
| 1.6 | Income taxes paid | - | - |
| 1.7 | Government grants and tax incentives | 25 | 99 |
| 1.8 | Other (provide details if material) | - | - |
| 1.9 | Net cash from / (used in) operating activities | (593) | (1,180) |
| 2. | Cash flows from investing activities | | |
| 2.1 | Payments to or for acquire: | | |
| a) | entities | - | - |
| b) | businesses | - | - |
| c) | property, plant and equipment | (2) | (3) |
| d) | investments | - | - |
| e) | intellectual property | - | - |
| f) | other non-current assets | - | - |
| 2.2 | Proceeds from disposal of: | | |
| a) | entities | - | - |
| b) | businesses | 335 | 335 |
| 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 | 333 | 332 |

| | | | |
|-------------|---|------------|------------|
| 3. | Cash flows from financing activities | | |
| 3.1 | Proceeds from issues of equity securities (excluding convertible debt securities) | - | 224 |
| 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 | - | (5) |
| 3.5 | Proceeds from borrowings | - | - |
| 3.6 | Repayment of borrowings | (13) | (26) |
| 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 | (3) | 193 |

| | | | |
|------------|--|------------|------------|
| 4. | Net increase / (decrease) in cash and cash equivalents for the period | | |
| 4.1 | Cash and cash equivalents at beginning of period | 720 | 1,102 |
| 4.2 | Net cash from / (used in) operating activities (item 1.9 above) | (593) | (1,180) |
| 4.3 | Net cash from / (used in) investing activities (item 2.6 above) | 333 | 332 |
| 4.4 | Net cash from / (used in) financing activities (item 3.10 above) | (13) | 193 |
| 4.5 | Effect of movement in exchange rates on cash held | - | - |
| 4.6 | Cash and cash equivalents at end of period | 448 | 448 |

| | | | |
|------------|--|------------------------------------|-------------------------------------|
| 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 | 448 | 720 |
| 5.2 | Call deposits | - | - |
| 5.3 | Bank overdrafts | - | - |
| 5.4 | Other (provide details) | - | - |
| 5.5 | Cash and cash equivalents at end of quarter (should equal item 4.6 above) | 448 | 720 |

| 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 | 96 |
| 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 | 896 | 421 |
| 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>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) | (593) |
| 8.2 | Cash and cash equivalents at quarter end (item 4.6) | 448 |
| 8.3 | Unused finance facilities available at quarter end (item 7.5) | 475 |
| 8.4 | Total available funding (item 8.2 + item 8.3) | 923 |
| 8.5 | Estimated quarters of funding available (item 8.4 divided by item 8.1) | 1.6 |
| | <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 in future periods. | |
| 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: As discussed above, the Company is reviewing its asset portfolio which may lead to divestments to raise further capital, similar to the sale of the Company's interest in Omni Innovation completed in the quarter. | |
| 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 2023

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.