

29 April 2022

March 2022 Quarterly Update

- **Share Placement at a price of 0.3 cents to raise \$1.4m before costs**
- **Proceeds from placement to support the probiotics product range development and marketing**
- **Alliance commenced with health and wellness company Neptune Bio-Innovations to significantly expand Meluka Australia's national retail distribution channel**
- **Meluka Australia launched a new e-commerce channel via WhatsApp in March**
- **Cost reduction program initiated across business**

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

Advancing Probiotics

On 28 February, the Company completed a capital raising of \$1.4m, before costs, via a placement to institutional and professional investors at \$0.003 per share. The Company will use funds from the capital raising to support the expansion and development of the Meluka Australia probiotics range, particularly in the Australian market.

In the March quarter Group¹ revenues were consistent at \$1.1 million, however probiotics products in the Australian market grew 44% QoQ. Sales in Japan and Canada for Meluka Australia products grew slightly QoQ, while in the US revenue decreased QoQ by 16%. Longer shipping time frames, unreliability of shipping schedules and escalating freight costs have led to the Company focussing on the Australian market for the foreseeable future. The Company will continue to support sales of products in its offshore markets but has reduced its marketing spend and building of stock levels in these markets. The focus on Australia as well as cash conservation initiatives (see Corporate & Financial update) will see reduced outflow, particularly in relation to marketing expenditure, in future periods.

The March 2022 quarter was a record quarter of sales for Meluka Australia in the Australian market, primarily due to the successful launch of the new Raw Honey Probiotic Concentrate with Hydrolysed Natural Marine Collagen. Unfortunately, this product was sold mainly on backorder which did dampen sales of this product from mid-January with stocking arriving late in March.

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: Raw Honey Probiotic Concentrate with Hydrolysed Natural Marine Collagen

Meluka Australia's product development program in the probiotics space continues to progress well under the Collaboration Agreement with Probiotics Australia. Meluka Australia will focus on the release of probiotic products in future quarters and subsequent marketing and promotional focus will be centred around these products. In the June quarter, the P3 Gut Builder Triple Action Postbiotic Tonic, incorporating prebiotics, probiotics and the newly emerging postbiotics will launch. This will be the first product to contain the proprietary Beebiotic MAP01™ probiotic strain, found in Meluka Australia's beehives. This strain is intended to form the basis for a range of future probiotic centric products for Meluka Australia.

Meluka Australia

Alliance Agreement with Neptune Bio-Innovations

Meluka Australia's Alliance Agreement with Australian health and wellness company, Neptune Bio-Innovations commenced during the quarter. A salesperson was appointed for New South Wales during March and additional sales personnel are still being sought in Victoria and Queensland. These sales endeavours are expected to deliver new distribution channels and initial sales before the end of Q4.

Pioneering New E-Commerce Channel

Meluka Australia has recently implemented new customer engagement technology provided by conversational messaging services company Gupshup. Australian customers can now access its e-commerce store from within the WhatsApp platform, providing an end-to-end shopping solution within the world's largest and most popular messaging service². Meluka Australia is one of the first companies in the world to allow its customers the capability to be able to shop within WhatsApp and it provides a valuable engagement tool with customers.

Launched during March, the technology was showcased by Gupshup at Mobile World Congress with Meluka Australia featuring as the sole case study to have launched this pioneering solution. Meluka Australia anticipates that this new customer ecommerce option will improve customer conversion and repurchase rates while reducing customer acquisition costs.

Meluka Australia CEO, Ben Rohr said:

"Meluka Australia is extremely excited to be working with Gupshup to pioneer this technology. Our customers will enjoy the seamless and unique shopping experience in WhatsApp and we look forward to engaging in a more direct manner with our customers to make our relationship even stronger".

² <https://www.businessofapps.com/data/messaging-app-market/>

Gupshup CEO, Beerud Sheth said:

"Meluka Australia is pioneering world first technology that Gupshup has developed to enable better customer engagement via WhatsApp. This is the first-time customers can shop within the WhatsApp messaging app using our technology and we are very excited to work alongside Meluka Australia in this revolutionary ecommerce experience".

North America

During the quarter, Meluka Australia decided to postpone expansion plans in North America. The supply chain delays caused primarily by shipping challenges have made planning and execution of growth plans in North America cost prohibitive. Meluka Australia will maintain its current channels and support these with existing inventory already in North America. Marketing and PR will be significantly reduced until these supply chain problems improve determinately.

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 during March.

Asia

Similar to the North American markets, supply chain issues caused by shipping delays and costs have impacted Meluka Australia's Singapore and Japanese markets. As a result, Meluka Australia has decided to no longer service the Singapore Amazon store and will slow down expansion plans into Japan. Due to the closer proximity to Japan, the shipping delays (approximately 4-6 weeks excluding customs clearance) are not as large as the US therefore Meluka Australia will continue to support a slower growth plan into the Japanese market until the supply chain pressure improves.

During the period, Meluka Australia released a variety of new products to the Japanese market via its Amazon Japan store, including its range of Essential Oil blends, Botanical Raw Honey collection, Raw Honey Probiotic Concentrate – Tea Tree and Apple Cider Vinegar infused Raw Honey. In addition, Meluka Australia's Japanese website was launched, directing consumers to its Amazon Japan online store.

Meluka Australia's CEO, Ben Rohr, promoted the Meluka Australia brand and range of Australian health and wellness products to potential Japanese buyers during Foodex Japan held from March 8 – 11. As part of an opportunity through Investment NSW's Going Global Export Program, Meluka Australia was one of 15 NSW companies co-exhibiting at the 47th International Food & Beverage Exhibition, which is Japan's largest food expo.

World Expo

Meluka Australia was awarded the opportunity to pitch via video to high-profile investors at a NSW agri-food event at the World Expo held in Dubai (originally scheduled for 2020 but delayed due to Covid to Feb 2022) during February. Meluka Australia was proud to be representing NSW and share its products and passion with high profile investors and customers. World Expo aims to create opportunities for interconnectivity and innovation. Bringing the world together with the goal of exchanging new perspectives to inspire action for sustainable solutions to global issues.

Jenbrook

The Company owns and operates the Robyndale organic tea tree plantation in the Bungawalbin Valley in Northern New South Wales. During the quarter and into April the region experienced two substantial rainfall events that caused severe flooding in the region. The impact of the floods on the Company's plantation and infrastructure is still being assessed. At this stage the infrastructure (irrigation, roads, fencing and buildings) received only minor damage. The main impacts being debris caught in fences and clean-up of mud and debris on the distillation shed floor. Plant and equipment (tractors and other farm equipment) have been tested and are operational. The distillation boiler and equipment will be tested shortly once the boiler maintenance contractor is available to visit site.

The plantation areas were inundated with flood waters during the first rainfall event however the water receded quickly. The ground however is very waterlogged as a result of both rainfall events and access to all parts of the property is still restricted. Tea tree is a plant that requires high rainfall for its survival so the impacts on this year's crop are likely to be a delayed harvest due to heavy ground conditions. Further updates will be provided once our team have been able to access all areas of the property.

The company still has inventory of five tonnes of organic tea tree oil.

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 \$0.5 million in the quarter.

During March, the NAP sales team exhibited in person at the Natural Products Expo West in California. 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)

During the quarter, Myopharm Limited, which holds the pre-meal diabetes IP licence for Australia, China and Europe reverted to a non-exclusive licence following the failure by Myopharm to complete an IPO in the required time period. Myopharm continued to make payment of licence fees as required under the non-exclusive licence agreement.

Additionally, during the quarter Omni Innovation and Myopharm engaged in discussions about a potential sale of the Omni Innovation portfolio to Myopharm. Following these discussions, which did not lead to an outcome that could be accepted by Omni Innovation shareholders, Myopharm was advised that the non-exclusive licence agreement was Omni Innovation's preferred option going forward.

Following the lapse of exclusivity, Omni Innovation is now considering other potential commercialisation partners or proceeding with a launch of the product by Omni Innovation in its own right.

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

Corporate & Financial Update

Key statistics

- Total unaudited Group¹ revenue for the quarter was \$1.1 million
- Cash at bank of \$1.1 million
- Inventory increased to \$1.5 million
- Receivables and prepayments decreased to \$0.45 million from \$0.55m
- Creditors payable increased from \$0.4 million to \$0.5m
- \$0.95 million in debt facilities with \$0.45 million drawn, \$0.1m repaid in the quarter

Overall, the cash outflow was higher in the quarter due to the lower receipts from customers. Sales of organic tea tree oil harvested during the year has yet to be sold and realised as revenue.

The key financial metrics for the quarter include:

- Receipts from customers totalled \$0.6m, down \$0.3m on the prior quarter
- Product manufacturing and operating costs of \$0.4m, were \$0.05m lower than the prior quarter
- Advertising and marketing activities spend of \$0.6m in the quarter, consistent with the prior quarter.

This included marketing costs for the launch of the collagen probiotic product.

- Net cash used in operating activities of \$1m, broadly in line with the prior quarter cash used. Staff costs were lower by \$0.15m and administration costs were slightly lower than the prior quarter
- During the quarter the Company has paid \$97,000 in director fees and \$32,000 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:

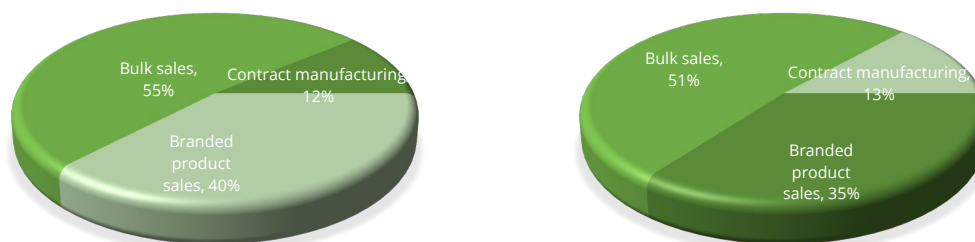


Figure 2: Breakdown of sales across EVE companies by product type in March quarter and YTD.

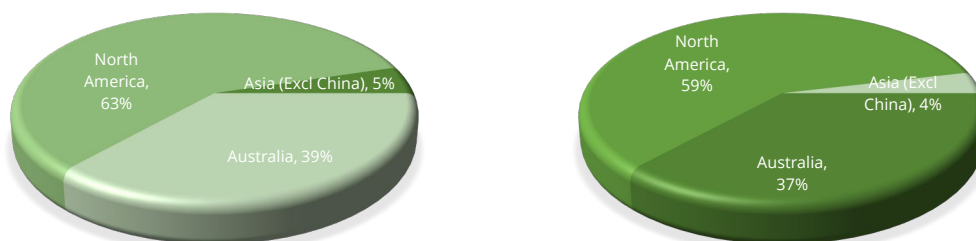


Figure 3: Breakdown of sales across EVE companies by region in March quarter and YTD.

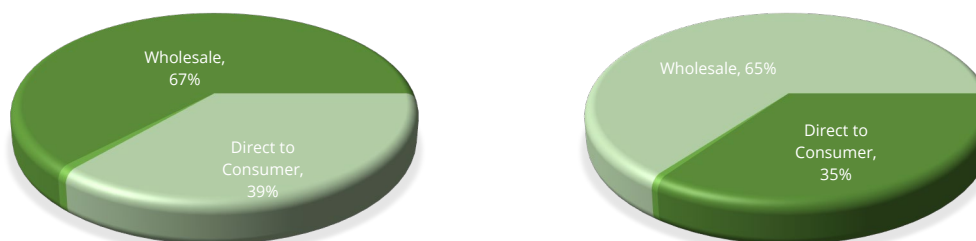


Figure 4: Breakdown of sales across EVE companies by sales channel in March quarter and YTD.

Government grants

The Company completed the submission of its application for the 2021 Research and Development Tax Incentive. Following the end of the quarter, \$136,000 was received.

The Company's submissions under the Export Market Development Grant program for FY2021, FY2022 and FY2023 are still awaiting processing.

Cost reduction program

During, and subsequent to the quarter, the Company undertook a range of cost-saving initiatives including:

- Reduction of remuneration effective 1 May 2022:
 - Board salaries of 50%;
 - CEO salary of 40%; and
 - Senior management salaries of 20%.
- Termination of lease for additional tea tree property in the Bungawalbin Valley; and
- Reduction in North American and Asian market expenditure as discussed earlier in the quarter due to logistics/shipping issues for these markets. This will result in reduced product build, marketing and shipping costs for the business.

Outlook

- Rollout of new Probiotic Product Range in collaboration with Probiotics Australia for the Australian market
 - Launch of P3 Gut Builder Triple Action Postbiotic Tonic
 - Development of the several new ranges of probiotic products incorporating the proprietary Beebiotic MAP01™ probiotic strain
- Launch of Voney, a plant based vegan honey product
- Support of Japan and the US markets, including for the rollout of the botanical honey and probiotics ranges, albeit with a reduced spend due to current logistics issues

Commenting on the update, Managing Director Bill Fry said: “The March quarter total group revenue was consistent with the previous quarter despite growing logistics issues that the Company is facing with its offshore markets. Shipping reliability and timeframes have forced the Company to place a greater short-term emphasis on the Australian market. The 44% increase in sales of our probiotics products during the quarter, albeit off a small base, was very pleasing given the recent expansion into this product area. With the impending release of new products in the probiotics range in the forthcoming quarter we aim to continue this growth. The Company has also instituted several cost cutting measures that will reduce the cash burn rate and reduce the overall cost structure for our businesses in the forthcoming quarter. The Eve Health Group team are committed to ensuring the businesses continue to grow and ultimately deliver value for shareholders”.

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 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 March 2022

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
1.	Cash flows from operating activities		
1.1	Receipts from customers	585	1,991
1.2	Payments for		
	(a) research and development	(8)	(26)
	(b) product manufacturing and operating costs	(374)	(1,245)
	(c) advertising and marketing	(566)	(1,649)
	(d) leased assets	(27)	(88)
	(e) staff costs	(472)	(1,638)
	(f) administration and corporate costs	(158)	(597)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	-	2
1.5	Interest and other costs of finance paid	(4)	(13)
1.6	Income taxes paid	-	-
1.7	Government grants and tax incentives	-	72
1.8	Other (provide details if material)	-	-
1.9	Net cash from / (used in) operating activities	(1,025)	(3,191)
2.	Cash flows from investing activities		
2.1	Payments to or for acquire:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	-	(22)
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	-	-
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 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	-	(22)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	1,400	1,400
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	(88)	(88)
3.5	Proceeds from borrowings	-	107
3.6	Repayment of borrowings	(115)	(253)
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	1,197	1,167

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	941	3,160
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,025)	(3,191)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	-	(22)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(1,197)	1,167
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	1,114	1,114

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	1,114	941
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)	1,114	941

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	129
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	936	461
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)	(1,025)
8.2	Cash and cash equivalents at quarter end (item 4.6)	1,114
8.3	Unused finance facilities available at quarter end (item 7.5)	475
8.4	Total available funding (item 8.2 + item 8.3)	1,589
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.	
8.6.2	Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?	
	Answer: The Company is routinely assessing its requirement for additional equity or debt to fund its operations. It has been able to successfully raise additional funding in the past and sees no reason why it would not be successful in the future.	
8.6.3	Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?	
	Answer: Yes. The Company believes it will be able to obtain sufficient funding to continue its operations as detailed in 8.6.2.	
	<i>Note: where item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered.</i>	

Compliance statement

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

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

Date: 29 April 2022

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

Notes

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