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EVE INVESTS IN PIONEERING CANNABIS HONEY & TEA TREE OIL COMPANY

Highlights

- EVE enters a binding term sheet to acquire a 50% interest in an established organic essential oils producer from Jenbrook, for total consideration of \$1.49m
- Acquisition of **multiple assets across the production and sales value chain** for 100% Australian organic essential oils, extracts and distillate waters
- **Doubling of revenue** expected from established products and existing US customer base: \$1.6m annualised monthly revenue anticipated for June 2017, 100% increase from June 2016
- **Unique and exciting product expansion**, with confirmed US customer demand for two new product opportunities:
 - **Medicinal cannabis honey** – a premium honey product, produced by bees pollinating on hemp or medicinal cannabis plant nectar
 - **Melaleuca (Meluka) honey** – superior antibacterial honey produced by bees pollinating on melaleuca tea trees
- Strongly positioned to disrupt the large and growing global Manuka honey market, estimated in 2015 to have a global import market of around US\$2.1 b¹, leveraging its established manufacturing facilities and US sales channel
- **Complementary acquisition to EVE's existing investment** in medical nutrition company, Omni Innovation and in line with EVE's position as a listed investment company with a portfolio of health focussed technology companies

EVE Investments Ltd (ASX:EVE), an ASX-listed technology investment company, is pleased to announce it has entered into an agreement to acquire a 50% interest in an established organic essential oils producer from Jenbrook Pty Ltd (Jenbrook) whose long-term owner is Bryan Easson, for total consideration of \$1.49m.

Jenbrook is a certified organic tea tree farm based in Alstonville in the Northern Rivers region of NSW, Australia. It owns multiple assets across the production and sales value chain for organic essential oils, extracts, carrier oils (used to dilute essential and other oils prior to topical application) and hydrosols (distillate waters).



Jenbrook's assets (which are subject to the transaction) include:

- **EcoBotanicals** – a contract manufacturing company that produces organic and Therapeutic Goods Association (TGA) approved oils and cosmetics for its contract manufacturing clients, which include related companies. Its leading product is tea tree oil which is 100% grown, harvested and distilled in Australia. EcoBotanicals holds

¹ ANZ Agri Focus Research note, October 2015

a TGA licence. The facility is TGA compliant, which has a high intrinsic value, having undergone a 3-year certification process. It employs six staff, skilled in the manufacture to the 'CODE OF GMP' and 'ORGANIC' criteria.

- **Freehold manufacturing facility** – the associated freehold for the contract manufacturing facility being occupied by EcoBotanicals.
- **Naturally Aust Product Inc** – is a US registered and based marketing and wholesale distribution business that sells essential oils, extracts, carrier oils and hydrosols to an established US customer base. Naturally Aust Product Inc is based in Santa Clarita, California in the US and employs four staff, primarily in sales and marketing roles.
- **Robyndale Farm** – a 1,000 acre organic farmed tea tree plantation that supplies raw tea tree oil and extracts, that are then sold in the US by Naturally Aust Product Inc. It also supplies organic tea tree oils to third party international customers. Robyndale is situated in the heart of the 'Bungawalbyn Valley Basin', an area designated as the 'origin of the tea tree species' and employs one permanent and two seasonal staff.
- **Jendale Farm** – Identified as the 'birth place of the tea tree' botanical species within the Bungawalbyn Valley Basin, Jendale is a 1,147 acre organic natural growth tea tree plantation which is harvested to produce a high potency tea tree oil. The raw materials from this plantation are used in conjunction with a patented extraction technique that accelerates the aging process of the oil to produce concentrated multiple active therapeutic compounds. Almost all the tea tree oil from Jendale is sold to Naturally Aust Product Inc. Jendale employs two permanent two seasonal staff.



Image 1: A section of the Robyndale 'Organic' Tea Tree plantation representing 600 acres of cleared land of which 350 acres is planted to tea tree in rows at 1 metre spacing that are mechanically harvested and distilled on site.

In addition, Jenbrook owns the patented extraction technique utilised to produce its high potency tea tree oil. Typical extraction techniques yield 8-9g of oil from 1kg of aged tea tree leaf, while Jenbrook's patented technique is able to derive 3.5-4.5 litres of extract of equally high potency.

Strong and growing revenues

Revenues are generated by Jenbrook's contract manufacturing business, EcoBotanicals and its US marketing and distribution business, Naturally Aust Product Inc.

Unaudited revenue forecasts indicate that Naturally Aust Product Inc will deliver strong revenue growth from its US customer base this financial year. It is expected to double its annualised monthly revenue to reach \$1.6m in June 2017, a 100% increase from June 2016. Further financial details will be confirmed through the due diligence process.

Unique growth opportunity – Meluka and Medicinal cannabis honey

Harnessing its established manufacturing facilities and US sales channel, Jenbrook is strongly positioned to expand its product range into the production of honey via a new partnership agreement with Wayne Fuller, principal of Honey Services Pty Ltd.

Disrupting the US\$2.1b global Manuka honey market

Manuka honey is produced in Australia and New Zealand by bees that pollinate the Manuka bush. It is commonly sold as an alternative medicine and commands a premium price. The honey has antibacterial properties which are known to be beneficial for a range of health issues, from healing sore throats and digestive illnesses, to curing Staph infections and gingivitis.

The Manuka honey market is currently dominated by New Zealand producers, with Global import demand estimated to be around US\$2.1b in 2015. The largest import market is currently the US which imports 26% of global Manuka honey produced¹.

Two new disruptive products

Jenbrook is currently validating the production process for a Melaleuca (Meluka) honey. The Meluka honey is produced by bees that pollinate on the nectar of the tea tree and is expected to have superior antibacterial properties to Manuka honey.

In addition, Jenbrook is exploring the opportunity to develop a Medicinal cannabis honey. This product would be a unique premium honey product, produced by bees pollinating on the nectar of medicinal cannabis plants. Scientific validation of any active compounds in the Medicinal cannabis honey with potential health benefits will be explored in the coming months.

Jenbrook also has strong links with the Southern Cross University which is conducting research in relation to the health benefits of the two new honey products. Jenbrook's TGA license and compliant manufacturing facility will be a key advantage for the development and production of both the Meluka and Medicinal cannabis honey products.

Furthermore, indications of strong US customer demand have been confirmed by Jenbrook for both honey product opportunities, through its established US sales channel.

Other potential new products

In addition to the two new disruptive honey products, Jenbrook is exploring the potential to develop other new products based on the antibacterial properties of the active compounds in the Meluka honey product. These include:

- A potential treatment for certain human diseases
- A potential remedy for American foulbrood disease, a widespread and destructive bee disease that has impacted bee populations throughout the world
- The treatment of certain infectious diseases in the chicken meat industry

Transaction Details

The acquisition will be facilitated through the creation of a new company (NewCo) that will be a 50/50 Joint Venture between EVE Investments and Jenbrook.

NewCo will own 100% of EcoBotanicals Pty Ltd (currently 75% owned by Jenbrook, which will acquire the remaining 25% prior to the completion of the acquisition) and 100% of Naturally Aust Product Inc, plus all associated intellectual property. It will also own 66.66% of a yet to be formed new honey production company, with the remaining 33.33% being held by partner Wayne Fuller, Australia's largest organic honey producer.

The freeholds for the contract manufacturing facility associated with EcoBotanicals, along with the Jendale and Robyndale plantations will initially be leased to Newco, which will hold a 2-year option to purchase the freehold manufacturing facility, as well as the Jendale and Robyndale plantations.

The total consideration payable to Jenbrook is \$1.49m, with a non-refundable deposit of \$100,000 to be paid within 14 days of execution of the binding term sheet. The remaining \$1.39m is payable upon satisfactory completion of a number of conditions precedent including the scientific validation of both the Medicinal cannabis and Meluka honey products, a corporate reorganisation and creation of NewCo (including agreeing shareholder agreement terms), financial and legal due diligence, NewCo entering into lease and purchase option agreements in respect of the freehold manufacturing facility, the Robyndale farm and the Jendale farm and entering into employment agreements with key individuals for a minimum period of 2 years. The transaction is also subject to any customary regulatory or shareholder approval requirements which might be required.

EVE will also manage an intended Initial Public Offering (IPO) process for NewCo within a 12 to 18 month timeline. EVE shareholders will receive a preferential entitlement to participate in the NewCo IPO.

The initial deposit of \$100,000 will be funded out of the Company's current capital raise, with the outstanding balance to be funded through a further capital raise, following the satisfactory completion of due diligence and product validation, which must be completed within 6 months. The transaction will result in no changes to the Board of EVE and is complementary to the Company's existing investment, expanding our investment portfolio of health focussed technology investments.

NewCo Convertible Note

On completion of the transaction Jenbrook will use part of the proceeds from the transaction to subscribe for a convertible note in NewCo for \$490,000, to be used by NewCo as working capital. The convertible note is non-interest bearing with a 2-year initial term. The convertible note would also be converted or redeemed at the time of the IPO if this occurred prior to the expiry of the initial term.

Funding

EVE has received strong support for the capital raising, with firm bids received to complete a \$1m capital raising to fund the balance of the second tranche investment into Omni Innovation, as well as paying the \$100,000 deposit required under the Jenbrook transaction. The first tranche of shares for \$873,000 to unrelated parties are expected to be issued by 5 May 2017. With a second tranche to related parties to be issued subject to shareholder approval at a forthcoming General Meeting of the Company.

Red Leaf Securities has acted as lead manager for the placement, which will be conducted at 0.6 cents and shares will be issued within the Company's 15% capacity under ASX Listing Rule 7.1. Placement participants will also be entitled to a 1 for 2 unlisted option, exercisable at 0.6 cents by 31 December 2017. The placement options will be issued subject to shareholder approval.

Omni Innovation Settlement

EVE and Omni Innovation have agreed an extension to the settlement of the tranche 2 investment which requires a further \$625,000 to be invested by EVE. To align with the capital raising timing Omni Innovation has agreed to defer settlement of the balance of the second tranche investment until 10 May 2017.

Ben Rohr, Investment Director of EVE Investments commented:

“We are really excited to have the opportunity to acquire this business from Jenbrook which is one of the world’s largest producer of organic tea tree oil. Bryan Easson has built Jenbrook into a diverse business with assets across the entire production and sales value chain in the essential oils industry. The business is at a very exciting point and is uniquely positioned to disrupt the approximate \$2.1b global Manuka honey market, with two new products that may have far superior antibacterial properties and the associated health benefits.

“This acquisition further builds EVE’s investment profile in the medical and wellness product space and is highly complementary to our existing investment in medical nutrition company, Omni Innovation.”

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About EVE Investments

EVE Investments is an Australian Securities Exchange Listed Investment Company that invests in technology companies. With a preference for companies that have global scale, EVE is an investment partner that wants to help build ground breaking and enduring technology.

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