

7 February 2019

ASX Announcement

Letter to Shareholders

Dear Shareholders,

On behalf of the Board, I would like to thank you for your ongoing support and welcome you all as shareholders of Fiji Kava – where our mission is to turn kava into the new alternative for managing stress and anxiety in today's modern world.

Our Initial Public Offer received strong support from shareholders both here in Australia and in Fiji, and closed well oversubscribed, raising \$5.2 million before costs. The Company is well-funded to execute our business and commercialisation strategy, with \$4.4 million in cash at the end of the December 2018 quarter.

The listing of Fiji Kava on the Australian Securities Exchange on 20 December 2018 was a significant milestone for us, and we were proud of this achievement, given its timing coincided with some of the most challenging market conditions in recent times. Whilst we are concerned with the fall in share price since listing, the management and executive team are single-mindedly focussed on executing our strategic plans to scale up operations to support commercial sales and deliver long-term shareholder value.

In the seven weeks since listing, we have been extremely busy pushing forward with our operational plans and have made strong progress across a number of fronts. I've highlighted some of them below, but also see this link to a video interview I did recently.

<https://www.proactiveinvestors.com.au/companies/stocktube/12086/fiji-kava-bringing-products--from-farm-to-shelf--backed-by-research-and-clinical-trials-12086.html>

Additional kava supplies secured and production to more than double at Fiji manufacturing facility

In preparation for our Australian launch, we have secured additional kava supplies, bolstering our existing supply chain to meet the expected increase in demand for our products. Already, we have had numerous approaches from Fijian kava farmers, both large and small, to contribute to our supply, and we've appointed two buying representatives in two additional Fijian provinces to bring these areas into our full traceable supply chain.

Furthermore, we have ordered additional processing equipment to more than double the production in our Fiji facility from 2 tons of fresh kava to 5 tons per week with delivery and installation expected to be complete in April. Fiji Kava only processes fresh green kava and only uses water extraction, unlike most other kava companies. We see this as important to keep our products pure and safe.

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CMV testing of kava prior to establishment at nucleus estate

Fiji operations bolstered with key hires

To support our Fijian operations, we made a number of local appointments to manage operations on the ground. Mr Sanfred Smith was appointed Fiji Kava's General Manager and will take care of our operations in Fiji. Sanfred brings extensive experience gained over 20 years in agriculture and business, having previously provided consulting services to 45 agribusinesses in the Pacific. Former roles have including consulting work with the Asian Development Bank, AusAID and the European Union. Sanfred's extensive experience extends to kava growing and processing and he brings with him a deep network of contacts in the agribusiness and kava industries. We also hired a Farm Manager and Finance Manager to support the Company's Fijian operations.

We have also begun actively engaging with various Fijian government officials to discuss support schemes that could help us expand operations more quickly.

Australian product launch on track for Q2 2019

The Company has commenced pilot marketing activities to test our online Australian sales channel and has implemented a new farm-to-shelf data management system in preparation for our launch in Australia. Our first product launch, kava capsules, remains on track for launch in Q2 2019.

To support the launch with targeted marketing initiatives, we have commenced recruitment for a Chief Marketing Officer, to lead our marketing and promotional efforts internally.

Furthermore, we have appointed Publicis, one of the world's leading brand development agencies, to advise the Company in the lead up to launch. Early findings by Publicis have already provided the Company with very clear target demographics and messaging which we will utilise in our Australian campaign.

Sales of kava extract to distributors

In addition to online sales of our Fiji Kava range of products, the Company plans to sell our proprietary kava extracts as a raw ingredient to other supplement producers. The additional supply channel will underpin higher volume sales and cash flow for the Company, and management is already in late stage commercial discussions with a large-scale Australian distributor.

Prime Minister announces easing of kava importation restrictions in Australia

On 16 January 2019, Australia's Prime Minister, The Hon Scott Morrison, announced a pilot program would be put in place to ease some of the limitations for the import of kava into Australia, providing perfect alignment with Fiji Kava's commercial intentions and Australian launch plans.

The announcement is a significant breakthrough for the kava industry and the work we have been doing behind the scenes for Fiji Kava's business strategy. It represents a growing acceptance of kava as a natural and safe alternative for managing stress and anxiety.

Our new home

And finally, after years of operating out of dispersed office locations, we have secured new office and warehouse space at 96 Victoria Street, West End in suburban Brisbane; the new home of our Australian operations.

Since listing, it has been an incredibly busy period for the entire Fiji Kava team, during which we have made strong progress across a number of fronts, including building our Fiji-based operations and increasing our manufacturing capacity in preparation for our Australian launch.

We're excited for this next phase in operations for the Company and on behalf of the Board, we would once again like to express our thanks for your continued support.

At our next Investor Update we hope to have plans for a Fiji itinerary in July to allow investors to see the progress we will have made on building value.

On behalf of the Board,



Zane Yoshida
Managing Director, Fiji Kava Ltd

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About Fiji Kava

Fiji Kava is a kava company based in Australia and the first foreign company with approval from the Fijian Government to operate in the kava industry. The Company has complete control over its vertically integrated supply chain in a true farm-to-shelf operation and has established a 111-acre nucleus farm in Levuka, on the island of Ovalau, Fiji. Fiji Kava is focussed on expanding the distribution of kava throughout western markets to provide a natural alternative to anti-anxiety prescription medicines such as Valium and Xanax. The Company sells its range of TGA and FDA compliant "Taki Mai" branded kava products in Fiji and is preparing to launch under the Fiji Kava brand in Australia in early 2019. Fiji Kava's products are backed by years of independent research. The Company plans to conduct human clinical trials to test the efficacy of Fiji Kava's products and specific kava cultivars, targeting a range of medical conditions.

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