



20 January 2021

## APPENDIX 4C CASHFLOW STATEMENT AND QUARTERLY ACTIVITIES REPORT

**Fiji Kava Ltd** (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 Activities Report and Appendix 4C Cash Flow Statement for the three-month period ended 31 December 2020 (Q2 FY21).

### KEY HIGHLIGHTS

- Positive revenue momentum with \$319,272 achieved in Q2 FY21, an increase of 94% versus the prior quarter (Q1 FY21: \$164k) and an increase of 96% from the prior corresponding period (Q2 FY20: \$163k).
- PuMate (Shanghai) Limited initial order of Fiji Kava's Noble Kava products received and fulfilled, commencing the landmark partnership for Fiji Kava to enter the Chinese market.
- Signing of a non-exclusive licence agreement with 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 '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; including fulfilment of BioCeuticals opening order, following the signing of a non-exclusive licence agreement.
- 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.
- Fiji Kava's processing facility on the island of Levuka continued operation following Cyclone Yasa, with rectification work also currently underway to repair minor damage sustained. Fiji Kava continues to work with its suppliers and community growers to understand the level of impact they sustained.
- 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 on the Fiji Kava Board.

- Fiji Kava successfully hosted its Annual General Meeting with all eight resolutions passed by shareholders.
- The adoption of the Codex Regional Kava Standard, developed for Noble Kava when mixed with water, intended for human consumption. 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.

**Fiji Kava CEO, Mr Nicholas Simms said:** "This has been a positive quarter for Fiji Kava with positive revenue and the announcements of material new agreements to grow the availability of our products globally.

"While the nature of our business, the timing of new agreements and other external factors can result in short-term revenue fluctuations in any given quarter, we anticipate growing momentum over the medium to long-term.

"Importantly during the quarter, we implemented new measures to better manage the ongoing challenges to help minimise disruptions to our business. Included among these measures has been an increase of inventory to boost our product availability to meet demand, as we move forward.

"In another major milestone, the opening order of Fiji Kava's Noble Kava products were received and fulfilled by PuMate Limited. The agreement with PuMate is a marquee partnership to enter the burgeoning Chinese market and we are excited about further commercial opportunities ahead.

"In other key developments, we signed an MoU with Shanghai listed Yuan Long Yato to explore other distribution opportunities in China; increased rate of sales in Coles, across e-commerce channels and fulfilled BioCeuticals opening order through our Speciality Ingredients channel.

"We continue to place a strategic emphasis on e-commerce as we invest in and develop our offering with our partners to access new consumers and opportunities across key marketplaces.

"Overall, our revenue momentum and other operational milestones achieved during the quarter positions us to realise our long-term vision for Fiji Kava and to capitalise on the growing Noble Kava opportunity global."

## FINANCIAL OVERVIEW

Revenues for the quarter were \$319,272 an increase of 94% versus prior quarter (Q1FY21 \$ 164k ) and an increase of 96% from the prior corresponding period (Q2FY20:\$163k).

Expenditure used in operating activities in the quarter ending 31st December 2020 was \$1,283k an increase of 22% from the prior quarter, driven fundamentally due to increased product manufacturing costs.

Receipts from customers was \$65k, while cash flow used in operating activities includes \$372k in product manufacturing and operating costs, \$137k in advertising and marketing costs, \$397k in staff costs and \$359k in administrative and corporate costs.

Pursuant to ASX LR4.7C.3, the Company advises that payments to related parties include \$46,000 director fees and \$24,000 consultancy fees paid to the directors.

Pursuant to ASX Listing Rule 4.7C.1, and as outlined in the Appendix 4C, the Company advises it spent \$372k on product manufacturing and operating costs, \$359k on administration and corporate costs, \$397k on staff costs, \$137k on advertising and marketing, and \$83k on research and development.

Full details of activity during the December 2020 quarter are set out in this report

## STRATEGIC PROGRESS

Fiji Kava's strategic vision is underpinned by four key pillars. The Company continues to progress its strategy across each pillar, with the below a summary of key highlights achieved during the quarter.

### 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, with its high-quality Noble Kava products now available in key global markets including Australia, New Zealand, Fiji, China and the United States.

Fiji Kava made continued progress on its commercial strategy during the quarter including:

- A landmark partnership with PuMate (Shanghai) Limited for Fiji Kava to enter the Chinese market, with the opening order of Fiji Kava's Noble Kava products being received and fulfilled during Q2 FY21. The partnership targets minimum sales of \$8 million over the initial three-year term of the agreement and 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.
- Signing of an 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. Yuan Long Yato is 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.
- Rate of sales growth for Fiji Kava in Coles achieved during the quarter. Fiji Kava's Noble Kava Extract capsules are in 819 Coles Supermarkets and Coles Online. Fiji Kava's three new noble Kava varieties of 'Sleep', 'Mind' and 'Body' capsules, are in 589 Coles Supermarkets and Coles Online.
- Continued demand for Fiji Kava's high-quality Noble Kava extracts and products via its 'Specialty Ingredients' channel, which includes Pathway International, BioCeuticals and other partnerships.

- Fiji Kava continues to work towards the launch of its partnership with BioCeuticals, who is owned by leading Australian healthcare and ASX200 company, Blackmores Limited. Following Fiji Kava fulfilment of BioCeuticals opening order to Pathway International for use under license for its BioCeuticals Clinical AnxioCalm product, which will be co-branded.
- Continued strong growth across Fiji Kava's e-commerce channels.

## 2. Noble Kava Supply Chain Excellence

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

During the quarter, Fiji Kava implemented measures to safeguard and strengthen its supply chain while it continued to manage challenges associated with COVID-19 and other external events, including:

- Fiji Kava lifted its inventory levels to manage future potential Kava supply challenges due to COVID-19.
- Fiji Kava is repairing the minor damage sustained at its facility on the island of Levuka, as a result of Cyclone Yasa, while its processing facility on the island continues to operate. The Company is also working with suppliers and community growers to understand the level of impact they sustained and any future implications.
- Fiji Kava is fully compliant with the new Codex Regional Kava Standard which was developed for Noble Kava when mixed with water. The standard was adopted 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).

## 3. Innovation & Product Development

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

Fiji Kava's products are produced by Good Manufacturing Practices (GMP), which are TGA and FDA compliant. They are recognised as a complementary medicine in Australia, are compliant to the New Zealand Dietary Supplements Regulations (1995) and are sold as a dietary supplement in many international markets.

- Continued development of a new product pipeline to provide a natural alternative to prescription medicines. This follows the recent launch of its three uniquely formulated capsule ranges including 'Sleep', 'Mind' and 'Body', which was initially launched in Coles Supermarkets and Coles Online.
- Fiji Kava undertook detailed consumer research to assess the potential of Kava as a health supplement across the need-state pillars of Sleep, Calm and Body and identify key 'must win audiences' to accelerate brand and category growth via future marketing efforts in the domestic market

## 4. Promoting the Medical Benefits of Noble Kava

### Scientific and consumer evidence to support Fiji Noble Kava's therapeutic benefits for health & wellbeing

Fiji Kava is committed to being pioneers in the global Kava industry, through efforts to promote awareness and the benefits of Noble Kava, as well as through medical research and development to shape the future of the industry. During the quarter, developments include:

- The adoption of the Codex Regional Kava Standard. The standard is for Noble Kava when mixed with water and was adopted by the Codex Alimentarius Commission following a five-year process.
- Fiji Kava's Chief Scientific Advisor, Professor Jerome Sarris, continues to work with the National Institute of Complementary Medicines (NICM) on clinical trial designs for innovative Kava delivery and dose formats for the treatment of anxiety, insomnia and muscle relaxation.
- Investment in a new social media strategy, which has delivered a 19% increase in total community and approx. 700k impressions and 5.4% increase in consumer engagement during the quarter versus the prior period.

## 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, 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.

## Appendix 4C

### Quarterly cash flow report for entities subject to Listing Rule 4.7B

**Name of entity**

FIJI KAVA LIMITED (ASX:FIJ)

**ABN**

40 169 441 874

**Quarter ended ("current quarter")**

31 December 2020

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (6 months) \$A'000</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	65	117
1.2 Payments for		
(a) research and development	(83)	(126)
(b) product manufacturing and operating costs	(372)	(599)
(c) advertising and marketing	(137)	(262)
(d) leased assets	-	-
(e) staff costs	(397)	(769)
(f) administration and corporate costs	(359)	(692)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	-	-
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>(1,283)</b>	<b>(2,331)</b>
<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	-	-
(d) investments	-	-
(e) intellectual property	-	-
(f) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	-	-
	(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>-</b>	<b>-</b>

<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	4,314
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	-	-
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
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>-</b>	<b>4,314</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	4,657	1,383
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,283)	(2,331)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	-	-

<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A'000</b>	<b>Year to date (6 months) \$A'000</b>
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	4,314
4.5	Effect of movement in exchange rates on cash held	(7)	1
<b>4.6</b>	<b>Cash and cash equivalents at end of period</b>	<b>3,367</b>	<b>3,367</b>

<b>5.</b>	<b>Reconciliation of cash and cash equivalents</b> at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	<b>Current quarter \$A'000</b>	<b>Previous quarter \$A'000</b>
5.1	Bank balances	3,367	4,657
5.2	Call deposits	-	-
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>3,367</b>	<b>4,657</b>

**6. Payments to related parties of the entity and their associates**

- 6.1 Aggregate amount of payments to related parties and their associates included in item 1
- 6.2 Aggregate amount of payments to related parties and their associates included in item 2

<b>Current quarter \$A'000</b>
70
-

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

Payments to related parties include \$46,000 director fees and \$24,000 consultancy fees paid to the directors.

**7. Financing facilities**

*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.*

- 7.1 Loan facilities
- 7.2 Credit standby arrangements
- 7.3 Other (please specify)
- 7.4 **Total financing facilities**

Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
-	-
-	-
-	-
-	-

**7.5 Unused financing facilities available at quarter end**

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- 7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.

**8. Estimated cash available for future operating activities**

**\$A'000**

8.1	Net cash from / (used in) operating activities (Item 1.9)	(1,283)
8.2	Cash and cash equivalents at quarter end (Item 4.6)	3,367
8.3	Unused finance facilities available at quarter end (Item 7.5)	-
8.4	Total available funding (Item 8.2 + Item 8.3)	3,367
8.5	<b>Estimated quarters of funding available (Item 8.4 divided by Item 8.1)</b>	2.62

- 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.

20 January 2021

Date: .....

The Board

Authorised by: .....  
(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.