

25 October 2022

September 2022 Quarterly Update

- **Meluka Australia revenue in Australian market up 24% QoQ**
- **Growth driven by strong performance of leading beverage category up 43% QoQ**
- **Agreement to sell interest in Omni Innovation for consideration of \$0.3m**

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

Group¹ revenues in the September quarter were \$1.3 million, with Meluka Australia revenue up 19% QoQ driven by 24% growth QoQ in the Australian market. The key driver in this growth continues to be the performance of the Meluka Australia branded probiotic beverage category. The Company continues to seek aligned businesses which can be acquired to assist EVE's growth, targeting businesses that have positive earnings and cashflow impact to support the growth of its existing business and looks forward to keeping the market updated with any developments. During this period, the Company continued to practice cash conservation across the group whilst also rationalising other parts of the business as evidenced by the divestment of the Company's interest in Omni Innovation.

Meluka Australia *Australia*

Meluka Australia (**Meluka**) experienced another record quarter of Australian sales for its branded products, with the largest contributor to Australian revenue continuing to be the branded probiotic beverage category, increasing in sales by 43% over the previous quarter. Australia represents the largest percentage of sales for the Meluka branded products, via direct-to-consumer channels. Figure 1 evidences the growth in total order numbers on the direct-to-consumer website channel in Australia, which has increased for the fourth consecutive quarter.

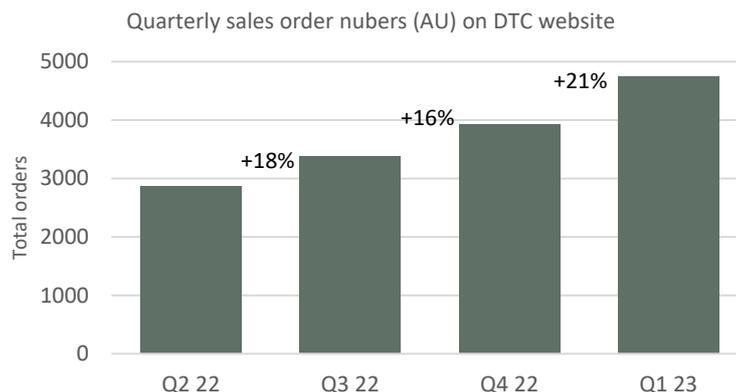


Figure 1: Quarterly sales order numbers in Australia (orders can be for multiple products)

Strong sales performance of Meluka's newest probiotic product, P3 Gut Builder Triple Action Postbiotic Tonic, was underpinned by effective advertising and promotional programs, including Meluka's first advertising

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.

feature in the Sydney Morning Herald in July (Figure 2) which delivered exceptional results in building consumer awareness of the new product. It is encouraging to see the positive feedback the product has gained from the market so far since its release in the previous quarter.



Figure 2: Advertising feature in Sydney Morning Herald - July 2022

Branded consumer marketing and advertising communications delivered a 21% increase in sessions QoQ to the direct-to-consumer website during the period. In the upcoming quarter marketing campaigns will be centred around key sales periods include Black Friday/Cyber Monday and Christmas. Post quarter end the consumer website was updated to improve ease of navigation and enhance the consumer journey as well as further emphasising visual content of consumer proof and testimonials.

The next product launch in forthcoming quarters will expand the Meluka product assortment further with a functional gut nutrition solution 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 response to ongoing cost increases incurred due to the rising cost of raw materials and commodities from suppliers, along with increases in logistical costs, during July an analysis of the current market landscape was undertaken, resulting in a price increase being successfully instituted across the Meluka branded products in Australia. As part of the analysis, a review of branded product lines was also undertaken, with a view to streamlining product offerings in future, in line with the Company's growth strategy to focus on expanding its offering of probiotics products. This will also result in reduced product build and inventory costs.

Other regions

As previously reported, due to ongoing shipping disruptions, the company re-evaluated its distribution strategy, shifting focus to growing the Australian market. This resulted in planned slower growth into Japan and postponed expansion plans into North America for the foreseeable future. Revenue across the Company's export regions in North America and Japan was slightly lower during the period. This is in line with expectations as the Company manages reduced advertising and marketing spend. Spend will support product sales of existing stock on hand through current distribution channels, with no current plans to replenish product inventory in export regions for the foreseeable future.

Jenbrook

The Company owns and operates the Robyndaale organic tea tree plantation in the Bungawalbin Valley in Northern New South Wales. The 2022 tea tree harvest continues to be delayed by poor ground conditions. The Company has on hand adequate inventory of organic tea tree oil products to meet customer demands.

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.

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 shareholders of Omni Innovation entered into a conditional Share Sale Agreement (Agreement) with Myopharm Limited, an unlisted Australian biotechnology company. The Agreement is binding but conditional on Myopharm raising a minimum of \$850,000 by the Completion Date of 15 December 2022. EVE's portion of the proceeds of the share sale are approximately \$300,000. Omni Innovation shareholders, including EVE, are to receive a distribution of net cash held by Omni Innovation at completion.

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 \$0.7 million
- Inventory level consistent at \$1.4 million
- Receivables and prepayments consistent at \$0.25 million
- Creditors payable decreased from \$0.45 million to \$0.4 million
- \$0.91 million in debt facilities with \$0.43 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 Export Market Development Grant.

The key financial metrics for the quarter include:

- Receipts from customers totalled \$0.6 million, consistent with the prior quarter
- Product manufacturing and operating costs reduced by \$0.1 million to \$0.3 million
- Advertising and marketing activities spend of \$0.4 million in the quarter consistent with the prior quarter
- Net cash used in operating activities of \$0.6m, \$0.1m lower than the prior quarter. Staff costs and administration costs were lower than the prior quarter due to the Company's cost reduction initiatives
- During the quarter the Company made payments to related parties of \$61,000 in director fees and \$14,000 for a fully provisioned office and administration staff

Allotment of Shortfall Shares

During the quarter, the Company completed an allotment of 224,000,000 Shortfall Shares to raise \$224,000 as part of the Company's pro-rata non-renounceable rights offer announced of 30 May 2022.

Changes to Board

Mr James Lin retired from the Company's board effective from 30 September 2022. Mr Lin joined the Company's board in April 2021 as a nominee director of Hong Kong Jusheng Bolang Technology Co., Limited

(Jusheng Bolang). Following the completion of the Company's recent Entitlement Offer, Jusheng Bolang's interest in the Company's shares was reduced to less than 10%, therefore in accordance with the Subscription Agreement between the Company and Jusheng Bolang, they were no longer entitled to shareholder representation (Refer to the ASX announcement dated 7 October 2019 and the notice of meeting dated 11 October 2019). The Company thanks Mr Lin for his contribution to the Company over the last one and half years and wishes him well in his future endeavours.

Government grants

The Company's Export Market Development Grant for FY21 was received in the quarter. Subsequent to quarter end, the Company entered into a Grant Agreement with the Australian Trade and Investment Commission to cover grants under the program for FY22 and FY23.

Outlook

- Upcoming release in forthcoming quarters of Meluka Australia's first supplement powder system for improved digestive gut health
- Cost saving initiatives will continue to be maintained across the group companies
- Marketing programs centred around key upcoming sales periods include Black Friday/Cyber Monday and Christmas
- Continued targeting of businesses to grow the Company's health and wellness portfolio

Commenting on the update, Managing Director Bill Fry said: "We are pleased to have commenced the new financial year with another record quarter of revenue in Australia for the Meluka branded products. The revenue growth we are experiencing quarter on quarter in Australia provides confidence of our strategic decision to expand our range of probiotics products and to focus on growing our home market, in response to continued uncertainty in export regions. The positive results evidence the exponential opportunity of the probiotics sector in the health and wellness market in Australia. Over the forthcoming quarters we look forward to continuing to execute new product launches in Australia in line with our strategy, building on the success of our already established products".

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")

30 September 2022

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
1.	Cash flows from operating activities		
1.1	Receipts from customers	602	602
1.2	Payments for		
	research and development	(2)	(2)
	product manufacturing and operating costs	(319)	(319)
	advertising and marketing	(350)	(350)
	leased assets	(19)	(19)
	staff costs	(387)	(387)
	administration and corporate costs	(180)	(180)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	-	-
1.5	Interest and other costs of finance paid	(6)	(6)
1.6	Income taxes paid	-	-
1.7	Government grants and tax incentives	75	75
1.8	Other (provide details if material)	-	-
1.9	Net cash from / (used in) operating activities	(586)	(586)

2.	Cash flows from investing activities		
2.1	Payments to or for acquire:		
	entities	-	-
	businesses	-	-
	property, plant and equipment	(2)	(2)
	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 (3 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	(2)	(2)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	224	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)	(5)
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	(13)	(13)
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	206	206

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	1,102	1,102
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(586)	(586)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(2)	(2)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	206	206
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	720	720

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	720	1,102
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)	720	1,102

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	75
6.2	Aggregate amount of payments to related parties and their associates included in item 2	

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.

7.	Financing facilities 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.	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
7.1	Loan facilities	909	434
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)	(586)
8.2	Cash and cash equivalents at quarter end (item 4.6)	720
8.3	Unused finance facilities available at quarter end (item 7.5)	475
8.4	Total available funding (item 8.2 + item 8.3)	1,195
8.5	Estimated quarters of funding available (item 8.4 divided by item 8.1)	2.0
	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.	
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	
	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.	

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: 25 October 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.