



18 February 2021

## FIJI KAVA - FY21 HALF YEAR FINANCIAL RESULTS

**Fiji Kava (ASX: FIJ)**, an Australian-Fijian medicinal Kava health & wellness company which produces natural 'Noble Kava' products for the complementary and alternative medicine market, submits the following Appendix 4D Preliminary Report for the six months to 31 December 2020 (H1FY21).

### Financial Highlights

- Record revenues for a six-month period of \$496,379, up 111% (1HFY20: \$234,521).
- Statutory net loss of \$1,547,312, a 28% improvement from the prior corresponding period (1HFY20: \$2,163,789)
- Strong financial management with a 9% reduction in costs for the half (H1FY21: \$1,928,853 versus H1FY20: \$2,124,238).
- Oversubscription and successful completion of the company's share placement, raising \$4.8 million (before costs) from institutional, professional and sophisticated investors.

### Operational Highlights

- The successful launch of Fiji Kava's 'Speciality Ingredients' channel, for the sale of bulk Noble Kava extracts and products. As part of its Speciality Ingredients channel, Fiji Kava signed a non-exclusive licence agreement with BioCeuticals, a Blackmores-owned company, to develop co-branded products for release in Australia and New Zealand. The fulfilment of BioCeuticals opening order is complete.
- Fiji Kava launch into China through a landmark partnership with PuMate (Shanghai) Limited, which targets a minimum \$8 million in sales over an initial three-year period. Since this announcement, the opening order of Fiji Kava's Noble Kava products have been received and fulfilled by PuMate.
- Also in China, Fiji Kava signed a Memorandum of Understanding (MOU) with Shanghai listed Yuan Long Yato to explore the marketing and distribution of its products to online platforms and direct networks.
- Implemented key initiatives to help minimise disruptions resulting from COVID-19 and Cyclone Yasa, with the company recording a record revenue result despite the challenges presented. While some challenges remain, supply chain operations have begun to normalise.
- Strong and sustained demand among consumers for Fiji Kava in the supermarket category. This follows the launch of Fiji Kava into Coles Supermarkets and Coles Online, including three new and uniquely formulated Noble Kava varieties of Noble Sleep™, Noble Calm™ and Noble Body™ capsule ranges.

- Strengthened the Board with Founder Zane Yoshida transitioning to a Non-Executive Director position and Mr Jack Lowenstein joining the Board of as a Non-Executive Director. To facilitate the transition of Mr Yoshida, Mr Nicholas Simms was appointed Chief Executive Officer on an interim basis.
- All eight resolutions passed at Fiji Kava's Annual General Meeting in November 2020.
- Significant progress made to strengthen global Kava regulations to boost international exports, including the adoption of the Codex Regional Kava Standard, which was developed for Noble Kava when mixed with water and intended for human consumption. Strengthening the company's position because of its superior ability to confirm with the new more rigorous supply chain requirements.
- A partnership with the Pacific Horticultural and Agricultural Market Access Plus (PHAMA Plus) Program to boost Fiji Kava's sustainable Kava supply and to strengthen export opportunities.

## EXECUTIVE SUMMARY

**Commenting on the half-year result, Fiji Kava interim CEO, Nicholas Simms said:** "Key milestones achieved during the first half, including Fiji Kava's entry into China and agreement with BioCeuticals, a Blackmores-owned company, clearly demonstrates the global opportunity and growing demand for Fijian Noble Kava among both consumers and with our strategic business partners."

"We made positive progress in the availability of Fiji Kava and the company is well positioned to capture its share of the growing international opportunity for Noble Kava Extract and Powders, including growth in both our existing markets and exploration into new markets for the future."

"We have achieved this despite a challenging external environment. Pleasingly, some supply chain operations appear to be normalising and we have undertaken repairs for minor damage sustained at the Company's facilities in Levuka, on the island of Ovalau, caused by Cyclone Yasa."

"As a result of measures taken in response to external challenges and the progression of commercial agreements, Fiji Kava today announces a record revenue result for the first half of \$496,379, an increase of 111% from the prior corresponding period."

"This combined with tighter cost controls implemented during the half has led to significant improvement in the company's statutory net loss, with a 28% improvement from the prior corresponding period; with further cash receipts scheduled to be realised."

"Despite with the potential for short-term revenue fluctuations in any given quarter; we anticipate ongoing momentum over the medium to long-term, as we capitalise on both new and existing deals in place."

"Also as previously announced, to better manage potential future disruptions to our business, the company has increased inventories levels during the first half to boost product availability as we move forward. While this resulted in an increase in costs for the half, it was an important step to futureproof our business."

"More broadly, we remain buoyed by the global opportunity and progress being made to strengthen regulations across international kava and export markets, which serves to build more confidence in the quality and supply of Kava."

## FINANCIAL OVERVIEW

Fiji Kava recorded \$496,379 in revenues for the six-months ending 31 December 2020, a 111% increase from the prior six months period ending 31 December 2019 (H1FY20: \$234,521). This increase in revenue was driven by sales to retail markets including continuing orders from the company's agreement with leading supermarket, Coles.

Fiji Kava recorded a statutory net loss of \$1,547,312 a 28% improvement from the prior corresponding period (H1FY20: \$2,163,789). Improvements to the company's financial position was due to increased sales and decreases in expenses due to tight cost controls implemented over operations.

Loss per share for H1FY21 of \$1.39, a 55% decrease from the prior corresponding period (H1FY20: \$3.13).

Fiji Kava recorded net assets of \$4,712,930 as at 31 December 2020, a 241% improvement to net assets of \$1,382,473 from the prior corresponding period. This is primarily due to the company's healthy cash balance of \$3,412,136 at 31 December 2020.

Total asset of the company as of 31 December 2020 (\$5,582,165) increased by 89% compared to total assets as of 30 June 2020 (\$2,945,660), driven by positive cash balance, trade receivable and building inventories.

Total liabilities of the company as of 31 December 2020 (\$869,235) decreased by 44% compared to total liabilities as of 30 June 2020 (\$1,563,187). The decrease in liabilities is mainly due to the reduction from \$510,000 of convertibles notes being converted to shares last financial year.

## STRATEGIC PROGRESS

### 1. Growing Availability of Fijian Noble Kava

Fiji Kava is the first and only foreign company with approval from the Fijian Government to operate in the kava industry.

Fiji Kava secured new cornerstone distribution and supply agreements during the half, with significant milestones including its entry into China and partnership with BioCeuticals, a Blackmores-owned company.

Fiji Kava secured its first major collaboration to supply Fiji Kava's high-quality Noble Kava extracts under licence agreement through a deal with BioCeuticals, who is owned by leading Australian healthcare and ASX200 company, Blackmores Limited. The agreement sees BioCeuticals licence the use of Fiji Kava's high-quality Noble Kava extract for its BioCeuticals Clinical AnxioCalm product, which will be co-branded. Fulfilment of the opening BioCeuticals order has been completed.

The BioCeuticals agreement sits within Fiji Kava's 'Speciality Ingredients' channel, for the sale of bulk Noble Kava extracts and products. This channel includes Pathway International and a growing number of other relationships.

In another key commercial milestone achieved during the half, the company announced a landmark partnership with PuMate (Shanghai) Limited in an agreement that targets minimum sales of \$8 million

over the initial three-year term of the agreement and which will see branded Fiji Kava products and raw materials sold to China's complementary medicine, personal care and pharmaceutical industry, as well as through cross-border e-commerce marketplaces. The opening order of Fiji Kava's Noble Kava products have been received and fulfilled.

Fiji Kava also signed a MoU with Shanghai listed Yuan Long Yato, a market leading integrated marketing services provider with a proven record in growing international brands such as Nestle, Wyeth Nutrition, P&G and Pfizer via direct to consumer Mini Program and WeChat Shop Operations. The MoU reached with Yuan Long Yato is to explore the marketing and distribution of Fiji Kava's products to online platforms and direct networks in China.

China is a key strategic market for Fiji Kava as the second largest vitamin and supplements market in the world, estimated at RMB 149bn (AUD \$30bn<sup>1</sup>).

In Australia, the company's agreement with leading supermarket Coles continued to perform strongly with sales growth achieved during the period. This is a cornerstone retail agreement for Fiji Kava and sees its Noble Kava extract capsules in 819 Coles Supermarkets and Coles Online, as well as its three new noble Kava varieties of Noble Sleep™, Noble Calm™ and Noble Body™ capsule ranges in 589 Coles Supermarkets and Coles Online.

## 2. Noble Kava Supply Chain Excellence

### Establish a globally leading sustainable, unadulterated 100% traceable supply chain of Noble Kava

Fiji Kava has a unique competitive advantage through the investments made into its supply chain to create a true farm-to-shelf operation across R&D, growing, processing, extracting and distribution of the company's Noble Kava. This supply chain was tested during the half as a result of COVID-19 and Cyclone Yasa, with the company implementing measures to minimise disruption and to ensure the safety and wellbeing of its people.

In terms of COVID-19, Fiji Kava implemented remote working initiatives, engaged suppliers with digital alternatives, strategically placed its mobile processing units and to the extent possible, carefully managed its logistics channels to ensure it could freight raw materials out of Fiji. Notwithstanding these measures, the company faced some operational distribution including customs delays, testing bottlenecks and freight constraints. While disruptions still exist, the environment has shown some early signs of normalising.

As a result of Cyclone Yasa, Fiji Kava sustained minor damage at its facility on the island of Levuka. This damage has been repaired and the processing facility has continued to operate. The Company is also continuing to work with its community growers on any potential impacts to their supply in the short and long term.

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<sup>1</sup> Daxue Consulting, Expanding Appetite for Vitamins and Dietary Supplements in China 2016

### 3. Innovation & Product Development

Innovation and product development to bring health & wellbeing to consumers through the natural benefits of Fijian Noble Kava

Fiji Kava continued development of a new product pipeline to provide a natural alternative to prescription medicines. Current product development activities underway include additional Traditional Grind Drinking Kava, Functional Capsule offerings, Tea Bags and Specialty Ingredients.

These products once ready would be the latest developments by Fiji Kava and follow the launch of three uniquely formulated Noble Kava varieties of Noble Sleep™, Noble Calm™ and Noble Body™ capsule ranges.

- Fiji Kava 'Noble Calm' vegan hard capsules combining Fiji Kava's Noble Kava and Rhodiola rosea to calm the nerves, help relax the mind and support nervous system health to support general health and wellbeing
- Fiji Kava 'Noble Sleep' vegan hard capsules combining Fiji Kava's Noble Kava and Jujube to induce sleep, relieve sleeplessness and support general health and wellbeing
- Fiji Kava 'Noble Body' vegan hard capsules combining Fiji Kava's Noble Kava and Viburnum to enhance body relaxation, relieve muscle cramps and to support general health and wellbeing

In addition, Fiji Kava commissioned detailed consumer research to assess the potential of Kava as a health supplement across the need-state pillars of 'Sleep', 'Mind' and 'Body' and to identify key 'must win' activities to accelerate brand and category growth via future marketing efforts in the domestic market.

### 4. Promoting the Medical Benefits of Kava

Scientific and traditional evidence support Fiji Noble Kava's therapeutic benefits to health & wellbeing

During the period, the global Kava industry made significant progress to strengthen regulations to boost international export markets. Fiji Kava has been an involved participant during this process through its Founder and Non-Executive Director Mr Zane Yoshida, who is a Member of the National Codex Committee, Executive Committee Member of the Australian Fiji Business Council and the Fiji Kava Taskforce Committee, as well as Chair of Fiji-based subsidiary of Fiji Kava, South Pacific Elixirs Ltd and on the Board of US subsidiary Fiji Kava Inc.

The key development during the half was the new Codex Regional Kava Standard which was developed for Noble Kava when mixed with water. The standard was adopted following a five-year process by the Codex Alimentarius Commission, which was established with the support of the Food and Agriculture Organisation (FAO) and the United Nations and World Health Organisation (WHO). The kava standard adopted significantly strengthens regulations for the Pacific kava market to bring high-quality and safe kava to international markets.

Fiji Kava also signed a partnership with the Pacific Horticultural and Agricultural Market Access Plus (PHAMA Plus) Program to strengthen export opportunities for Fijian kava and to ensure high-quality, sustainable commercial production of Fijian kava. The partnership includes the development of

commercial kava nurseries and a focus on sustainable agricultural practices to standardise kava growing, harvesting and processing.

Investment in a new social media strategy, which has delivered ~1.86m Impressions and 55% increase in consumer engagement during the half versus the prior period; delivering total net audience growth of 300%.

## ENDS

### Forward-Looking Statements

This ASX release includes certain forward-looking statements that are based on information and assumptions known to date and are subject to various risks and uncertainties. Actual results, performance or achievements could be significantly different from those expressed in, or implied by, these forward-looking statements. Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties and other factors, many of which are beyond the control of Fiji Kava. These factors may cause actual results to differ materially from those expressed in the statements contained in this announcement.

### For Further Information

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### About Fiji Kava

**Fiji Kava Ltd** (ASX: FIJ), an Australian-Fijian medicinal kava health & wellness company, producing natural 'noble kava' products for the complementary and alternative medicine market, estimated to exceed USD \$210 billion by 2026 globally.

As the first foreign company with approval from the Fijian Government to operate in the kava industry, Fiji Kava has established a global leading sustainable and 100% traceable supply chain of noble kava' via its world first kava tissue culture laboratory and nucleus farm in Levuka, on the island of Ovalau, Fiji.

Fiji Kava is focussed on expanding the availability of noble kava products throughout western markets to provide a natural alternative to prescription medicines to promote sleep, soothe and calm the nerves, support muscle relaxation and relax the mind

Backed by years of independent research, Fiji Kava medical kava products are produced by high-quality GMP and are TGA and FDA compliant.



Fiji Kava Limited  
and its controlled entities  
ACN 169 441 874

**APPENDIX 4D**  
**INTERIM FINANCIAL REPORT**  
**FOR THE SIX MONTHS ENDED**  
**31 DECEMBER 2020**

# FINANCIAL REPORT

for the six months ended 31 December 2020

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# RESULTS FOR ANNOUNCEMENT TO THE MARKET

for the six months ended 31 December 2020

<b>1 REPORTING PERIOD (item 1)</b>			
■ Report for the period ended:	31 December 2020		
■ Previous corresponding period is half-year ended:	31 December 2019		
<b>2 RESULTS FOR ANNOUNCEMENT TO THE MARKET</b>			
	<b>Movement</b>	<b>Percentage %</b>	<b>Amount \$</b>
■ Revenues from ordinary activities (item 2.1)	↑	111% to	496,379
■ Loss from ordinary activities after tax attributable to members (item 2.2)	↓	26% to	\$1,618,486
■ Loss for the period attributable to members (item 2.3)	↓	28% to	\$1,547,312
a. Dividends		<b>Amount per Security Ç</b>	<b>Franked amount per security %</b>
■ Interim dividend (items 2.4)		nil	n/a
■ Final dividend (items 2.5)		nil	n/a
■ Record date for determining entitlements to the dividend (item 2.6)	n/a		
b. Brief explanation of any of the figures reported above necessary to enable the figures to be understood (item 2.7):	Refer to the following Directors' Report, Financial Review section		
<b>3 DIVIDENDS (item 6) AND RETURNS TO SHAREHOLDERS INCLUDING DISTRIBUTIONS AND BUY BACKS</b>			
Nil.			
a. Details of dividend or distribution reinvestment plans in operation are described below (item 3.1):	Not applicable		
<b>4 RATIOS</b>			
	<b>Current Period</b>	<b>Previous Corresponding Period</b>	
a. Financial Information relating to 4b:	<b>\$</b>	<b>\$</b>	
Loss for the period attributable to owners of the parent	1,547,312	2,163,789	
Net assets	4,712,930/100	859,566	
Less: Intangible assets	(228,459)	(170,424)	
Net tangible (liabilities)/assets	4,484,471	689,142	
	<b>No.</b>	<b>No.</b>	
Fully paid ordinary shares	128,843,044	69,720,000	
	<b>Ç</b>	<b>Ç</b>	
b. Net tangible (liability)/assets backing per share (cents) (item 4.1):	3.48	0.99	

## RESULTS FOR ANNOUNCEMENT TO THE MARKET

for the six months ended 31 December 2020

### 5 DETAILS OF ENTITIES OVER WHICH CONTROL HAS BEEN GAINED OR LOST DURING THE PERIOD: (item 4)

- a. Control gained over entities
- Name of entities (item 5.1) n/a
  - Date(s) of gain of control (item 5.2) n/a
- b. Loss of control of entities
- Name of entities (item 5.3) Nil
  - Date(s) of gain of control (item 5.4) n/a
- c. Contribution to consolidated profit (loss) from ordinary activities after tax by the controlled entities to the date(s) in the current period when control was gained / lost (item 5.6). n/a
- d. Profit (loss) from ordinary activities after tax of the controlled entities for the whole of the previous corresponding period (item 5.7) n/a

### 6 DETAILS OF ASSOCIATES AND JOINT VENTURES: (item 6)

- Name of entities (item 6.1) Nil
- Percentage holding in each of these entities (item 6.2) N/A

- Aggregate share of profits (losses) of these entities (item 6.3)

Current Period	Previous Corresponding Period
N/A	N/A

7 The financial information provided in the Appendix 4D is based on the interim final report (attached), which has been prepared in accordance with Australian Accounting Standards.

8 The report is based on accounts which have been reviewed by the Company's independent auditor (Page 5) and an unqualified review conclusion is issued.

## CORPORATE DIRECTORY

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### DIRECTORS

Andrew Kelly (Non-Executive Chairman)  
Appointed 20 December 2018

Zane Yoshida\* (Non-Executive Director)  
Appointed 20 December 2018

\* Changed from Managing Director to Non-Executive Director  
effective 19 October 2020

Nicholas Simms (Non-Executive Director)  
Appointed 10 September 2019

Jack Lowenstein (Non-Executive Director)  
Appointed 11 August 2020

Jay Stephenson (Non-Executive Director)  
Appointed 1 February 2018  
Resigned 11 August 2020

### COMPANY SECRETARY

Jay Stephenson

### REGISTERED OFFICE

96 Victoria Street, West End  
QLD 4101

### CONTACT INFORMATION

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### AUDITORS

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Perth WA 6000

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+61 2 9698 5414 (International)

### BANKER

National Australia Bank  
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West Perth WA 6005

### PRINCIPAL PLACE OF BUSINESS

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QLD 4101

### POSTAL ADDRESS

PO Box 5864  
Russell Street  
West End QLD 4101

## DIRECTORS' REPORT

The Directors of Fiji Kava Limited (the **Company** or **Fiji Kava**) and its controlled entities (collectively the Group) present their report together with the consolidated financial statements for the six months ended 31 December 2020 and the review report thereon.

### Directors

The Directors of the Company at any time during or since the end of the interim period are:

Director	Position	Date Appointed	Date Resigned
Dr Andrew Kelly	Non-Executive Chairman	20 December 2018	-
Mr Zane Yoshida *	Non-Executive Director	20 December 2018	-
Mr Nicholas Simms	Non-Executive Director	10 September 2019	-
Mr Jack Lowenstein	Non-Executive Director	11 August 2020	-
Mr Jay Stephenson	Non-Executive Director	1 February 2018	11 August 2020

\* changed from Managing Director to Non-Executive Director effective 19 October 2020

The names of the secretaries in office at any time during the half-year are:

Company Secretary	Position	Date Appointed	Date Resigned
Mr Jay Stephenson	Company Secretary	1 July 2018	-

### Operating Review

The company has expanded significantly and now has a strong retail and online presence in Australia, USA, New Zealand, China and Fiji. The activities undertaken during the six months ended 31 December 2020 include:

- Positive revenue momentum with \$496,379 achieved for the six months ended 31 December 2020, an increase of 111% when compared to the prior corresponding period (31 December 2019: \$234,521).
- Opening order of Fiji Kava's Noble Kava products received and fulfilled by PuMate (Shanghai) Limited, commencing the landmark partnership for Fiji Kava to enter the Chinese market.
- Signing of a non-exclusive licence agreement with FIT-Bioceuticals Limited (**BioCeuticals**), a Blackmores-owned company, to develop co-branded products for release in Australia and New Zealand. The BioCeuticals agreements is part of Fiji Kava's newly formed 'Speciality Ingredients' channel, for the sale of bulk Noble Kava extracts and products.
- Sales growth in Coles Supermarkets for Fiji Kava's Noble Kava™ and three new and uniquely formulated Noble Kava varieties, consisting of Noble Sleep™, Noble Calm™ and Noble Body™ capsule ranges.
- Continued demand for Fiji Kava's 'Speciality Ingredients' Noble Kava extracts and products.
- A partnership with the Pacific Horticultural and Agricultural Market Access Plus (**PHAMA Plus**) Program to boost Fiji Kava's sustainable Kava supply and to strengthen export opportunities for Fijian Kava.
- The adoption of the Codex Regional Kava Standard, which was developed for Noble Kava when mixed with water. The standard significantly strengthens regulations for the Pacific Kava market to bring high-quality and safe Kava to international markets and defines the use of Noble Kava as the minimum standard for Kava exports.

## DIRECTORS' REPORT

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- Signed a Memorandum of Understanding (**MOU**) with Shanghai listed Yuan Long Yato to explore the marketing and distribution of Fiji Kava's products to online platforms and direct networks in China.
- The appointment of Mr Jack Lowenstein to the Board of Fiji Kava as a Non-Executive Director.
- Significant oversubscription and successful completion of the Company's share placement, raising \$4.6 million at \$0.18 per share from institutional, professional and sophisticated investors in Australia and internationally.
- The appointment of Mr Nicholas Simms as Chief Executive Officer on an interim basis, with Fiji Kava Founder Zane Yoshida transitioning to a Non-Executive Director position.

### Financial Review

The Company's financial performance for the period ending 31st December 2020 include:

- The Company completed a placement of 25,678,360 Shares at 18c per share to raise \$4,622,105.
- The Company issued Shares on the Conversion of Convertible Notes. During the six-month period, the Company Issued 7,564,450 Shares on convertibles notes.
- The Company issued 14,907,406 Options exercisable at 12c on or before 28 February 2023. The Options were issued as options pursuant to a Prospectus lodged on 20 August 2020.
- The Company issued 1,750,000 options exercisable at 10.5c to Key Management Personnel on 22 December 2020.
- Revenues for the six months ended 31 December 2020 were \$496,379, a 111% increase on the six months ended December 2019.
- Fiji Kava recorded a statutory net loss from continuing operations for the six months ended 31 December 2020 of \$1,547,312 which is 28% reduction from the six-month period ended 31 December 2019.
- Net cash flow used in operating activities for the six months ended 31 December 2020 was \$2,133,728 a 0.4% increase from the six months ended 31 December 2019.
- As at 31 December 2020, the company had \$3,412,136 in cash.

## DIRECTORS' REPORT

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### Review of Operations

During the half-year the Company made a loss for the period after providing for income tax amounted to \$1,547,312 (2019: \$2,163,789 loss).

During the half year ended 31 December 2020, the Company issued Shares on the Conversion of Convertible Notes as follows:

- 5 August 2020 the Company issued 3,437,707 Shares.
- 14 August 2020 the Company issued 2,929,128 Shares;
- 20 August 2020 the Company issued 746,375 Shares; and
- 4 December 2020 the Company issued 451,240 Shares.

On 15 September 2020, the Company issued 14,907,406 Options exercisable at 12c on or before 28 February 2023. The Options were issued as options pursuant to a Prospectus lodged on 20 August 2020.

On 3 September 2020, the Company issued 25,678,360 Shares at 18c per share raising \$4.6m.

On 22 December 2020, the Company granted the following Options to Key Management Personnel:

- 1,000,000 Options exercisable at 10.5c to Mr Nicholas Simms
- 750,000 Options exercisable at 10.5c to Mr Jack Lowenstein

### Auditor's Independence Declaration

The auditor's independence declaration is set out on page 5 and forms part of the directors' report for the six months ended 31 December 2020.

Signed in accordance with a resolution of the directors:



**Dr Andrew Kelly**  
Chairman


**Dated at Brisbane this 17th day of February 2021.**

**Auditor's Independence Declaration under Section 307C of the Corporations Act 2001  
to the Directors of Fiji Kava Limited**

As lead auditor for the review of the financial statements of Fiji Kava Limited for the financial half-year ended 31 December 2020, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- i) the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- ii) any applicable code of professional conduct in relation to the review.

This declaration is in respect of Fiji Kava Limited and the entities it controlled during the financial period.



**Clive Massingham**  
**Hall Chadwick QLD**  
**Chartered Accountants**

Signed this 17<sup>th</sup> day of February 2021

# CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the six months ended 31 December 2020

		For the six months ended	
		31 December 2020	31 December 2019
	Note	\$	\$
Continuing operations			
Revenue	3	496,379	234,521
Cost of Sales		(281,232)	(314,543)
Gross Profit / (Loss)		<b>215,147</b>	<b>(80,022)</b>
Other Income		96,887	13,146
Administrative expenses		(846,685)	(874,047)
Depreciation		(78,765)	(28,426)
Employment expenses		(677,613)	(766,745)
Research and development expenses		(58,487)	(76,001)
Other expenses		(179,908)	(370,178)
<b>Operating loss</b>		<b>(1,529,424)</b>	<b>(2,182,273)</b>
Finance income / (costs)		(89,062)	(8,841)
<b>Net finance income / (costs)</b>		<b>(89,062)</b>	<b>(8,841)</b>
<b>Loss before tax</b>		<b>(1,618,486)</b>	<b>(2,191,113)</b>
Income tax benefit		-	8,241
<b>Loss from continuing operations</b>		<b>(1,618,486)</b>	<b>(2,182,872)</b>
<b>Loss for the period</b>		<b>(1,618,486)</b>	<b>(2,182,872)</b>
<b>Other comprehensive income/(expense)</b>			
Foreign exchange translation differences		71,174	19,083
<b>Total comprehensive loss for the period</b>		<b>(1,547,312)</b>	<b>(2,163,789)</b>
<b>Earnings per share</b>			
Basic and diluted loss per share (cents per share)	5	<b>(1.37)</b>	<b>(3.13)</b>

The notes on pages 10 to 16 are an integral part of these condensed consolidated interim financial statements.



# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 December 2020

		31 December 2020	30 June 2020
	Note	\$	\$
<b>Current assets</b>			
Cash and cash equivalents	7	3,412,136	1,430,224
Trade and other receivables	8	547,454	120,324
Inventories	9	512,029	397,598
Prepayments		168,249	46,503
<b>Total current assets</b>		<b>4,639,868</b>	<b>1,994,649</b>
<b>Non-current assets</b>			
Property, plant and equipment	10	713,838	768,543
Intangible assets		95,445	7,873
Right of use assets		133,014	174,595
<b>Total non-current assets</b>		<b>942,297</b>	<b>951,011</b>
<b>Total assets</b>		<b>5,582,165</b>	<b>2,945,660</b>
<b>Current liabilities</b>			
Trade and other payables	11	403,345	492,954
Deferred revenue		38,648	72,150
Loans and Borrowings	13	238,010	650,375
Lease liabilities		108,573	55,784
Provisions	12	5,942	32,581
<b>Total current liabilities</b>		<b>794,518</b>	<b>1,303,844</b>
<b>Non-current liabilities</b>			
Loans and Borrowings		-	100,000
Lease liabilities		74,717	159,343
<b>Total non-current liabilities</b>		<b>74,717</b>	<b>259,343</b>
<b>Total liabilities</b>		<b>869,235</b>	<b>1,563,187</b>
<b>Net assets</b>		<b>4,712,930</b>	<b>1,382,473</b>
<b>Equity</b>			
Share capital	4	16,943,699	12,196,188
Reserves		394,723	193,291
Accumulated losses		(12,625,492)	(11,007,006)
<b>Total equity</b>		<b>4,712,930</b>	<b>1,382,473</b>

The notes on pages 10 to 16 are an integral part of these condensed consolidated interim financial statements.

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended 31 December 2020

	Attributable to owners of the Company					Total Equity
	Share capital	Accumulated Loss	Translation Reserve	Option Reserve	Business Combination Reserve	
<b>Balance at 30 June 2020</b>	<b>12,196,188</b>	<b>(11,007,006)</b>	<b>93,423</b>	<b>35,689</b>	<b>64,179</b>	<b>1,382,474</b>
Total comprehensive income / (loss) for the period:						
Loss for the period	-	(1,618,486)	-	-	-	(1,618,486)
Other comprehensive income / (loss)	-	-	71,174	-	-	71,174
<b>Total comprehensive income / (loss) for the period</b>	<b>-</b>	<b>(1,618,486)</b>	<b>71,174</b>	<b>-</b>	<b>-</b>	<b>(1,547,312)</b>
Transactions with owners of the Company:						
Issue of ordinary shares	4,747,511	-	-	-	-	4,747,511
Equity-settled share-based payments	-	-	-	130,258	-	130,257
<b>Total transactions with owners of the Company</b>	<b>4,747,511</b>	<b>-</b>	<b>-</b>	<b>165,947</b>	<b>-</b>	<b>4,877,768</b>
<b>Balance as at 31 December 2020</b>	<b>16,943,699</b>	<b>(12,625,492)</b>	<b>164,597</b>	<b>165,947</b>	<b>64,179</b>	<b>4,712,930</b>
<b>Balance at 30 June 2019</b>	<b>10,109,429</b>	<b>(7,240,599)</b>	<b>77,677</b>	<b>12,838</b>	<b>64,179</b>	<b>3,023,524</b>
Total comprehensive income / (loss) for the period:						
Loss for the period	-	(2,182,872)	-	-	-	(2,182,872)
Cumulative adjustment upon adopting AASB 16	-	(23,010)	-	-	-	(23,010)
Other comprehensive income / (loss)	-	-	19,083	-	-	19,083
<b>Total comprehensive income / (loss) for the period</b>	<b>-</b>	<b>(2,205,882)</b>	<b>19,083</b>	<b>-</b>	<b>-</b>	<b>(2,186,799)</b>
Transactions with owners of the Company:						
Equity-settled share-based payments	-	-	-	22,841	-	22,841
<b>Total transactions with owners of the Company</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>22,841</b>	<b>-</b>	<b>22,841</b>
<b>Balance as at 31 December 2019</b>	<b>10,109,429</b>	<b>(9,446,481)</b>	<b>96,760</b>	<b>35,679</b>	<b>64,179</b>	<b>859,566</b>

The notes on pages 10 to 16 are an integral part of these condensed consolidated interim financial statements.

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

for the six months ended 31 December 2020

	Note	For the six months ended	
		31 December 2020 \$	31 December 2019 \$
<b>Cash flows from operating activities</b>			
Cash receipts from customers		142,581	178,070
Cash paid to suppliers and employees		(2,276,512)	(2,303,662)
Net cash used by operations		(2,133,931)	(2,125,592)
Interest received		203	-
<b>Net cash used in operating activities</b>		<b>(2,133,728)</b>	<b>(2,125,592)</b>
<b>Cash flows from investing activities</b>			
Acquisition of property, plan and equipment		(24,060)	(40,393)
Acquisition of intangible assets		(95,445)	-
<b>Net cash used in investing activities</b>		<b>(119,505)</b>	<b>(40,393)</b>
<b>Cash flows from financing activities</b>			
Proceeds from the issue of ordinary shares		4,235,145	-
Proceeds from borrowings		-	741,415
<b>Net cash from by financing activities</b>		<b>4,235,145</b>	<b>741,415</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>1,981,912</b>	<b>(1,424,570)</b>
Cash and cash equivalents at 1 July		1,430,224	2,317,865
<b>Cash and cash equivalents at 31 December</b>	<b>7</b>	<b>3,412,136</b>	<b>893,295</b>

The notes on pages 10 to 16 are an integral part of these condensed consolidated interim financial statements.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the six months ended 31 December 2020

## 1. Reporting Entity

Fiji Kava Limited (“**Fiji Kava**” or the “**Company**”) is a company domiciled in Australia. These condensed consolidated interim financial statements (“interim financial statements”) as at and for the six months ended 31 December 2020 comprise the Company and its subsidiaries (together referred to as the ‘Group’). The Group is primarily involved in research, development and sale of kava and kava related product.

The consolidated annual financial statements of the Group as at and for the year ended 30 June 2020 are available upon request from the Company’s registered office at 96 Victoria Street, West End QLD 4101 or at [https://cdn-api.markitdigital.com/apiman-gateway/ASX/asx-research/1.0/file/2924-02288358-6A998986?access\\_token=83ff96335c2d45a094df02a206a39ff4](https://cdn-api.markitdigital.com/apiman-gateway/ASX/asx-research/1.0/file/2924-02288358-6A998986?access_token=83ff96335c2d45a094df02a206a39ff4).

## 2. Basis of Preparation

These interim financial statements are general purpose financial statements prepared in accordance with AASB 134 *Interim Financial Reporting* and the Corporations Act 2001, and with IAS 34 *Interim Financial Reporting*.

They do not include all the information required for a complete set of annual financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group’s financial position and performance since the last annual consolidated financial statements as at and for the year ended 30 June 2020.

These interim financial statements were authorised for issue by the Company’s Board of Directors on 15 February 2021.

### 2.1. Use of Judgements and Estimates

In preparing these interim financial statements, Management has made judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of the assets and liabilities, income and expense. Actual results may differ from these estimates.

The significant judgments made by Management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those described in the last annual financial statements.

### 2.2. Going Concern

The financial statements have been prepared on a going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and the settlement of liabilities in the ordinary course of business.

The Group incurred a loss for the period of \$1,547,312 and a net operating cash outflow of \$2,133,728. As at 31 December 2020, the Group is in net asset position of \$4,712,930.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the six months ended 31 December 2020

## 3. Revenue

The Group's operations and main revenue streams are those described in the last annual financial statements. The Group's revenue is derived from contracts with customers.

	31 December 2020 \$	31 December 2019 \$
Revenue from contracts with customers	488,103	234,521
Freight income	4,076	-
Rental of office space	4,200	-
	<u>496,379</u>	<u>234,521</u>

## 4. Issued Capital

	31 December 2020 No.	30 June 2020 No.
Fully paid ordinary shares	128,843,044	95,600,234

### a. Issue of ordinary shares

The following ordinary shares were issued and fully paid during the period:

Date	Number of shares	Price per share	Details
5 August 2020	3,437,707	7.7c	Conversion of notes
14 August 2020	2,929,128	7.07c	Conversion of notes
20 August 2020	746,375	8.2c	Conversion of notes
15 September 2020	25,678,360	18c	Issue of shares
4 December 2020	451,240	11.7c	Conversion of notes

### b. Dividends

No dividends were declared or paid by the Company during the period (2019: \$Nil)

## 5. Earnings Per Share

	31 December 2020 \$	31 December 2019 \$
<b>Reconciliation of earnings to profit or loss</b>		
Loss for the period	(1,618,486)	(2,182,872)
Loss used in the calculation of basic and diluted EPS	(1,618,486)	(2,182,872)
 <b>Weighted average number of ordinary shares outstanding during the period used in the calculation of basic EPS</b>	 <u>116,116,350</u>	 <u>69,720,000</u>
 <b>Loss per share</b>		
Basic and diluted loss per share (cents per share)	(1.39)	(3.13)

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the six months ended 31 December 2020

## 6. Financial Instruments

### 6.1. Capital Risk Management

The Group manages its capital to ensure that it will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance.

The Group's overall strategy remains unchanged.

Gearing levels are reviewed by the Board on a regular basis in line with its target gearing ratio, the cost of capital and the risks associated with each class of capital.

### 6.2. Fair Value

At 31 December 2020, there are no financial assets or financial liabilities which are accounted for at fair value. Carrying amounts approximate the fair value of financial assets and financial liabilities presented in the consolidated Statement of Financial Position.

## 7. Cash and Cash Equivalents

For the purposes of the statement of cash flows, cash and cash equivalents include cash on hand and in banks. Cash and cash equivalents at the end of the reporting period as shown in the statement of cash flows can be reconciled to the related items in the statement of financial position as follows:

	31 December 2020 \$	30 June 2020 \$
Cash at bank	3,365,763	1,382,732
Term deposits	46,370	46,167
Cash on hand	3	1,325
	<u>3,412,136</u>	<u>1,430,224</u>

## 8. Trade and Other Receivables

	31 December 2020 \$	30 June 2020 \$
Current		
Trade receivables	432,213	81,837
Less Impairment provision – trade receivables	-	(4,536)
Other receivables	28,702	5,254
GST receivables	86,539	37,769
	<u>547,454</u>	<u>120,324</u>

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the six months ended 31 December 2020

## 9. Inventories

	31 December 2020 \$	30 June 2020 \$
Raw material	258,580	91,252
Work-in-progress	253,449	299,637
Crops on Ground	-	6,710
	<u>512,029</u>	<u>397,598</u>

## 10. Property, Plant and Equipment

	31 December 2020 \$	30 June 2020 \$
<b>Building</b>		
Cost	170,319	170,282
Accumulated depreciation	(13,633)	(6,645)
<b>Carrying amounts</b>	<u>156,686</u>	<u>163,637</u>
<b>Green House</b>		
Cost	237,778	251,494
Accumulated depreciation	(17,796)	(17,166)
<b>Carrying amounts</b>	<u>219,982</u>	<u>234,328</u>
<b>Plant and Equipment</b>		
Cost	235,066	241,990
Accumulated depreciation	(52,553)	(42,125)
<b>Carrying amounts</b>	<u>182,513</u>	<u>199,865</u>
<b>Motor vehicle</b>		
Cost	198,317	208,404
Accumulated depreciation	(75,489)	(67,087)
<b>Carrying amounts</b>	<u>122,828</u>	<u>141,317</u>
<b>Lab and Nursery</b>		
Cost	26,516	27,902
Accumulated depreciation	(3,753)	(4,957)
<b>Carrying amounts</b>	<u>22,763</u>	<u>22,945</u>
<b>Furniture and Fittings</b>		
Cost	13,420	13,199
Accumulated depreciation	(4,354)	(6,748)
<b>Carrying amounts</b>	<u>9,066</u>	<u>6,451</u>
<b>Totals</b>		
Cost	881,416	913,272
Accumulated depreciation	(167,578)	(144,729)
<b>Carrying amounts</b>	<u>713,838</u>	<u>768,543</u>

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the six months ended 31 December 2020

### 11. Trade and Other Payables

	31 December 2020 \$	30 June 2020 \$
Current		
Trade and other payables	218,562	320,198
Other payables	146,783	132,262
Accrued expenses	38,000	40,494
	<u>403,345</u>	<u>492,954</u>

### 12. Provisions

	31 December 2020 \$	30 June 2020 \$
Current		
Employee benefits – annual leave provisions	5,942	32,581

### 13. Loans and Borrowings

	31 December 2020 \$	30 June 2020 \$
Current		
Convertible notes	238,010	650,375
	<u>238,010</u>	<u>650,375</u>
Non-Current		
Convertible notes	-	100,000
	<u>-</u>	<u>100,000</u>

### 14. Segment Reporting

#### Basis for operating segments

The Group has the following two reportable segments namely South Pacific Elixirs Pty Limited and Fiji Kava Australia Trading Pty Ltd. These reportable segments operate in two different geographical areas.

The following summary describes the operations of each reportable segment.

Reporting segments	Operations
Fiji Kava (Australia) Trading Pty Ltd	Marketing and Selling of products in Australia
South Pacific Elixirs Pty Limited	Sourcing and manufacturing of kava powder in Fiji
Others	Marketing and Selling of products other than Australia and Fiji



# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the six months ended 31 December 2020

## Information about reportable segments

Information related to each reportable segment is set out below. Segment profit (loss) before tax is used to measure performance because management believes that this information is the most relevant in evaluating the results of the respective segments relative to other entities that operate in the same industries.

31 December 2020	Sourcing and Manufacture of kava powder	Manufacture, Marketing and Sale of Products	Corporate/ Unallocated	Total
External revenues	24,885	390,586	80,908	496,379
Inter-segment revenue	203,548	3,331	-	206,879
Segment profit (loss) before tax	(458,944)	(476,684)	(682,858)	(1,618,486)
Segment assets	1,212,620	639,345	3,730,200	5,582,165
Segment Liabilities	(225,986)	(173,638)	(469,611)	(869,235)

31 December 2019	Sourcing and Manufacture of kava powder	Manufacture, Marketing and Sale of Products	Corporate/ Unallocated	Total
External revenues	163,193	43,161	28,167	234,521
Inter-segment revenue	136,220	4,806	-	141,026
Segment profit (loss) before tax	(1,093,778)	(868,682)	(683,547)	(2,646,007)
Segment assets	983,748	249,749	1,017,938	2,251,435
Segment Liabilities	(272,324)	(51,056)	(1,024,670)	(1,348,051)

## 15. Commitments and Contingent Liabilities

### 15.1 Commitments

No commitments exist as at the date of this report.

### 15.2 Contingent Assets and Liabilities

#### 15.2.1 CONTINGENT LIABILITIES

No contingent liabilities exist as at the date of this report.

#### 15.2.2 CONTINGENT ASSETS

No contingent assets exist as at the date of this report

## 16 Subsequent Events

There are no subsequent events to report after 31 December 2020.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the six months ended 31 December 2020

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### 17 Related Parties

The Company issued 1,750,000 options at 10.5c to Key Management Personnel on 22 December 2020, exercisable by 22 December 2023

### 18 Significant Accounting Policies

The accounting policies applied in these interim financial statements are the same as those applied in the Group's consolidated financial statements as at and for the year ended 30 June 2020. A number of new standards are effective from 1 July 2020 but they do not have a material effect on the Group's financial statements.

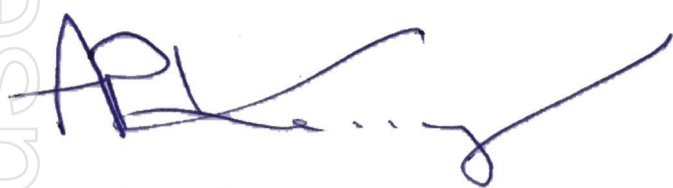
## DIRECTORS' DECLARATION

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In the opinion of the directors of Fiji Kava Limited (the **Company**):

1. the condensed consolidated financial statements and notes set out on pages 6 to 16, are in accordance with the Corporations Act 2001 including:
  - a. giving a true and fair view of the Group's financial position as at 31 December 2020 and of its performance for the six month period ended on that date and
  - b. complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001 and
2. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the directors:



**Dr Andrew Kelly**  
Chairman

**Dated at Brisbane this 17th day of February 2021**

## **Independent Auditor's Review Report**

To the members of Fiji Kava Limited

## **Report on the Half-Year Financial Report**

### **Conclusion**

We have reviewed the half-year financial report of Fiji Kava Limited (the Company) and its controlled entities (collectively the Group), which comprises the consolidated statement of financial position as at 31 December 2020, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of the Group does not comply with the Corporations Act 2001 including:

(a) giving a true and fair view of the Group's financial position as at 31 December 2020 and of its performance for the half-year ended on that date; and

(b) complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001.

### **Basis for Conclusion**

We conducted our review in accordance with ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity. Our responsibilities are further described in the Auditor's Responsibilities for the Review of the Financial Report section of our report. We are independent of the Company in accordance with the auditor independence requirements of the Corporations Act 2001 and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (including Independence Standards) (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

### **Responsibility of the Directors for the Financial Report**

The directors of the Group are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the

Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility for the Review of the Financial Report**

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the Corporations Act 2001 including giving a true and fair view of the Company's financial position as at 31 December 2020 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### **Independence**

In conducting our review, we have complied with the independence requirements of the Corporations Act 2001.



HALL CHADWICK QLD

**Clive Massingham**  
**Hall Chadwick QLD**  
**Chartered Accountants**

Signed this 17<sup>th</sup> day of February 2021