

31 January 2020

December 2019 Quarterly Update

Highlights

- Product launch of honey and tea tree products in China completed in mid-December
- First China purchase orders received in late December as roll-out of Meluka Australia's honey range commences
- Company continues to progress new product development with imminent launch of branded tea tree oil products and Meluka Australia's first bio-fermented honey and lemon concentrate drink
- Strategic placement to raise \$9.3 million successfully completed
- Unaudited revenue for the December 2019 quarter in EVE businesses and Naturally Australian Products (NAP) was \$0.73m

EVE Investments (ASX:EVE, EVE or the Company), an ASX-listed health, nutrition and wellness company, has today released its Appendix 4C Report for the three-month period to 31 December 2019 and is pleased to provide a review of operational progress during the quarter.

Operational Progress

Meluka Australia

First China purchase orders received

The Company was pleased to announce that in mid-December it undertook a product launch in China to Hunan Yandi Bioengineering (Yandi), a leading green life and health care distributor and one of China's largest direct selling organisations with over one million members in its distribution network.

Meluka Australia (Meluka) showcased its unique range of honey products to Yandi's direct sales and marketing network at its annual vendor event for an audience of over 1500 members of Yandi's sales team. Yandi expressed interest in Meluka's tea tree honey, native raw honey and tea tree oil products, and to sell Meluka branded products into China.



Figure 1: Meluka's China Product Launch

Following the product launch, the Company was very pleased to receive first purchase orders for its honey products in China. The order in late December comprised of 21,144 units of Meluka honey and underlines the significant commercial potential for Meluka's honey range in China.

Honey - Continued sales growth in North America

Along with the good progress achieved with the move into China during the quarter, the Company has also maintained month-on-month sales growth of honey products in North America, another key market for Meluka's honey range. The Company continued to work closely with recently appointed local marketing and distribution experts to further refine the sales and marketing strategy which has resulted in the Company shipping a further 9,000 units of its premium honey range to the US post quarter end.

The company will be attending one of the largest food expo's in the US in the March quarter to showcase its newly branded range of honey products, plus launch its bio-fermented probiotic honey and lemon concentrate drink. It will also conduct a distributor roadshow to large US based distributors on the east and west coasts of the USA.

The company will also be attending the Foodex Expo in Japan in the March quarter to showcase its honey products and launch its bio-fermented honey and lemon concentrate drink.

Product Development Update

Tea Tree Oil

The Company continued to make strong progress on the development of its own Meluka branded tea tree oil products and is due to launch two offerings in the March quarter 2020 – a wildcrafted organic tea tree oil and an organic tea tree oil, both of which will be sourced from the Company's Jenbrook Farm plantation in northern New South Wales. It is expected that the first production run of these products will be distributed in China.



Figure 2: Meluka's Tea Tree Oil Packaging Concept

Bio-Fermented Honey Drink with Probiotics

During the quarter, the Company commenced manufacturing of its first Meluka branded bio-fermented honey and lemon concentrate drink. It is expected that this product will be launched in China, Australia, the US and Japan in the March quarter 2020. The initial launch will be focused on market testing and feedback before a much larger manufacturing run. Additional flavours are planned to be added to the bio-fermented range in the second half of 2020.



Figure 3: Meluka’s Bio-fermented honey and lemon concentrate drink

Jenbrook – Farming Operation

The Company owns and operates one of the largest organic tea tree plantations in the world. While many areas of Australia have been experiencing the devastating impacts of bushfires and drought, we are pleased to be able to report that the bushfires experienced in our region avoided our tea tree plantation and had minimal effect on our operations. The tea tree harvest is expected to commence in the March quarter 2020, subject to seasonal rainfall.

We did experience fire in our old growth forest area, however we are already evidencing rapid regrowth in those areas that were affected. The fire management practices that the Company had established greatly assisted in reducing the impact of the fires and consequently our operations have not been materially impacted. The property has received over 250mm of rainfall in January, well above the monthly average, providing good moisture to promote plant/tree growth.

The Company is currently building its inventory of organic honey to ensure adequate supply for further orders from China and to meet export requirements for the US.

A new farm Manager, Jesse Redhead was appointed in the quarter to run all Jenbrook farm operations. Jesse is a locally based, highly regarded individual with extensive experience in managing farming operations. He also has previous manufacturing experience. Bryan Easson the previous farm manager will remain engaged in our farming operations and work closely on the development of applications for the tea tree extract produced by the Company.

Corporate & Financial Update

During the quarter the Company was pleased to announce a \$9.3 million strategic placement (*refer to ASX release 7 October*) through subscription deeds entered into with Everhoney Biotech Australia Pty Ltd (“Everhoney”) and Hong Kong Jusheng Bolang Technology Co. Ltd (“Jusheng Bolang”). The placement was conducted in two tranches. The first tranche was completed in December 2019 raising \$2.4 million at 0.5 cents per share. The second tranche was completed post quarter end, raising \$6.9 million at 1 cent per share.

As previously announced, the funds will be used for the distribution of Meluka products in China, US, Australia and Japan; the expansion of product marketing and promotional activities; continued development of Meluka product ranges; as well as the implementation of agronomy programs at Jenbrook to increase yields and working capital to support the Company’s expanding operations.

The Company closed the quarter with \$1.8m in cash and cash equivalents.

Outlook

The Company is very pleased with the progress made in the December quarter, particularly the receipt of our first Meluka honey product orders in China. This, combined with continued sales growth in the US market, is establishing an important platform for further growth as the Company ramps up marketing and promotional efforts in those regions. The Company has a number of new products set for launch under the Meluka brand in the near term and we look forward to updating the market at the appropriate time.

Importantly, through the strategic placement with Everhoney and Jusheng Bolang, we have the necessary funding in place to deliver on our business objectives.

We continue to develop a unique organic product range focused on the health, nutrition and wellness sectors where there continues to be strong consumer demand – particularly in China and North America – for sustainable, organically sourced, traceable products.

Commenting on the update, managing director Bill Fry said:

“Eve Investments is pleased to have concluded a very productive quarter that saw us successfully deliver on some key operational targets as the Company continues to go from strength to strength. We achieved a number of key milestones in the December quarter and are very excited by the potential of new products set for launch in the near term. With funding in place and strong demand in our target markets, the Company is poised for significant growth over the coming year.”

Authorised for release by Bill Fry, Managing Director.

— ENDS —

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About EVE Investments

EVE Investments (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 help provide access to the world’s best natural organic products that have demonstrated medicinal benefits and can help enrich the lives of everyday people.

For further information, please visit www.eveinvestments.com.au and follow us on Twitter [@EVEInvestments](https://twitter.com/EVEInvestments)

Appendix 4C

Quarterly report for entities subject to Listing Rule 4.7B

Introduced 31/03/00 Amended 30/09/01, 24/10/05, 17/12/10, 01/09/16

Name of entity

EVE INVESTMENTS LTD

ABN

89 106 523 611

Quarter ended ("current quarter")

31 Dec 19

For the purposes of the consolidated statement of cash flows, only cashflows from EVE, Jenbrook Pty Ltd and Meluka Health are included. Cashflows from Naturally Australian Products and Omni Innovation are not included in the below figures.

Consolidated statement of cash flows

1. **Cash flows from operating activities**
 - 1.1 Receipts from customers
 - 1.2 Payments for:
 - (a) research and development
 - (b) product manufacturing and operating costs
 - (c) advertising and marketing
 - (d) leased assets
 - (e) staff costs
 - (f) administration and corporate costs
 - 1.3 Dividends received (see note 3)
 - 1.4 Interest received
 - 1.5 Interest and other costs of finance paid
 - 1.6 Income taxes paid
 - 1.7 Government grants and tax incentives
 - 1.8 Other (provide details if material)
 - 1.9 **Net cash from / (used in) operating activities**
2. **Cash flows from investing activities**
 - 2.1 Payments to acquire:
 - (a) property, plant and equipment
 - (b) businesses (see item 10)
 - (c) investments
 - (d) intellectual property
 - (e) other non-current assets
 - 2.2 Proceeds from disposal of:
 - (a) property, plant and equipment
 - (b) businesses (see item 10)
 - (c) investments
 - (d) intellectual property
 - (e) 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**

	Current quarter \$'000	Year to date (6 months) \$'000
	295	581
	(15)	(19)
	(277)	(436)
	(217)	(279)
	(7)	(7)
	(372)	(569)
	(255)	(456)
	-	-
	-	-
	(16)	(30)
	-	-
	-	-
	-	-
	(864)	(1,216)
	(69)	(93)
	-	-
	-	-
	-	-
	-	-
	-	-
	-	-
	-	-
	-	-
	(69)	(93)

	Current quarter \$'000	Year to date (6 months) \$'000
3. Cash flows from financing activities		
3.1 Proceeds from issues of shares	2,449	3,081
3.2 Proceeds from issue of convertible notes	-	-
3.3 Proceeds from exercise of share options	-	-
3.4 Transaction costs related to issues of shares, convertible notes or options	(178)	(227)
3.5 Proceeds from borrowings	104	104
3.6 Repayment of borrowings	-	(214)
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	2,375	2,744
4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of quarter/year to date	335	340
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(864)	(1,216)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(69)	(93)
4.4 Net cash from / (used in) financing activities (item 3.10 above)	2,375	2,744
4.5 Effect of movement in exchange rates on cash held	-	-
4.6 Cash and cash equivalents at end of quarter	1,776	1,776

	Current quarter \$'000	Previous quarter \$'000
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		
5.1 Bank balances	1,776	335
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)	1,776	335

	Current quarter \$'000
6. Payments to directors of the entity and their associates	
6.1 Aggregate amount of payments to these parties included in item 1.2	171
6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3	-
6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2	
Director fees	

	Current quarter \$'000
7. Payments to related entities of the entity and their associates	
7.1 Aggregate amount of payments to these parties included in item 1.2	52
7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3	-
7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2	
Payment for serviced office and administration staff.	

	Total facility amount at quarter end \$'000	Amount drawn at quarter end \$'000
8. Financing facilities available Add notes as necessary for an understanding of the position		
8.1 Loan facilities	1,244	1,183
8.2 Credit standby arrangements	-	-
8.3 Other (please specify)	-	-
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

Business Loan and Revolving Agri Line Facility provided by ANZ to Jenbrook Pty Ltd. Interest rate is 2% less than the Business Mortgage Index Rate (variable). Revolving facility increased in period.

Management loan provided by existing Jenbrook management on completion of \$246k. Interest rate is 4% above the RBA Cash Rate (variable).

Security provided over the land holdings of Jenbrook Pty Ltd.

On acquisition of Meluka Health, an existing shareholder loan of \$100,613 became a facility of the group. This loan is unsecured with nil interest and is due in 3 years from acquisition of Meluka Health.

9. **Estimated cash outflows for next quarter**

	\$'000
9.1 Research and development	-
9.2 Product manufacturing and operating costs	275
9.3 Advertising and marketing	250
9.4 Leased assets	12
9.5 Staff costs	573
9.6 Administration and corporate costs	490
9.7 Other (provide details if material) – deferred consideration on Meluka Health acquisition	245
9.8 Total estimated cash outflows	1,845*

* Excludes forecast cash inflows from sales and the capital raising completed in January 2020 which raised \$6.9m before costs.

10. **Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)**

10.1 Name of entity	
10.2 Place of incorporation or registration	
10.3 Consideration for acquisition or disposal	
10.4 Total net assets	
10.5 Nature of business	

	Acquisitions	Disposals
	-	-
	-	-
	-	-
	-	-
	-	-

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.


Steven Jackson
Company Secretary

31 January 2020

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly 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 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.

Forward Looking Statements

Certain information set forth in this presentation contains "forward-looking information", including "future oriented financial information" and "financial outlook", under applicable securities laws (collectively referred to herein as forward-looking statements). Except for statements of historical fact, information contained herein constitutes forward-looking statements and includes, but is not limited to, the (i) projected financial performance of the Company; (ii) completion of, and the use of proceeds from, the sale of the shares being offered hereunder; (iii) the expected development of the Company's business, projects and joint ventures; (iv) execution of the Company's vision and growth strategy, including with respect to future M&A activity and global growth; (v) sources and availability of third-party financing for the Company's projects; (vi) completion of the Company's projects that are currently underway, in development or otherwise under consideration; (vii) renewal of the Company's current customer, supplier and other material agreements; and (viii) future liquidity, working capital, and capital requirements. Forward-looking statements are provided to allow potential investors the opportunity to understand management's beliefs and opinions in respect of the future so that they may use such beliefs and opinions as one factor in evaluating an investment.

These statements are not guarantees of future performance and undue reliance should not be placed on them. Such forward-looking statements necessarily involve known and unknown risks and uncertainties, which may cause actual performance and financial results in future periods to differ materially from any projections of future performance or result expressed or implied by such forward-looking statements.

Although forward-looking statements contained in this presentation are based upon what management of the Company believes are reasonable assumptions, there can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. The Company undertakes no obligation to update forward-looking statements if circumstances or management's estimates or opinions should change except as required by applicable securities laws. The reader is cautioned not to place undue reliance on forward-looking statements.

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