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FijiKava

28 February 2020

FIJI KAVA - 2020 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 2019.

Financial Highlights

- Progress of Fiji Kava's commercial operations, including a 168% increase in revenues during the half versus the prior corresponding.
- Major New Supply Agreement with leading Australian retailer Coles delivering a significant step change in retail points of distribution, availability and awareness of Fiji Kava's products in Australia
- Successful completion of $2.3 million Placement to institutional, professional and sophisticated investors, to accelerate growth opportunities across the company's strategic pillars.
- Memorandum of Understanding to strengthen the vertically integration of our supply chain and build on its farming and kava operations on the island of Vanua Levu in Fiji, to further mitigate risk from adverse weather events.
- Partnership with neuroscientist, Dr Murray Rosenthal to progress clinical trial activity. Dr Rosenthal is a leading USA industry expert who has worked extensively on medical research focused on insomnia & overseen 400 related clinical trials
- Completion of Convertible Notes to participating high net worth strategic and sophisticated investors
- Successful inaugural Annual General Meeting, including the passing of all resolutions including, shareholder approval for future issue of shares.
- Memorandum of Understanding with leading Australian natural and complimentary medicine company Oborne Health Supplies, to market Fiji Kava products across its nationwide distribution network of health professionals, health food stores and other health-related businesses.
- The launch of Fiji Kava products with the world's largest retailer, Amazon USA.
- Month-by-month increase in sales of Fiji Kava capsules and kava powder across Unichem & Life Pharmacy outlets in New Zealand.
- Secured retail distribution of Fiji Kava products in 'Mobil on the Go' service stations across Fiji, augmenting New World Supermarket and Morris Hedstrom Supermarket distribution
- Favourable demand from Pathway International, the leading supplier of innovative, high-quality ingredients to the complementary medicine, personal care and pharmaceutical industries.

- Favourable shifts in the regulatory environment following the Australian Government's relaxation of the personal kava import rules into Australia and announcement of a commercial importation pilot of kava by the end of 2020.

Executive Summary

Releasing the 2020 half-year results, Fiji Kava Founder and Managing Director, Zane Yoshida said: *"Fiji Kava continues to make significant progress across its four strategic drivers, in particular gains made in securing retail agreements that will drive a major step change in sales volume and consumer awareness of our brand.*

"While we saw positive sales momentum from the early stages of these new retail agreements, the timing of implementation and ranging of our products were heavily skewed to late in the period and into the beginning of the current calendar year. As a result, the anticipated uplift from these agreements will largely be realised in the current reporting period and beyond, driven by the progressive increase in product availability and order volumes, as well as increased brand recognition.

"As expected, the underlying loss reflects the operating cost base for the business as we strengthen our supply chain and invest for growth, putting the company in a position to capitalise on the opportunities ahead.

"We enter the second half with confidence and buoyed by the major supply agreement recently secured with Coles supermarkets. Collectively, our ever-expanding distribution footprint provides us with strong access to consumers in our current markets, while we maintain a strong sales pipeline with ongoing negotiations with key retail accounts and distributors interested in the company's unique noble kava varieties."

During the period, the company continued to deliver on its strategic plan to increase the availability of its Fijian noble kava, to strengthen its vertically integrated supply chain, to innovate and bring new products to the market, and to promote the medical benefits of noble kava. The company expects to deliver continued growth across these key strategic priorities, underpinned by:

- An uplift in revenues as cornerstone retail and distribution agreements in the key global markets progressively 'go live', increasing product availability for consumers across multiple channels.
- An active and strong pipeline of new business opportunities being progressed in all active markets, and via the exploration of cross-border e-commerce opportunities in the Chinese and Daigou marketplaces.
- New product innovations such as the uniquely formulated 'Sleep', 'Mind' and 'Body' ranges, to provide consumers safe and convenient consumption options
- Strategies to capitalise on the significant opportunities arising from a more favourable political and regulatory setting, including the commencement of a commercial imports trial of kava into Australia.
- Strategic investments in our supply chain to increase manufacturing capacities, and the exploration of acquisitions for new farming operations to increase supply and mitigate weather risk.
- The creation of a quality assured, disease free, medically consistent noble kava at our tissue culture laboratory, a world first that was established to provide a long-term solution for the kava industry.
- The growing popularity of kava as people seek natural alternatives to growing social and medical concerns such as insomnia, stress and anxiety. The complementary and alternative medicine market is estimated to exceed USD $210 billion by 2026 globally.

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FINANCIAL OVERVIEW

As at December 31 2019, the company had $893,295 in cash.

During the period, the company completed a Convertible Note raise and has issued a number of Convertible Notes (Notes) to participating high net worth strategic and sophisticated investors; this was strongly supported by significant shareholders including global and international institutional investors.

Revenues for the period were $234,521 a 168% increase from the prior corresponding period. This was driven by an increase in revenue from the commencement of the rollout of ingredients supply to Pathway International, while embryonic gains were witnessed from other recently announced retail activities and new distribution agreements. Revenues did not Include an order received during the half year for $95k which the auditors requested to be moved to January 2020.

Cash flow used in operating activities in the half ending 31 December 2019 was $(2,303,662) as Fiji Kava significantly progressed its retail activities, increased production at its manufacturing plant, launched new product offerings and invested in its brand educational and marketing initiatives to build consumer awareness.

STRATEGIC PROGRESS UPDATE

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 many cornerstone retail and distribution agreements across its key markets during 1H2020.

In Australia, the company's products became available across the domestic healthcare network via a partnership with natural and complimentary medicine company Oborne Health Supplies, a leading national distributor to naturopaths, herbalists, TCM practitioners, doctors and health stores. Key e-commerce opportunities were also progressed, with the launch on Amazon Australia and direct-to-consumer specialist health website, Mr Vitamins (mrvitamins.com.au). In addition to the healthcare and e-commerce channels currently available, Fiji Kava in February 2020 secured a major supply agreement with Coles that will significantly increase the availability and awareness of the company's products across the retailer's national supermarket network.

Complementing our developments with retail partners, is the favourable demand that is starting to be realised from the exclusive distribution agreement with Pathway International; the leading supplier of innovative, high-quality ingredients to the complementary medicine, personal care and pharmaceutical industries. Favourable shifts in the regulatory environment following the Australian Government’s relaxation of the personal kava import rules into Australia and announcement of a commercial importation pilot of kava by the end of 2020, will only assist in progressing the $3.5 million in revenue to be generated from the agreement.

In New Zealand, ranging of the company's products in the Unichem & Life Pharmacy outlets started late in the period. This formed part of a supply agreement with New Zealand's largest pharmacy group, Green Cross Health (NZE: GXH), and will result in the progressive rollout of products in up to 200 pharmacies. Currently, products are available in 166 pharmacies, with ranging in additional pharmacies continuing during 2H2020. While in the early stages of the partnership, the company has seen strong interest in its product and has recorded a month-on-month increase in sales via Green Cross Health's pharmacy network.

In Fiji, the company has continued to expand its existing and established retail footprint. Ongoing expansion in Fiji during the period included 'Mobil on the Go' service stations nationwide; Morris Hedstrom, the nation's largest supermarket chain; and, New World Supermarket. These agreements augmented existing retail partnerships with Yee's, Fresh Choice and Kundan Singh Supermarkets. Collectively, Fiji Kava's products are now available across the country, primarily been driven by ranging in Fijian supermarkets nationwide.

In the United States, Fiji Kava products are now available via Amazon following its launch on the platform in November, as well as www.fijikava.com. While the company is in the early stages of its market entry into the US, the region represents a significant future opportunity as the popularity of kava grows in America, evidenced by the rapid rise of many new kava bars. Fiji Kava will continue to explore opportunities to capitalise on the growing acceptance of kava in America's US$32.7 billion vitamins and supplement market.

2. Noble Kava Supply Chain Excellence

Establish a globally leading sustainable, unadulterated and 100% traceable supply chain of noble kava

Fiji Kava invested significant funds during the period to strengthen its vertically integrated supply chain, which operates as a true farm-to-shelf operation across R&D, growing, processing, extracting and distribution of the company's unique noble kava products.

At the end of the period, the company had more than 40,000 noble kava plantlets on its estate in Levuka, on the island of Ovalau, Fiji, while it also completed the establishment of a new mobile processing facility on Vanua Levu, to strengthen Fiji Kava's processing capabilities and to diversify its operations across geographic locations with minimal investment.

To support the creation of a sustainable, unadulterated and 100% traceable supply of noble kava, the company also completed organic audits for the Australian and EU markets at its estate in Ovalau during the quarter. Current 'in-conversion' status provides the company with a pathway to organic certification.

Importantly, the company's plants at the Cawatara estate and outgrower’s farms were not impacted by Tropical Cyclone Sarai that passed over the Fiji group recently. However, to help mitigate against future adverse weather conditions, the company announced in February 2020 that it had entered exclusive negotiations to secure 200 acres of land on Vanua Levu in Fiji, as it seeks to geographically diversify and expand its farming operations.

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 high-quality 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.

During the period, the company completed its initial product suite of both capsules and instant powders that are now being ranged in various markets. Demonstrating the company's innovation and product development strategy, it also made progress on creating a series of new 'Sleep', 'Mind' and 'Body' functional range of capsules, which use specific kava cultivars to promote sleep, soothe and calm the nerves, and relax the mind and body. These products will be initially ranged as part of the Coles supply agreement, commencing in June 2020.

The company is also progressing the development of a powerful cloud-based platform which creates a unique digital identity to enable product traceability through the scanning of QR codes on packaging. This will enable consumers to verify capsules and instant powders provenance and authenticity, providing trust and transparency of the companies’ unique farm-to-shelf supply chain.

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4. Promoting the Medical Benefits of Kava

Scientific and traditional evidence support Fiji noble kava's therapeutic benefits to health & wellbeing

Fiji Kava is committed to being pioneers in the global kava industry, through efforts to promote awareness and the benefits of kava, as well as through medical research and development to shape the future of the industry.

In September 2019, Fiji Kava commissioned the world's first kava tissue culture laboratory in Levuka with the aim of ensuring Fiji produces world-class, disease-free, high-quality kava. Live tissue culture is a long-term solution for creating a sustainable and growing kava industry and the tissue culture lab is an important aspect of the standardisation of kavalactone profiles in kava plants, from which the company has derived desirable profiles which enhance therapeutic benefits. Since launch, the company has grown disease free plantlets and noble kava plants which possess these desirable traits, improving the quality and yield of kava.

To support this work, Fiji Kava appointed Chief Scientific Advisor, Professor Jerome Sarris, who has over 20 years of experience in the natural products and plant medicines field and having led many plant-medicine clinical trials (in particular studying kava). Then more recently announcing a partnership with US neuroscientist, Dr Murray Rosenthal to progress clinical trial activity. Dr Rosenthal is a leading USA industry expert who has worked extensively on medical research focused on insomnia & overseen 400 related clinical trials

With additional retail activities underway during the period, further investment was placed in initial marketing and PR activities, which has helped to increase awareness of Fiji Kava among consumers in key markets.

REGULATORY BACKDROP

Improving ties between the Pacific and Australia positively contributes to unlocking the future potential of Fijian noble kava. In October 2019, The Fijian and Australian Governments reached an agreement for the launch of a kava pilot program, which will loosen personal and commercial import restrictions of kava into Australia.

For personal use, Australia has doubled its import allowance from 2kg to 4kg. This will be followed by a pilot program for the commercial importation of kava, which will begin by the end of 2020.

Fiji Kava is committed to helping strengthen these ties, including via Fiji Kava's founder and Managing Director, Mr Zane Yoshida's role in the Executive Committee for the Australian Fiji Business Council and through participation in the development of a regional standard for kava endorsed by Codex Alimentarius.

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.

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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 111-acre 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.

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Fiji Kava Limited
and its controlled entities
ACN 169 441 874

Appendix 4D
Interim Financial Report
FOR THE HALF-YEAR ENDED
31 December 2019

FINANCIAL REPORT

for the half-year ended 31st December 2019

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RESULTS FOR ANNOUNCEMENT TO THE MARKET

For the half-year ended 31 December 2019

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1 REPORTING PERIOD (item 1)

- Report for the period ended: 31 December 2019
- Previous corresponding period is half-year ended: 31 December 2018

2 RESULTS FOR ANNOUNCEMENT TO THE MARKET

	Movement	Percentage %		Amount $
Revenues from ordinary activities (item 2.1)	↑	168%	to	234,521
Loss from ordinary activities after tax attributable to members (item 2.2)	↓	36%	to	$2,182,872
Loss for the period attributable to members (item 2.3)	↓	35%	to	$2,163,789

a. Dividends (items 2.4 and 5)

	Amount per Security ¢	Franked amount per security %
Interim dividend	nil	n/a
Final dividend	nil	n/a
Record date for determining entitlements to the dividend (item 2.5)	n/a	

b. Brief explanation of any of the figures reported above necessary to enable the figures to be understood (item 2.6):

Refer to the following Directors' Report, Financial Review section

3 DIVIDENDS (item 6) AND RETURNS TO SHAREHOLDERS INCLUDING DISTRIBUTIONS AND BUY BACKS

Nil.

a. Details of dividend or distribution reinvestment plans in operation are described below (item 6):

Not applicable

4 RATIOS

	Current period	Previous corresponding period
a. Financial Information relating to 4b:	$	$
Loss for the period attributable to owners of the parent	2,163,789	3,312,783
Net assets	925,674	3,089,633
Less: Intangible assets	(170,424)	(25,515)
Net tangible (liabilities)/assets	755,250	3,064,118
	No.	No.
Fully paid ordinary shares	69,720,000	69,720,000
	¢	¢
b. Net tangible (liability)/assets backing per share (cents) (item 3):	1.08	4.39

RESULTS FOR ANNOUNCEMENT TO THE MARKET

For the half-year ended 31 December 2019

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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 4.1) n/a
- Date(s) of gain of control (item 4.2) n/a

b. Loss of control of entities

- Name of entities (item 4.1) Nil
- Date(s) of gain of control (item 4.2) 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 4.3). n/a

d. Profit (loss) from ordinary activities after tax of the controlled entities for the whole of the previous corresponding period (item 4.3) n/a

6 DETAILS OF ASSOCIATES AND JOINT VENTURES: (item 7)

- Name of entities (item 7) Nil
- Percentage holding in each of these entities (item 7) N/A

	Current period	Previous corresponding period
Aggregate share of profits (losses) of these entities (item 7)	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 (item 9) and an unqualified review conclusion is issued.

CORPORATE DIRECTORY

Directors

Andrew Kelly (Non-Executive Chairman) – appointed 20 December 2018
Zane Yoshida (Managing Director) – appointed 20 December 2018
Stephen Copplin (Executive Director) – resigned 26 November 2019
Jay Stephenson (Non-Executive Director) – appointed on 1 February 2018
Nicholas Simms (Non-Executive Director) – appointed 10 September 2019

Company Secretary

Jay Stephenson

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DIRECTORS' REPORT

Your directors present their report on the consolidated entity, consisting of Fiji Kava Limited (the Company or Fiji Kava) and its controlled entities (collectively the Group) for the half-year ended 31 December 2019. In order to comply with the provisions of the Corporations Act 2001, the Directors report as follows:

The names, appointment periods and particulars of the Company directors who held office during the half-year and, or, since incorporation are:

Director	Position	Date Appointed	Date Resigned
Mr Andrew Kelly	Non-Executive Chairman	20 December 2018	-
Mr Zane Yoshida	Managing Director	20 December 2018	-
Mr Stephen Copplin	Executive Director	20 December 2018	26 November 2019
Mr Jay Stephenson	Non-Executive Director	1 February 2018	-
Mr Nicholas Simms	Non-Executive Director	10 September 2019	-

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

Fiji Kava continues to progress the execution of its commercial strategy and is encouraged by the progress that it has made, including:

- Memorandum of Understanding to strengthen the vertically integration of our supply chain and build on its farming and kava operations on the island of Vanua Levu in Fiji, to further mitigate risk from adverse weather events.
- Partnership with neuroscientist, Dr Murray Rosenthal to progress clinical trial activity. Dr Rosenthal is a leading USA industry expert who has worked extensively on medical research focused on insomnia & overseen 400 related clinical trials
- Memorandum of Understanding with leading Australian natural and complimentary medicine company Oborne Health Supplies, to market Fiji Kava products across its nationwide distribution network of health professionals, health food stores and other health-related businesses.
- The launch of Fiji Kava products with the world's largest retailer, Amazon USA.
- Month-by-month increase in sales of Fiji Kava capsules and kava powder across Unichem & Life Pharmacy outlets in New Zealand.
- Secured retail distribution of Fiji Kava products in 'Mobil on the Go' service stations across Fiji, augmenting New World Supermarket and Morris Hedstrom Supermarket distribution
- Favourable demand from Pathway International, the leading supplier of innovative, high-quality ingredients to the complementary medicine, personal care and pharmaceutical industries.
- Favourable shifts in the regulatory environment following the Australian Government's relaxation of the personal kava import rules into Australia and announcement of a commercial importation pilot of kava by the end of 2020.

Financial Review

During the half-year the Company made a loss for the period after providing for income tax amounted to $2,182,872 (2018: $3,395,311).

During the half year ended 31 December 2019, the company completed a Convertible Note raise of $ 725,000 and has issued Convertible Notes convertible into a maximum of 10,069,444 ordinary shares to participating high net worth

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DIRECTORS' REPORT

strategic and sophisticated investors; this was strongly supported by significant shareholders including global and international institutional investors.

Principal Activities

The principal activities of the Group is the research, development and sales of kava and kava related products.

Events Subsequent To The End Of The Reporting Period

On 28 February 2020, the Group successfully raised $2.3million (before costs) by way of 25,555,555 new share at $0.09 per share, together with 8,518,518 options issued. There are no other subsequent events to report after 31 December 2019.

Future Developments, Prospects and Business Strategies

On 24 February 2020, the company has entered into major New Supply Agreement with leading Australian retailer Coles delivering a significant step change in retail points of distribution, availability and awareness of Fiji Kava's products in Australia. The products are expected to be on-shelf at selected Coles supermarket nationally and available via their online store in June.

Auditor's Independence Declaration

The auditor's independence declaration, as required under section 307C of the Corporations Act 2001 for the half-year ended 31 December 2019 has been received and can be found on page 4.

This Directors' report is signed in accordance with a resolution of directors made pursuant to s.306(3) of the Corporations Act 2001.

For, and on behalf of, the Board of the Company,

Dr Andrew Kelly
Chairman
Dated this 28 February 2020

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AUDITOR'S INDEPENDENCE DECLARATION
FIJI KAVA LIMITED

In accordance with section 307C of the *Corporations Act 2001*, I am pleased to provide the following declaration of independence to the directors of Fiji Kava Limited.

As lead audit partner for the review of the financial report of Fiji Kava Limited for the half-year ended 31 December 2019, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

Hall Chadwick

Hall Chadwick Audit (WA) Pty Ltd
ABN 42 163 529 682

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Nikki Shen
Director

Dated 28 February 2020

DIRECTORS' DECLARATION

The directors declare that:

a) In the directors' opinion there are reasonable grounds to believe that Fiji Kava Limited will be able to pay its debts as and when they become due and payable; and
b) In the directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including complying with AASB 134: Interim Financial Reporting and giving a true and fair view of the financial position and performance of the group for the half-year ended on that date.

Signed in accordance with a resolution of the directors and pursuant to s303(5) of the Corporations Act 2001.

For, and on behalf of, the Board of the Company,

Dr Andrew Kelly
Chairman
Dated this 28 February 2020

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INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF FIJI KAVA LIMITED

Report on the half-year Financial Report

Conclusion

We have reviewed the accompanying 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 2019, 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, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half-year financial report of the Group is not in accordance with the Corporations Act 2001, including:

a) giving a true and fair view of the consolidated financial position of the Group as at 31 December 2019 and of its consolidated financial 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.

Directors' responsibility for the half-year Financial Report

The directors of the Company 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 is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, anything has come to our attention that causes us to 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 Group's consolidated financial position as at 31 December 2019 and its consolidated financial performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of the Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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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

Hall Chadwick Audit (WA) Pty Ltd
ABN 42 163 529 682

NS

Nikki Shen
Director

Dated 28 February 2020

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CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the half-year ended 31 December 2019

	Note	6 months to 31 December 2019 $	6 months to 31 December 2018 $
Sales Revenue	2	234,521	87,402
Cost of Sales		(314,543)	(72,249)
Gross (Loss)/Profit		(80,022)	15,153
Other Income		13,146	-
Consulting and Professional fees		(295,433)	(265,682)
Accounting fees		(13,539)	(17,000)
Director Fees		(205,396)	(15,677)
Depreciation and Amortisation		(76,001)	(6,469)
Marketing		(498,846)	(23,641)
Salary and wages		(561,349)	-
Insurance		(32,887)	(391)
Research and Development		(28,426)	-
Corporate transaction accounting expense		-	(2,960,295)
ASX Fees		(22,035)	(1,598)
Provision for impairment of receivables		(11,307)	-
Other expenses		(370,178)	(106,310)
Finance expenses		(8,841)	(13,401)
Loss before income tax expense		(2,191,113)	(3,395,311)
Income tax benefit/(expense)		8,241	-
Loss after tax from continuing operations		(2,182,872)	(3,395,311)
Other comprehensive income/(expense)			
Foreign exchange translation differences		19,083	82,528
Total comprehensive loss for the period		(2,163,789)	(3,312,783)
Earnings per share Basic and diluted loss per share (cents per share)	4	(3.13)	(19.10)

The consolidated statement of profit or loss and other comprehensive income is to be read in conjunction with the notes to the consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 December 2019

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	Note	31 December 2019 $	30 June 2019 $
Current assets			
Cash and cash equivalents	6	893,295	2,317,865
Trade and other receivables	7	239,986	157,134
Inventories	8	405,914	326,007
Other assets		10,170	-
Total current assets		1,549,365	2,801,006
Non-current assets			
Property, plant and equipment	9	751,189	737,210
Intangible assets		26,067	25,515
Right of use	1.1	144,357	-
Total Non-current assets		921,613	762,724
Total assets		2,470,978	3,563,731
Current liabilities			
Trade and other payables	10	528,001	402,081
Deferred revenue		82,979	72,016
Borrowings	12	95,510	-
Lease liabilities		82,079	-
Provisions	11	23,689	-
Total current liabilities		812,258	474,098
Non-current liabilities			
Borrowings	12	645,905	-
Lease liabilities		87,142	-
Total Non-current liabilities		733,047	-
Total liabilities		1,545,305	474,098
Net assets		925,674	3,089,633
Equity			
Contributed equity	4	10,109,429	10,109,429
Reserves		196,618	154,694
Accumulated losses		(9,380,373)	(7,174,490)
Total equity		925,674	3,089,633

The consolidated statement of financial position is to be read in conjunction with the notes to the consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the half-year ended 31 December 2019

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	Contributed Equity	Accumulated Loss	Foreign Exchange Reserve	Option Reserve	Business Combination Reserve	Total Equity
Balance at 1 July 2019	10,109,429	(7,174,490)	77,677	12,838	64,179	3,089,633
Cumulative adjustment upon adopting AASB 16	-	(23,010)	-	-	-	(23,010)
Options issued during the period	-	-	-	22,841	-	22,841
Foreign exchange translation differences	-	-	19,083	-	-	19,083
Loss for the period	-	(2,182,872)	-	-	-	(2,182,872)
Total comprehensive income for the period	-	(2,182,872)	19,083	-	-	(2,163,789)
Balance as at 31 December 2019	10,109,429	(9,380,373)	96,760	35,679	64,179	925,674
Balance as at 1 July 2018	1,982,180	(2,411,146)	(10,612)	-	64,179	(375,399)
Shares issued during the period	8,158,446			-	-	8,158,446
Loss for the period		(3,395,311)	-	-	-	(3,395,311)
Foreign exchange translation differences			82,528	-	-	82,528
Total comprehensive income for the period	-	(3,395,311)	82,528	-	-	(3,312,783)
Balance as at 31 December 2018	10,140,626	(5,806,457)	71,916	-	64,179	4,470,264

The consolidated statement of changes in equity is to be read in conjunction with the notes to the consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

for the half-year ended 31 December 2019

	Note	6 months to 31 December 2019 $	6 months to 31 December 2018 $
Cash flows from operating activities			
Cash receipts from customers		178,070	85,418
Payments to suppliers and employees		(2,303,662)	(572,677)
Net cash used by operating activities		(2,125,592)	(487,259)
Cash flows from investing activities			
Net cash acquired on acquisition of subsidiary net of cash consideration paid		-	4,881,809
Purchase of plant and equipment		(40,393)	-
Net cash (used)/generated by investing activities		(40,393)	4,881,809
Cash flows from financing activities			
Loans received		741,415	-
Net cash generated by financing activities		741,415	-
Net (decrease)/increase in cash and cash equivalents		(1,424,570)	4,394,550
Cash and cash equivalents at the beginning of the period		2,317,865	12,025
Cash and cash equivalents at the end of the period	6	893,295	4,406,575

The consolidated statement of cash flows is to be read in conjunction with the notes to the consolidated financial statements.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the half-year ended 31 December 2019

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GENERAL INFORMATION

Fiji Kava Limited (Fiji Kava or the "Company") is a for-profit company limited by shares, domiciled and incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange (ASX). The financial statements are presented in the Australian currency.

The nature of operations and principal activities of the Company are described in the Directors' Report.

1. BASIS OF PREPARATION

The interim consolidated financial statements of Fiji Kava Limited (the "Company") and its controlled entities ("Fiji Kava" or the "Group") for the half year ended 31 December 2019, represent a general purpose financial report prepared in accordance with AASB 134 Interim Financial Reporting and the Corporations Act 2001.

The interim consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Company's and acquired entities' annual and half year financial statements for the year/period ended 31 December 2018 and 30 June 2019 respectively, together with any public announcements made by Fiji Kava upon ASX listing during the interim reporting period in accordance with the continuous disclosure requirements of the ASX listing rules.

1.1. Adoption Of New And Revised Standards

The accounting policies adopted in the preparation of the interim consolidated financial statements are consistent with those followed in the preparation of the Company's and acquired entities' annual financial statements for the period/year ended 30 June 2019 and 31 December 2018 respectively.

The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The Group has adopted all Australian Accounting Standards and Interpretations effective from 1 July 2019 and the Group had to change its accounting policies and make retrospective adjustments as a result of adopting AASB 16 Leases. AASB16 Leases has been adopted retrospectively with the cumulative effect of initially applying AASB 16 recognised at 1 July 2019. In accordance with AASB 16 the comparatives for the 2019 reporting period have not been restated. The Group has recognised a lease liability and right of use asset for all leases (with the exception of short-term and low-value leases) recognised as operating leases under AASB 117 Leases where the Group is a lessee. Lease liabilities are measured at the present value of the remaining lease payments. The Group's incremental borrowing rate as at 1 July 2019 was used to discount the lease payments. The right-of-use assets for remaining leases have been measured and recognised in the statement of financial position as at 1 July 2019 by taking into consideration the lease liability and the prepaid and accrued lease payments previously recognised as at 1 July 2019 (that are related to the lease).

The following practical expedients have been used by the Group in applying AASB 16 for the first time:

- For a portfolio of leases that have reasonably similar characteristics, a single discount rate has been applied
- Leases that have a remaining lease term of less than 12 months as at 1 July 2019 have been accounted for in the same way as short-term leases
- The use of hindsight to determine lease terms on contracts that have options to extend or terminate
- Applying AASB 16 to leases previously identified as leases under AASB 117 and Interpretation 4: Determining whether an arrangement contains a lease without reassessing whether they are, or contain, a lease at the date of initial application.
- Not applying AASB 16 to leases previously not identified as containing a lease under AASB 117

The Group's weighted average lessee's incremental borrowing rate 6%.

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Adjustments recognised on adoption of AASB 16 Leases

The group's lease portfolio includes leased office premises. These leases have an average term of 3 years. AASB 16 related amounts recognise right of use assets relate to the following type of assets:

	31 December 2019 $
Right of use asset	
Leased office premises	246,533
Accumulated depreciation	(102,176)
	144,357

Right of use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial directs costs; and
- restoration costs

The change in accounting policy affected the following items in the balance as at 1 July 2019:

- Right of use assets increased by $185,445
- Lease liabilities increased by $208,455
- Accumulated losses increased by $23,010

1.2. Critical Accounting Estimates and Judgements

Management discussed the development, selection and disclosure of the Group's critical accounting policies and estimates and the application of these policies and estimates. The estimates and judgements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period are discussed below.

Key sources of accounting estimation uncertainty

Calculation of loss allowance

When measuring ECL the Group uses reasonable and supportable forward looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other. Loss given default is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements. Probability of default constitutes a key input in measuring ECL.

Work in Progress

Work in Progress is measured based on raw material, labour and overhead costs incurred and allocated in consideration of the various stages of production. Certain assumptions, such as estimation of future revenue/ yields and crop growth periods have been applied to measure the work-in-progress in farming operations. Significant estimates in regards to allocation of overhead costs and stages of production have also been applied to unfinished goods. These assumptions are reassessed at each reporting period based on experience and past results to ensure that they are reasonable and adequately reflect management's best estimate on the value recorded at period end. As a result of this reassessment, approximately $125,000 has been expensed to "Cost of Sales" for the half year period ended 31 December 2019.

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1.3. 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 $2,182,872 and a net operating cash outflow of $2,125,592. As at 31 December 2019, the Group is in net asset position of $925,674. Subsequent to period end, the Group successfully raised $2.3million (before costs) by way of share issuance of 25,555,555 new shares and 8,518,518 options in February 2020.

2. REVENUE

	31 December 2019 $	31 December 2018 $
Sales	234,521	80,627
Freight income	-	282
Release from deferred income	-	6,493
	234,521	87,402

3. ISSUED CAPITAL

	31 December 2019 No.	30 June 2019 No.
Fully paid ordinary shares	69,720,000	69,720,000

Ordinary shares participate in dividends and the proceeds on winding up of the parent entity in proportion to the number of shares held.

At the shareholders' meetings, each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

4. EARNINGS PER SHARE

	31 December 2019 $	31 December 2018 $
Reconciliation of earnings to profit or loss		
Loss for the period	(2,182,872)	(3,395,311)
Loss used in the calculation of basic and diluted EPS	(2,182,872)	(3,395,311)
Weighted average number of ordinary shares outstanding during the period used in the calculation of basic EPS	69,720,000	17,775,555
Loss per share		
Basic and diluted loss per share (cents per share)	(3.13)	(19.10)

5. FINANCIAL INSTRUMENTS

5.1. 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.

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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.

5.2. Fair Value

At 31 December 2019, 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.

6. 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 2019 $	30 June 2019 $
Cash at bank	846,922	266,230
Term deposits	46,167	2,051,431
Cash on hand	206	204
	893,295	2,317,865

7. TRADE AND OTHER RECEIVABLES

	31 December 2019 $	30 June 2019 $
Current		
Trade receivables	94,602	26,285
Less Impairment provision – trade receivables	(6,771)	-
Other receivables	156,691	130,849
Less Impairment provision – other receivables	(4,536)	-
	239,986	157,134

8. INVENTORIES

	31 December 2019 $	30 June 2019 $
Raw material	5,779	47,009
Work-in-progress	168,774	225,102
Finished goods	231,361	53,896
	405,914	326,007

9. PROPERTY, PLANT AND EQUIPMENT

	31 December 2019 $	30 June 2019 $
Building		
Cost	78,507	78,689
Accumulated depreciation	(5,568)	(4,860)
Carrying amounts	72,939	73,829

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Green House		
Cost	283,729	284,377
Accumulated depreciation	(15,519)	(14,008)
Carrying amounts	268,210	270,369
Plant and Equipment		
Cost	227,077	198,014
Accumulated depreciation	(29,876)	(20,131)
Carrying amounts	197,201	177,883
Motor vehicle		
Cost	207,930	208,404
Accumulated depreciation	(54,031)	(41,713)
Carrying amounts	153,898	166,691
Lab and Nursery		
Cost	33,072	31,657
Accumulated depreciation	(780)	-
Carrying amounts	32,292	31,657
Furniture and Fittings		
Cost	30,523	19,305
Accumulated depreciation	(3,874)	(2,521)
Carrying amounts	26,649	16,784
Totals		
Cost	860,838	820,445
Accumulated depreciation	(109,648)	(83,235)
Carrying amounts	751,189	737,210

10. TRADE AND OTHER PAYABLES

	31 December 2019 $	30 June 2019 $
Current		
Trade and other payables	322,484	363,471
Accrued expenses	205,517	38,610
	528,001	402,081

11. PROVISIONS

	31 December 2019 $	30 June 2019 $
Current		
Employee benefits – annual leave provisions	23,689	-

12. BORROWINGS

	31 December 2019 $	30 June 2019 $
Current		
Convertible notes	74,398	-
Loans from third parties	21,112	-

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	95,510	-
Non Current		
Convertible notes	618,075	-
Loans from third party	27,830	-
	645,905	-

13. SEGMENT REPORTING

The accounting policies used by the Group in reporting segments are in accordance with the measurement principles of the Australian Accounting Standards.

Management has determined the operating segments of the Group, based on the reports reviewed by the Board in its decision making and has two reportable operating segments, namely:

Manufacture and Sale of Products
Manufacture and sales of the Group's Kava products.

Corporate / Unallocated
Corporate expenditures of the Group.
The Group has subsidiaries in Fiji, Australia, Singapore, New Zealand and USA. The Group operates in principal geographic areas, Fiji , Australia New Zealand and USA.

31 December 2019	Manufacture and Sale of Products	Corporate/ Unallocated	Others (*)	Total
Revenue from external customers	234,521	4,200		238,721
Segment net operating loss before income tax	(1,534,959)	(647,913)	-	(2,182,872)
Segment assets	1,612,491	858,487	-	2,470,978
Segment Liabilities	(645,302)	(900,003)	-	(1,545,305)
Significant non-cash expenses	-	-	-	-

31 December 2018	Manufacture and Sale of Products	Corporate/ Unallocated	Others (*)	Total
Revenue from external customers	87,402	-		87,402
Segment net operating loss before income tax	(343,084)	(91,932)	(2,960,295)	(3,395,311)
Segment assets	740,450	4,239,185		4,979,635
Segment Liabilities	(401,725)	(107,646)		(509,371)
Significant non-cash expenses				
Corporate transaction accounting expense	-	-	2,960,295	2,960,295

(*) as a result of reverse acquisition

14. COMMITMENTS AND CONTINGENT LIABILITIES

14.1 Commitments

No commitments exist as at the date of this report.

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14.2 Contingent Assets and Liabilities

14.2.1 Contingent Liabilities

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

14.2.2 Contingent Assets

No contingent assets exist as at the date of this report

15 Subsequent Events

On 28 February 2020, the Group successfully raised $2.3million (before costs) by way of 25,555,555 new share at $0.09 per share, together with 8,518,518 options issued. There are no other subsequent events to report after 31 December 2019.