

27 April 2023

March 2023 Quarterly Update

- **Meluka Australia revenue in Australian market and overall continuing to grow (up 104% on March 2022 quarter)**
- **Continued consumer focus on Meluka's expanding digestive product range**
- **Launch of Meluka Australia's first probiotic supplement powder system for improved digestive health in the quarter**
- **Potential divestment of tea tree properties to unlock capital on-going**
- **Review of complementary acquisitions in the health and wellness space**

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 2023 and provides a review of operational progress during the quarter.

Meluka Australia Australia

Meluka Australia's (**Meluka**) growth during the period culminated in the sixth consecutive record quarter for Australian sales, which were up 104% on the previous corresponding period of March 2022. Consumer focus continues to be on the digestive health products, which are now at the core of Meluka's product offering in Australia with honey products now a secondary priority.

Meluka Australia's first probiotic supplement powder system for improved digestive health was launched in Australia during the quarter. 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.



Figure 1: Meluka Australia's 3-step supplement system which launched in the quarter.

Other regions

The level of revenue in the Company's export regions of North America and Japan remained consistent in the quarter, despite a reduction in the level of advertising spend. The Company continued to receive regular purchase orders for the distribution of Meluka Australia's native raw honey in Whole Foods Market, Inc through the quarter.

Jenbrook

With the continued growth of the Meluka business, the Company has previously flagged that it is considering the need to maintain its tea tree operations as they form an increasingly smaller portion of the Company's overall revenue.

Elders Rural were appointed to seek expressions of interest for the purchase of both the Jendale and Robyndale tea tree properties. The Company continues to review the potential sale of these properties as part of a reorganisation of its overall health and wellness 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.**

Corporate & Financial Update

Key statistics

- Cash at bank of \$0.42 million
- Inventory level reduced by \$0.2 million to \$0.9 million
- Receivables and prepayments reduced to \$0.15 million
- Creditors payable consistent at \$0.3 million
- \$0.9 million in debt facilities with \$0.4 million drawn
- \$0.15m received for disposal of contract manufacturing business

The key financial metrics for the quarter include:

- Receipts from customers totalled \$0.6 million, down \$0.15 million on the prior quarter
- Product manufacturing and operating costs decreased from \$0.4m in the prior quarter to \$0.2m
- Advertising and marketing activities spend of \$0.3 million in the quarter consistent with the prior quarter
- Net cash used in operating activities of \$0.2m reduced from \$0.6m in the prior quarter, largely driven by lower staffing and administration costs
- During the quarter the Company made payments to related parties of \$49,000 in director fees and \$10,000 for a fully provisioned office and administration staff

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 unlock capital to grow the Group's business

Commenting on the update, Managing Director Bill Fry said: "Meluka continues its streak of quarter-on-quarter growth in Australia. The digestive health products, including the newly launched 3-step supplement powder system, are positioned in a growing sector with consumers continuing to focus on the importance of digestive health to their overall health and wellbeing.

Alongside growing the Meluka business, the coming quarter will also see a continued focus on completing reviews of potential new acquisitions to grow the EVE business and the potential finalisation of a transaction to unlock the capital from the tea tree properties."

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.

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 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 2023

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	685	2,040
1.2	Payments for		
a)	research and development	-	(6)
b)	product manufacturing and operating costs	(176)	(885)
c)	advertising and marketing	(261)	(924)
d)	leased assets	(7)	(37)
e)	staff costs	(304)	(1,135)
f)	administration and corporate costs	(101)	(484)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	-	-
1.5	Interest and other costs of finance paid	(7)	(21)
1.6	Income taxes paid	-	-
1.7	Government grants and tax incentives	-	99
1.8	Other (provide details if material)	-	-
1.9	Net cash from / (used in) operating activities	(171)	(1,352)
2.	Cash flows from investing activities		
2.1	Payments to or for acquire:		
a)	entities	-	-
b)	businesses	-	-
c)	property, plant and equipment	-	(2)
d)	investments	-	-
e)	intellectual property	-	-
f)	other non-current assets	-	-
2.2	Proceeds from disposal of:		
a)	entities	-	-
b)	businesses	148	148
c)	property, plant and equipment	16	16
d)	investments	-	335
e)	intellectual property	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
	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	164	497

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)	(39)
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	(13)	180

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	448	1,102
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(171)	(1,352)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	164	497
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(13)	180
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	427	427

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	427	448
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)	427	448

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	59
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 <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	883	408
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)	(171)
8.2	Cash and cash equivalents at quarter end (item 4.6)	427
8.3	Unused finance facilities available at quarter end (item 7.5)	475
8.4	Total available funding (item 8.2 + item 8.3)	901
8.5	Estimated quarters of funding available (item 8.4 divided by item 8.1)	5
<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: 27 April 2023
- 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.