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eve investments

ABN 89 106 523 611

Appendix 4E Preliminary Final Report
For the Year Ended 30 June 2019

This Preliminary Final Report for EVE Investments Limited ('EVE' or the 'Company') is provided to the Australian Securities Exchange (ASX) under ASX Listing Rule 4.3A.

Current Reporting Period: 30 June 2019

Previous Corresponding Reporting Period: 30 June 2018

Results for Announcement to the Market

	2019 \$	Up / Down	% Movement
Revenue from ordinary activities	1,597,873	Up	n/a
Loss from ordinary activities after tax attributable to members	(2,646,405)	Up	36.16%
Net loss for the period attributable to members	(2,646,405)	Up	36.16%

Dividends / distributions

No dividends were declared or paid during the period.

Review of Operations

Meluka Health

Meluka Health is the corporate entity that heads up the Meluka Health Group of companies, with a core focus on organic, natural and ethical products that are sustainable and traceable.

On the 25 February 2019, EVE Investments announced that it had acquired the remaining 50% of Meluka Health, resulting in it becoming a wholly owned subsidiary. This was an important step for EVE as it provides the ability for EVE to control the strategic direction of the Meluka group of companies. It also provides full control over current and future revenue streams generated by the individual subsidiary companies. Expansion of the Meluka product range and accompanying marketing and sales programs position the company to grow its revenue base.

Meluka Honey

During the year, Meluka Honey continued distribution of its core honey range of certified organic products, produced by bees harvesting from Jendale's old growth plantation, in the Australian market, as well as commencing distribution into the US market. Negotiations also commenced with distribution partners in other key markets such as Japan, China, Indonesia and the Middle East.

Meluka Honey is focused on growing its offering of Australian products, leveraging the uniqueness of its old growth Melaleuca tea tree plantation. It is intending to expand its honey range via the incorporation of its organic Melaleuca tea tree extract, produced at its Jenbrook farms. This extract provides additional health and wellness attributes that complement the existing honey range.

EVE's focus on expanding its product range saw extensive work undertaken in the development of a variety of products, including a bio-fermented range of honey drinks, that are in the final stages of product trials. The bio-fermented honey range incorporates an Australian produced probiotic combination that is targeted at improving gut health and general wellbeing.

The rising popularity of natural, organic foods is driving the market for fermented drinks. Although fermentation has been popular for centuries, consumers are starting to take notice of its myriad of health benefits. Probiotic bacteria, when introduced into the digestive system, helps balance gut flora, or the 'good' and 'bad' bacteria in the gut, essential for good health and promoting healthy digestion.

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The bio-fermented drinks will be manufactured by a leading Australian probiotics company on behalf of Meluka Honey to cater for increasing consumer interest and acceptance of fermented drinks as a healthy alternative to high sugar drink options, and the rising awareness of the importance of gut health for overall wellbeing. The drinks range is planned for a marketing launch in 2019/2020 and will incorporate four different fermented honey drink flavours containing beneficial probiotics, to support gut and intestinal health.

At the core of Meluka Honey's operations is a commitment to sustainability with bee health a key component. The company has worked closely with Dr David Rudd, of Australia's Southern Cross University, over the past 12 months to assess the effect of adding tea tree extract into the bees' diet. This program was devised after it was noted that bees foraging on tea tree appeared to be very healthy and active. The positive results of research findings by Dr David Rudd have shown that bees foraging on our Melaleuca tea trees as well as a supplementary offering of Melaleuca tea tree extract, appears to act as a probiotic for them, increasing the proportion of beneficial bacteria responsible for their gut immune function. This is another exciting step toward our mission to improve bee health and to uphold sustainable bee keeping practices in Australia. The program has been designed to test the overall impact of tea tree extract on bee health and whether a general purpose bee health product can be produced.

FY2019 also saw the commencement of an exciting collaboration between EVE and THC Global Group Limited (THC Global), who are developing a diversified global cannabis business, focusing on two core business units, development of medicinal cannabis and manufacturing/distribution of hydroponics equipment, materials and nutrients.

THC Global has entered into a lease agreement to lease 60,000m² (15 acres) of organic farmland from EVE for growing medicinal cannabis, with relevant licence applications expected to be received this year. The lease agreement also provides EVE with access to THC Global's medicinal cannabis for product development by Meluka Honey of novel cannabis blended products incorporating honey and tea tree extract from EVE's Jenbrook farms.

Meluka Essentials

Meluka Essentials is seeking to launch its own brand of essential oils in the Australian essential oils and extracts market. This newly formed Australian essential oils and extracts company will be a direct to consumer range of products, with its initial range on track for an expected launch to the Australian and US markets in 2020. The company has identified its key products range and sources of supply. The next phase of development is to complete the brand design and finalise the marketing strategy.

Meluka Family

The Meluka Family range will be a premium, versatile offering of natural and organic family products utilising Australian botanicals, as well as our unique Australian native natural essential oils and extracts. In response to increased consumer awareness around the use of safer, natural herbal medicine as an alternative offering, the company has identified several products for its initial range. The Meluka Family range of medicinal honey creams and lotions are planned for release in 2020.

EcoBotanicals

EcoBotanicals, a TGA licensed and HACCP accredited contract manufacturer, specialising in manufacturing organic therapeutic products from its Alstonville manufacturing facility, has expanded its capability to manufacture honey and bee products on behalf of Meluka Honey. Its internal skillset continues to support the growth of the Meluka brand as it transitions into a support division for Meluka Health. Ultimately it is envisaged that EcoBotanicals will transition into a pure research facility for the development and testing of future Meluka Health products.

Jenbrook

Jenbrook is EVE's established, certified organic tea tree oil producing company. Jenbrook owns 100% of Jendale, a 1,147 acre old growth tea tree plantation, along with 100% of Robyndale, a 1,000 acre plantation used in the production of organic tea tree oil for distribution throughout the US and Europe. Through its two tea tree plantations, Jenbrook harvests and sells tea tree oils, extracts and products to Naturally Australian Products LLC (NAP), as well as third party customers.

EVE continued to focus on its plans for expanding production capacity within Jenbrook to meet the strong demand for tea tree oil production in the Australian and overseas markets.

NAP (49% EVE)

Naturally Australian Products LLC (NAP) is a US registered and based marketing and wholesale distribution business selling essential oils, carrier oils and hydrosols to an established and growing North American customer base of retailers and manufacturers.

A change to NAP's organisational structure has seen the business position itself to expand its product offering and sales network in the coming year, and relocation into a larger facility will allow it to meet faster delivery timelines and fulfil more customers orders.

Omni Innovation (38% EVE)

Progress continued during the year with Eagle Health's application for registration of the Hutang-1 product formula with the China Food & Drug Administration (CFDA) as a Food for Special Medical Purposes (FSMP). The process is planned for completion by the December 2019 quarter. In the meantime, product sales continue to be restricted until registration is granted.

The Eagle Health license for the Chinese market reverted to a non-exclusive license due to exclusivity requirements not being met, however CFDA registration is still expected to be completed by December 2019 and would provide Omni Innovation with proceeds of \$500,000 and allow re-commencement of sales royalties. Omni Innovation is poised to explore potential additional partners for the Chinese market in the coming year as well as explore the opportunity to reposition its technology for additional applications in other offshore markets.

Preliminary consolidated statement of profit or loss and other comprehensive income
For the year ended 30 June 2019

	Note	30-Jun-19 Consolidated \$	30-Jun-18 Company \$
Revenue	2	1,597,873	-
Costs of goods sold		(1,328,410)	-
Gross profit / (loss)		269,463	-
Other income		59,857	18,904
Professional fees	3	(185,426)	(504,012)
Employee benefit expense	3	(968,994)	(501,616)
Share-based payments	3	(214,575)	(438,378)
Other expenses	3	(737,055)	(200,177)
Fair value gain on derecognition of associate		52,594	-
Share of net loss of associates accounted for using the equity method		(922,113)	(254,718)
Net financial expense		(156)	-
Loss before income tax		(2,646,405)	(1,879,997)
Income tax benefit / (expense)		-	-
Loss after income tax for the year		(2,646,405)	(1,879,997)
Total comprehensive income / (loss) attributable to:			
Equity holders of the Company		(2,646,405)	(1,879,997)
Total comprehensive income / (loss) for the year		(2,646,405)	(1,879,997)
Loss per share for loss attributable to the ordinary equity holders of the Company:			
Basic and diluted loss per share (cents per share)	5	(0.12)	(0.10)

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Preliminary consolidated statement of financial position
As at 30 June 2019

	Note	30-Jun-19 Consolidated \$	30-Jun-18 Company \$
Assets			
<i>Current assets</i>			
Cash and cash equivalents		340,260	3,912,370
Trade and other receivables		449,141	29,902
Deposits		-	135,000
Inventories		113,518	-
Other financial assets		-	200,000
Total current assets		902,919	4,277,272
<i>Non-current assets</i>			
Property, plant and equipment		4,609,288	-
Goodwill		825,059	-
Intangibles		137,463	-
Biological assets		11,000	-
Equity accounted investments		1,827,998	3,179,984
Loans to associates		239,833	-
Deferred tax assets		217,491	-
Total non-current assets		7,868,132	3,179,984
Total assets		8,771,051	7,457,256
Liabilities			
<i>Current Liabilities</i>			
Trade and other payables		563,733	76,798
Borrowings		577,208	-
Deferred consideration		245,000	-
Total current liabilities		1,385,941	76,798
<i>Non-current Liabilities</i>			
Borrowings		722,653	-
Deferred tax liability		821,507	-
Total non-current liabilities		1,544,160	-
Total liabilities		2,930,101	76,798
Net assets		5,840,950	7,380,458
Equity			
Issued capital	9	23,602,354	22,710,032
Reserves		273,182	176,107
Accumulated losses		(18,034,587)	(15,505,681)
Total equity attributable to shareholders of the Company		5,840,950	7,380,458

Preliminary consolidated statement of changes in equity
For the year ended 30 June 2019

	Issued capital \$	Accumulated losses \$	Reserves \$	Total equity \$
Total equity at 1 July 2018	22,710,032	(15,505,681)	176,107	7,380,458
Loss for the year	-	(2,646,405)	-	(2,646,405)
Total comprehensive income / (loss) for the year	-	(2,646,405)	-	(2,646,405)
Transactions with owners in their capacity as owners:				
Share issue net of issue costs	892,323	-	-	892,323
Share based payments	-	-	214,574	214,574
Transfer of share based payments on exercise/expiry	-	117,500	(117,500)	-
	892,323	117,500	97,074	1,106,897
Total equity at 30 June 2019	23,602,354	(18,034,587)	273,183	5,840,950
Total equity at 1 July 2017	16,382,059	(13,710,240)	105,820	2,777,639
Loss for the year	-	(1,879,997)	-	(1,879,997)
Total comprehensive income / (loss) for the year	-	(1,879,997)	-	(1,879,997)
Transactions with owners in their capacity as owners:				
Share issue net of issue costs	6,327,973	-	-	6,327,973
Share based payments	-	-	154,843	154,843
Transfer of share based payments on exercise/expiry	-	84,556	(84,556)	-
	6,327,973	84,556	70,287	6,482,816
Total equity at 30 June 2018	22,710,032	(15,505,681)	176,107	7,380,458

Preliminary consolidated statement of cash flows
For the year ended 30 June 2019

	30-Jun-19 Consolidated \$	30-Jun-18 Company \$
Cash flows from operating activities		
Receipts from customers	1,349,106	-
Cash paid to suppliers and employees	(2,432,162)	(825,181)
Interest received	10,554	16,421
Interest paid	(47,140)	-
Other income received	48,506	-
Net cash used in operating activities	(1,071,136)	(808,760)
Cash flows from investing activities		
Acquisition of property, plant and equipment	(63,418)	-
Acquisition of businesses	(3,001,040)	-
Investment in associates	-	(640,200)
Loans to associates	(150,613)	-
Deposit on investment	-	(135,000)
Loan to a non-related party	-	(200,000)
Cash acquired on acquisition of business	37,697	-
Net cash used by investing activities	(3,177,374)	(975,200)
Cash flows from financing activities		
Proceeds from the issue of share capital	350,000	5,842,165
Payment for share issuance costs	(28,824)	(406,127)
Proceeds from borrowings	355,224	-
Net cash provided by financing activities	676,400	5,436,038
Cash and cash equivalents at 1 July	3,912,370	260,291
Net increase / (decrease) in cash and cash equivalents	(3,572,109)	3,652,078
Cash and cash equivalents at 30 June	340,260	3,912,370

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Note 1: Basis of preparation

This preliminary final report has been prepared in accordance with ASX Listing Rule 4.3A and the disclosure requirements of ASX Appendix 4E.

Note 2: Revenue

	2019	2018
	Consolidated	Company
	\$	\$
At a point in time		
Tea tree and essential oil sales	1,391,490	-
Honey sales	119,156	-
Contract manufacturing	87,227	-
	1,597,873	-

Note 3: Loss from ordinary activities

The loss from ordinary activities before income tax includes the following items:

	2019	2018
	Consolidated	Company
	\$	\$
Professional fees		
Audit fees	68,549	44,594
Tax consulting services	2,700	2,700
Legal costs	34,140	31,853
Corporate consultants	95,677	260,000
Other professional fees	31,453	3,466
(Gain) / loss on settlement	(47,093)	161,399
	185,426	504,012
Employee benefit expense		
Wages	584,744	334,741
Directors fees	384,250	166,875
Directors fees - equity settled	-	400,410
Share based payments expense	214,575	37,967
	1,183,569	939,994
Other expenses		
Corporate costs	62,095	108,739
Premises and insurance	147,061	36,620
Travelling costs	74,746	46,242
Financing costs	86,526	-
Depreciation	155,301	-
Amortisation	5,585	-
Other operating expenses	205,742	8,576
	737,055	200,177

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Note 4: Cashflow reconciliation

	30-Jun-19 Consolidated \$	30-Jun-18 Company \$
Loss for the year from continuing operations	(2,646,405)	(1,879,997)
<i>Adjustments for:</i>		
Share of losses in associates	922,113	254,718
Gain on settlement of share-based payment expenses	(47,093)	-
Gain on bargain purchase	-	-
Fair value gain on derecognition of associate	(52,594)	-
Financing expense	86,526	-
Depreciation expense	155,301	-
Amortisation expense	5,585	-
Conversion of sales receivable into loan	(323,878)	-
Impairment expense	-	-
Capitalised interest income	(3,281)	-
Net foreign exchange gains / (losses)	(2,482)	-
Equity-settled share-based payment expenses	306,575	899,868
Operating loss before changes in working capital and provisions	(1,599,634)	(725,411)
(Increase)/decrease in trade and other receivables	202,098	(3,594)
(Decrease)/increase in trade and other payables	326,400	(79,754)
Net cash used in operating activities	(1,071,136)	(808,760)

Note 5: Loss per share

	2019 Consolidated \$	2018 Company \$
Loss attributable to ordinary shareholders		
Loss for the year	(2,646,405)	(1,879,997)
Loss for the year from continuing operations	(2,646,405)	(1,879,997)
Basic loss per share		
Basic loss per share (cents)	(0.12)	(0.10)
Basic loss per share from continuing operations (cents)	(0.12)	(0.10)
Diluted loss per share		
Diluted loss per share (cents)	n/a	n/a
Diluted loss per share from continuing operations (cents)	n/a	n/a
	2019	2018
Weighted average number of shares	2,298,495,848	1,879,517,756
Options	-	-
Weighted average number of shares diluted EPS	2,298,495,848	1,879,517,756

Note 6: Net Tangible Assets per Security

	2019 \$	2018 \$
Net tangible assets per ordinary security	0.0023	0.0033

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Note 7: Details of entities over which control has been gained or lost during the period

Name of entity (or group of entities)	Jenbrook Pty Ltd
Date control gained	30 August 2018
Contribution of the controlled entity (or group of entities) to the profit/(loss) from ordinary activities during the period, from the date of gaining control	(58,801)
Name of entity (or group of entities)	Meluka Health Pty Ltd
Date control gained	25 February 2019
Contribution of the controlled entity (or group of entities) to the profit/(loss) from ordinary activities during the period, from the date of gaining control	(391,987)

Note 8: Details of associates and joint venture entities

	Ownership Interest	
	2019	2018
	%	%
Omniblend Innovation Pty Ltd	37.7%	38.0%
Meluka Health Pty Ltd	n/a	50.0%
Naturally Australian Products Inc.	49.0%	-
Wayland Copper Ltd	34.8%	34.8%

	Contribution to Gain / (Loss)	
	2019	2018
	\$	\$
Omniblend Innovation Pty Ltd	(745,941)	(120,563)
Meluka Health Pty Ltd	(168,639)	(134,155)
Naturally Australian Products Inc.	(7,533)	-
Wayland Copper Ltd	-	-

On 25 February 2019, Meluka Health Pty Ltd ceased to be associate due to the acquisition of the remaining 50% of shares by EVE Investments (see note 7).

A 49% interest in Naturally Australian Products Inc. was acquired as part of the acquisition of Jenbrook Pty Ltd on 30 August 2018 (see note 7).

Note 9: Issue capital

	2019	2018
	Consolidated	Company
	\$	\$
Issued capital	25,071,368	24,150,222
Cost of share issue	(1,469,014)	(1,440,190)
	<u>23,602,354</u>	<u>22,710,032</u>

	Number of securities	
	2019	2018
Ordinary shares	<u>2,393,314,323</u>	<u>2,238,804,322</u>

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Movement in ordinary shares on issue

2019		Number of shares	Issue price	AUD
01 Jul 2018	Opening balance	2,238,804,322		22,710,032
30 Aug 2018	Settlement of management loan ¹	30,226,666	0.008	241,813
30 Aug 2018	Placement	1	0.008	-
22 Nov 2018	Conversion of performance rights	2,750,000	0.000	-
31 Dec 2018	Conversion of performance rights	1,750,000	0.000	-
25 Feb 2019	Settlement of acquisition	40,833,334	0.006	245,000
27 Mar 2019	Placement	58,333,334	0.006	350,000
27 Mar 2019	Conversion of performance rights	3,750,000	0.000	-
21 May 2019	Settlement of invoice in shares ²	16,866,666	0.005	84,333
	Capital raising costs			(28,824)
30 June 2019	Closing balance	2,393,314,323		23,602,354

¹ Shares were issued at a deemed issue price of \$0.009, the fair value on the issued date was \$0.008. A gain on settlement of \$30,227 has been recognised to reflect the difference in valuation.

² Shares were issued at a deemed issue price of \$0.006, the fair value on the issued date was \$0.005. A gain on settlement of \$16,866 has been recognised to reflect the difference in valuation.

2018		Number of shares	Issue price	AUD
01 Jul 2017	Opening balance	1,460,387,624		16,382,059
04 Jul 2017	Employee share plan issue	22,833,333	0.006	137,000
13 Oct 2017	Placement	219,000,001	0.005	1,095,000
22 Nov 2017	Placement ¹	22,000,000	0.008	176,000
22 Nov 2017	Conversion of options	23,435,418	0.006	140,613
27 Nov 2017	Conversion of options	24,812,503	0.006	148,875
01 Dec 2017	Conversion of options	55,562,505	0.006	333,375
08 Dec 2017	Conversion of options	41,875,004	0.006	251,250
08 Dec 2017	Settlement of invoice in shares ²	3,000,000	0.021	63,000
15 Dec 2017	Conversion of options	9,833,334	0.006	59,000
29 Dec 2017	Conversion of options	12,966,667	0.006	77,800
29 Dec 2017	Employee share plan issue	15,499,968	0.016	247,999
18 Jan 2018	Conversion of options	200,000	0.006	1,200
18 Jan 2018	Conversion of performance rights	1,750,000	0.000	-
31 Jan 2018	Conversion of options	9,000,000	0.006	54,000
07 Feb 2018	Placement	270,000,001	0.013	3,510,000
08 Feb 2018	Conversion of performance rights	1,250,000	0.000	-
07 Mar 2018	Entitlement issue	5,463,941	0.013	71,031
29 Mar 2018	Entitlement issue shortfall	23,078,500	0.013	300,021
04 Apr 2018	Employee share plan issue	13,855,523	0.011	152,412
27 Jun 2018	Conversion of performance rights	3,000,000	0.000	-
	Capital raising costs			(490,603)
30 June 2018	Closing balance	2,238,804,322		22,710,032

¹ Shares were issued at a deemed issue price of \$0.005, the fair value on the issued date was \$0.008. A loss on settlement expense of \$66,000 has been recognised to reflect the difference in valuation.

² Shares were issued at a deemed issue price of \$0.005, the fair value on the issued date was \$0.021. A loss on settlement expense of \$48,000 has been recognised to reflect the difference in valuation.

As at the date of this report, the following unlisted options or performance rights were on issue:

No. of instruments	Type of instrument	Strike price (cents)	Expiry date
20,000,000	Unlisted options	0.025	31-Dec-19
112,700,000	Unlisted options	0.600	31-Dec-21
67,750,000	Performance rights	-	Various
<u>200,450,000</u>			

Note 10: Events subsequent to the reporting date

On 12 July 2019, the Company announced a two tranche placement to raise \$750,000 before costs through a share issue at \$0.005, placement participants will also receive a 1 for 1 attaching option exercisable at \$0.006 and expiring 31 December 2021. The first \$563,500, being the issue of 112,700,000 shares and 112,700,000 options was completed on 19 July 2019. The remainder of the placement, including conversion of accrued director fees, will be issued subject to shareholder approval following a General Meeting of the Company to be held in September 2019.

No other matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Company, the results of those operations, or the state of affairs of the Company in future financial years.

Note 11: Compliance statement

This report is based on financial statements that are in the process of being audited.

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