

16 April 2020

## March 2020 Quarterly Update

### Highlights

- Large purchase order received from China for Meluka Australia branded tea tree oil
- Manufacturing operations ramping up to meet growing demand in US and China with supply chains remaining open and fully operational
- Unaudited revenue for the March 2020 quarter across all entities was \$1.4m (up from \$0.73m previous quarter)
- Strong cash position - Tranche 2 placement successfully completed at a premium
- Meluka Health acquisition settled, \$0.66m of debt retired
- Bio-fermented Probiotic Concentrate launched in the Australian market

**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 March 2020 and is pleased to provide a review of operational progress during the quarter.

### Operational Progress

#### Meluka Australia

##### **Honey – first orders arrived in China**

Following our first China order for Meluka Australia's honey product in late December, we are pleased to report that the order was successfully delivered to China during the quarter. Supply chains have remained open in the face of COVID-19 and the product is now with our distribution partner, Hunan Yandi Bioengineering (Yandi). Yandi are 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.

##### **Honey – continued sales growth in North America**

The US continues to be an important market demonstrating good growth for our products during this period. EVE appointed local marketing and distribution experts in the previous quarter to further refine the sales and marketing strategy which resulted in the Company shipping 17,900 units of our premium honey range this quarter.

The growing demand for Meluka Australia's raw honey product in the US resulted in our native raw honey product recently being ranked in the top ten best honey sellers on Amazon US. This ranking is already having a demonstrable positive effect on future demand. The Company is currently having to air-freight product to supplement shipped orders to this region to ensure there are no disruptions to our supply-chain demands.

## Tea tree oil – first purchase order received from China

The Company was pleased to announce that following the first honey order from China, we have also received the first large purchase order for Meluka branded tea tree oil. This is a significant milestone for the Company as we continue to expand our product offering at a time when there is increasing awareness and demand for consumer health, nutrition and wellness products.



Figure 1: Meluka's Tea tree Oil Packaging Concept

## Manufacturing and farming operations

Manufacturing operations continued to ramp up during the quarter to meet demand requirements and increase inventory levels. Additional resources were secured to support operations including contracting additional honey supply, engaging further casual staff, and sourcing additional freight and logistics services, particularly to support export orders. Pleasingly, we have been able to report that our operations and supply chains have remained open during this difficult COVID-19 period.

Importantly, the Company has put in place a number of initiatives to manage the impact of COVID-19 focusing on the health and well-being of our staff and community.

Towards the end of the quarter, the Company commenced its annual harvest at Jenbrook of tea tree oil, extract and tea tree hydrosol after receiving very good rainfall on the property in February and March. The good rainfall has assisted with both crop production and honey production.

## Product Development Update

### Bio-Fermented Probiotic Concentrate

During the quarter, the Company launched its first Meluka branded bio-fermented honey and lemon probiotic concentrate in Australia. Early sales and feedback of this product have been very encouraging and the Company has already commenced the production of a second “honey” flavour to compliment the range. Given the early demand indications for this product, the Company is focusing the next launch in the US followed by China and Japan later this calendar year. Being a fermented product, there is a lead time associated with production and the Company needs to ensure demand requirements can be met with existing markets before expanding to new ones. The Company expects the US launch will take place early in the June 2020 quarter.



Figure 2: Meluka Australia's Probiotic Concentrate Range Packaging Concept

## Corporate & Financial Update

During the quarter the Company was pleased to announce the completion of the second tranche placement (refer to ASX release 15 January 2020) raising \$6.9 million at 1 cent per share.

Completion of the placement combined with the growing operational revenues of the business sees the Company well-funded to continue with growth and expansion options in international markets. As previously announced, 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; implementing agronomy programs at Jenbrook to increase yields; and working capital to support the Company's expanding operations.

During the quarter, the Company utilised additional capital for an expansion of its finished goods and raw materials inventory. At the end of the quarter inventory levels were approximately \$750,000 (up from \$250,000 in the previous quarter). The increased inventory will enable the Company to reduce turnaround times on production of products when customer orders are received.

During the quarter, the Company paid the \$245,000 deferred cash consideration for the acquisition of the remaining 50% of Meluka Health (refer to ASX release 25 February 2019). Additionally, the Company repaid debt by \$660,000 in the quarter, to reduce the on-going borrowing costs.

Mr Michael Pixley, a Non-Executive Director of the Company, has agreed to retire from the Board effective 30 June 2020. Mr Pixley has decided to step down to reduce the board size to an appropriate number more reflective of the Company's market size and position.

The Company closed the quarter with \$6.2m in cash and cash equivalents.

## Outlook

COVID-19 has significantly changed the operating landscape for all businesses in the near-term, however the Company is very pleased with the progress made in the March quarter with revenues having grown significantly during this period. We are fortunate to report that at this stage our operations have remained largely unaffected as we continue to implement expansion options in the business to meet the growing demand from our customers. Supply chains and manufacturing operations remain open and fully operational.

The Company is very pleased with the progress made in our key markets of the US and China and we will continue to focus on responding to increasing demand that we have received from these large target markets.

Our financial strength provides us with the ability to continue to deliver on our business objectives and expand on our range of nutritional and natural, organic products.

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:**

“The March quarter has seen Eve Investments continue to build on its momentum as we completed a period of high activity and delivered on several important outcomes central to our growth and business objectives. While COVID-19 has represented a significant challenge for all businesses in the near-term, Eve Investments managed to successfully deliver produce into China and strong sales growth in North America during this period. 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 and increasing demand for its products both in Australia and abroad. Our supply chains and manufacturing operations remain open and fully operational, and we are excited by what the coming months will hold for the business as it continues to grow.”

*Authorised for release by Bill Fry, Managing Director.*

— ENDS —

For more information, please contact:

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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](http://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 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")

31 March 2020

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	500	1,081
1.2 Payments for		
(a) research and development	(7)	(27)
(b) product manufacturing and operating costs	(334)	(770)
(c) advertising and marketing	(367)	(647)
(d) leased assets	(11)	(18)
(e) staff costs	(439)	(1,008)
(f) administration and corporate costs	(360)	(816)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	2	3
1.5 Interest and other costs of finance paid	(9)	(39)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	-	-
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(1,025)</b>	<b>(2,241)</b>
<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire:		
(a) entities	(245)	(245)
(b) businesses	-	-
(c) property, plant and equipment	(108)	(201)
(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	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)	-	-
<b>2.6</b>	<b>Net cash from / (used in) investing activities</b>	<b>(342)</b>	<b>(435)</b>

<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	6,889	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	(431)	(658)
3.5	Proceeds from borrowings	-	104
3.6	Repayment of borrowings	(660)	(874)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	<b>5,798</b>	<b>8,542</b>

<b>4.</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of period	1,776	340
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,025)	(2,241)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(342)	(435)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	5,798	8,542
4.5	Effect of movement in exchange rates on cash held	-	-
<b>4.6</b>	<b>Cash and cash equivalents at end of period</b>	<b>6,207</b>	<b>6,207</b>

<b>5.</b>	<b>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</b>	<b>Current quarter \$A'000</b>	<b>Previous quarter \$A'000</b>
5.1	Bank balances	2,207	1,776
5.2	Call deposits	4,000	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
<b>5.5</b>	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>6,207</b>	<b>1,776</b>

<b>6.</b>	<b>Payments to related parties of the entity and their associates</b>	<b>Current quarter \$A'000</b>
6.1	Aggregate amount of payments to related parties and their associates included in item 1	259
6.2	Aggregate amount of payments to related parties and their associates included in item 2	

\$106,000 director fees, \$2,000 reimbursement for expenses.

\$151,000 payments to related party on an arms-length basis for provision of services including a fully provisioned office and administration staff.

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

<b>7.</b>	<b>Financing facilities</b> <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>	<b>Total facility amount at quarter end \$A'000</b>	<b>Amount drawn at quarter end \$A'000</b>
7.1	Loan facilities	998	523
7.2	Credit standby arrangements		
7.3	Other (please specify)		
7.4	<b>Total financing facilities</b>		

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 Robynda 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)	(1,025)
8.2	Cash and cash equivalents at quarter end (Item 4.6)	6,207
8.3	Unused finance facilities available at quarter end (Item 7.5)	475
8.4	Total available funding (Item 8.2 + Item 8.3)	6,682
8.5	<b>Estimated quarters of funding available (Item 8.4 divided by Item 8.1)</b>	<b>7</b>

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:

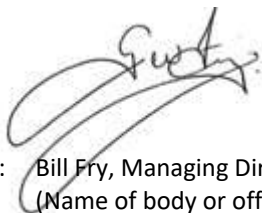
3. Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

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: 16 April 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.