

28 July 2022

June 2022 Quarterly Update

- **Australian revenue for Meluka Australia up 30% QoQ**
- **Group¹ unaudited revenues of \$1.3m for the quarter, up 21% QoQ**
- **Milestone launch - Meluka Australia's first product launches featuring its proprietary probiotic strain, Lactobacillus rhamnosus Beebiotic MAP01™**
- **Completion of Entitlement Offer raising \$0.74m**
- **Rodney Hannington appointed Non-Executive Director to the Board**
- **Cost reduction program continues across group businesses**

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 30 June 2022 and is pleased to provide a review of operational progress during the quarter.

The June quarter saw Group¹ revenues of \$1.3 million, up \$0.2m on the prior quarter, with strong growth in Meluka Australia sales in the Australian market which grew 30% QoQ. A slight decrease in revenue across the company's export regions in North America and Japan QoQ was expected, as a result of planned expenditure reductions in marketing and advertising costs, whilst we continue to contend with logistical issues in offshore markets and focus on cash conservation initiatives across the group businesses.

Meluka Australia

The June 2022 quarter was another record quarter of Australian sales for Meluka Australia, with the beverage range continuing to be the leading product category in the Australian market. A significant milestone was achieved during the period with Meluka Australia's first two product launches featuring its proprietary probiotic strain, Lactobacillus rhamnosus Beebiotic MAP01™, derived from Meluka Australia's beehives, in both the beverage and skincare category.

The launch of the P3 Gut Builder, a first of its kind beverage to support digestive health which contains pre, pro and postbiotics, was supported by a virtual press event attended by representatives from leading Australian media as well as social media influencers in the nutrition, health and wellness space, resulting in extremely positive feedback. Meluka Australia's first offering in topical probiotics, Flora+ Skin spray, was also released to the Australian market. Initial sales results for both products have been promising. Other product launches during the period included Meluka Australia's first vegan offering, Voney™, a plant based spread inspired by honey.

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: Products launched: P3 Gut Builder (top), Flora+ Skin Probiotics (left) & Voney™ (right)

Australian Distribution

Meluka Australia is continuing to present its product range to several potential distribution partners. With a focus on its digestive health products, the key targets are pharmacy, health food and aligned independent banner group companies and distributors. Discussions have progressed with a few of these targets and an outcome is expected with these groups in the coming quarter.

London Honey Awards

Meluka Australia's Native Wildflower Raw Honey was awarded a Gold Quality Award at the London Honey Quality Competition 2022, a category of the International London Honey Awards, during the period. The London Honey awards aim to promote high quality honey products and uses a 'blind' method of tasting by the jury panel, evaluating criteria such as appearance, odour, texture, flavour and mouth-feel of honey.

Sydney Good Food & Wine Show

Meluka Australia exhibited its range of health and wellness products at the Sydney Good Food & Wine Show in June. Its first consumer exhibition received extremely positive feedback and the products were well received by visitors.

North America

As previously reported, Meluka Australia postponed its expansion plans in North America due to ongoing impacts of supply chain delays. During the period, we continued to support sales for existing products within these regions with leaner advertising and marketing spend.

Whole Foods Market, Inc, through distributor UNFI, placed a further purchase order of Meluka's Organic Raw Honey, which was fulfilled from the Company's US warehouse in early July.

Asia

As previously reported, Meluka Australia planned a slower growth plan into the Japanese market until supply chain pressures ease. Similar to the North American market, sales across the Amazon platform in Japan were supported by leaner advertising spend. Marketing initiatives during the period included finalisation of localised Japanese marketing collateral, as well as starting to leverage influencer marketing across social media platforms to drive awareness to Japanese consumers.

Sustainability Press Event, Tokyo

Meluka Australia was featured in an Austrade press event in Tokyo, Japan on 31 May. The promotional event was focused on sustainability, targeting major business and food industry media in Japan with the aim of raising the profile of sustainably produced Australian food products. Meluka Australia CEO Ben Rohr presented the brand's innovative gut health and raw honey products to selected guests and media at the event. Attendance delivered an important opportunity to forge local connections with media and industry professionals.

Jenbrook

The Company owns and operates the Robyndale organic tea tree plantation in the Bungawalbin Valley in Northern New South Wales. The impacts of flooding events and continued rain in the region have continued to hamper access to the Company's plantation and infrastructure. The Company's staff continue to undertake clean-up and repair operations with the impact on the Company's infrastructure immaterial to the Company's on-going plans.

The continued rain in the region means the ground remains relatively waterlogged. In line with the Company's previous communications, this will result in a delay to the next tea tree harvest due to these ground conditions. The Company maintains adequate inventory of organic tea tree oil products to meet current customer orders.

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 \$0.8 million in the quarter, the highest quarterly result for the year.

During May, the NAP sales team exhibited in person at the New York Society of Cosmetic Chemists Supply Day. Attendance at the exhibition was successful in building brand awareness and showcasing the company's range of essential oils, hydrosols, native extracts and carrier oils to a new potential audience.

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)

Myopharm Limited, which holds the pre-meal diabetes IP licence for Australia, China and Europe failed to make the required licence instalment to Omni Innovation on 30 June 2022, a breach of the binding term sheet entered into between the parties. Omni Innovation has issued Myopharm with a Notice of Default for this breach and hopes to seek a satisfactory resolution.

Omni Innovation continues to explore potential commercialisation partners or an outright sale of the Company or its intellectual property portfolio. Discussions were held with several parties during the quarter.

Following his appointment to the EVE Board, Mr Rod Hannington has resigned as CEO of Omni Innovation but is still available to consult to the company as required.

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 \$1.3 million
- Cash at bank of \$1.1 million
- Inventory reduced to \$1.4 million
- Receivables and prepayments decreased to \$0.25 million from \$0.45m
- Creditors payable decreased from \$0.5 million to \$0.45m
- \$0.92 million in debt facilities with \$0.45 million drawn

Overall, the cash outflow was lower in the quarter due to implementation of the Company's cost reduction initiatives and the receipt in the quarter of the FY21 R&D tax incentive.

The key financial metrics for the quarter include:

- Receipts from customers totalled \$0.6m, consistent with the prior quarter
- Product manufacturing and operating costs of \$0.4m, consistent with the prior quarter
- Advertising and marketing activities spend of \$0.4m in the quarter, down \$0.2m on the prior quarter
- Net cash used in operating activities of \$0.7m, \$0.3m lower than the prior quarter. Staff costs and administration costs were slightly lower than the prior quarter and are expected to be lower in the coming quarters as the Company's cost reduction initiatives continue.
- During the quarter the Company has paid \$78,000 in director fees and \$21,000 for a fully provisioned office and administration staff

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



Figure 2: Breakdown of sales across EVE companies by product type in June quarter and YTD.

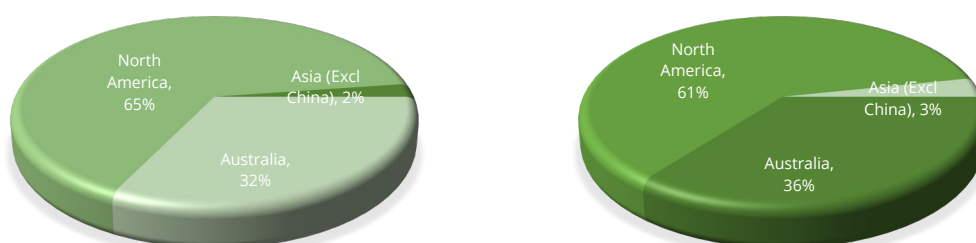


Figure 3: Breakdown of sales across EVE companies by region in June quarter and YTD.

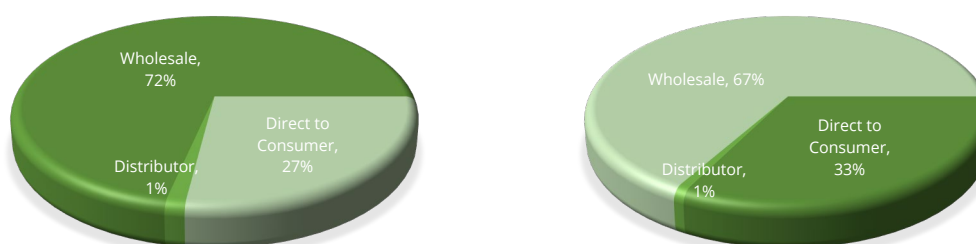


Figure 4: Breakdown of sales across EVE companies by sales channel in June quarter and YTD.

Completion of Rights Offer

During the period the Company conducted a pro-rata non-renounceable rights offer. The offer closed on 20 June with \$740,674 raised at \$0.001. The Directors reserve the right to place any Shortfall Shares (3,569,134,450) within three months of the closing date of the Offer.

Changes to Board

Mr Rodney Hannington was appointed to the Company's board effective from 15 June as a Non-Executive Director. Mr Hannington has been working in marketing and strategy services in consumer health and fast-

moving consumer goods in the Asia Pacific region for over 15 years. He has valuable international experience in markets across Australia, China, Japan, South Korea and Southeast Asia.

Having worked with leading consulting firms, multinational companies such as Mondelez and Novartis and lived in Australia, China and Singapore, he has developed extensive experience with a strong network in the health and food industries. He is a strategic and innovative consumer health marketer with deep experience in Australia and China. He has led and been a part of several significant company acquisitions and new product launches in Australia and China as a board member, consultant and employee.

Mr Hannington has been a member of the Monash University Department of Marketing Industry Advisory Board since 2013 and has held a variety of board roles at ASX listed companies, with a particular focus in the consumer health space. Mr Hannington will bring a wealth of experience to the Company as it continues to develop the Meluka® brand in the probiotics space as well as investigating potential acquisitions of complementary businesses.

Mr George Cameron-Dow retired from the Company's board effective from 30 June 2022. Mr Cameron-Dow joined the Company in March 2016 and has been the Company's Non-Executive Chairman since January 2018. In this time, he has provided strong leadership to the Company as it re-positioned itself from an investment company to a health and wellness company with diversified interests in the sector. Mr Cameron-Dow elected to retire from the Company's board as he is embarking on an extended period of travel. The Company thanks Mr Cameron-Dow for his valuable contribution to the Company over the last six years.

Government grants

Following the submission of its 2021 Research and Development Tax Incentive application in the previous quarter, the Company received a payment of \$136,000 during the quarter. As at quarter end, the Company's submissions under the Export Market Development Grant program for FY2021, FY2022 and FY2023 are still awaiting processing.

Outlook

- Continued roll out of a new range of products in collaboration with Probiotics Australia for the Australian market
- Cost saving initiatives will continue to be implemented across the group companies
- New Australian distribution channels for Meluka Australia's probiotic products are expected to commence in the next two quarters
- Concentrated focus on Australian markets with probiotics being the lead product range

Commenting on the update, Managing Director Bill Fry said: "The June quarter group revenue results were pleasing given logistical challenges currently being experienced with our international markets. Particularly encouraging were our Australia operations which continue to perform strongly with a 30% QoQ growth rate. The key driver in this growth was the sales performance of our probiotics range which recorded 27% increase in sales over the previous quarter. This bodes well for the forthcoming quarters with the release of new products in the probiotics range.

Authorised for release by Bill Fry, Managing Director.

— ENDS —

For more information, please contact:

Company enquiries

Bill Fry, Managing Director & CEO
EVE Health Group Ltd
+61 8 6465 5500
billf@evehealthgroup.com.au



P : +61 8 6465 5500

🐦 : EveInvestments

🌐 : Eve Investments Limited

W : www.eveinvestments.com.au

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")

30 June 2022

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
1.	Cash flows from operating activities		
1.1	Receipts from customers	620	2,611
1.2	Payments for		
	research and development	-	(26)
	product manufacturing and operating costs	(429)	(1,675)
	advertising and marketing	(377)	(2,025)
	leased assets	(19)	(107)
	staff costs	(467)	(2,105)
	administration and corporate costs	(146)	(743)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	-	2
1.5	Interest and other costs of finance paid	(5)	(18)
1.6	Income taxes paid	-	-
1.7	Government grants and tax incentives	136	208
1.8	Other (provide details if material)	-	-
1.9	Net cash from / (used in) operating activities	(687)	(3,878)
2.	Cash flows from investing activities		
2.1	Payments to or for acquire:		
	entities	-	-
	businesses	-	-
	property, plant and equipment	(4)	(22)
	investments	-	-
	intellectual property	-	-
	other non-current assets	-	-
2.2	Proceeds from disposal of:		
	entities	-	-
	businesses	-	-
	property, plant and equipment	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
	investments	-	-
	intellectual property	-	-
	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)	(26)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	741	2,141
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	(47)	(135)
3.5	Proceeds from borrowings	-	107
3.6	Repayment of borrowings	(14)	(267)
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	679	1,846

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	1,114	3,160
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(687)	(3,878)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(4)	(26)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	679	1,846
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	1,103	1,103

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	1,103	1,114
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	1,103	1,114

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	99
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.</i> <i>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	922	447
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	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.		
	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.		
	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.		

8.	Estimated cash available for future operating activities	\$A'000
8.1	Net cash from / (used in) operating activities (item 1.9)	(687)
8.2	Cash and cash equivalents at quarter end (item 4.6)	1,103
8.3	Unused finance facilities available at quarter end (item 7.5)	475
8.4	Total available funding (item 8.2 + item 8.3)	1,578
8.5	Estimated quarters of funding available (item 8.4 divided by item 8.1)	2.3
	<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: N/A	
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: N/A	
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: N/A	
	<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

- This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
 - This statement gives a true and fair view of the matters disclosed.
- Date: 28 July 2022
- Authorised by: Bill Fry, Managing Director
(Name of body or officer authorising release – see note 4)

Notes

- This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
- If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
- 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.
- 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".
- 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.