

ASX RELEASE

29 JULY 2022

QUARTERLY ACTIVITIES REPORT FOR THE PERIOD ENDED 30 JUNE 2022

Fiji Kava Ltd (ASX: FIJ) (“**Fiji Kava**”, the “**Company**”) an Australian-Fijian medicinal Kava company which produces natural Noble Kava products for the natural medicine market, wishes to provide shareholders and investors with an overview of quarterly activities to accompany the Appendix 4C for the period ended 30 June 2022 (“Quarter, “Reporting Period”).

KEY HIGHLIGHTS

- Annual revenue expected to be approaching AU\$2 million in FY22 following quarterly revenue of \$537k achieved during the Quarter.
- Record quarterly Cash Receipts of \$804k, an increase of 70% versus the prior period (Q3FY22) with an additional \$60k received from Australian Taxation Office (GST refunds).
- 70% of Revenues recognised for products in Beverage formats with the USA market accounting for almost half of all revenues, driven by strong growth in FijiKava® Drinking Kava and Tea, and Danodan Hemp Flower Infusion product sales
- Appointment of USA natural grocery retail broker Grass Roots Marketing, including onboarding of a national USA retail broker network with significant reach.
- Expansion of the Network Nutrition IMCD partnership to include Canada, Australia, New Zealand and the ASEAN region for Kavaton™ sales and R&D for beverage ready extracts and active premixes.
- Supply chain modernisation including establishment of a ‘regional collection hubs’ and re-location of medicinal extraction line, significantly reducing raw materials and inventory shipping costs, as well as reducing production overheads.
- Announcement by the Fijian Government of the legalisation of Industrial Hemp in Fiji.
- Inventory position now more than \$2m globally including stock to underpinned future growth, reduce manufacturing costs and streamline logistics in FY23.

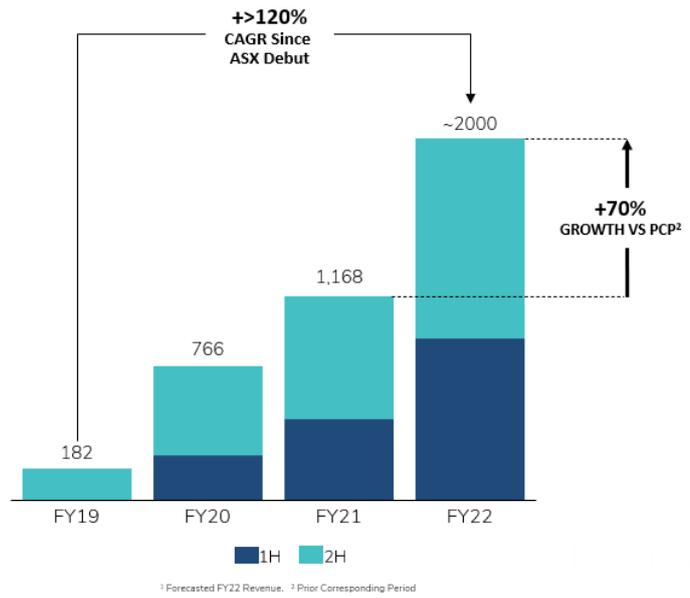
Commenting on the Quarter, Fiji Kava CEO, Dr Anthony Noble, said: “Fiji Kava continues to evolve its business model to prepare for the Company’s next chapter of growth in the US market and through expanded product development. With a detailed strategy of increasing our focus to functional beverages formats in the USA and modernising our vertically integrated supply chains, we forecast strong growth for the 2023 financial year. Alongside the range of cost control and restructuring initiatives announced previously, we are positioning the business to more efficiently attack the most profitable and rapidly growing USA functional beverage market opportunities.”

SALES OVERVIEW AND OUTLOOK

FY22 Sales approaching AUD \$2m, demonstrating continued revenue growth

70% of Revenues recognised for products in Beverage formats

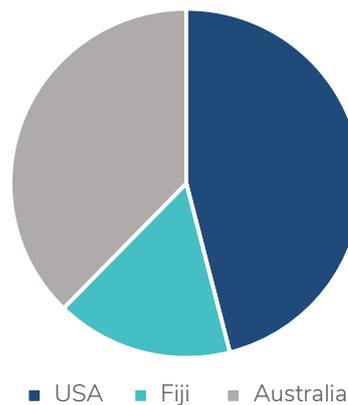
46% of Revenue recognised in the US market



USA Continues To Lead Sales

The Calmer Co. USA revenues now account for 46% of revenues driven by sales via Amazon and the Natural Grocery Channel

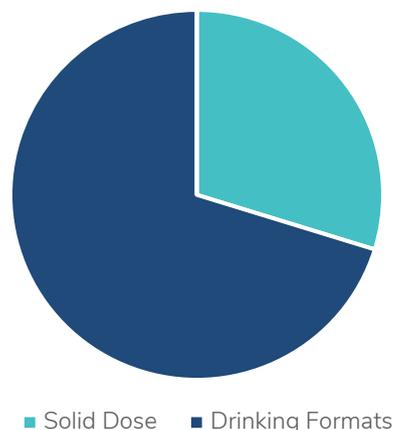
SALES BY MARKET



Drinking Format Revenue Continues To Grow

Revenue from drinking formats including Drinking Kava, Teas, and Danodan Hemp Flower Infusion products continue to outperform other consumer product formats

SALES BY FORMAT



STRATEGIC HIGHLIGHTS

Fiji Kava's vision is a happier world where people take better care of themselves. To deliver on this mission, the Company markets natural products to reduce anxiety, promote relaxation, improve sleep, and support sports recovery.

Fiji Kava continues to progress its growth strategy, with the below a summary of key highlights achieved during the Quarter, now encompassing a core business which includes our USA operations:

1. Growing Availability Of Our Products

- Business to Business ingredient trading through IMCD Network Nutrition has been expanded to include Canada, New Zealand, Australia, and the ASEAN region.
- Completed national rollout of our 50g drinking kava to Coles Supermarkets
- Appointed of regional retail broker, grass Roots Marketing for Danodan, and onboarded a national retail broker network for Fiji Kava products
- Launched range of Fiji Kava Tea's on Amazon USA
- Danodan CBDA+ product line launched in the USA

2. Supply Chain Excellence

- Modernisation of supply chain model which now spans across geographic regions and encompasses both community based and commercial farming operations.
- Execution of the first commercial farming and collection hub on Taveuni Island in Cakaudrove Province with Fiji's most successful agricultural program, the Tutu Rural Training Centre, in partnership with iTaukei Trust Fund Board.
- Signing of two key commercial supply agreements with Green North Kava, in Dogotuki and "The Old Plantation" in Fawn Harbour, Savusavu.
- Establishment of regional collection hubs for Kadavu and Koro Island.
- Termination of lease agreement by South Pacific Elixirs Pte Ltd for the Cawatara Estate effective from 1 September 2022.
- Formalising a long-term partnership with KaiMing Agricultural Processing (KAP) to collaborate on the production of drinking formats, and in developing a framework to consolidate key business activities.

3. Innovation & Product Development

- Three functional teas launched on Amazon USA today: Noble Calm® Tea, Noble Sleep® Tea and Noble Wellness Tea
- Significant progress on the development of new functional beverage formats including Dietary shots and Ready to Drink product offerings
- Exploration of opportunities to expedite innovation to deliver distribution and revenue growth

4. Promoting the Medical Benefits of our products

- Digital advertising focus shifting towards drinking kava, price promotions and call to action to capitalise on latent demand for drinking kava in Australasia
- Confirmation of Fiji Kava capsule trial for flood victims suffering from anxiety with Southern Cross University
- Engagement with the Fiji Rugby Union on continued post recovery use and feedback on Fiji Kava product formulas and formats
- Rebrand underway for Danodan website

Our Vision is a Happier World Where People Take Better Care of Themselves

This release has been approved by the Board of Directors

ENDS

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")

30 June 2022

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	804	1925
1.2 Payments for		
(a) research and development	(13)	(420)
(b) product manufacturing and operating costs	(693)	(2102)
(c) advertising and marketing	(384)	(1888)
(d) leased assets	(3)	(6)
(e) staff costs	(590)	(1692)
(f) administration and corporate costs	(587)	(1795)
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 (B.A.S. Refunds)	60	387
1.9 Net cash from / (used in) operating activities	(1406)	(5592)

2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) entities	-	-
(b) businesses	-	(314)
(c) property, plant and equipment	(12)	(533)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
	(d) investments	-	-
	(e) intellectual property (PATENT)	-	(170)
	(f) other non-current assets (ESCROW ON PATENT)	-	(136)
2.2	Proceeds from disposal of:		
	(g) entities	-	-
	(h) businesses	-	-
	(i) property, plant and equipment	1	1
	(j) investments	-	-
	(k) intellectual property	-	-
	(l) 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)	-	-
2.6	Net cash from / (used in) investing activities	(11)	(1152)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	125	5094
3.2	Proceeds from issue of convertible debt securities	710	1353
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	(33)	(33)
3.5	Proceeds from borrowings	-	84
3.6	Repayment of borrowings	(84)	(84)
3.7	Transaction costs related to loans and borrowings	(12)	(12)
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	Net cash from / (used in) financing activities	706	6,402

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	1473	1132
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1406)	(5592)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(11)	(1152)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	706	6402
4.5	Effect of movement in exchange rates on cash held	27	(1)
4.6	Cash and cash equivalents at end of period	789	789

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	789	1473
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	789	1473

6.	Payments to related parties of the entity and their associates	Current quarter \$A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	80
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-

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 are \$30,000 in Directors Fees. \$50,000 in consulting fees paid to Zane Yoshida.

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.

	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
7.1 Loan facilities	-	-
7.2 Credit standby arrangements	-	-
7.3 Other (Convertible Notes – Fijian Dollar)	1286	643
7.4 Total financing facilities	1286	643

7.5 **Unused financing facilities available at quarter end** 643

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.

7.3 refers to the convertible note instrument form BSP-Life (Fiji) for 2million FJD with a term of 5 years and a 5% interest rate, converting to equity at 15c.

The company is in advanced discussions with iTaukei Trust Fund Board for a further 1-2million FJD convertible note instrument (subject to shareholder approval).

Kontiki Capital has been mandated to raise up to 20million FJD from Fijian Institutional investors (subject to shareholder approval).

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (Item 1.9)	(1406)
8.2 Cash and cash equivalents at quarter end (Item 4.6)	789
8.3 Unused finance facilities available at quarter end (Item 7.5)	643
8.4 Total available funding (Item 8.2 + Item 8.3)	1432
8.5 Estimated quarters of funding available (Item 8.4 divided by Item 8.1)	1.02

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: The company has built a significant inventory position over the quarter and expects that manufacturing costs will reduce significantly in the next period and has been implementing a wide range of cost cutting cashflow management initiatives across the business. We expect net operating cashflow to therefore increase.

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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: We have raised \$225,000 by placement to Gormco Pty Ltd, as part of our recent expansion of strategic alliance with IMCD-Network Nutrition. The company is in advanced discussions with iTaukei Trust Fund Board for a further 1-2million FJD convertible note instrument. (Subject to shareholder approval). Kontiki Capital has been mandated to raise up to 20million FJD from Fijian Institutional investors via convertible note instrument (Subject to shareholder approval).

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: Based on significantly lower costs in the coming quarter in addition to further successful fundraising the company believes it can continue its operations and to meet its business objectives.