

30 April 2019

March 2019 Quarterly Review and Appendix 4C

- Strong progress delivered across all operations during the March quarter with a number of milestones achieved
- Launch of Fiji Kava Capsules remains on track for May 2019 and Chief Marketing Officer appointed to project manage the launch and exposure campaign
- Landmark achieved as FIJ deliver a wholesale distribution agreement, guaranteed to generate in excess of US\$3.5 million in revenue over three years
- Plans progressed to construct two mobile plants in Fiji, to significantly increase supply chain efficiency
- Tissue culture lab in final stages of preparation before full commercial launch, expected in July 2019

Fiji Kava Limited (ASX: FIJ) (**Fiji Kava** or the **Company**), an Australian kava company, is pleased to provide an overview of the Company's operations for the three months to 31 March 2019.

Australian product launch

The launch of Fiji Kava Capsules remains on track for May 2019 and all logistics are in place to ensure the delivery of capsules in Australia. The delivery is due to be completed this week and will be exported into Australia shortly thereafter, to commence immediate sales online initially.

Furthermore, in preparation for the launch, FIJ has appointed Franc Zvonar as Chief Marketing Officer to project manage the outbound marketing, advertising and publicity campaign to generate exposure and ensure the successful launch of Fiji Kava Capsules.

Franc Zvonar is a highly experience marketing officer with 20+ years of commercial marketing experience. He most recently held the position of Marketing GM for Fiji Airways and owns a marketing consultancy business providing consulting and e-commerce services both regionally in Fiji and internationally.

Franc has also held senior marketing positions at Virgin Australia and Lite 'n' Easy and has an in-depth knowledge of the Australian consumer market.

His extensive experience in the industry, and in Fiji provides him a deep understanding of the key drivers for commercial growth and a large network of industry contacts to be leveraged to increase exposure and ensure sales of the Fiji Kava branded products.

First commercial agreement secured

During the quarter, the Company signed an exclusive three-year wholesale distribution agreement with leading Australian ingredient supplier, Pathway International Pty Ltd, to supply its high-quality noble kava extract.

For personal use only

The agreement was signed in addition to FIJ's usual operations and stipulates it will supply increasing minimum amounts of kava extract over the three years to generate a minimum of US\$3.5 million in revenue for the Company.

Pathway International's customers include Blackmores, Sanofi, Swisse and Vitaco, and the Company has increased production and secured additional kava supplies to account for the agreement.

Streamlining logistics

The Company is currently in the final stages of planning to commence construction of two mobile processing facilities in Fiji. The mobile plants will be located on the islands of Viti Levu and Vanua Levu, near shipping ports and will operate in addition to FIJ's main factory in Levuka to streamline the logistics process of transporting noble kava from the island of Ovalau to mainland Fiji.

The addition of the two mobile plants will increase FIJ's transportation capacity by at least 10-times by reducing the need to carry green, unprocessed kava to its main facility in Levuka. At the plants, FIJ will be able process the kava to dry form, considerably decreasing the kava plant's weight and size allowing for significantly more plants to be transported to mainland Fiji in each batch. The introduction of these mobile processing plants also increases the Companies total processing capacity by freeing up space and machinery in FIJ's primary facility.

Construction of the mobile processing facilities is due to commence in May 2019 and is expected to be completed by August 2019.

Upgrade works reach final stages

During the quarter, the Company commenced upgrade works to its main processing facility in Fiji. This includes electrical upgrades, the installation of epoxy flooring and the purchase of new state-of-the-art equipment, which is expected to arrive in Fiji shortly, to increase capacity and efficiency of the facility. The upgrade works are in final stages and are expected to complete in June 2019.

Additionally, a full team of specialists have been hired as the Company readies the facility to commence commercial-scale production. These follows the appointment of Mr Sanfred Smith, the Fiji GM, appointed March, 2019, who is now joined by a farm manager, financial controller, plant engineer and a number of support staff.

The creation of this team strengthens the Fijian footprint and enables the Company to ramp up production to satisfy demand immediately following the completion of upgrade works.

Tissue culture lab launching soon

The quarter saw exponential progress achieved in the planning and development process of FIJ's state-of-the-art tissue culture lab in Queensland. The lab is expected to become fully operational in July 2019 and Anil Godhke, an esteemed plant pathologist based in Queensland has been engaged to ensure all final preparations are delivered on time and on budget.

The tissue culture lab will operate as the Company's primary R&D (research and development) engine, with an in-house team studying kava cultures, unique chemotypes and kavalactone concentrations to identify specific cultures to be cultivated and used to develop FIJ's own IP (intellectual property).

For personal use only

Final preparations are underway, and the lab is currently undergoing a handover from Plant Biotech to South Pacific Elixirs.

Outlook

The first quarter of 2019 has been important for the Company's growth and development and a number of milestones have been achieved, progressing the Company further towards commercialisation.

The combination of FIJ having secured its first commercial agreement set to generate in excess of US\$3.5 million, and the increasing demand for high-quality noble kava products, the Company is confident it has the resources to execute its growth and commercialisation strategy going into the next quarter and onwards.

The Company remains focussed on bringing Fiji Kava branded products to the Australian market and is exploring international expansion opportunities in the USA, due to increasing demand for a safe benzodiazepine alternative. FIJ has identified a number of US based distribution partners and will update the market should favourable terms be negotiated.

Ends

For further information, please contact:

Media Enquiries

Hannah Howlett

Media and Capital Partners

P: 04 5064 8064

E: Hannah.howlett@mcpartners.com.au

About Fiji Kava

Fiji Kava is a medical 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 120-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 medical 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.

For personal use only

Appendix 4C

Quarterly report for entities subject to Listing Rule 4.7B

Introduced 31/03/00 Amended 30/09/01, 24/10/05, 17/12/10, 01/09/16

Name of entity

FIJI KAVA LIMITED (ASX:FIJ)

ABN

40 169 441 874

Quarter ended (Current quarter)

30 March 2019

Consolidated statement of cash flows

	Current quarter \$A'000	Year to date (6 Months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	40	50
1.2 Payments for:	-	-
(a) research and development	(41)	(41)
(b) product manufacturing and operating costs	(207)	(207)
(c) advertising and marketing	(99)	(125)
(d) leased assets	-	-
(e) staff costs	(116)	(144)
(f) administration and corporate costs	(161)	(341)
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) / refunded	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(584)	(808)
2. Cash flows from investing activities		
2.1 Payments to acquire:	-	-
(a) property, plant and equipment	(39)	(39)
(b) businesses (see item 10)	-	-
(c) investments	-	-
(d) intellectual property	-	-
(e) other non-current assets	-	-
2.2 Proceeds from disposal of:		
(a) property, plant and equipment	-	-
(b) businesses (see item 10)	-	-
(c) investments	-	-
(d) intellectual property	-	-
(e) other non-current assets	-	-
2.3 Cash flows from loans to other entities	-	(132)
2.4 Dividends received (see note 3)	-	-
2.5 Other (provide details if material):	-	-
2.6 Net cash from / (used in) investing activities	(39)	(171)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 Months) \$A'000
3. Cash flows from financing activities			
3.1	Proceeds from issues of shares	-	5,200
3.2	Proceeds from issue of convertible notes	-	-
3.3	Proceeds from exercise of share options	-	-
3.4	Transaction costs related to issues of shares, convertible notes or options	-	(644)
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	(252)	(294)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other – cash acquired on acquisition	-	13
3.10	Net cash from / (used in) financing activities	(252)	4,275
4. Net increase / (decrease) in cash and cash equivalents for the period			
4.1	Cash and cash equivalents at beginning of quarter/year to date	4,405	234
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(584)	(808)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(39)	(171)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(252)	4,275
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of quarter	3,530	3,530
5. Reconciliation of cash and cash equivalents		Current quarter \$A'000	Previous quarter \$A'000
	at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts		
5.1	Bank balances	530	4,405
5.2	Call deposits	3,000	-
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)	3,530	4,405
6. Payments to directors of the entity and their associates		Current quarter \$A'000	
6.1	Aggregate amount of payments to these parties included in item 1.2		91
6.2	Aggregate amount of cash flow from loans to these parties included in item 2.3 and 2.5		-
6.3	Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2		
	In respect to 6.1: Salaries and consulting fees paid to directors and their related parties.		
7. Payments to related entities of the entity and their associates		Current quarter \$A'000	
7.1	Aggregate amount of payments to these parties included in item 1.2		-
7.2	Aggregate amount of cash flow from loans to these parties included in items 2.3		-
7.3	Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2		
	Nil		

8.	Financing facilities available Add notes as necessary for an understanding of the position	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1	Loan facilities	-	-
8.2	Credit standby arrangements	-	-
8.3	Other (please specify)	-	-
8.4	Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

9.	Estimated cash outflows for next quarter	\$A'000
9.1	Research and development	50
9.2	Product manufacturing and operating costs	382
9.3	Advertising and marketing	63
9.4	Leased assets	30
9.5	Staff costs	135
9.6	Administration and corporate costs	110
9.7	Other (provide details if material):	
9.8	Total estimated cash outflows	770

10.	Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)	Acquisitions	Disposals
10.1	Name of entity	South Pacific Elixirs	-
10.2	Place of incorporation or registration	Fiji and Singapore	-
10.3	Consideration for acquisition or disposal	\$5,800,000	-
10.4	Total net assets / (deficiency)	\$11,267,086	-
10.5	Nature of business	Kava development and sales	-

Compliance statement

- This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- This statement gives a true and fair view of the matters disclosed.



Signed: _____ Dated: Tuesday, 30 April 2019

Company Secretary

Print name: Jay Stephenson

Notes

- The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.

For personal use only

2. If this quarterly 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 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.

For personal use only