

13 July 2020

June 2020 Quarterly Update

DELIVERING CONTINUED GROWTH DURING CHALLENGING ECONOMIC CONDITIONS

- **Group unaudited revenues of \$1.7million for the quarter, a 21% increase on last quarter and a 113% increase on Q4 2019**
- **2H FY20 group unaudited revenue of \$3.1million, a 67% increase on 2H FY19**
- **US and Australian e-commerce orders grow strongly quarter on quarter**
- **China orders increase despite COVID-19 interruptions**
- **First shipment of Meluka Australia's tea tree oil to be sent to China in July, and subsequent US shipment of raw honey probiotic concentrate set for August**
- **Tea tree harvest progressing well with advance orders received for the entire oil production**
- **Appointment of marketing manager to oversee marketing strategy and product launches**

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 30 June 2020 and is pleased to provide a review of operational progress during the quarter.

The June quarter continued to demonstrate the Company's ability to grow its revenue base and highlighted the importance of its distribution model in China. Despite COVID-19 impacting economic conditions globally, the Company was able to continue to export its products to China and increase its sales volumes. The first sea container of Meluka Australia's (Meluka) raw honey sold-out very quickly, triggering an immediate re-order. Initial feedback is the product was well received by customers in China resulting in demand for other products in Meluka's product range. Expansion of the product range into China will be a focus for the upcoming financial year.

The achievement of group revenue for the second half of the 2020 financial year of \$3.1 million is an excellent result for the Company, after only completing the acquisition of 100% of Meluka in February 2019 and launching its products into China during a global pandemic. Groupⁱ unaudited revenue increased in the June quarter to \$1.7 million, further building on a successful March quarter (\$1.4 million). The momentum that EVE has achieved in 2H FY20 bodes well for the 2021 financial year.

A key strength during COVID-19 has been EVE's vertically integrated model. With control of its own supply chain and manufacturing facility, the Company has been able to successfully ramp up production to meet distribution requirements. In the early stages of COVID-19, demand from the US significantly escalated for Meluka's medicinal honey and the Company was able to respond quickly to this challenge.

The following is a summary of the breakup of sales by category, region and sales channel for the quarter.

Sales composition by category

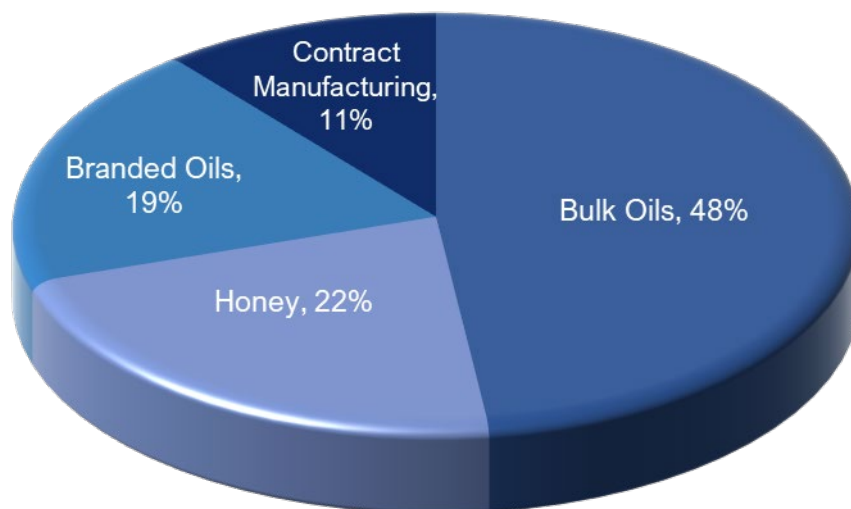


Figure 1: Breakdown of sales across EVE companies by product type in June quarter.

Revenue increases were recorded in all key products for the quarter as demand continued to escalate. Sales of bulk oils continued to provide the largest percentage of sales. However, Meluka branded honey and oil products will increasingly become a larger portion of sales in the future. Contract Manufacturing revenue is derived from manufacturing product for third parties.

Sales composition by Region

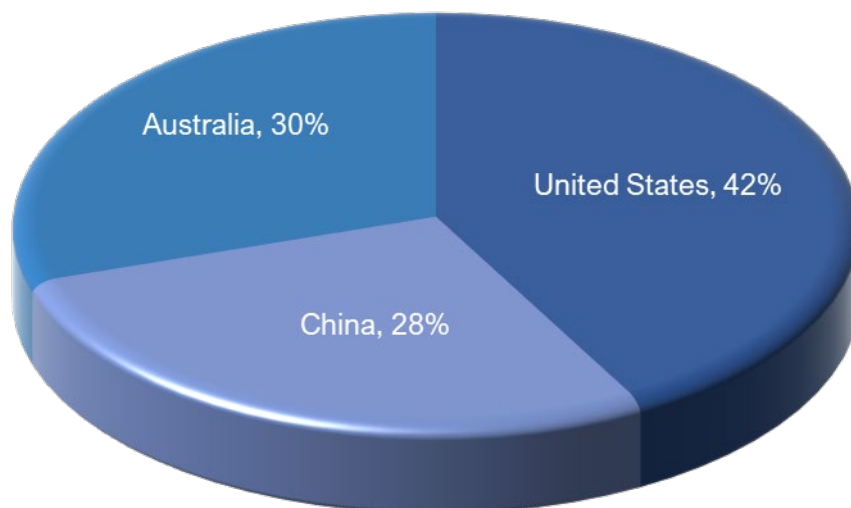


Figure 2: Breakdown of sales across EVE companies by region in June quarter.

China sales for the quarter continued to increase as a percentage of overall sales revenue. Initial concerns about the impact of COVID-19 were dispelled as orders for honey and tea oil were received during the quarter as freight and logistics services returned to normal. The Company expects China sales to continue to grow and comprise a larger percentage of sales throughout the 2021 financial year.

Sales composition by Channel

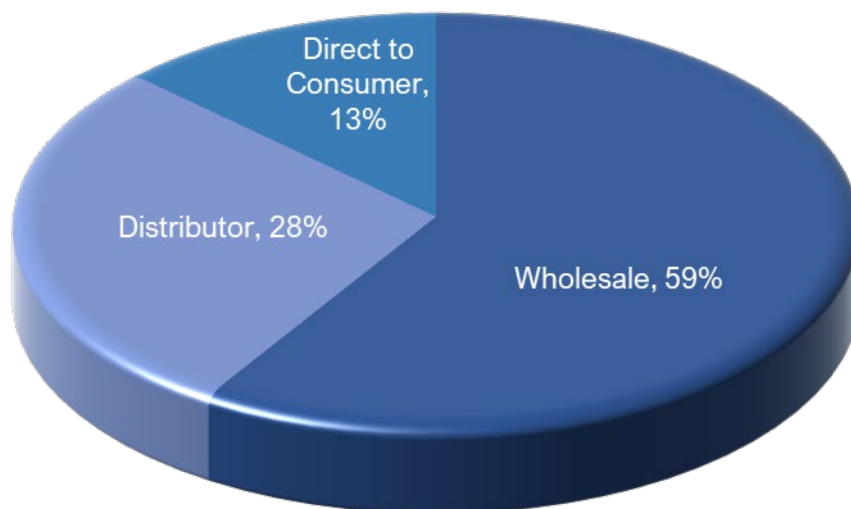
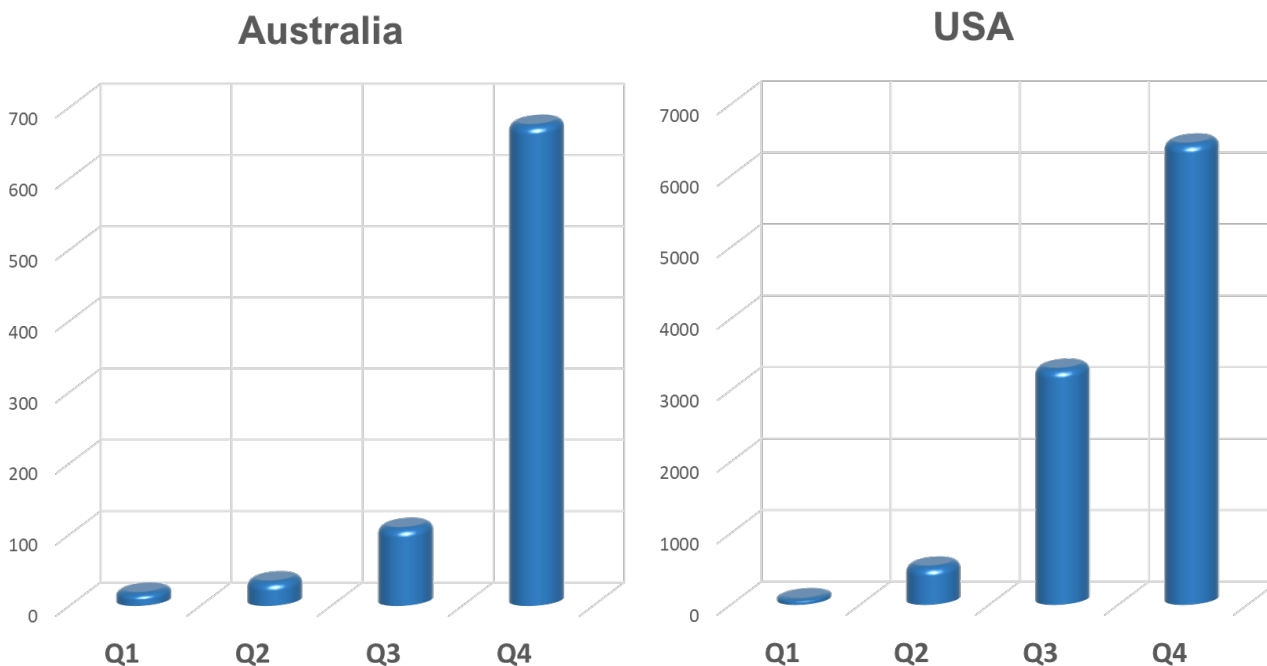


Figure 3: Breakdown of sales across EVE companies by sales channel in June quarter.

Wholesale sales made up nearly 60% of the revenue for the quarter. This mostly comprised wholesale essential oil sales through Naturally Australian Products (NAP) in the US and tea tree oils sales in Australia. Sales to the Company’s Chinese distributor were 28% of revenue, a figure which is expected to increase as an overall percentage in successive quarters. The direct to customer (online sales) channel continued to grow quarter on quarter as per the graphs below of sales orders (orders can be for multiple products). The data being gathered from the online platforms is providing invaluable information for designing advertising and marketing programs and defining key market segments for targeting individual products.



Figures 4-5: Quarterly sales order numbers (orders can be for multiple products) for direct to consumer channels.

Launching the Meluka Australia brand into new markets has required significant marketing investment during the year, which resulted in great feedback and rapid sales growth by the early adopting consumers.

One of the impacts of COVID-19 has been a greater consumer focus on products that have a demonstrated medicinal benefit in improving health and wellbeing by boosting the immune system. As such, the Company has been reviewing its marketing strategy to prioritise wellness products in its product pipeline. Meluka's current range of products (honey, probiotic drinks and essential oils) already contain a variety of health and wellness attributes and benefits which will be highlighted in the Company's extensive product marketing and promotional campaigns moving forward.

In order to continue this growth trend and build brand awareness in strategic target markets, EVE is pleased to advise it has appointed a marketing manager who will continue to expand the Company's opportunities in the coming quarters as EVE focuses on building market share and introducing new products.

Operational Progress

Meluka Australia – Highlights for the Quarter

China sales increase

China sales for the quarter continued to increase as a percentage of overall sales revenue. Initial concerns about the impact of COVID-19 were dispelled as orders for honey and tea oil were received late in the quarter once freight and logistics services returned to more regular patterns.

Second batch of native honey manufactured and shipped

Following the launch, on 16 May 2020, of Meluka Australia's honey range on Yandi Biotech's online portal in China, the Company received overwhelming interest for its native honey range. This led to the Company fast-tracking manufacturing operations following a second purchase order of 21,200 units of its raw honey. This manufacture was completed and product shipped to China in the June quarter. China is a key target market for distribution and the Company's relationship with Yandi Biotech continues to develop very successfully.



Figure 6: Promotional material from Yandi's Meluka Australia native honey launch on 16 May

Successful delivery of Tea Tree honey test shipment, new order expected imminently

A test shipment of Meluka's Tea Tree honey was sent to China in late June and successfully cleared customs. Subsequently, a new purchase order for the tea tree honey is expected early in Q1 FY2021.

Launch in US of Raw Honey Probiotic Concentrate in early May

Following the successful launch to Australian consumers of the Company's bio-fermented probiotic concentrate, the Company launched the product in North America via Meluka's US e-commerce site and on Amazon US. Initial signs have been positive as Meluka Australia builds towards a more significant push of this product once the larger manufacturing run is complete.

Further manufacture of raw honey probiotic concentrate due for completion in August

As announced in the Company Update (refer ASX release 26 May 2020), the manufacture of 20,000 units of raw honey probiotic concentrate was due for completion in July. Fermentation has taken a little longer than anticipated and it is now expected to be completed in mid-August. Initial sales responses following the launch of the honey and lemon raw probiotic drink have been very positive necessitating the need to build further inventory.



Figure 7: Meluka Probiotic Concentrate with Native Honey and Lemon

Demand for organic tea tree oil continues to grow

The Company has recorded very strong demand for Jenbrook's organic tea tree oil with orders already received for 100% of this calendar year's harvest. A minimum sales price increase of 12.5% on last year's average sales price has been achieved for bulk organic tea tree oil. Late seasonal rainfall restricted harvesting activities at Jenbrook, but with drier conditions forecast, activities are expected to ramp up and continue through to September.

Meluka tea tree oil manufacture

The maiden production run of 57,600 units of Meluka's own branded tea tree oil at its Alstonville facility in Northern NSW was completed in June. The product is the first in a line of Meluka essential oil products that have been developed for the Australian and overseas markets.

Corporate & Financial Update

EVE has produced another positive quarter of growth, achieving unaudited quarterly group revenue of \$1.7 million; a 21% increase on the previous quarter. EVE also achieved a total 2H FY20 unaudited group revenue of \$3.1 million. The Company maintains a strong financial position with cash of \$5.1 million at the end of the June quarter.

In accordance with Section 6 of the Appendix 4C, during the quarter the Company has paid \$142,000 in director fees and \$38,000 for a fully provisioned office and administration staff.

Key highlights

- Total unaudited group revenue for the quarter was \$1.7 million
- Total unaudited group revenue for the 2H FY20 was \$3.1 million
- Cash at bank of \$5.1 million
- Inventory increased to \$0.7 million
- Receivables from customers of \$0.7 million
- \$1 million in debt facilities with \$0.5 million drawn

Outlook

The Company by virtue of its vertically integrated model is well positioned to continue to increase sales volumes and revenue in the 2021 financial year. Supply of organic honey and tea tree oil to meet future orders is being well maintained and manufacturing capacity is more than adequate to cope with increased demand. Key growth objectives for the next 12 months include:

- International expansion initiatives utilising Amazon
- Continued sales growth in China for our raw honey and tea tree oil products and the introduction of our signature premium tea tree honey product
- Increased sales focus on our premium tea tree honey range 'TTF24' and 'TTF32' and expansion of probiotics drinks range in the US
- Achieve increased sales volumes domestically across the entire range
- Marketing programs to be expanded to build brand and product awareness
- Continued sales of bulk essential oils products from both on-farm and third-party suppliers
- Research and Development program to include further advancement of tea tree extract and hydrosol products

Commenting on the update, Managing Director Bill Fry said:

"The June quarter has seen EVE Investments continue to grow its revenues across all products within its portfolio. This forthcoming financial year is fully expected to see a continuation of this trend with China distribution expected to increase and similarly the online sales channels. To continue to increase our market penetration, the Company is actively pursuing an aggressive marketing and promotional strategy that will play a pivotal role in building both brand awareness and product knowledge. The demonstrated medicinal benefits of the Company's products are unique and highly sought after in the current climate of COVID-19, particularly as more and more consumers look to strengthen their immune systems to improve their overall health and wellbeing. With a focus on both product growth and innovation for our key target markets in the year ahead, Eve remains focused on its strategy for expansion. Our supply chains and manufacturing operations are fully operational and responding to the increasing demand for our products both here in Australia and abroad. Financially, EVE Investments is in a strong position to execute on its growth strategy

in pursuit of new markets and we are excited by what the coming year will hold for the business as it continues to grow.”

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 cash flow report for entities subject to Listing Rule 4.7B

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

Name of entity

EVE Investments Limited

ABN

89 106 523 611

Quarter ended ("current quarter")

30 June 2020

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	667	1,747
1.2 Payments for		
(a) research and development	(13)	(40)
(b) product manufacturing and operating costs	(1,069)	(1,839)
(c) advertising and marketing	(172)	(818)
(d) leased assets	(11)	(29)
(e) staff costs	(417)	(1,425)
(f) administration and corporate costs	(102)	(918)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	16	18
1.5 Interest and other costs of finance paid	(5)	(44)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	160	160
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(946)	(3,187)
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) entities	-	(245)
(b) businesses	-	-
(c) property, plant and equipment	(122)	(323)
(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	-	11
	(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	(122)	(557)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	9,970
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	-	(658)
3.5	Proceeds from borrowings	-	104
3.6	Repayment of borrowings	-	(874)
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	-	8,542

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	6,207	340
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(946)	(3,187)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(122)	(557)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	8,542
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	5,138	5,138

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	1,138	2,207
5.2	Call deposits	4,000	4,000
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)	5,138	6,207

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	180
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	998	523
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
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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.

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 on 25/02/2022.

8.	Estimated cash available for future operating activities	\$A'000
8.1	Net cash from / (used in) operating activities (Item 1.9)	(946)
8.2	Cash and cash equivalents at quarter end (Item 4.6)	5,138
8.3	Unused finance facilities available at quarter end (Item 7.5)	475
8.4	Total available funding (Item 8.2 + Item 8.3)	5,613
8.5	Estimated quarters of funding available (Item 8.4 divided by Item 8.1)	6

8.6 If Item 8.5 is less than 2 quarters, please provide answers to the following questions:

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:

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:

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:

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: 13 July 2020

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.

ⁱ 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).