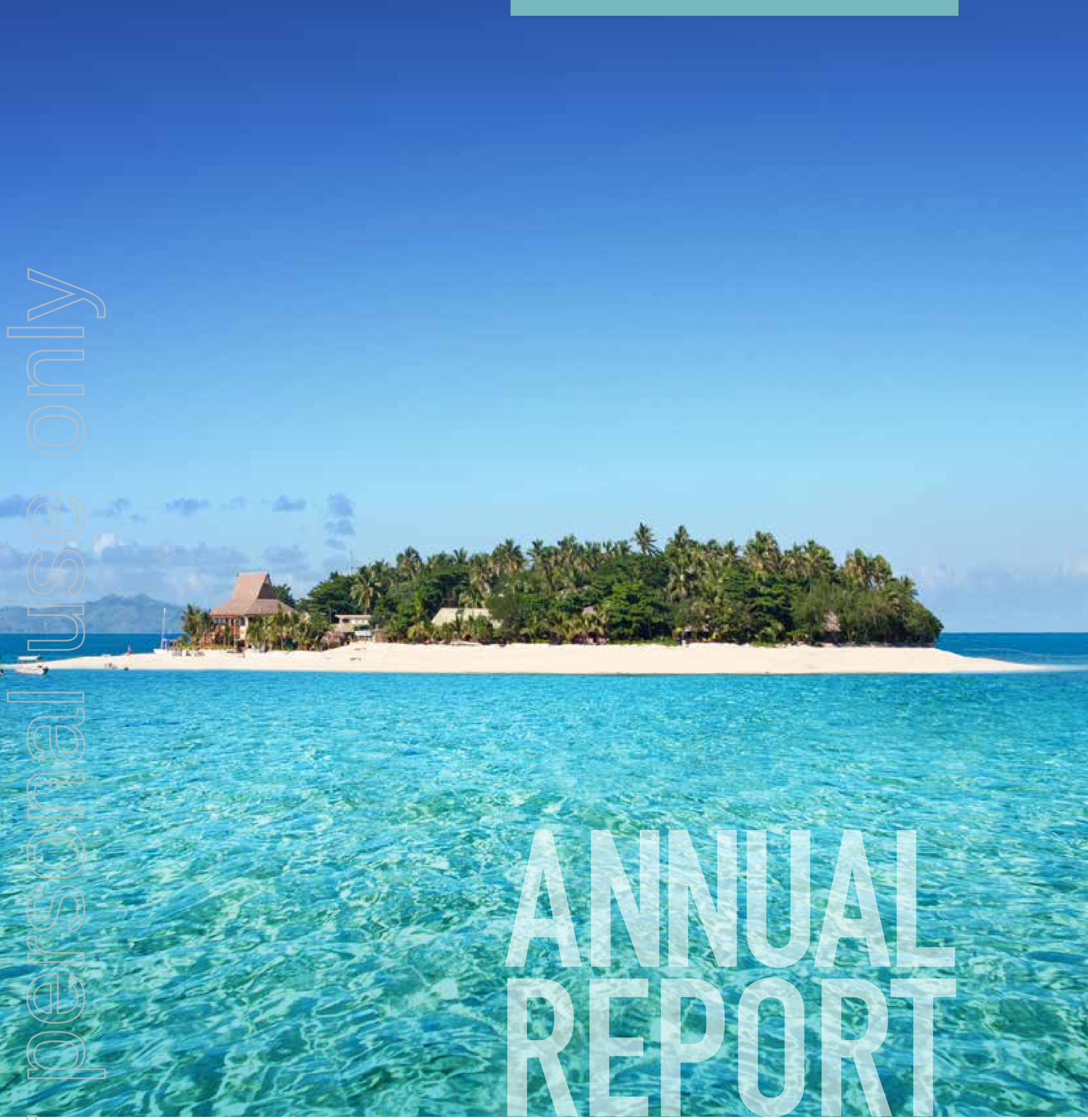

# ANNUAL REPORT

## FOR THE YEAR ENDED 30 JUNE 2020

FijiKava

Fiji Kava Limited and its controlled entities ACN 169 441 874

# CORPORATE DIRECTORY

## DIRECTORS

**Andrew Kelly** (Non-Executive Chairman)
– appointed 20 December 2018

**Zane Yoshida** (Managing Director)
– appointed 20 December 2018

**Nicholas Simms** (Non-Executive Director)
– appointed 10 September 2019

**Jack Lowenstein** (Non-Executive Director)
– appointed on 11 August 2020

**Jay Stephenson** (Non-Executive Director)
– appointed on 1 February 2018
– resigned on 11 August 2020

Stephen Copplin (Executive Director)
– appointed 20 December 2018
– resigned 26 November 2019

## COMPANY SECRETARY

**Jay Stephenson**

## REGISTERED OFFICE

Suite 9, 330 Churchill Avenue, Subiaco WA 6008

## CONTACT INFORMATION

Tel: +61 8 6489 1600
Fax: +61 8 6489 1601

## AUDITORS

**Hall Chadwick Audit (WA) Pty Ltd**
283 Rokeby Road, Subiaco WA 6008

## SHARE REGISTRY

**Automic Share Registry**
Level 2, 267 St Georges Terrace, Perth WA 6000
1300 288 664 (Local)
+61 2 9698 5414 (International)

## BANKER

**National Australia Bank**
Level 1 / 1238 Hay Street , West Perth WA 6005

## PRINCIPAL PLACE OF BUSINESS

96 Victoria Street, West End QLD 4104

## POSTAL ADDRESS

PO Box 866, Subiaco WA 6904

# CONTENTS



# DIRECTOR'S REPORT



**Your Directors present their report together with the summary of the financial information of Fiji Kava Limited and it's Controlled Entities (the Group) for the financial year ended 30 June 2020 and the auditor's report thereon.**

## 1. DIRECTORS

The names of Directors in office at any time during or since the end of the year are:

**Mr Andrew Kelly** – Non-executive Chairman appointed 20 December 2018

**Mr Zane Yoshida** – Managing Director appointed 20 December 2018

**Mr Nicholas Simms** – Non-executive Director appointed 10 September 2019

**Mr Jack Lowenstein** – Non-executive Director appointed 11 August 2020

**Mr Jay Stephenson** – Non-executive Director resigned 11 August 2020

**Mr Stephen Copplin** – Executive Director resigned 26 November 2019

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated. For additional information of Directors including details of the qualifications of Directors please refer to paragraph 11 Information on directors of this Directors' Report.

## 2. COMPANY SECRETARY

The following person held the position of Company Secretary at the end of the financial year:

**Mr Jay Stephenson** Please refer to paragraph 11 Information on directors

## 3. NATURE OF OPERATIONS AND PRINCIPAL ACTIVITY

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 nucleus farm near 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 Fiji Kava products online and in Australia, Fiji, New Zealand, China and the United States. 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.

The outbreak of the coronavirus disease (COVID-19) has impacted many sectors. The directors have reviewed all financial areas which could be impacted by COVID-19 and considered areas of judgement and if additional disclosures are required. The directors have assessed these areas and have determined that there has been no significant impact on the performance of the Group as at 30 June 2020, notably revenue has increased since 2019.

The directors will continue to closely monitor the impact of COVID-19 on the Group's business and financial performance.

## 4. DIVIDENDS PAID OR RECOMMENDED

There were no dividends paid or recommended during the financial year ended 30 June 2020.

# DIRECTOR'S REPORT – CONTINUED

## 5. REVIEW OF OPERATIONS

The Company has expanded significantly and now has a strong retail and online presence in Australia, New Zealand, USA, China and Fiji. The activities undertaken during the year ended 30 June 2020 include:

### Growing Availability of Fijian Noble Kava

During the past year, the company successfully launched its Fiji Kava Noble Kava Extract capsules in 819 Coles Supermarkets and Coles Online. In addition, Fiji Kava's three new noble kava varieties, consisting of 'Sleep', 'Mind' and 'Body' capsules, were ranged in 589 Coles Supermarkets and Coles online.

The company signed exclusive agreement with PuMate (Shanghai) Limited as its authorised distributor in China. PuMate has a proven track record in distributing international food ingredients, sports nutrition, and infant nutritional products in China, including with other leading Australian brands. The landmark agreement targets minimum sales of $8 million for Fiji Kava over the initial three years term of the agreement. The agreement includes diversified distribution channels into China with both branded Fiji Kava products and raw Noble Kava extracts being sold to China's complementary medicine, personal care and pharmaceutical industry, as well as through cross-border eCommerce marketplaces.

The company also increased its store presence in New Zealand to more than 290 Unichem & Life Pharmacy outlets. The company has continued to grow its e-commerce operations across fijikava.com and Amazon USA, which has experienced significant month-on-month sales increases since launching in November 2019. A range of Noble Kava capsules and powders are now available on the Amazon USA channels. America is a key market with significant untapped potential, evidenced by the boom of kava in the US with hundreds of 'kava bars' now open across the country.

The company also secured other foundational Australian retail and distributor agreements with Oborne Health and Mr Vitamins to market Fiji Kava products across its nationwide distribution network of health professionals, health food stores and other health-related businesses.

Supporting these retail and distribution opportunities has been continued growth and revenue generation via Pathway International, the leading supplier of innovative, high-quality ingredients to the complementary medicine, personal care and pharmaceutical industries.

### Noble Kava Supply Chain Excellence

Fiji Kava's upfront investment in its major capital expenditure program, including establishing the company's tissue culture laboratory, was critical to developing the necessary baseline from which the company will support growing supply demands from distributors and customers in the long-term. Fiji Kava has a plantation at its 111-acre estate near Levuka on the island of Ovalau, as well as a mobile processing facility on Vanua Levu to diversify the company's operations.

in a major milestone, Fiji Kava established the world's first commercial kava tissue culture laboratory, to help ensure Fiji produces world-class disease-free kava and to meet burgeoning demand for kava from around the world. The tissue lab will grow disease free plantlets as well as create exact copies of plants that have desirable traits, improving the quality and yield of kava. These plantlets can then be provided to growers – hundreds currently who are supported by Fiji Kava - helping them create a sustainable business model. The lab is also an important part of the standardisation of desirable kavalactone profiles -
the medicinal, anti-anxiety quality in kava. The laboratory was commissioned on 30 August 2019.

The company also reached a significant agreement with the Pacific Horticultural and Agricultural Market Access Program (PHAMA Plus) to boost the company's supply of sustainable Noble Kava and to boost export opportunities.

During the year, the company implemented measures to minimise the impact of COVID-19 and has continued to freight raw materials out of Fiji to meet supply requirements. The company also built greater reserves of kava during the period.

# DIRECTOR'S REPORT – CONTINUED



## Innovation and Product Development

The company'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 year the company launched three uniquely formulated capsule ranges as part of Fiji Kava's 'Sleep', 'Mind' and 'Body' strategy in Coles nationally and online, including:

- Fiji Kava 'Noble Calm' vegan hard capsules combining Fiji Kava's noble kava and Rhodiola rosea to calm the nerves, help relax the mind and support nervous system health to support general health and wellbeing
- Fiji Kava 'Noble Sleep' vegan hard capsules combining Fiji Kava's noble kava and Jujube to induce sleep, relieve sleeplessness and support general health and wellbeing
- Fiji Kava 'Noble Body' vegan hard capsules combining Fiji Kava's noble kava and Viburnum to enhance body relaxation, relieve muscle cramps and to support general health and wellbeing

The company also continues development of its other new products pipeline to provide a natural alternative to prescription medicines, including innovation such as dietary shots and functional teas.

## Promoting the Medical Benefits of Noble Kava

Fiji Kava is planning clinical trials to test and prove the efficacy of Fiji Kava products. The testing of Fiji Kava's products and kava cultivars will target a variety of medical conditions. Beginning in FY2021, initial trials will include testing benefits of kava for anxiety, as alternatives to pharmaceutical drugs (i.e. Valium). This will provide further medical evidence on the efficacy of kava. Following these initial trials, further opportunities exist to trial the efficacy of kava cultivars for insomnia and pain.

From a broader industry perspective, further progress has been made on new global legislation and regulations as it relates to kava. Two key developments include:

- The Fiji Kava Bill, which once enacted, will establish the Fiji Kava Council to regulate the cultivation, processing, transformation and marketing of kava. This will ensure the industry is prepared to deal with the current kava boom and provide confidence to consumers.
- The Codex Alimentarius Commission, established with support from the Food and Agriculture Organisation (FAO) of the United Nations and World Health Organisation (WHO), are developing a kava regional standard to regulate the Pacific kava market and bring higher quality, safe and disease-free kava back to the international market. The standard will standardise procedures for the growth, harvesting and processing of kava.

For personal use only

# DIRECTOR'S REPORT – CONTINUED

## KEY APPOINTMENTS

During the year, the Company made the following key appointments:

- ***Mr Nicholas Simms*** was appointed a Non-Executive director on 10 September 2019.

## 6. OPERATING RESULTS

During the year company has achieved following operational results:

- Key initiatives introduced to minimise global disruption of COVID-19, with the company's vertically integrated supply chain continuing to freight raw materials out of Fiji to meet demand for kava
- Launch of Fiji Kava's tissue culture laboratory, a world-first to create a sustainable, quality-assured supply of Fijian kava.
- Initiatives to strengthen Fiji Kava's supply chain, including with the Pacific Horticultural and Agricultural Market Access Plus (PHAMA Plus) Program who will also assist with international export opportunities.
- Developed and launched Fiji Kava's 'Sleep, Mind and Body' kava ranges, providing a safe and natural alternative to promote sleep, soothe and calm the nerves, support muscle relaxation and to relax the mind.
- Launch of Fiji Kava's Noble Kava Extract capsules in 819 Coles supermarkets and online, and the 'Sleep, Mind and Body' ranges in 589 Coles supermarkets and online.
- Signed a Memorandum of Understanding with PMM Company Limited to explore opportunities in China, which was subsequently converted into a three-year, $8 million Partnership Agreement with PuMate (Shanghai) Limited (announced in August 2020).
- Signed a Memorandum of Understanding with leading health care provider Green Cross Health in New Zealand, with Fiji Kava now ranged in 290 Unichem and Life Pharmacy outlets nationwide.
- Launch of Fiji Kava's eCommerce channels, including fijikava.com and on Amazon, including Amazon USA which has experienced an uplift in sales of by 550% since launch in November 2019 to the end of FY20
- Secured other foundational Australian retail and distributor agreements with Oborne Health and Mr Vitamins.
- Continued exclusive negotiations to secure access at a further 200 acres of land for kava on the Fijian island of Vanua Levu, via Memorandum of Understanding with Dr Murray Rosenthal, who will also partner with Fiji Kava on clinical trials activities

## 7. FINANCIAL POSITION

Revenues for the year were $766,496, a 320% increase on FY19, driven by increased revenue from the Pathway International agreement, as well as its launch of Fiji Kava's Functional Noble Kava capsule product range into Coles supermarkets nationally in Australia. This also includes growth and increased awareness of Fiji Kava's products across other international markets including Fiji, New Zealand and the USA.

Fiji Kava recorded a statutory net loss from continuing operations for the year ended 30th June 2020 is $3,766,407 which is 22% reduction from last financial year ended 30th June 2019. Employment costs has increased by 88% compared to last financial year due to new staff recruitment for the expansion of the group operations. However, during the year company has implemented tight cost controls over operations and managed to control the overall cost of the company by 16% compared to last financial year.

Net cash flow used in operating activities in Q4 was $541,352, a 46% decrease from the prior quarter as Fiji Kava implemented key cost saving initiatives in response to COVID-19, delivering a reduction of business expenditure; including 20% reduction in all staff and Board remuneration since April 2020.

During the year, receipts from customers was $899,201, while cash flow used in operating activities was $3,538,830.

As of June 30th, 2020, the company had $1,430,224 in cash and no debt.

# DIRECTOR'S REPORT – CONTINUED

## 8. SIGNIFICANT CHANGES IN STATE OF AFFAIRS

During August 2020, the Company issued Shares on the Conversion of Convertible Notes. On 5 August 2020, the Company Issued 3,437,707 Shares, on 17 August 2020, the Company issued 2,929,128 Shares and on 20 August 2020, the Company issued 746,375 Shares.

On 11 August 2020, Mr Jack Lowenstein was appointed as a Non-Executive Director of the Company. Please refer to paragraph 11 Information on directors of this Directors' Report for a bio on Mr Lowenstein.

Other than referred to in sections 5, 6, 7 and 8 above, no significant changes in the state of affairs of the Company occurred during the financial year.

## 9. EVENTS SUBSEQUENT TO REPORTING DATE

During August 2020, the Company issued Shares on the Conversion of Convertible Notes. On 5 August 2020, the Company Issued 3,437,707 Shares, on 17 August 2020, the Company issued 2,929,128 Shares and on 20 August 2020, the Company issued 746,375 Shares.

On 11 August 2020, Mr Jack Lowenstein was appointed as a Non-Executive Director of the Company.

Please refer to paragraph 11 Information on directors of this Directors' Report for a bio on Mr Lowenstein.

On 1 September 2020, the Company issued 14,907,406 Options exercisable at 12c on or before 28 February 2023. The Options were issued as options pursuant to a Prospectus lodged on 20 August 2020.

On 3 September 2020, the Company announced that it had completed a placement of 25,491,766 Shares at 18c per share to raise $4.58 million.

There are no other significant events subsequent to reporting date that are not covered in this Directors' Report or within the financial statements at Note 27.

## 10. LIKELY DEVELOPMENTS

Other than matters referred to in sections 3 and 5 of this Directors' Report, no other likely developments, future prospects and business strategies of the operations of the Group and the expected results of those operations have been included in this report as the Directors believe that the inclusion of such information would be likely to result in unreasonable prejudice to the Group.

## 11. INFORMATION ON DIRECTORS

### DR ANDREW KELLY – Chairman (Non-executive)

Appointed 20 December 2018.

#### Experience and Qualifications

Dr Kelly is Executive Director and Co-Founder of Bio Pacific Partners, a biotech investment and consulting firm focused on providing new product development services to many of the world's largest pharmaceutical and consumer health companies. He has a PhD with management training and is broadly experienced and networked across the Australian biotech scene. His 35-year career spans the spectrum from discovery science to commercial success, focusing in equal measures on research, commercialisation and investment.

In 2005, Dr Kelly co-founded Bio Pacific Ventures, the first specialist venture fund focused across the spectrum of health, food and agriculture in Australia, which he led for 10 years.

Dr Kelly is currently Executive Director of Bio Pacific Partners Ltd (NZ), Bio Pacific Investments Ltd (NZ) and Bio Pacific Partners Pty Ltd (Australia) and Director of Living Cell Technologies Ltd (ASX:LCT).

He has previously been Director of Focus Genetics Ltd (NZ), Horizon Science Ltd (AU), Bio Pacific Ventures Ltd (NZ), Anzamune Ltd (NZ), CMP Therapeutics Ltd (UK), Wool Equities (NZX listed), Encoate Ltd (NZ), Cleveland Biosensors Ltd (AU), Inner Vision Ltd (NZ), Ultrafine Merino company Ltd (NZ), and Velvet Antler Research New Zealand Ltd (NZ)

#### Interest in Shares and Options

801,276 ordinary shares and 750,000 Options exercisable at $0.25 on or before 19 December 2021 in Fiji Kava Limited.

#### Directorships held in other listed entities

Dr Kelly has been a Director of Living Cell Technology since November 2019.

# DIRECTOR'S REPORT – CONTINUED

## 11. INFORMATION ON DIRECTORS – CONTINUED

### MR ZANE YOSHIDA – Managing Director (Executive Director)
Appointed 20 December 2018.

#### Experience and Qualifications

Mr Yoshida was born and raised in the Fiji Islands. He is extremely passionate about kava and understands its benefits first-hand, having his first kava ceremony 30 years ago.

Professionally, he has been involved in various start-ups in Australia, Asia and the United States over the last 20 years. He is the Founder and CEO of Fiji Kava Ltd, producing a range of farm to shelf kava supplements and complementary medicines that are manufactured to HACCP/GMP standards and launched in various international markets under the FijiKava and TakiMai brand. These countries include, Australia, New Zealand, USA and Fiji.

He holds a Bachelor of Mechanical Technology degree and an MBA from the Queensland University of Technology. He is a member of the Australian Institute of Company Directors.

#### Interest in Shares and Options

14,017,028 ordinary Shares in Fiji Kava Limited.

#### Directorships held in other listed entities

No other Directorships held in other listed entities.

---

### MR NICHOLAS SIMMS Director (Non-executive)
Appointed 10 September 2019.

#### Experience and Qualifications

Mr Simms has more than two decades of experience as a consumer goods specialists, with a proven record of strategically applying key insights; consumer technology, experience & innovative thinking. To challenge legacy, deliver step change growth & build businesses and brands that are truly better.

Including five:am organics which grew from start-up, to an $86m exit in under 4 years & CEO of Bubs Australia [ASX:BUB] transitioning it from a small private entity, to an ASX Top 500 company with a market cap of $500m+

Mr Simms has received many awards in the food industry, both as an advisor and for product innovation.

#### Interest in Shares and Options

441,176 Ordinary Shares and 750,000 Options exercisable at $0.105 on or before 27 December 2022 in Fiji Kava Limited

#### Directorships held in other listed entities

No other Directorships held in other listed entities.

# DIRECTOR'S REPORT – CONTINUED

For personal use only

## 11. INFORMATION ON DIRECTORS – CONTINUED

### MR JACK LOWENSTEIN – Director (Non-executive)

Appointed 11 August 2020.

#### Experience and Qualifications

Mr Lowenstein is an experienced business builder and ASX listed company director, who also has a long corporate history in Fiji, where he was the co-founder of the country's first investment bank, Kontiki Capital Ltd. His career as an ASX listed company non-executive director began in 1997 when he joined the board of window furnishings company Kresta Holdings Ltd. He is also a past director of ASX listed Calliden Group Ltd, Hunter Hall International Ltd and Hunter Hall Value Ltd. In 2012 he became Managing Director of ethical fund manager Morphic Asset Management, which was acquired by Ellerston Capital in 2019.

#### Interest in Shares and Options

3,368,189 Ordinary Shares and 700,000 Options in Fiji Kava Limited.

#### Directorships held in other listed entities

Director of ASX listed Morphic Ethical Equities Fund Ltd.

Director South Pacific Stock Exchange listed Kinetic Growth Fund Ltd.

### MR STEPHEN COPPLIN – Previous Executive Director

Appointed 20 December 2018.
Resigned 26 November 2019.

#### Experience and Qualifications

Mr Copplin is a Fellow of the Australian Institute of Company Directors, a Fellow Certified Practicing Accountant, a former Fellow of the Taxation Institute of Australia and recently completed 17 years as an Adjunct Professor at the University of Queensland in the Business School and continues to be an Adjunct Professor in the IT and Electrical Engineering School.

#### Interest in Shares and Options

2,316,139 ordinary Shares in Fiji Kava Limited.

#### Directorships held in other listed entities

No other Directorships held in other listed entities.

# DIRECTOR'S REPORT – CONTINUED

## 11. INFORMATION ON DIRECTORS – CONTINUED

### MR JAY STEPHENSON – Company Secretary and Previous Non-Executive Director
Appointed as Director 1 February 2018.
Resigned 11th August 2020.

#### Experience and Qualifications

Mr Stephenson has been involved in business development for over 30 years, including approximately 26 years as Director, Chief Executive Officer, and Company Secretary of various listed and unlisted entities in resources, manufacturing, wine, hotels and property. He has been involved in business acquisitions, mergers, initial public offerings, capital raisings, and business restructuring, as well as managing all areas of finance for companies.

Mr Stephenson has a Master of Business Administration from Heriot-Watt University, is a Fellow of Certified Practicing Accountants of Australia, a Fellow of the Governance Institute of Australia, a Fellow of the Chartered Institute of Secretaries and Administrators, a Chartered Professional Accountant (Canada), a Certified Management Accountant (Canada), and is a Member of the Australian Institute of Company Directors.

#### Interest in Shares and Options

Nil ordinary Shares in Fiji Kava Limited.

#### Directorships held in other listed entities

Mr Stephenson holds or has held the following directorships over the past three years: Non-Executive Director of and Dragon Mountain Gold Limited since July 2011, Non-Executive Director of Strategic Minerals Corporation NL since 2009, Non-Executive Director of Stonehorse Energy Limited since July 2011, Non-Executive Director of Fiji Kava Limited since - January 2019 to August 2020, Non-Executive Director of Doray Mining Limited - August 2009 to April 2019, Chairman, Non-Executive Director of Auctus Alternative Investments Limited February 2011 – March 2019, Non-Executive Director of Drake Resources Limited – 2005 to December 2017, Non-Executive Director of Blina Minerals Limited - October 2016 to April 2019.

## 12. MEETINGS OF DIRECTORS

During the financial year ending 30th June 2020, five meeting of Directors (including committees of Directors) were held. Attendances by each Director during the year are stated in the following table.

| | COMMITTEE MEETINGS | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | DIRECTORS' MEETINGS | | DUE DILIGENCE COMMITTEE | | REMUNERATION COMMITTEE | | AUDIT COMMITTEE | |
| | Number eligible to attend | Number Attended | Number eligible to attend | Number Attended | Number eligible to attend | Number Attended | Number eligible to attend | Number Attended |
| Dr Andrew Kelly | 9 | 9 | At the date of this report, the Remuneration Committee, Audit Committee and Nomination Committee comprise the full Board of Directors. The Directors believe the Company is not currently of a size nor are its affairs of such complexity as to warrant the establishment of these separate committees. Accordingly, all matters capable of delegation to such committees are considered by the full Board of Directors | | | | | |
| Zane Yoshida | 9 | 9 | | | | | | |
| Nicholas Simms | 8 | 8 | | | | | | |
| Jay Stephenson | 9 | 9 | | | | | | |
| Stephen Copplin | 3 | 3 | | | | | | |

## 13. INDEMNIFYING OFFICERS OR AUDITOR

### 13.1. Indemnification

The Group entered into an Agreement with each Director of the Company indemnifying them against liabilities to another person (other than the Company or a related body corporate) that may arise from their position as Directors of the Company and its controlled entities, with the exception of conduct involving a wilful breach of duty or improper use of information to gain a personal advantage. This agreement stipulates that the Group will meet the full amount of any such liabilities, including costs and expenses.

The Group has not entered into any agreement with its current auditors indemnifying them against any claims by third parties arising from their report on the financial report.

### 13.2. Insurance Premiums

Since the end of the previous financial year the Group paid insurance premiums of $36,361 in respect of Directors and Officers liability insurance contracts for current and former Directors and Officers of the Group.

## 14. OPTIONS

### 14.1. Unissued Shares Under Option

At the date of this report, there were 27,407,406 un-issued ordinary shares of Fiji Kava Limited under option (listed or unlisted) (2019: 11,750,000).

No person entitled to exercise the option has or has any right by virtue of the option to participate in any share issue of any other body corporate.

### 14.2. Shares Issued on Exercise of Options

No ordinary shares were issued by the Group as a result of the exercise of options during or since the end of the financial year.

## 15. ENVIRONMENTAL REGULATIONS

The Group's operations are subject to environmental regulations in Fiji in relation to its farming activities. The Directors believe that the Group has adequate systems in place for the management of its environmental requirements and are not aware of any outstanding breaches.

## 16. PROCEEDINGS ON BEHALF OF GROUP

No person has applied for leave of Court to bring proceedings on behalf of the Group or intervene in any proceedings to which the Group is a party for the purpose of taking responsibility on behalf of the Group for all or any part of those proceedings.

The Group was not a party to any such proceedings during the year.

## 17. AUDITOR'S INDEPENDENCE DECLARATION

The lead auditor's independence declaration under section 307C of the Corporations Act 2001 (Cth) for the year ended 30 June 2020 has been received and can be found on page 17 of the annual report.

The directors are satisfied that the provision of non-audit services (if any) is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. Refer to note 7 of the consolidated financial statements for disclosure relating to the cost of any non-audit services conducted during the year.

## 18. REMUNERATION REPORT (AUDITED)

### 18.1. Principles of Compensation

Remuneration is referred to as compensation throughout this report.

Key Management Personnel (KMP) have authority and responsibility for planning, directing and controlling the activities of the Group. KMP comprise the directors of the Group.

Compensation levels for KMP are competitively set to attract and retain appropriately qualified and experienced directors and executives.

To this end, the Group embodies the following principles in its remuneration framework:

- Provide competitive rewards to attract qualified and experienced executives;
- Link executive rewards to length of service, experience and overall performance of the Group; and
- Equity participation is a cost effective and efficient incentive given the Group's pre-production status.

The Board of Fiji Kava Limited believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best executives and Directors to run and manage the Group, as well as create goal congruence between directors, executives and shareholders.

Shares and options may only be issued to directors subject to approval by shareholders in a general meeting.

The Board has no established retirement or redundancy schemes.

The remuneration structure for KMP is based on a number of factors, including length of service, particular experience of the individual concerned, and overall performance of the Group. The contracts for service between the Group and KMP are on a continuing basis, the terms of which are not expected to change in the immediate future.

The Board determines the proportion of fixed and variable compensation for each KMP.

Director's fees are reviewed annually by the Board. No termination payments are payable to Non-Executive Directors.

In accordance with best practice corporate governance, the structure of Non-Executive Director and senior management remuneration is separate and distinct.

## 18. REMUNERATION REPORT (AUDITED) – CONTINUED

### a. Fixed Remuneration

Generally, compensation is provided by the Group to its executive officers by way of salary and share option grants. The objective is to ensure that executive compensation is fair and reasonable in order to attract and retain qualified and experienced executives.

Fixed remuneration consists of base cash remuneration and statutory superannuation entitlements. Longer term discretionary remuneration consists of share option grants. Remuneration levels are based on an overall assessment of both individual and Group performance.

The Group believes that encouraging its executives and employees to become shareholders is the best way of aligning their interest to those of its shareholders. In addition, equity participation is a cost effective and efficient incentive as compared to cash bonuses or increased remuneration, particularly given the Group's pre-production status. Accordingly, all executives and employees are entitled to participate in the Group's equity incentive scheme. Generally, the ability to exercise an option is conditional upon the holder remaining in the Group's employment. There are presently no other non-cash benefits available to Directors or employees. There is no separate profit-sharing or bonus plan.

The contracts for service between the Group and Directors and executives are on a continuing basis, the terms of which are not expected to change in the immediate future. Upon retirement, Directors and executives are paid employee benefit entitlements accrued to date of retirement. The Group may terminate the contracts without cause by providing one month's written notice. Termination payments (if applicable) are generally not payable on resignation or dismissal for serious misconduct. In the instance of serious misconduct, the Group can terminate employment at any time.

### b. Performance Based Remuneration – Short-Term and Long-Term Incentive Structure

The Board will review executive packages annually by reference to the Group's performance and executive performance and comparable information from industry sectors using independent external advice where appropriate.

– Short-term incentives

No short-term incentives in the form of cash bonuses were granted during the year.

– Long-term incentives

No long-term incentives in the form of cash bonuses were granted during the year.

### c. Service Contracts

The employment conditions of the executive directors, Mr Zane Yoshida and Mr Stephen Copplin (resigned 26th November 2019) and other KMP are formalised in contracts of employment. Terms of employment contracts are structured to industry standards including normal provisions for termination and notice periods.

### d. Non-executive Directors

The Board seeks to set aggregate remuneration at a level which provides the Group with the ability to attract and retain Directors of the highest calibre, whilst incurring a cost which is acceptable to shareholders.

The Constitution and the ASX Listing Rules specify that the aggregate remuneration of Non-Executive Directors shall be determined from time to time by a general meeting. An amount not exceeding the amount determined is then divided between the Directors as agreed. The amount of aggregate remuneration sought to be approved by shareholders and the manner in which it is apportioned amongst Directors is reviewed annually. The Board considers advice from external consultants as well as the fees paid to Non-Executive Directors of comparable companies when undertaking the annual review process.

Each Non-Executive Director receives a fee for being a Director of the Group. No additional fees are paid for participation on subcommittees, such as the Audit Committee. Non-Executive Directors are encouraged by the Board to hold shares in the Group.

Accordingly, they are entitled to participate in equity incentive schemes if offered by the Group.

Total fees for the Non-Executive Directors for the financial year were $186,320 (2019: 68,607).

## 18. REMUNERATION REPORT (AUDITED) – CONTINUED

### e. Engagement of Remuneration Consultants

During the financial year, the Group did not engage any remuneration consultants.

### f. Relationship between Remuneration of Key Management Personnel and Shareholder Wealth

During the Group's initial phases of its business, the Board anticipates that the Group will retain earnings (if any) and other cash resources to expand its manufacturing facilities, further its project innovations and clinical researches.

Accordingly, the Group does not currently have a policy with respect to the payment of dividends and returns of capital.

Therefore, there was no relationship between the Board's policy for determining, or in relation to, the nature during the current and previous financial years.

The Board did not determine the nature and amount of remuneration of the KMP by reference to changes in the price at which shares in the Group traded between its quotation on ASX and end of the current financial years. However, where the Directors of the Group receive incentive options, such options generally would only be of value if the Group's share price increased sufficiently to warrant exercising the incentive options.

### g. Relationship between Remuneration of Key Management Personnel and Earnings

The Group currently does not expect to be undertaking profitable operations (other than by way of material asset sales, none of which is currently planned) until sometime after the successful commercialisation, production and sales of its kava products. Accordingly, the Board does not consider earnings during the current financial year when determining the nature and amount of remuneration of KMP.

## 18.2. Remuneration Details for the Year Ended 30 June 2020

There were no cash bonuses paid during the year and there are no set performance criteria for achieving cash bonuses.

The following table of benefits and payment details, in respect to the financial year, the components of remuneration for each member of the KMP of the Group:

| 2020 | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Key Management Personnel | Short-term benefits | | | | Post-employment benefits | Long-term benefits | Equity-settled share- based payments | | Total |
| | Salary, fees and leave (Accrued) | Profit share and bonuses | Non-monetary | Other | Super-annuation | Other | Equity | Options | |
| | $ | $ | $ | $ | $ | $ | $ | $ | $ |
| A Kelly | 57,160 | - | - | - | - | - | - | - | 57,160 |
| Z Yoshida | 214,500 | - | - | - | 20,353 | - | - | - | 234,853 |
| S Copplin | 107,302 | - | - | - | 9,499 | - | - | - | 116,801 |
| J Stephenson | 37,999 | - | - | - | 3,610 | - | - | - | 41,609 |
| Nicholas Simms | 32,700 | - | - | 32,000 | - | - | - | 22,851 | 87,551 |
| Franc Zvonar | 191,666 | - | - | - | 18,208 | - | - | - | 209,874 |
| | 641,327 | - | - | 32,000 | 51,670 | - | - | 22,851 | 747,848 |

| 2019 | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Key Management Personnel | Short-term benefits | | | | Post-employment benefits | Long-term benefits | Equity-settled share- based payments | | Total |
| | Salary, fees and leave (Accrued) | Profit share and bonuses | Non-monetary | Other | Super-annuation | Other | Equity | Options | |
| | $ | $ | $ | $ | $ | $ | $ | $ | $ |
| A Kelly | 35,000 | - | - | - | - | - | - | 12,838 | 47,838 |
| Z Yoshida | 211,077 | - | - | - | 13,244 | - | - | - | 224,321 |
| S Copplin | 152,666 | - | - | - | 11,083 | - | - | - | 163,749 |
| J Stephenson | 20,769 | - | - | 2,742 | - | - | - | - | 23,511 |
| | 419,512 | - | - | 2,742 | 24,327 | - | - | 12,838 | 459,419 |

- ***Dr Andrew Kelly:*** Mr Kelly was appointed as Non-Executive Chairman on 20 December 2018. Base remuneration is $60,000 per annum effective 20 December 2018. No termination payments are applicable.
- ***Zane Yoshida:*** Mr Yoshida was appointed as Managing Director on 20 December 2018. Prior to being appointed a director of the Company, Mr Yoshida was a consultant to SPE. Base remuneration is $239,000 plus superannuation, effective 20 December 2018 until further notice. No termination payments are applicable.
- ***Stephen Copplin:*** Mr Copplin was appointed as Executive Director on 20 December 2018. Prior to being appointed a director of the Company, Mr Copplin was a consultant to SPE. Base remuneration is $200,000 plus superannuation. Mr Copplin resigned on 26th November 2020. During the year, Mr Copplin was paid salary of $107,302.
- ***Jay Stephenson***: Mr Stephenson was appointed as Non-Executive Director on 1 February 2018. Base remuneration is $40,000 per annum effective 20 December 2018. Mr Stephenson was paid as a consultant by Cicero Corporate Services for which Cicero provide services to the Company including financial reporting, company secretarial, and other administrative functions. The Cicero Contract ended on 31 December 2019 and Mr Stephenson was then Contracted as Company Secretary through Forest House Pty Ltd.
  Mr Stephenson was paid $37,400 for Cicero and $ 16,035 for Forest House Pty Ltd. No termination payments are applicable.
- ***Nicholas Simms***: Mr Simms was appointed as Non-Executive Director on 10 September 2019. Base remuneration is $40,000 per annum effective 10 September 2019. Mr Simms received 750,000 options on 27 December 2019. During the year Mr Simms was paid $32,000 in consultancy fees. No termination payments are applicable.

## 18.4. Share-Based Compensation

### a. Director and Key Management Personnel Options

1,500,000 options were on issue as at 30 June 2019 to Directors or KMP (2019: 750,000).

### b. Share-based Payments

750,000 options were granted as remuneration during the year to Mr Nicholas Simms.

## 18. REMUNERATION REPORT (AUDITED) – CONTINUED

### 18.5. Key Management Personnel Equity Holdings

### 18.5.1. Fully Paid Ordinary Shares Of Fiji Kava Limited Held By Each KMP

| 30 June 2020 | Balance at start of year No. | Received during the year as compensation No. | Received during the year on the exercise of options No. | Other changes during the year No. | Balance at end of year No. |
|---|---|---|---|---|---|
| Dr Andrew Kelly | 113,246 | - | - | 688,030 | 801,276 |
| Zane Yoshida | 13,937,028 | - | - | 80,000 | 14,017,028 |
| Nicholas Simms | - | | | - | - |
| Stephen Copplin | 2,316,139 | - | - | (2,316,139)[1] | - |
| Jay Stephenson | - | - | - | - | - |
| | 16,366,413 | - | - | (1,548,109) | 14,818,304 |

1. Stephen Copplin resigned on 26 November 2019.

| 30 June 2020 | Balance at start of year No. | Received during the year as compensation No. | Received during the year on the exercise of options No. | Other changes during the year No. | Balance at end of year No. |
|---|---|---|---|---|---|
| Dr Andrew Kelly | - | - | - | 113,246 | 113,246 |
| Zane Yoshida | - | - | - | 13,937,028 | 13,937,028 |
| Stephen Copplin | - | - | - | 2,316,139 | 2,316,139 |
| Jay Stephenson | - | - | - | - | - |
| Ian Leete[1] | - | - | - | 3,952,500 | 3,952,500 |
| | - | - | - | 20,318,913 | 20,318,913 |

Note 1 - Ian Leete resigned on 20 December 2018.

## 18. REMUNERATION REPORT (AUDITED) – CONTINUED

### 18.5.2. Options of Fiji Kava Limited held by each KMP

Dr Andrew Kelly holds 750,000 options as at 30 June 2020 (2019: 750,000). The options to Dr Kelly were issued for nil consideration on 14 December 2018 at a total value of $12,838. The options expire on 19 December 2021 and have an exercise price of $0.25.

Nicholas Simms holds 750,000 options as at 30 June 2020 (2019: nil). The options to Mr Simms were issued for nil consideration on 27 December 2019 at a total value of $22,851. The options expire on 27 December 2022 and have an exercise price of $0.105.

### 18.6 Loans To Key Management Personnel

There are no loans made to directors of the Group as at 30 June 2020 (2019: nil).

### 18.7 Loans From Key Management Personnel

There are no loans from directors of the Group as at 30 June 2020 (2019: nil).

### 18.8. Other Transactions With Key Management Personnel

There have been no other transactions involving equity instruments other than those described in the tables above.

## END OF REMUNERATION REPORT

This Report of the Directors, incorporating the Remuneration Report, is signed in accordance with a resolution of directors made pursuant to s.298(2) of the Corporations Act 2001 (Cth).

**Dr Andrew Kelly**
**Chairman**

*Dated this Wednesday, 30 September 2020*

HALL CHADWICK

**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 audit partner of Fiji Kava Limited for the year ended 30 June 2020, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

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

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

Nikki Shen
Director

Dated 30 September 2020

PrimeGlobal
A Member of PrimeGlobal
An Association of Independent Accounting Firms

PERTH • SYDNEY • MELBOURNE • BRISBANE • ADELAIDE • DARWIN

Hall Chadwick Audit (WA) Pty Ltd ABN 42 163 529 682
Liability limited by a scheme approved under Professional Standards Legislation.
Hall Chadwick Association is a national group of independent Chartered Accountants and Business Advisory firms.

PO Box 1288 Subiaco WA 6904
283 Rokeby Rd Subiaco WA 6008
T: +61 8 9426 0666

hallchadwickwa.com.au

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME – AS AT 30 JUNE 2020

| | | 2020 $ | RESTATED 2019 $ |
|---|---|---|---|
| Sales Revenue | Note 4 | 766,496 | 182,537 |
| Cost of Sales | | (563,081) | (179,540) |
| Gross (Loss)/Profit | | 203,416 | 2,997 |
| Other Income | Note 5 | 102,387 | 26,403 |
| Consulting and Professional fees | | 391,130 | 385,380 |
| Audit and Accounting fees | | 115,932 | 53,448 |
| Director Fees and Remuneration | | 537,714 | 79,462 |
| Depreciation | | 165,583 | 45,868 |
| Marketing | | 745,716 | 219,857 |
| Insurance | | 91,197 | 56,959 |
| Research and Development | | 101,090 | 10,956 |
| Legal expenses | | 128,790 | 32,194 |
| Occupancy costs | | 10,346 | 46,842 |
| Employment costs | | 1,020,356 | 541,997 |
| Corporate transaction accounting expense | Note 2.3 | - | 3,037,320 |
| ASX Fees | | 23,188 | 7,907 |
| Other expenses | | 637,151 | 326,800 |
| Finance expenses | | 42,567 | 13,864 |
| Impairment of loss of plants | | 50,071 | - |
| Impairment of provision of receivables | | 11,378 | |
| Total Expenses | | 4,072,209 | 4,858,854 |
| Loss before income tax expense | | **(3,766,407)** | **(4,829,454)** |
| Income tax (benefit)/expense | Note 8 | - | - |
| **Loss after tax from continuing operations** | | **(3,766,407)** | **(4,829,454)** |
| Other comprehensive income/(expense) | | | |
| Foreign exchange translation differences | | 15,746 | 88,289 |
| **Total comprehensive loss for the year** | | (3,750,661) | (4,741,165) |
| **Earnings per share** | Note 10 | (4.33) | (12.92) |
| Basic and diluted loss per share (cents per share) | | (4.33) | (12.92) |

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 POSITIONS – AS AT 30 JUNE 2020

| | Note | 2020 $ | RESTATED 2019 $ |
|---|---|---|---|
| Current assets | | | |
| Cash and cash equivalents | 11 | 1,430,224 | 2,317,865 |
| Trade and other receivables | 12 | 120,324 | 157,134 |
| Prepayments | | 46,502 | - |
| Inventories | 13 | 397,598 | 259,898 |
| Total current assets | | **1,994,648** | **2,734,897** |
| **Non-current assets** | | | |
| Property, plant and equipment | 14 | 768,543 | 737,209 |
| Right of use assets | 15 | 174,595 | - |
| Intangible assets | 16 | 7,873 | 25,515 |
| Total Non-current assets | | 951,011 | 762,724 |
| Total assets | | 2,945,660 | 3,497,621 |
| **Current liabilities** | | | |
| Trade and other payables | 17 | 492,954 | 402,081 |
| Provisions | 18 | 32,581 | - |
| Deferred revenue | | 72,150 | 72,016 |
| Borrowings | 19 | 650,375 | - |
| Finance Liability | | 55,785 | - |
| Total current liabilities | | 1,303,844 | 474,097 |
| **Non-Current liabilities** | | | |
| Borrowings | 19 | 100,000 | - |
| Finance Liability | | 159,434 | - |
| Total non-current liabilities | | 259,343 | - |
| Total liabilities | | 1,563,187 | 474,097 |
| Net assets | | 1,382,473 | 3,023,524 |
| **Equity** | | | |
| Contributed equity | 9 | 12,196,188 | 10,109,429 |
| Reserves | 20 | 193,290 | 154,694 |
| Accumulated losses | | (11,007,006) | (7,240,599) |
| Total equity | | 1,382,473 | 3,023,524 |

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
# – AS AT 30 JUNE 2020

| 2020 | CONTRIBUTED EQUITY | ACCUMULATED LOSS | FOREIGN EXCHANGE RESERVE | OPTION RESERVE | BUSINESS COMBINATION RESERVE | TOTAL EQUITY |
|---|---|---|---|---|---|---|
| Balance at 1 July 2019 (RESTATED) | 10,109,429 | (7,240,599) | 77,677 | 12,838 | 64,179 | 3,023,524 |
| Shares issued during the year net of cost | 2,086,759 | - | - | | - | 2,086,759 |
| Option Issued | - | - | | 22,851 | - | 22,851 |
| Foreign exchange translation differences | - | - | 15,746 | | - | 15,746 |
| Total profit items recognised directly in other Comprehensive income for the period | | | | | | - |
| Loss for the period | - | (3,766,407) | - | | - | (3,766,407) |
| Total comprehensive income for the period | - | | | | - | |
| Balance as at 30 June 2020 | 12,196,188 | (11,007,006) | 93,423 | 35,689 | 64,179 | 1.382,473 |

| 2020 | CONTRIBUTED EQUITY | ACCUMULATED LOSS | FOREIGN EXCHANGE RESERVE | OPTION RESERVE | BUSINESS COMBINATION RESERVE | TOTAL EQUITY |
|---|---|---|---|---|---|---|
| Balance at 1 July 2018 | 1,982,180 | (2,411,145) - | 10,612 | | 64,179 | (375,398) |
| Shares issued during the period | 8,127,249 | - | - | | - | 8,127,249 |
| Option Issued | - | - | - | 12,838 | - | 12,838 |
| Foreign exchange translation differences | - | - | 88,289 | | - | 88,289 |
| Total profit items recognised directly in other Comprehensive income for the period | | | | | | - |
| Loss for the period (RESTATED) Refer to Note 3 | - | (4,829,454) | - | | - | (4,829,454 ) |
| Total comprehensive income for the period | - | | | | - | - |
| Balance as at 30 June 2019 | 10,109,429 | (7,240,599) | 77,677 | 12,838 | 64,179 | 3,023,524 |

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
# – AS AT 30 JUNE 2020



| | | 2020 $ | 2019 $ |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Cash receipts from customers | | 899,201 | 169,379 |
| Interest Received/Paid | | (42,567) | 26,403 |
| Payments to suppliers and employees | | (4,395,464) | (2,405,351) |
| **Net cash used by operating activities** | | (3,538,830) | (2,209,569) |
| **Cash flows from investing activities** | | | |
| Net cash acquired on acquisition of subsidiary net of cash consideration paid | | - | 4,881,809 |
| Plant and equipment purchases | | (135,570) | (366,400) |
| Acquisition of intangible assets | | - | - |
| **Net cash generated by investing activities** | | (135,570) | 4,515,409 |
| Cash flows from financing activities | | | |
| Share Issue | | 2,061,759 | |
| Other Borrowings | | 725,000 | - |
| **Net cash generated by financing activities** | | 2,786,759 | - |
| .**Net (decrease)/increase in cash and cash equivalents** | | (887,641) | 2,305,840 |
| 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** | Note 11 | 1,430,224 | 2,317,865 |

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – FOR THE YEAR ENDED 30 JUNE 2020

## 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 consolidated financial statements of Fiji Kava Limited (the "Company") and its controlled entities ("Fiji Kava" or the "Group") for the year ended 30 June 2020, represent a general purpose financial report prepared in accordance the Corporations Act 2001, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board. The financial report has also been prepared on the historical cost basis. The financial report complies with Australian Accounting Standards and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board and is presented in Australian dollars.

## 1.1. ADOPTION OF NEW AND REVISED STANDARDS

***Standards and Interpretations applicable to 30 June 2020***

The following standards and interpretations issued by AASB have been reviewed and applied by the directors for the year ended 30 June 2020. Those which have a material impact on the Group are set out below.

***AASB 16: Leases (applicable to annual reporting periods commencing on or after 1 January 2019).***

The Group has adopted AASB16 Leases 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

AASB16 related amounts recognise right-of-use assets relate to the following type of assets:

| | 2020 $ |
|---|---|
| Right of Use Assets | |
| Leased buildings | 262,050 |
| Less: accumulated depreciation for the year | (87,455) |
| Interest Received/Paid | **174,595** |

***Standards and Interpretations in issue not yet adopted***

The Directors have also reviewed all Standards and Interpretations in issue not yet adopted for the year ended 30 June 2020 and have determined that there is no material impact of the Standards and Interpretations in issue not yet adopted on the Group.

## 1.2. REVERSE ACQUISITION

Fiji Kava Limited is listed on the Australian Securities Exchange. The Company completed the legal acquisition of South Pacific Elixirs Pte Ltd and its controlled entities (SPE Group) on 20 December 2018.

SPE Group (the legal subsidiaries) was deemed to be the acquirer for accounting purposes as it has obtained control over the operations of the legal acquirer Fiji Kava Limited (accounting subsidiary). Accordingly, the consolidated financial statements of Fiji Kava Limited have been prepared as a continuation of the financial statements of SPE Group. SPE Group (as the deemed acquirer) has accounted for the acquisition of Fiji Kava Limited from 20 December 2018. The comparative information presented in the consolidated financial statements is that of SPE Group.

The impact of the reverse acquisition on each of the primary statements is as follows:

– The consolidated statement of profit or loss and other comprehensive income:

  For the full-year 2020 comprises twelve months of SPE Group.

  For the full-year 2019 comprises twelve months of SPE Group and six months and 11 days of Fiji Kava Limited;

– The consolidated statement of financial position:

  - as at 30 June 2020 represents both SPE Group and Fiji Kava Limited as at that date; and
  - as at 30 June 2019 represents both SPE Group and Fiji Kava Limited as at that date.

– The consolidated statement of changes in equity:

  - For the full-year ended 30 June 2020 comprises SPE Group; and
  - for the full-year ended 30 June 2019 comprises SPE Group's balance at 1 July 2018, its loss for the full-year and transactions with equity holders for 12 months. It also comprises Fiji Kava Limited transactions within equity for the 6 months and 11 days ended 30 June 2019 and the equity value of SPE Group and Fiji Kava Limited as at 30 June 2019. The number of shares on issue at the end of the full year represent those of Fiji Kava Limited only.

– The consolidation statement of cash flows:

  - For the full-year ended 30 June 2020 comprises SPE Group; and
  - for the full-year ended 30 June 2019 comprises:
  - the cash balance of SPE Group as at 1 July 2018; the cash transactions for the twelve months of SPE Group and the period from 20 December 2018 to 30 June 2019 of Fiji Kava Limited; and the cash balances of SPE Group and Fiji Kava Limited at 30 June 2019.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – FOR THE YEAR ENDED 30 JUNE 2020



## 1.3. 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. Probability of default is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions.

**Inventory Costing**

Inventories mainly consist of Kava products (capsules and powder) and are measured at standard cost. A standard cost system determines inventory unit cost based on certain reasonable historical or expected cost, which are base on management's industry experience and expertise. Costs are assigned to individual items of stock on the basis of the direct materials, direct labour and direct overhead. Adequate provision has been made for slow moving and obsolete inventories.

## 1.4. CONSOLIDATION

### Subsidiaries

Subsidiaries are entities controlled by the Company. The company controls an entity when the company is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Investments in subsidiaries are carried at their cost of acquisition less any impairment in the Company' s financial statements.

### Transactions eliminated on consolidation

Intra-group balances and any utilized gains and losses or income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

### Business combinations under common control (BCUCC)

BCUCCs are outside the scope of AASB 3 – Business Combinations when the same group of individuals has, as a result of contractual arrangements, ultimate collective power to govern the financial and operating policies of each of the combining entities so as to obtain benefits from their activities, and that ultimate collective power is not transitory. The Group accounts for BCUCC transactions as follows:

- The assets and liabilities of the acquire are recognised at their previous carrying amounts;
- No adjustments are made to reflect the fair values and no new assets and liabilities of the acquire are recognised at the date of the business combination;

## 1.4. CONSOLIDATION – CONTINUED

- No new goodwill is recognised; and
- Any difference between the acquired net assets and the consideration is recognised directly in equity in the Business combination reserve.

## 1.5. FOREIGN CURRENCY

### Foreign currency transactions

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the end of the month of the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to Australia dollars at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the Statement of Profit or Loss and Other Comprehensive Income. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to Australia dollars at foreign exchange rates ruling at the dates the fair value was determined.

### Financial Statements of foreign operations

The assets and liabilities of foreign operations are translated to Australia dollars at foreign exchange rates ruling at the reporting date. The revenues and expenses of foreign operations are translated to Australia dollars at rates approximating to the foreign exchange rates ruling at the dates of the transactions. Foreign exchange differences on translation are recognised as a separate component of equity.

### Net investment in foreign operations

Exchange differences arising from the translation of the net investment in foreign operations, and of related hedges are taken to translation reserve. They are recognised in the Statement of Profit or Loss and Other Comprehensive Income upon disposal.

## 1.6. PROPERTY, PLANT AND EQUIPMENT

Items of property, plant and equipment are stated at cost or deemed cost less accumulated depreciation (see below) and impairment losses. The cost of self-constructed assets includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads. Where parts of an item of plant and equipment have different useful lives, they are accounted for as separate items of plant and equipment.

### Depreciation

Depreciation is charged to the statement of profit or loss and other comprehensive income on a straight-line basis over the estimated useful lives of items of property, plant and equipment. The depreciation rates used for each class of asset are as follows:

| | |
|---|---|
| Buildings | 1.25% |
| Greenhouse | 1.25% |
| Plant and equipment | 10.0% |
| Motor vehicles | 12.0% |
| Furniture and fittings | 15.0% |

Assets are depreciated or amortised from the date of acquisition or, in respect of internally generated assets, from the time an asset is completed and held ready for use. Depreciation and amortisation rates and methods are reviewed annually for appropriateness. When changes are made, adjustments are reflected prospectively in current and future periods only.

## 1.7. INTANGIBLE ASSETS

Intangible assets that are acquired by the Group are stated at cost less accumulated amortisation (see below) and impairment losses. Expenditure on internally generated intangibles and brands is recognised in the Statement of Profit or Loss and Other Comprehensive income as an expense as incurred. Subsequent expenditure on capitalised intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred. Intangible assets are deemed to have an indefinite useful life are systematically tested for impairment at each reporting date.

Website costs are charged as expenses when they are incurred unless they relate to the acquisition or development of an asset when they may be capitalised or amortised. Generally, costs in relation to feasibility studies during the planning phase of a website, and ongoing costs of maintenance during the operating phase are expensed. Costs incurred in building or enhancing a website, to the extent that they represent probable future economic benefits that can be reliably measured, are capitalised.

The Group has capitalised a portion of directly attributable development costs of new products. The costs are capitalised only when technical feasibility of new product is demonstrated, and the Group has an intension and ability to complete and use the products and the costs can be measured reliably. Such costs include purchase of materials and services and payroll related costs of employees directly involved in the product development. Research costs are recognised as an expense when incurred.

## 1.8. OPERATING SEGMENTS

The Group has adopted AASB 8 Operating Segments whereby segment information is presented using a 'management approach', i.e. segment information is provided on the same basis as information used for internal reporting purposes by the Board of Directors.

At regular intervals, the board is provided with management information at a group level for the Group's cash position and a group cash forecast for the next twelve months of operation.

## 1.9. Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of nine (9) months or less, and bank overdrafts.

## 1.10. Inventories

Inventories consist mainly of kava products (capsules and powder) and are measured at the lower of cost and net realisable value. Costs are assigned to individual items of stock on the basis of the landed director cost, insurance, freight, and an allocation of overhead expenditure, the latter being allocated on the basis of labour incurred. Adequate provision has been made for slow moving and obsolete inventories.

## 1.11. Provisions

A provision is recognised in the Statement of Financial Position when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

## 1.12. Employee Benefits

Liabilities for wages and salaries, incentives and annual leave expected to be settled within 12 months of the reporting date are recognised in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the obligation is settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable.

## 1.12. Employee Benefits – Continued

Obligations for contributions to defined contribution pension plans are recognised as an expense in profit or loss when they are incurred.

## 1.13. Revenue

### Sale of Goods

Revenue is measured based on the consideration specified in a contract with a customer and excludes any amounts collected on behalf of third parties. The Group recognises revenue when it satisfies a performance obligation by transferring control over a product to a customer. Revenue from the sale of investment property is recognised at a point in time when control of the asset is transferred which is on delivery of the goods.

### Interest Revenue

Interest revenue is recognised as it accrues, taking into account the effective yield on the financial asset.

## 1.14. Borrowing Costs

Borrowing costs comprise interest payable on borrowings calculated using the effective interest method, interest receivable on funds invested, dividend income and foreign exchange gains and losses. Borrowing costs are expensed as incurred and included in financing costs.

## 1.15. Deferred Income

Grants received for specific purpose are recognised as revenue when the conditions attached to the grants have been met. Until those conditions are met, receipt of grant funds in advance is accounted for as deferred revenue and recognised as a liability.

## 1.16. Income Tax

Income tax on the Statement of Profit or Loss and Other Comprehensive Income for the period comprises current and deferred tax. Income tax is recognised in the Statement of Profit or Loss and Other Comprehensive Income except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous periods.

Deferred tax is provided using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Temporary differences arising from the initial recognition of goodwill, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future, are not provided for.

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the reporting date. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

## 1.17. Goods and Services Tax and Value Added Tax

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the local legislative taxation office. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense. The same treatment is applied to equivalent taxes in other jurisdictions including VAT. Receivables and payables are stated with the amount of GST/VAT included. The net amount of GST/VAT recoverable from, or payable to the local legislative taxation office is included as a current asset or liability in the Statement of Financial Position.

### 1.17. Goods and Services Tax and Value Added Tax – Comtinued

Cash flows are included in the statement of cash flows on a gross basis. The GST/VAT components of cash flows arising from investing and financing activities which are recoverable from, or payable to the local legislative taxation office are classified as operating cash flows.

### 1.18. Leases

At inception of a contract, the Group assesses if the contract contains or is a lease. If there is a lease present, a right-of-use asset and a corresponding lease liability is recognised by the Group where the Group is a lessee. However all contracts that are classified as short-term leases (lease with remaining lease term of 12 months or less) and leases of low value assets are recognised as an operating expense on a straight-line basis over the term of the lease.

Initially the lease liability is measured at the present value of the lease payments still to be paid at commencement date. The lease payments are discounted at the interest rate implicit in the lease. If this rate cannot be readily determined, the Group uses the incremental borrowing rate.

Lease payments included in the measurement of the lease liability are as follows:

- fixed lease payments less any lease incentives;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees
- the exercise price of purchase options, if the lessee is reasonably certain to exercise the options;
- lease payments under extension options if lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The right-of-use assets comprise the initial measurement of the corresponding lease liability as mentioned above, any lease payments made at or before the commencement date as well as any initial direct costs. The subsequent measurement of the right-of-use assets is at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated over the lease term or useful life of the underlying asset whichever is the shortest. Where a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group anticipates to exercise a purchase option, the specific asset is depreciated over the useful life of the underlying asset.

### 1.19. Financial Instruments

#### Financial Instruments – Assets

#### a. Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

## 1.19. FINANCIAL INSTRUMENTS – CONTINUED

### b. Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

### c. Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

### i. Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.
- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the statement of profit or loss.
- FVTPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVTPL. A gain or loss on a debt investment that is subsequently measured at FVTPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

### ii. Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVTPL are recognised in other gains/(losses) in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

### 1.19. Financial Instruments – CONTINUED

#### d. Impairment

The Group assesses on a forward-looking basis, the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by AASB 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

**Financial Instruments – Liabilities**

#### a. Classification

The Group classifies its financial liabilities in the following measurement categories:

- those to be measured subsequently at FVTPL, and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial liabilities and the contractual terms of the cash flows.

For financial liabilities measured at FVTPL, gains and losses, including any interest expenses will be recorded in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

For financial liabilities measured at amortised cost, The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

#### b. Recognition and derecognition

Regular way purchases of financial liabilities are recognised on trade-date, the date on which the Group commits to purchase the financial liability. Financial liabilities are derecognised when the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liabilities derecognised and the consideration paid and payable is recognised in profit or loss.

#### c. Measurement

At initial recognition, the Group measures financial liabilities at its fair value plus, in the case of financial liabilities not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to the acquisition of the financial liabilities. Transaction costs of financial liabilities carried at FVTPL are expensed in profit or loss.

### 1.20. Impairment of Non-Current Assets

The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU's) fair value less costs of disposal and its value in use. Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

### 1.20. Impairment of Non-Current Assets – Continued

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

Impairment losses of continuing operations, including impairment on inventories, are recognised in the statement of profit or loss in expense categories consistent with the function of the impaired asset, except for properties previously revalued with the revaluation taken to OCI. For such properties, the impairment is recognised in OCI up to the amount of any previous revaluation.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of profit or loss unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

### 1.21. Earnings Per Share

Basic earnings per share is calculated as net profit attributable to members of the parent, adjusted to exclude any costs of servicing equity (other than dividends), divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted earnings per share is calculated as net profit attributable to members of the parent, adjusted for:

- Costs of servicing equity (other than dividends);
- The after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- Other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares.

Divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

### 1.22. Contributed Equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options for the acquisition of a business are not included in the cost of the acquisition as part of the purchase consideration.

If the entity reacquires its own equity instruments, there is no gain or loss recognised in the Statement of Profit or Loss and Other Comprehensive Income, the instruments are cancelled and deducted from equity, and the consideration paid (net of income tax) is recognised directly in equity.

Transaction Costs

Transaction costs of an equity transaction are accounted for as a deduction from equity, net of any related income tax benefit.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – FOR THE YEAR ENDED 30 JUNE 2020

### 1.23. 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 year of $3,766,407 and a net operating cash outflow of $3,538,830. As of 30 June 2020, the Group is in net asset position of $1,382,473. During the year company raised $ 2,061,759 with the issue of 25,555,555 share at 0.09. On 3rd of September 2020, the company completed another capital raise of $ 4,588,517 with the issue of 25,491,766 shares at 18 cents per share.

## 2. BUSINESS COMBINATION

On 20 December 2018, Fiji Kava Limited acquired 100% of the ordinary share capital and voting rights of SPE Group as described in the prospectus announced by the Company.

Under AASB 3 Business Combinations (AASB 3) this is treated as a 'reverse acquisition', whereby the accounting acquirer is deemed to be SPE Group and Fiji Kava Limited is deemed to be the accounting acquiree. Refer to the effect upon the basis of preparation at note 1.2.

### 2.1 Acquisition Consideration

As consideration for the issued capital of SPE Group, Fiji Kava Limited issued 29,000,000 Ordinary shares to the shareholders of SPE Group at $0.20 per Share for a total consideration of $5,800,000. No cash was paid as part of the acquisition consideration.

### 2.2. Fair Value Of Consideration Transferred

Under the principles of AASB 3, the transaction between Fiji Kava Limited and SPE Group, is being treated as a reverse acquisition, as such, the assets and liabilities of the legal subsidiary (the accounting acquirer) is being SPE Group, are measured at their pre-combination carrying amounts. The assets and liabilities of the legal parent (accounting acquiree), being Fiji Kava Limited are measured at the fair value on the date of acquisition. The consideration in a reverse acquisition is deemed to have been incurred by the legal subsidiary (SPE Group) in the form of equity instruments issued to the shareholders of the legal parent entity (Fiji Kava Limited). The acquisition-date fair value of the consideration transferred has been determined by reference to the fair value of the number of shares the legal subsidiary (SPE Group) would have issued to the legal parent entity Fiji Kava Limited to obtain the same ownership interest in the combined entity.

## 2.3 Goodwill

Goodwill is calculated as the difference between the fair value of consideration transferred less the fair value of the identified net assets of the legal parent, being Fiji Kava Limited. Details of the transaction are as follows:

| | FAIR VALUE $ |
|---|---|
| Fair value of consideration transferred (net share based payments) | 7,527,485 |
| *Fair value of assets and liabilities held at acquisition date* | |
| Cash | 4,881,809 |
| Intangible Assets – Website | 15,748 |
| Trade and other receivables | 267,578 |
| Accruals | (23,351) |
| Trade and other payables | (650,299) |
| Borrowings | (1,320) |
| Fair value of identifiable assets and liabilities assumed | 4,490,165 |
| Goodwill (Corporate transaction accounting expense) | 3,037,320 |

The goodwill calculated above represents goodwill in Fiji Kava Limited, however this has not been recognised. Instead the deemed fair value of the interest in SPE Group issued to existing Fiji Kava shareholders to affect the combination was recognised as an expense in the income statement. This expense has been presented as a "Corporate transaction accounting expense" on the face of the consolidated statement of profit or loss and comprehensive income.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – FOR THE YEAR ENDED 30 JUNE 2020

## 3. PRIOR YEAR ADJUSTMENT

During the year ended 30 June 2020, management identified an error in its FY2019 inventories arising from variances between unit cost used in valuation of closing inventories as at 30 June 2019 and that entered in the accounting system. The impact of the restatement is noted below, which resulted in cost of sales to increase by $66,109 and inventories to reduce by $66,109.

| | CONSOLIDATED | | |
|---|---|---|---|
| EXTRACT | 2019<br>$ | <br>$ | 2019<br>$ |
| | AS REPORTED | PRIOR YEAR ADJUSTMENT | RESTATED |
| *Statement of profit or loss and other comprehensive income* | | | |
| Cost of Sales | 113,431 | 66,109 | 179,540 |
| Loss before income tax expense | (4,763,345) | (66,109) | (4,829,454) |
| Loss after tax and continuing operations | (4,763,345) | (66,109) | (4,829,454) |
| Total comprehensive loss for the year | (4,675,056) | (66,109) | (4,741,165) |
| Earnings per share | | | |
| Basic and diluted loss per share (cents per share) | (12.76) | | (12.92) |
| *Statement of financial position* | | | |
| Current assets - Inventories | 326,007 | (66,109) | 259,898 |
| Total assets | 3,563,731 | (66,109) | 3,497,621 |
| Net assets | 3,089,633 | (66,109) | 3,023,524 |
| Equity – Accumulated losses | (7,174,490) | (66,109) | (7,240,599) |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – FOR THE YEAR ENDED 30 JUNE 2020

## 4. REVENUE

| | 2020 $ | 2019 $ |
|---|---|---|
| Product sales | 751,490 | 172,228 |
| Freight income | 7,376 | 284 |
| Rental of office space | 7,630 | 3,500 |
| Grant Income | - | 6,525 |
| | **766,496** | **182,537** |

## 5. OTHER INCOME

| | 2020 $ | 2019 $ |
|---|---|---|
| Cash Flow Boost | 60,000 | - |
| Interest Income | 42,387 | 26,403 |
| | **102,387** | **26,403** |

## 6. LOSS BEFORE INCOME TAX

The following significant revenue and (expense) items are relevant in explaining the financial performance.

| | 2020 $ | 2019 $ |
|---|---|---|
| Superannuation expense | 109,164 | 45,247 |
| Loss on disposal of plant and equipment | - | (2,016) |
| Foreign exchange gain | 18,948 | 6,135 |

## 7. AUDITOR'S REMUNERATION

Remuneration of the auditor for the Group for:

| | 2020 $ | 2019 $ |
|---|---|---|
| Auditing or reviewing the financial reports | 60,000 | 53,448 |
| | 60,000 | 53,448 |

## 8. INCOME TAX

There are no current or deferred tax expenses during the year. The prima facie tax expense / (credit) on profit/ (loss) from ordinary activities before income tax is reconciled to income tax is:

| | 2020<br>$ | 2019<br>$ |
|---|---|---|
| Prima facie tax payable/ (benefit) on profit / (loss) before income tax at 27.5% (2019: 27.5%) | (1,035,762) | (1,328,100) |
| Tax effect of non-deductible expenses | 16,898 | 835,263 |
| International tax rate differences | 102,137 | 43,228 |
| Tax effect of unrecognized tax losses utilised | 916,727 | 449,609 |
| | - | - |

The Group has recognized a deferred tax asset of $nil (2019: $nil) on the basis that it is not 'probable' that the carried forward revenue loss will be  against future assessable taxable profits, as set out in the accounting policy of Note 1.16. The Group has estimated tax losses of about $4,200,000. (2019: $785,337). Utilisation of the carried forward tax losses by the Group is subject to satisfaction of the Continuity of Ownership Test ("COT") or, failing that, the Same Business Test ("SBT").

## 9. ISSUED CAPITAL

| | 2020 $ | 2019 $ |
|---|---|---|
| Fully paid ordinary shares | 95,600,234 | 69,720,000 |

| | 30 JUNE 2020 | | 30 JUNE 2019 | |
|---|---|---|---|---|
| | NO. | $ | NO. | $ |
| Balance at beginning of the reporting period | 69,720,000 | 10,109,429 | 1,480,088 | 1,982,180 |
| Shares issued during the year | | | 12,000 | 14,447 |
| Placement (net costs) | 25,555,559 | 2,061,759 | | |
| Conversion of Convertible Note | 324,675 | 25,000 | | |
| Balance before reverse acquisition | - | - | 1,492,088 | 1,996,627 |
| Elimination of existing legal acquiree shares | - | - | (1,492,088) | |
| Shares of legal acquirer at acquisition date | - | - | 13,220,000 | - |
| Shares issued by legal acquirer in August | - | - | 1,500,000 | - |
| Issue of prospectus shares | - | - | 26,000,000 | 4,555,475 |
| Issue of shares to SPE Shareholders | - | - | 29,000,000 | 3,557,327 |
| Balance at end of the reporting period | 95,600,234 | 12,196,188 | 69,720,000 | 10,109,429 |

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.

### Capital risk management

When managing capital, the Board's objective is to ensure the Group continues as a going concern as well as to maintain optimal returns to shareholders and benefits for other stakeholders.

In the short to medium term the Group is focussed on maintaining an appropriate level of working capital. Until achievement of profitable operations and positive cash flow, the Directors do not anticipate paying dividends.

The level of dividends paid by the Company in the future will depend upon the availability of distributable earnings, the Company's franking credit position, operating results, available cash flow, financial condition, taxation position, future capital requirements, as well as general business and financial conditions and any other factors the Directors may consider relevant.

The Group is not subject to any externally imposed capital requirements.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – FOR THE YEAR ENDED 30 JUNE 2020

## 10. EARNINGS PER SHARE

| | 2020<br>$ | (RESTATED)<br>2019<br>$ |
|---|---|---|
| Reconciliation of earnings to profit or loss | | |
| Loss for the year | (3,766,407) | (4,829,454) |
| Loss used in the calculation of basic and diluted EPS | (3,766,407) | (4,829,454) |
| Weighted average number of ordinary shares outstanding during the period used in the calculation of basic EPS | 86,907,135 | 37,381,839 |
| Loss per share | | |
| Basic and diluted loss per share (cents per share) | (4.33) | (12.92) |

## 11. 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:

| | 2020<br>$ | (RESTATED)<br>2019<br>$ |
|---|---|---|
| Cash at bank | 1,382,732 | 266,230 |
| Term deposits | 46,167 | 2,051,431 |
| Cash on hand | 1,325 | 204 |
| Cash and cash equivalent | 1,430,224 | 2,317,865 |

For personal use only

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – FOR THE YEAR ENDED 30 JUNE 2020

## RECONCILIATION OF LOSS FOR THE YEAR TO NET CASH FLOWS FROM OPERATING ACTIVITIES

| | 2020<br>$ | (RESTATED)<br>2019<br>$ |
|---|---|---|
| Loss for the year | (3,766,407) | (4,829,454) |
| Non-cash items in profit from ordinary activities | | |
| - Depreciation | 165,583 | 45,868 |
| - Corporate Transaction Costs | - | 3,037,320 |
| - Deferred revenue | - | 6,495 |
| - Impairments | 61,449 | - |
| - Write offs | - | - |
| Movements in working capital | | |
| - (Increase)/decrease in receivables and prepayments | (9,692) | (76,528) |
| - (Increase)/decrease in inventories | (137,700) | (253,403) |
| - Increase/(decrease) in trade and other payables | 115,356 | (241,366) |
| - Increase/(decrease) in provisions | 32,581 | 101,499 |
| Net cash used in operating activities | (3,538,830) | (2,209,569) |

## CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

| | 1 JULY 2019 | CASH FLOWS | INITIAL APPLICATION OF AASB 16 | ACCRUED INTEREST | FAIR VALUE CHANGES | FOREIGN EX MOVEMENTS | 30 JUNE 2020 |
|---|---|---|---|---|---|---|---|
| Short term borrowings | - | 625,000 | - | 25,375 | - | - | 650,375 |
| Long term borrowings | - | 100,000 | - | - | - | - | 100,000 |
| Lease Liabilities | - | - | 215,128 | - | - | - | 215,128 |
| Total | - | 725,000 | 215,128 | 25,375 | - | - | 965,503 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – FOR THE YEAR ENDED 30 JUNE 2020

## 12. TRADE AND OTHER RECEIVABLES

| | 2020<br>$ | 2019<br>$ |
|---|---|---|
| Current | | |
| Trade receivables | 81,837 | 26,285 |
| Provision for doubtful debt | (4,536) | - |
| Other Receivables | 5,254 | 130,849 |
| GST receivables | 37,769 | - |
| | 120,324 | 157,134 |

| | | |
|---|---|---|
| a) Ageing of trade receivables | | |
| 0 - 30 days | 47,721 | 26,285 |
| 31 - 60 days | 34,116 | - |
| | 81,837 | 26,285 |

The Group applies the simplified approach to providing for expected credit losses prescribed by AASB 9, which permits the use of the lifetime expected loss provision for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on the days past due. The loss allowance provision as at 30 June 2020 is determined based on the expected credit losses, incorporating forward-looking information.

### b) Fair value and credit risk

Due to the short term nature of these receivables, their carrying value is assumed to approximate their fair values.

The maximum exposure to credit risk is the fair value of receivables.

### c) Foreign exchange and interest rate risk

Foreign exchange and interest rate risk exposure are disclosed in note 23.

## 13. INVENTORIES

| | 2020<br>$ | (RESTATED)<br>2019<br>$ |
|---|---|---|
| Raw material | | |
| Finished goods | 91,252 | 47,009 |
| Crop on Ground | 299,637 | 212,889 |
| | 6,710 | - |
| | 397,598 | 259,898 |

## 14. PROPERTY, PLANT AND EQUIPMENT

| | 2020 $ | 2019 $ |
|---|---|---|
| **Buildings** | | |
| Cost | 78,689 | 60,953 |
| Cost - additions | 91,593 | 17,736 |
| Accumulated depreciation | (4,860) | (2,802) |
| Depreciation during the year | (1,785) | (2,058) |
| **Carrying amounts** | 163,637 | 73,829 |
| **Green House** | | |
| Cost | 284,377 | 284,377 |
| Disposal | (32,882) | - |
| Accumulated depreciation | (14,008) | (10,895) |
| Depreciation during the year | (3,158) | (3,113) |
| **Carrying amounts** | 234,328 | 270,369 |
| **Plant and Equipment** | | |
| Cost | 198,014 | 53,773 |
| Cost - additions | 43,976 | 144,241 |
| Accumulated depreciation | (20,131) | (10,230) |
| Depreciation during the year | (21,994) | (9,901) |
| **Carrying amounts** | 199,865 | 177,883 |
| **Motor vehicle** | | |
| Cost | 208,404 | 47,515 |
| Cost – additions | - | 160,889 |
| Accumulated depreciation | (41,713) | (29,208) |
| Depreciation during the year | (25,374) | (12,505) |
| **Carrying amounts** | 141,317 | 166,691 |
| **Lab and Nursery** | | |
| Cost | 31,657 | 31,657 |
| Disposal | (3,755) | - |
| Accumulated depreciation | - | - |
| Depreciation during the year | (4,957) | - |
| **Carrying amounts** | 22,945 | 31,657 |
| **Furniture and Fittings** | | |
| Cost | 19,305 | 7,428 |
| Additions | - | 11,877 |
| Disposal | (6,106) | - |
| Accumulated Depreciation | (2,521) | - |
| Depreciation during the year | (4,227) | (2,521) |
| Carrying amounts | 6,451 | 16,784 |
| **Totals** | | |
| Cost | 913,272 | 820,446 |
| Accumulated depreciation | (144,729) | (83,233) |
| **Carrying amounts** | **768,543** | **737,209** |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – FOR THE YEAR ENDED 30 JUNE 2020

## 15. RIGHT OF USE ASSETS AND INTANGIBLE ASSETS

The group's lease portfolio includes building and Kava plantation estate in Fiji. The option to extend or terminate are contained in property leases of the group. These clauses provide the group opportunities to manage leases to align with its strategies. The extension options or termination options which were probable to be exercised have been included in the calculation of the Right of use asset. As per AASB 16 related amounts recognised in the balance sheet as of 30th June 2020 is $174,595.

AASB 16 related amounts recognised in the balance sheet.

| | 2020<br>$ |
|---|---|
| Right of Use Assets | 174,595 |
| | **174,595** |

## 16. INTANGIBLE ASSETS

| | 2020<br>$ | 2019<br>$ |
|---|---|---|
| Intangible Assets | 7,873 | 41,285 |
| Amortisation Charge for the year | - | (15,770) |
| | **7,873** | **25,515** |

## 17. TRADE AND OTHER PAYABLES

| | 2020<br>$ | 2019<br>$ |
|---|---|---|
| **Current** | | |
| Trade payables | 320,198 | 6,882 |
| Other payables | 132,262 | 352,000 |
| Accrued expenses | 40,494 | 43,199 |
| | **492,954** | **402,081** |

### a) Fair values

Due to the short term nature of these payables, their carrying value is assumed to approximate their fair value.

### b) Interest rate, foreign exchange and liquidity risk

Information regarding interest rate, foreign exchange and liquidity risk exposure is disclosed in note 23.

## 18. PROVISIONS

| | 2020<br>$ | 2019<br>$ |
|---|---|---|
| Employee Annual Leave Provision | 32,581 | - |
| | - | - |
| | **32,581** | **-** |

## 19. BORROWINGS

| | 2020<br>$ | 2019<br>$ |
|---|---|---|
| Current | | |
| Convertible notes | 650,375 | - |
| Non-Current | | |
| Convertible notes | 100,000 | - |

During the year the Group issued convertible notes with a value of $725,000 (2019: $nil). As at 30 June 2020, interest accrued amounted to $25,375 (2019: $nil). The terms and conditions of the convertibles notes are:

- Maturity date: 18 months after subscription date
- Interest rate: 6% per annum
- Conversion rate: 15% discount to the 5 day VWAP prior to conversion with a maximum conversion price of $0.15.

## 20. RESERVES

**Option reserve**

The option reserve records items recognised as expenses on valuation of employee share options. During the year, 750,000 options were issued to Nicholas Simms at exercise price $0.105 with a 3 year expiry term. Management has valued these options using Black Scholes method which is valued at $0.0305 per option.

**Business combination reserve**

The business combination reserve recognises any difference between the acquired net assets and the consideration exchanged in a business combination under common control transaction, as described in note 1.2.

**Foreign exchange reserve**

The foreign exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations where their functional currency is different to the presentation currency of the reporting entity, as well as from the translation of liabilities that hedge the Company's net investment in a foreign subsidiary.

## 21. SEGMENT REPORTING

**Basis for operating segments**

The Group has the following two reportable segments namely South Pacific Elixirs Pte. Ltd and Fiji Kava Australia Trading Pty Ltd. These reportable segements are operate in two different geograpical areas. While SPE Fiji is the manufacturing arm of the business, Fiji Kava Trading Australia Pty Ltd undertakes marketing and selling of the products.

The following summary describes the operations of each reportable segment.

| REPORTING SEGMENTS | OPERATIONS |
|---|---|
| Fiji Kava (Australia) Trading Pty Ltd | Marketing and Selling of products |
| South Pacific Elixirs Pte. Ltd | Sourcing and manufacturing of kava powder |
| Others | Marketing and Selling of products |

The Group's chief executive officer reviews the internal management reports of each division on at least monthly. There are varying levels of integration between the reporting segments. This integration includes transfers of raw materials and shared distribution services, respectively. Inter-segment pricing is determined on an arm's length basis.

## 21. SEGMENT REPORTING – CONTINUED

**Information about reportable segments**

Information related to each reportable segment is set out below. Segment profit (loss) before tax is used to measure performance because management believes that this information is the most relevant in evaluating the results of the respective segments relative to other entities that operate in the same industries.

| 2020 | FIJI KAVA (AUSTRALIA) TRADING PTY LTD | SOUTH PACIFIC ELIXIRS PTE LTD | OTHER |
|---|---|---|---|
| External revenues | 327,055 | 346,819 | 92,622 |
| Inter-segment revenue | 4,806 | 281,516 | - |
| Segment Revenue | 331,861 | 628,336 | 92,622 |
| Segment profit (loss) before tax | (1,462,043) | (1,021,367) | (1,282,997) |
| Interest income | - | - | 42,387 |
| Interest expense | 647 | 6,205 | 35,715 |
| Depreciation and amortisation | 2,797 | 68,608 | 94,178 |
| Other material non-cash items: | | | |
| Impairment losses on non-financial assets | - | 50,071 | - |
| Segment assets | 226,187 | 1,055,537 | 1,663,936 |
| Segment liabilities | (246,724) | (192,791) | (1,123,672) |

| 2019 | FIJI KAVA (AUSTRALIA) TRADING PTY LTD | SOUTH PACIFIC ELIXIRS PTE LTD | OTHER |
|---|---|---|---|
| External revenues | 36,240 | 146,297 | - |
| Inter-segment revenue | - | - | - |
| Segment Revenue | 36,240 | 146,297 | - |
| Segment profit (loss) before tax | (681,589) | (334,883) | (3,842,382) |
| Interest income | - | - | - |
| Interest expense | - | 6,292 | 7,572 |
| Depreciation and amortisation | 2,521 | 43,341 | - |
| Other material non-cash items: | | | |
| Corporate transaction accounting expense | - | - | 3,037,320 |
| Segment assets | 482,100 | 1,136,697 | 1,878,824 |
| Segment liabilities | 92,645 | 229,969 | 151,484 |

## 22. RELATED PARTY TRANSACTIONS

Forest House Pty Ltd, a company related to Jay Stephenson, provided consulting services to the Group in relation to the creation of the Company's Prospectus. During the year, Forest House Pty Ltd was paid a fee of $16,039

Copplin Investments Pty Ltd, a company related to Stephen Copplin, provided consulting services to the Group in relation to accounting and management. During the year, Copplin Investments Pty Ltd was paid a fee of $ nil.

NCES Enterprises Pty Ltd, a company related to Nicholas Simms, provided consulting services to the Group in relation to sales and marketing. During the year, NCES Enterprises Pty Ltd was paid a fee of $32,000.

## KEY MANAGEMENT PERSONNEL (KMP)

The names and positions of KMP are as follows:

| | |
|---|---|
| Mr Andrew Kelly | Non-executive Chairman appointed 20 December 2018 |
| Mr Zane Yoshida | Managing Director appointed 20 December 2018 |
| Mr Nicholas Simms | Non-executive Director appointed 10 September 2019 |
| Mr Jack Lowenstein | Non-executive Director appointed 11 August 2020 |
| Mr Jay Stephenson | Non-executive Director resigned 11 August 2020 |
| Mr Stephen Copplin | Executive Director resigned 26 November 2019 |

## KEY MANAGEMENT COMPENSATION

The totals of remuneration paid or payable to KMP during the year are as follows:

| | 2020<br>$ | 2019<br>$ |
|---|---|---|
| Short term employee benefits | 747,848 | 459,419 |

Refer to the Remuneration Report contained in the Directors' Report for details of the remuneration paid to each member of the Group's KMP for the year ended 30 June 2020.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – FOR THE YEAR ENDED 30 JUNE 2020

## 23. FINANCIAL RISK MANAGEMENT

### 23.1 Financial Risk Management Policies

This note presents information about the Group's exposure to each of the above risks, its objectives, policies and procedures for measuring and managing risk, and the management of capital.

The Group's financial instruments consist mainly of deposits with banks, short-term investments, and accounts payable and receivable.

The Group does not speculate in the trading of derivative instruments.

A summary of the Group's Financial Assets and Liabilities is shown below:

| | FLOATING INTEREST RATE $ | FIXED INTEREST RATE $ | NON-INTEREST BEARING $ | 2020 TOTAL $ | FLOATING INTEREST RATE $ | FIXED INTEREST RATE $ | NON-INTEREST BEARING $ | 2019 TOTAL $ |
|---|---|---|---|---|---|---|---|---|
| Financial Assets | | | | | | | | |
| Cash and cash equivalents | 1,430,224 | - | - | 1,430,224 | 2,317,865 | - | - | 2,317,865 |
| Trade and other receivables | - | - | 120,324 | 120,324 | - | - | 157,134 | 157,134 |
| **Total Financial Assets** | 1,430,224 | - | 120,324 | 1,550,548 | 2,317,865 | - | 157,134 | 2,474,999 |
| Financial Liabilities | | | | | | | | |
| Financial liabilities at amortised cost | - | 750,375 | - | 750,375 | - | - | - | - |
| Trade and other payables | - | - | 492,954 | 492,954 | - | - | 402,081 | 402,081 |
| **Total Financial Liabilities** | - | 750,375 | 492,954 | 1,243,329 | - | - | 402,081 | 402,081 |
| **Net Financial Assets** | 1,430,224 | (750,375) | (372,630) | 307,219 | 2,317,865 | - | (244,947) | 2,072,918 |

## 23.2 Specific Financial Risk Exposures and Management

The main risk the Group is exposed to through its financial instruments are credit risk, liquidity risk and market risk consisting of interest rate, foreign currency risk and equity price risk.

The Board of directors has overall responsibility for the establishment and oversight of the risk management framework. The Board adopts practices designed to identify significant areas of business risk and to effectively manage those risks in accordance with the Group's risk profile. This includes assessing, monitoring and managing risks for the Group and setting appropriate risk limits and controls. The Group is not of a size nor is its affairs of such complexity to justify the establishment of a formal system for risk management and associated controls. Instead, the Board approves all expenditure, is intimately acquainted with all operations and discuss all relevant issues at the Board meetings. The operational and other compliance risk management have also been assessed and found to be operating efficiently and effectively.

### i. Credit Risk

Exposure to credit risk relating to financial assets arises from the potential non-performance by counterparties of contract obligations that could lead to a financial loss to the Group.

The Group does not have any material credit risk exposure to any single receivable or group of receivables under financial instruments entered into by the Group.

**Credit risk exposures**

The maximum exposure to credit risk is that to its alliance partners and that is limited to the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements.

Credit risk related to balances with banks and other financial institutions is managed by the Group in accordance with approved Board policy. Such policy requires that surplus funds are only invested with financial institutions residing in Australia, where-ever possible.

### Impairment losses

The Group has recognised $4,536 (2019: $nil) impairment expense in relation to trade receivables in the current year.

### ii. Liquidity Risk

Liquidity risk arises from the possibility that the Group might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities.

The Board of Directors constantly monitor the state of equity markets in conjunction with the Group's current and future funding requirements, with a view to initiating appropriate capital raisings as required. Any surplus funds are invested with major financial institutions.

The financial liabilities of the Group are confined to trade and other payables and borrowings as disclosed in the note 17 and 19 of the financial statements. All trade and other payables are non-interest bearing and due within 30 days of the reporting date.

## 23. FINANCIAL RISK MANAGEMENT – CONTINUED

### iii. Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

The Board meets on a regular basis and considers the Group's exposure currency and interest rate risk.

### (1) Interest Rate Risk

Exposure to interest rate risk arises on financial assets and financial liabilities recognised at the end of the reporting period whereby a future change in interest rates will affect future cash flows or the fair value of fixed rate financial instruments. The Group is also exposed to earnings volatility on floating rate instruments.

During the year Group issued convertibles notes at annual interest rate of 6% which has already converted to equity as disclosed in note 27 to the financial statements.

### (2) Foreign Exchange Risk

Exposure to foreign exchange risk may result in the fair value or future cash flows of a financial instrument fluctuating due to movement in foreign exchange rates of currencies in which the Group holds financial instruments which are other than the AUD functional currency of the Group. The Group transacts in Fijian Dollar, US Dollar and New Zealand Dollar as well as AUD but these are not considered to be significant in comparison to the AUD denominated transactions/ balances.

### (3) Interest Rates

The following table illustrates sensitivities to the Group's exposures to changes in interest rates. The table indicates the impact on how profit and equity values reported at balance sheet date would have been affected by changes in the relevant risk variable that management considers to be reasonably possible. These sensitivities assume that the movement in a particular variable is independent of other variables.

A change of 100 basis points in the interest rates at the reporting date would have increased / (decreased) equity and profit or loss by the amounts shown below. The analysis is performed on the same basis for 2019.

| | PROFIT<br>$ | EQUIT<br>$ |
|---|---|---|
| **Year ended 30 June 2020** | | |
| ±100 basis points change in interest rates | ± 23,178 | ± 23,178 |
| **Year ended 30 June 2019** | | |
| ±100 basis points change in interest rates | ± 3225 | ± 3225 |

### iv. Net Fair Values

### (1) Fair Value Estimation

The fair values of financial assets and financial liabilities are presented in the following table and can be compared to their carrying values as presented in the statement of financial position. Fair values are those amounts at which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Cash and cash equivalents, trade and other receivables, and trade and other payables are short-term investments in nature whose carrying value is equivalent to fair value.

The methods and assumptions used in determining the fair values of financial instruments are disclosed in the accounting policy notes specific to the asset or liability.

### v. vi. Financial Liability and Asset Maturity Analysis

| | WITHIN 1 YEAR | | OVER A YEAR | TOTAL | |
|---|---|---|---|---|---|
| | 2020 $ | 2019 $ | 2020 $ | 2020 $ | 2019 $ |
| Financial liabilities due for payment | | | | | |
| Trade and other payables | 492,954 | 402,081 | - | 492,954 | 402,081 |
| Borrowings | 650,375 | - | 100,000 | 750,375 | - |
| Total contractual outflows | 1,143,329 | 402,081 | 100,000 | 1,243,329 | 402,081 |
| Financial assets | | | | | |
| Cash and cash equivalents | 1,430,224 | 2,317,865 | - | 1,430,224 | 2,317,865 |
| Trade and other receivables | 120,324 | 157,134 | - | 120,324 | 157,134 |
| Total anticipated inflows | 1,550,548 | 2,474,999 | - | 1,550,548 | 2,474,999 |
| **Net (outflow)/inflow on financial instruments** | 407,219 | 2,072,918 | (100,000) | 307,219 | 2,072,918 |

## 24. PARENT ENTITY INFORMATION

| | 2020<br>$ | 2019<br>$ |
|---|---|---|
| **a) Financial Position of South Pacific Elixirs Pte Ltd** | | |
| Current Assets | 726,096 | 1,081,103 |
| Non-current assets | - | - |
| **Total Assets** | **726,096** | **1,081,103** |
| Current liabilities | - | 340,765 |
| Non-current liabilities | - | - |
| **Total Liabilities** | **-** | **340,765** |
| **Net Assets** | 726,096 | 740,338 |
| **Equity** | | |
| Contributed equity | 2,146,552 | 1,996,830 |
| Reserves | - | 64,986 |
| Accumulated losses | (1,420,454) | (1,321,478) |
| **Total Equity** | **726,096** | **740,338** |
| **b) Financial Performance of South Pacific Elixirs Pte Ltd** | | |
| Loss for the year | (5,779) | (120,302) |
| **Total Comprehensive Loss** | **(5,779)** | **(120,302)** |

**c) Guarantees entered into by South Pacific Elixirs Pte Ltd**

There are no guarantees entered into by South Pacific Elixirs Pte Ltd for the debts of its subsidiaries as at 30 June 2020 (2019: none)

**d) Contingent Liabilities of South Pacific Elixirs Pte Ltd**

There are no contingent liabilities as at 30 June 2020 (2019: none)

**e) Commitments of South Pacific Elixirs Pte Ltd**

There are no commitments as at 30 June 2020 (2019: none)

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – FOR THE YEAR ENDED 30 JUNE 2020



## 25. SUBSIDIARIES

The consolidated financial statements include the financial statements of Fiji Kava Limited (legal parent) and the subsidiaries listed in the following table.

| SUBSIDIARY NAME | COUNTRY OF INCORPORATION | % EQUITY INTEREST 2020 | % EQUITY INTEREST 2020 |
|---|---|---|---|
| Fiji Kava (Australia) Trading Pty Ltd | Australia | 100% | 100% |
| South Pacific Elixirs Pte Ltd | Singapore | 100% | 100% |
| Taki Mai Trading Pte Ltd | Singapore | 100% | 100% |
| Fiji Kava Inc | USA | 100% | 100% |
| Fiji Kava NZ Limited | New Zealand | 100% | - |
| South Pacific Elixirs Ltd | Fiji | 100% | 100% |

## 26. COMMITMENTS AND CONTINGENT LIABILITIES

### Commitments

The Group has office premises and factory leases payable. Leasing commitment details as follows:

| | 2020<br>$ | 2019<br>$ |
|---|---|---|
| **Within 1 year** | - | 91,605 |
| Later than 1 year but not more than 5 years | - | 108590 |
| More than 5 years | - | 117,221 |
| | - | **317,416** |

## 27. SUBSEQUENT EVENTS

During August 2020, the Company issued Shares on the Conversion of Convertible Notes. On 5 August 2020, the Company Issued 3,437,707 Shares, on 17 August 2020, the Company issued 2,929,128 Shares and on 20 August 2020, the Company issued 746,375 Shares.

On 11 August 2020, Mr Jack Lowenstein was appointed as a Non-Executive Director of the Company. Please refer to paragraph 11 Information on directors of this Directors' Report for a bio on Mr Lowenstein.

On 1 September 2020, the Company issued 14,907,406 Options exercisable at 12c on or before 28 February 2023. The Options were issued as options pursuant to a Prospectus lodged on 20 August 2020.

On 3 September 2020, the Company announced that it had completed a placement of 25,491,766 Shares at 18c per share to raise $4.58 million.

There are no other significant events to 30 June 2020.

# DIRECTORS' DECLARATION

The directors of the Company declare that:

1. The financial statements and notes, as set out on pages 21 to 55, are in accordance with the Corporations Act 2001 (Cth) and:

   (a) comply with Accounting Standards;

   (b) are in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board, as stated in note 1.1 to the financial statements; and

   (c) give a true and fair view of the financial position as at 30 June 2020 and of the performance for the year ended on that date of the Consolidated Group.

2. The Chief Executive Officer and Chief Finance Officer have each declared that:

   (a) the financial records of the Consolidated Group for the financial year have been properly maintained in accordance with s 286 of the Corporations Act 2001 (Cth);

   (b) the financial statements and notes for the financial year comply with the Accounting Standards; and

   (c) the financial statements and notes for the financial year give a true and fair view.

In the directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the directors by:

**Dr Andrew Kelly**
Chairman

*Dated this Wednesday, 30 September 2020*

# INDEPENDENT AUDITOR'S REPORT

HALL CHADWICK

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

### Report on the Financial Report

### Opinion

We have audited the accompanying financial report of Fiji Kava Limited (the company) and its controlled entities (Group), which comprises the consolidated statement of financial position as at 30 June 2020, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

In our opinion, the accompanying financial report of Fiji Kava Limited is in accordance with the Corporations Act 2001, including:

i) Giving a true and fair view of the Group's financial position as at 30 June 2020 and of its performance for the year ended on that date; and

ii) Complying with Australian Accounting Standards and the Corporations Regulations 2001.

### Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement. Our responsibilities under those standards are further described in the Auditor's Responsibility section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Independence

We are independent of the Group in accordance with the Corporations Act 2001 and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (the code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

PrimeGlobal
A Member of PrimeGlobal
An Association of Independent
Accounting Firms

PERTH • SYDNEY • MELBOURNE • BRISBANE • ADELAIDE • DARWIN
Hall Chadwick Audit (WA) Pty Ltd ABN 42 163 529 682
Liability limited by a scheme approved under Professional Standards Legislation.
Hall Chadwick Association is a national group of independent Chartered Accountants and Business Advisory firms.
hallchadwickwa.com.au

PO Box 1288 Subiaco WA 6904
283 Rokeby Rd Subiaco WA 6008
T: +61 8 9426 0666

HALL CHADWICK

We have fulfilled the responsibilities described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial report. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial report.

**1. Inventory costing**

| Why significant | How our audit addressed the key audit matter |
|---|---|
| Fiji Kava Limited has inventories at carrying value of $397,598 at 30 June 2020 as disclosed in Note 13. Inventories comprised primarily of finished goods which consist of products measured using standard costing that requires management judgement as disclosed in Note 1.3.<br><br>Management allocates various attributable costs to individual stock items and calculates the inventory unit cost base on certain historical or expected cost, in consideration of industry experience and expertise.<br><br>We considered this to be a key audit matter due to the significance in balance and that it required management to make significant judgements, estimates and assumptions. | Our procedures included but were not limited to:<br>• Assessing the Group's accounting policies on inventory costing and valuation;<br>• Testing the costing method and calculations of certain stock items;<br>• Evaluating the estimates and assumptions adopted in the standard costing model;<br>• Assessing the reasonableness of variable and fixed costs allocation based on normal capacity of production;<br>• Assessing the appropriateness of the disclosures included in the relevant notes to the financial report. |

**2. Measurement of expected credit losses on trade receivables**

| Why significant | How our audit addressed the key audit matter |
|---|---|
| Fiji Kava Limited has gross trade receivables of $81,837 at 30 June 2020 as disclosed in Note 12. The valuation of trade receivables requires management judgement due to the credit risks associated with each individual trade receivables as disclosed in Note 1.3.<br><br>Management assesses the recoverability of trade receivables by reviewing customers' aging profile, credit history and status of subsequent settlement, and determines whether an impairment provision is required.<br><br>We considered this to be a key audit matter due to the determination of Expected Credit Loss (ECL) being highly subjective and required management to make significant judgements and assumptions. | Our procedures included but were not limited to:<br>• Assessing the cash flow analysis prepared by management used as a basis of valuation of trade receivables;<br>• Evaluating whether the impairment test was performed by management in accordance with the applicable accounting standard;<br>• Assessing the debt aging profile, historical receipt pattern and subsequent receipts;<br>• Assessing the appropriateness of the disclosures included in the relevant notes to the financial report. |

## Other Information

Other information is financial and non-financial information in the annual report of the Group which is provided in addition to the Financial Report and the Auditor's Report. The directors are responsible for Other Information in the annual report. The Other Information we obtained prior to the date of this Auditor's Report was the Director's report. The remaining Other Information is expected to be made available to us after the date of the Auditor's Report.

HALL CHADWICK

Our opinion on the Financial Report does not cover the Other Information and, accordingly, the auditor does not and will not express an audit opinion or any form of assurance conclusion thereon, with the exception of the Remuneration Report. In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we consider whether the Other Information is materially inconsistent with the Financial Report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We are required to report if we conclude that there is a material misstatement of this Other Information in the Financial Report and based on the work we have performed on the Other Information that we obtained prior the date of this Auditor's Report we have nothing to report.

## Directors' Responsibilities for the Financial Report

The Directors of the company are responsible for the preparation of the 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 financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 1, the Directors also state, in accordance with Australian Accounting Standard AASB 101 Presentation of Financial Statements, that the financial report complies with International Financial Reporting Standards.

In preparing the financial report, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using a going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

## Auditor's Responsibilities for the Audit of the Financial Report

Our responsibility is to express an opinion on the financial report based on our audit. Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individual or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report. As part of an audit in accordance with Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report.

The procedures selected depend on the auditor's judgement, including assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial report.

We conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's

HALL CHADWICK

report. However, future events or conditions may cause the Group to cease to continue as a going concern.

We evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation. We obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

The Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements. We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## Report on the Remuneration Report

### Opinion

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2020.

In our opinion, the Remuneration Report of Fiji Kava Limited for the year ended 30 June 2020, complies with section 300A of the Corporations Act 2001.

### Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Hall Chadwick

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

Nikki Shen
Director
Dated 30 September 2020

## CORPORATE GOVERNANCE STATEMENT

This Corporate Governance summary discloses the extent to which the Company will follow the recommendations set by the ASX Corporate Governance Council in its publication 'Corporate Governance Principles and Recommendations (3rd Edition)' (Recommendations). The Recommendations are not mandatory, however, the Recommendations that will not be followed have been identified and reasons have been provided for not following them.

The Company's Corporate Governance Plan has been posted on the Company's website at www.fijikava.com.

| PRINCIPLES AND RECOMMENDATIONS | COMPLY | EXPLANATION |
|---|---|---|
| **PRINCIPLE 1: LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT** | | |
| **Recommendation 1.1**<br>A listed entity should have and disclose a charter which:<br>(a) sets out the respective roles and responsibilities of the board, the chair and management; and<br>(b) includes a description of those matters expressly reserved to the board and those delegated to management. | Complying | The Company has adopted a Board Charter.<br>The Board Charter sets out the specific responsibilities of the Board, requirements as to the Boards composition, the roles and responsibilities of the Chairman and Company Secretary, the establishment, operation and management of Board Committees, Directors access to company records and information, details of the Board's relationship with management, details of the Board's performance review and details of the Board's disclosure policy.<br>A copy of the Company's Board Charter is stated in Schedule 1 of the Corporate Governance Plan which is available on the Company's website. |
| **Recommendation 1.2**<br>A listed entity should:<br>(a) undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a director; and<br>(b) provide security holders with all material information relevant to a decision on whether or not to elect or re-elect a director. | Complying | (a) The Company has detailed guidelines for the appointment and selection of the Board. The Company's Corporate Governance Plan requires the Board to undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a director.<br>(b) Material information relevant to any decision on whether or not to elect or re-elect a Director will be provided to security holders in the notice of meeting holding the resolution to elect or re-elect the Director. |
| **Recommendation 1.3**<br>A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment. | Complying | The Company's Corporate Governance Plan requires the Board to ensure that each Director and senior executive is a party to a written agreement with the Company which sets out the terms of that Director's or senior executive's appointment. |

## CORPORATE GOVERNANCE STATEMENT – CONTINUED

| PRINCIPLES AND RECOMMENDATIONS | COMPLY | EXPLANATION |
|---|---|---|
| **PRINCIPLE 1: LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT** | | |
| **Recommendation 1.4**<br>The company secretary of a listed entity should be accountable directly to the board, through the chair, on all matters to do with the proper functioning of the board. | Complying | The Board Charter outlines the roles, responsibility and accountability of the Company Secretary. The Company Secretary is accountable directly to the Board, through the chair, on all matters to do with the proper functioning of the Board. |
| **Recommendation 1.5**<br>A listed entity should:<br>(a) have a diversity policy which includes requirements for the board:<br>(i) to set measurable objectives for achieving gender diversity; and<br>(ii) to assess annually both the objectives and the entity's progress in achieving them;<br>(b) disclose that policy or a summary or it; and<br>(c) disclose as at the end of each reporting period:<br>(i) the measurable objectives for achieving gender diversity set by the board in accordance with the entity's diversity policy and its progress towards achieving them; and<br>(ii) either:<br>(A) the respective proportions of men and women on the board, in senior executive positions and across the whole organisation (including how the entity has defined "senior executive" for these purposes); or<br>(B) the entity's "Gender Equality Indicators", as defined in the Workplace Gender Equality Act 2012. | Complying | (a) The Company has adopted a Diversity Policy.<br>(i) The Diversity Policy provides a framework for the Company to achieve a list of 6 measurable objectives that encompass gender equality.<br>(ii) The Diversity Policy provides for the monitoring and evaluation of the scope and currency of the Diversity Policy. The company is responsible for implementing, monitoring and reporting on the measurable objectives.<br>(b) The Diversity Policy is stated in Schedule 10 of the Corporate Governance Plan which is available on the company website.<br>(c)<br>(i) The measurable objectives set by the Board will be included in the annual key performance indicators for the CEO, MD and senior executives. In addition the Board will review progress against the objectives in its annual performance assessment.<br>(ii) As at 30 June 2020, the Financial Controller was female.<br>The Board will review this position on an annual basis and will implement measurable objectives as and when they deem the Company to require them. |

## CORPORATE GOVERNANCE STATEMENT – CONTINUED

| PRINCIPLES AND RECOMMENDATIONS | COMPLY | EXPLANATION |
|---|---|---|
| PRINCIPLE 1: LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT | | |
| **Recommendation 1.6**<br>A listed entity should:<br>(a) have and disclose a process for periodically evaluating the performance of the board, its committees and individual directors; and<br>(b) disclose in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process. | Complying | (a) The Board is responsible for evaluating the performance of the Board and individual directors on an annual basis. It may do so with the aid of an independent advisor. The process for this can be found in Schedule 6 of the Company's Corporate Governance Plan.<br>(b) The Company's Corporate Governance Plan requires the Board to disclosure whether or not performance evaluations were conducted during the relevant reporting period.<br>Due to the size of the Board and the nature of the business, it has not been deemed necessary to institute a formal documented performance review program of individuals. However, the Chairman intends to conduct formal reviews each financial year whereby the performance of the Board as a whole and the individual contributions of each director are disclosed. The Board considers that at this stage of the Company's development an informal process is appropriate.<br>The review will assist to indicate if the Board's performance is appropriate and efficient with respect to the Board Charter.<br>The Board regularly reviews its skill base and whether it remains appropriate for the Company's operational, legal and financial requirements. New Directors are obliged to participate in the Company's induction process, which provides a comprehensive understanding of the Company, its objectives and the market in which the Company operates.<br>Directors are encourages to avail themselves of resources required to fulfil the performance of their duties. |

## CORPORATE GOVERNANCE STATEMENT – CONTINUED

| PRINCIPLES AND RECOMMENDATIONS | COMPLY | EXPLANATION |
|---|---|---|
| **PRINCIPLE 1: LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT** | | |
| **Recommendation 1.7**<br>A listed entity should:<br>(a) have and disclose a process for periodically evaluating the performance of its senior executives; and<br>(b) disclose in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process. | Complying | (a) The Board is responsible for evaluating the performance of senior executives. The Board is to arrange an annual performance evaluation of the senior executives.<br>(b) The Company's Corporate Governance Plan requires the Board to conduct annual performance of the senior executives. Schedule 6 'Performance Evaluation' requires the Board to disclose whether or not performance evaluations were conducted during the relevant reporting period.<br>During the financial year an evaluation of performance of the individuals was not formally carried out. However, a general review of the individuals occurs on an on-going basis to ensure that structures suitable to the Company's status as a listed entity are in place. |

## CORPORATE GOVERNANCE STATEMENT – CONTINUED

| PRINCIPLES AND RECOMMENDATIONS | COMPLY | EXPLANATION |
|---|---|---|
| **PRINCIPLE 2: STRUCTURE THE BOARD TO ADD VALUE** | | |
| **Recommendation 2.1**<br>The board of a listed entity should:<br>(a) have a nomination committee which:<br>(i) has at least three members, a majority of whom are independent directors; and<br>(ii) is chaired by an independent director, and disclose:<br>(iii) the charter of the committee;<br>(iv) the members of the committee; and<br>(v) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or<br>(b) if it does not have a nomination committee, disclose that fact and the processes it employs to address board succession issues and to ensure that the board has the appropriate balance of skills, experience, independence and knowledge of the entity to enable it to discharge its duties and responsibilities effectively. | Part Complying | (b) Due to the size and nature of the existing Board and the magnitude of the Company's operations the Company currently has no Nomination Committee. Pursuant to clause 4(h) of the Company's Board Charter, the full Board carries out the duties that would ordinarily be assigned to the Nomination Committee under the written terms of reference for that committee.<br>The duties of the Nomination Committee are outlined in Schedule 5 of the Company's Corporate Governance Plan available online on the Company's website.<br>The Board devotes time at board meetings to discuss board succession issues. All members of the Board are involved in the Company's nomination process, to the maximum extent permitted under the Corporations Act and ASX Listing Rules.<br>The Board regularly updates the Company's board skills matrix (in accordance with recommendation 2.2) to assess the appropriate balance of skills, experience, independence and knowledge of the entity. |

## CORPORATE GOVERNANCE STATEMENT – CONTINUED

| PRINCIPLES AND RECOMMENDATIONS | COMPLY | EXPLANATION |
|---|---|---|
| **PRINCIPLE 2: STRUCTURE THE BOARD TO ADD VALUE** | | |
| **Recommendation 2.2**<br>A listed entity should have and disclose a board skill matrix setting out the mix of skills and diversity that the board currently has or is looking to achieve in its membership. | Complying | See Board Skills Matrix below |

| Board Skills Matrix | Number of Directors that Meet the Skill |
|---|---|
| Executive & Non - Executive experience | 4 |
| Industry experience & knowledge | 4 |
| Leadership | 4 |
| Corporate governance & risk management | 4 |
| Strategic thinking | 4 |
| Desired behavioural competencies | 4 |
| Geographic experience | 4 |
| Capital Markets experience | 4 |
| *Subject matter expertise:* | |
| - accounting | 1 |
| - capital management | 2 |
| - corporate financing | 2 |
| - industry taxation | 1 |
| - risk management | 4 |
| - legal[1] | 0 |
| - IT expertise[2] | 0 |

(1) Skill gap noticed however an external legal firm is employed to maintain legal requirements.

(2) Skill gap noticed however an external IT firm is employed on an adhoc basis to maintain IT requirements.

## CORPORATE GOVERNANCE STATEMENT – CONTINUED

| PRINCIPLES AND RECOMMENDATIONS | COMPLY | EXPLANATION |
|---|---|---|
| **PRINCIPLE 2: STRUCTURE THE BOARD TO ADD VALUE** | | |
| **Recommendation 2.3**<br>**A listed entity should disclose:**<br>(a) the names of the directors considered by the board to be independent directors;<br>(b) if a director has an interest, position, association or relationship of the type described in Box 2.3 of the ASX Corporate Governance Principles and Recommendation (3rd Edition), but the board is of the opinion that it does not compromise the independence of the director, the nature of the interest, position, association or relationship in question and an explanation of why the board is of that opinion; and<br>(c) the length of service of each director | Complying | (a) The Board Charter provides for the disclosure of the names of Directors considered by the Board to be independent. These details are provided in the Annual Reports and Company website.<br>(b) The Board Charter requires Directors to disclose their interest, positions, associations and relationships and requires that the independence of Directors is regularly assessed by the Board in light of the interests disclosed by Directors. Details of the Directors interests, positions associations and relationships are provided in the Annual Reports and Company website.<br>(c) The Board Charter provides for the determination of the Directors' terms and requires the length of service of each Director to be disclosed. The length of service of each Director is provided in the Annual Reports and Company website. |
| **Recommendation 2.4**<br>A majority of the board of a listed entity should be independent directors. | Complying | The Board Charter requires that where practical the majority of the Board will be independent. Dr Andrew Kelly, Nicholas Simms and Jack Lowenstein Independent Directors.<br>Details of each Director's independence are provided in the Annual Reports and Company website. |
| **Recommendation 2.5**<br>The chair of the board of a listed entity should be an independent director and, in particular, should not be the same person as the CEO of the entity. | Complying | The Board Charter provides that where practical, the Chairman of the Board will be an independent Chairman. If the Chairman ceases to be independent then the Board will consider appointing a lead independent Director. |
| **Recommendation 2.6**<br>A listed entity should have a program for inducting new directors and providing appropriate professional development opportunities for continuing directors to develop and maintain the skills and knowledge needed to perform their role as a director effectively. | Complying | The Board Charter states that a specific responsibility of the Board is to procure appropriate professional development opportunities for Directors. The Board is responsible for the approval and review of induction and continuing professional development programs and procedures for Directors to ensure that they can effectively discharge their responsibilities. |

## CORPORATE GOVERNANCE STATEMENT – CONTINUED

| PRINCIPLES AND RECOMMENDATIONS | COMPLY | EXPLANATION |
|---|---|---|
| **PRINCIPLE 3: ACT ETHICALLY AND RESPONSIBLY** | | |
| **Recommendation 3.1**<br><br>A listed entity should articulate and disclose its values | Complying | The Company values are articulated and disclosed on the Company's website. |
| **Recommendation 3.2**<br><br>A listed entity should:<br><br>(a) have and disclose a code of conduct for its directors, senior executives and employees; and<br><br>(b) ensure that the board or a committee of the board is informed of any material breaches of that code by a director or senior executive; and<br><br>(c) any other material breaches of that code that call into question the culture of the organisation. | Complying | The Corporate Code of Conduct applies to the Company's directors, senior executives and employees.<br><br>The Company's Corporate Code of Conduct is in the Corporate Governance Plan. which is summarised on the Company's website. |
| **Recommendation 3.3**<br><br>**A listed entity should:**<br><br>(a) have and disclose a whistleblower policy; and<br><br>(b) ensure that the board or a committee of the board is informed of any material incidents reported under that policy. | Complying | The Company has a whistleblowing policy which is outlined in the Company Corporate Governance Plan. The board is informed of any material incidents reported under the policy. |
| **A listed entity should:**<br><br>(a) have and disclose an anti-bribery policy; and<br><br>(b) ensure that the board or a committee of the board is informed of any material incidents reported under that policy. | Complying | The Company has an anti-corruption policy which is outlined in the Company Corporate Governance Plan. The board is informed of any material incidents reported under the policy. |

## CORPORATE GOVERNANCE STATEMENT – CONTINUED

| PRINCIPLES AND RECOMMENDATIONS | COMPLY | EXPLANATION |
| --- | --- | --- |
| **PRINCIPLE 4: SAFEGUARD INTEGRITY IN FINANCIAL REPORTING** | | |
| **Recommendation 4.1**<br><br>**The board of a listed entity should:**<br><br>(a) have an audit committee which:<br><br>(i) has at least three members, all of whom are non-executive directors and a majority of whom are independent directors; and<br><br>(ii) is chaired by an independent director, who is not the chair of the board,<br>and disclose:<br><br>(iii) the charter of the committee;<br><br>(iv) the relevant qualifications and experience of the members of the committee; and<br><br>(v) in relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or<br><br>(b) if it does not have an audit committee, disclose that fact and the processes it employs that independently verify and safeguard the integrity of its financial reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner. | Part Complying | (b) Due to the size and nature of the existing Board and the magnitude of the Company's operations the Company currently has no Audit and Risk Committee. Pursuant to Clause 4(h) of the Company's Board Charter, the full Board carries out the duties that would ordinarily be assigned to the Audit and Risk Committee under the written terms of reference for that committee.<br><br>The role and responsibilities of the Audit and Risk Committee are outlined in Schedule 3 of the Company's Corporate Governance Plan available online on the Company's website.<br><br>The Board devote time at annual board meetings to fulfilling the roles and responsibilities associated with maintaining the Company's internal audit function and arrangements with external auditors. All members of the Board are involved in the Company's audit function to ensure the proper maintenance of the entity and the integrity of all financial reporting. |

## CORPORATE GOVERNANCE STATEMENT – CONTINUED

| PRINCIPLES AND RECOMMENDATIONS | COMPLY | EXPLANATION |
|---|---|---|
| **PRINCIPLE 4: SAFEGUARD INTEGRITY IN FINANCIAL REPORTING** | | |
| **Recommendation 4.2**<br><br>The board of a listed entity should, before it approves the entity's financial statements for a financial period, receive from its CEO and CFO a declaration that the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively. | Complying | The Company's Corporate Governance Plan states that a duty and responsibility of the Board is to ensure that before approving the entity's financial statements for a financial period, the CEO and CFO have declared that in their opinion the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively. |
| **Recommendation 4.3**<br><br>A listed entity that has an AGM should ensure that its external auditor attends its AGM and is available to answer questions from security holders relevant to the audit. | Complying | The Company's Corporate Governance Plan provides that the Board must ensure the Company's external auditor attends its AGM and is available to answer questions from security holders relevant to the audit. |
| **PRINCIPLE 5: MAKE TIMELY AND BALANCED DISCLOSURE** | | |
| **Recommendation 5.1**<br><br>A listed entity should have and disclose a written policy for complying with its continuous disclosure obligations under Listing Rule 3.1. | Complying | The Board Charter provides details of the Company's disclosure policy. In addition, Schedule 7 of the Corporate Governance Plan is entitled 'Disclosure – Continuous Disclosure' and details the Company's disclosure requirements as required by the ASX Listing Rules and other relevant legislation. The Summary of the Corporate Governance Plan are available on the Company website. |
| **Recommendation 5.2**<br><br>A listed entity should ensure that its board receives copies of all material market announcements promptly after they have been made. | Complying | Each member of the board receives copies of all material market announcements promptly after they have been made. |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – FOR THE YEAR ENDED 30 JUNE 2020

## CORPORATE GOVERNANCE STATEMENT – CONTINUED

| PRINCIPLES AND RECOMMENDATIONS | COMPLY | EXPLANATION |
|---|---|---|
| **PRINCIPLE 5: MAKE TIMELY AND BALANCED DISCLOSURE** | | |
| **Recommendation 5.3**<br><br>A listed entity that gives a new and substantive investor or analyst presentation should release a copy of the presentation materials on the ASX Market Announcements Platform ahead of the presentation. | Complying | All substantive investor or analyst presentations are released on the ASX Market Announcement Platform ahead of the presentation. |
| **PRINCIPLE 6: RESPECT THE RIGHTS OF SECURITY HOLDERS** | | |
| **Recommendation 6.1**<br><br>A listed entity should provide information about itself and its governance to investors via its website. | Complying | Information about the Company and its governance is available in the Corporate Governance Plan which can be found on the Company's website.<br><br>Information about the Company and its governance is available in the Corporate Governance Plan which can be found on the Company website. |
| **Recommendation 6.2**<br><br>A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors. | Complying | The Company has adopted a Shareholder Communications Strategy which aims to promote and facilitate effective two-way communication with investors. The Shareholder Communications Strategy outlines a range of ways in which information is communicated to shareholders.<br><br>The Shareholder Communications Strategy can be found in Schedule 10 of the Board Charter which is available on the Company website. |

## CORPORATE GOVERNANCE STATEMENT – CONTINUED

| PRINCIPLES AND RECOMMENDATIONS | COMPLY | EXPLANATION |
|---|---|---|
| **PRINCIPLE 6: RESPECT THE RIGHTS OF SECURITY HOLDERS** | | |
| **Recommendation 6.3**<br><br>A listed entity should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders. | Complying | The Shareholder Communications Strategy states that as a part of the Company's developing investor relations program, Shareholders can register with the Company Secretary to receive email notifications of when an announcement is made by the Company to the ASX, including the release of the Annual Report, half yearly reports and quarterly reports. Links are made available to the Company's website on which all information provided to the ASX is immediately posted.<br><br>Shareholders are encouraged to participate at all EGMs and AGMs of the Company. Upon the despatch of any notice of meeting to Shareholders, the Company Secretary shall send out material with that notice of meeting stating that all Shareholders are encouraged to participate at the meeting. |
| **Recommendation 6.4**<br><br>A listed entity should ensure that all substantive resolutions at a meeting of security holders are decided by a poll rather than by a show of hands. | Complying | The Company ensures that all substantive resolutions at shareholder meetings are decided by a poll. |
| **Recommendation 6.5**<br><br>A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically. | Complying | Security holders can register with the Company to receive email notifications when an announcement is made by the Company to the ASX.<br><br>Shareholders queries should be referred to the Company Secretary at first instance. |

## CORPORATE GOVERNANCE STATEMENT – CONTINUED

| PRINCIPLES AND RECOMMENDATIONS | COMPLY | EXPLANATION |
|---|---|---|
| **PRINCIPLE 7: RECOGNISE AND MANAGE RISK** | | |
| **Recommendation 7.1**<br>**The board of a listed entity should:**<br>(a) have a committee or committees to oversee risk, each of which:<br>(i) has at least three members, a majority of whom are independent directors; and<br>(ii) is chaired by an independent director, and disclose:<br>(iii) the charter of the committee;<br>(iv) the members of the committee; and<br>(v) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or<br>(b) if it does not have a risk committee or committees that satisfy (a) above, disclose that fact and the process it employs for overseeing the entity's risk management framework. | Part Compliant | Due to the size and nature of the existing Board and the magnitude of the Company's operations the Company currently has no Audit and Risk Committee. Pursuant to Clause 4(h) of the Company's Board Charter, the full Board currently carries out the duties that would ordinarily be assigned to the Audit and Risk Committee under the written terms of reference for that committee.<br>The role and responsibilities of the Audit and Risk Committee are outlined in Schedule 3 of the Company's Corporate Governance Plan available online on the Company's website.<br>The Board devote time at annual board meeting to fulfilling the roles and responsibilities associated with overseeing risk and maintaining the entity's risk management framework and associated internal compliance and control procedures. |

## CORPORATE GOVERNANCE STATEMENT – CONTINUED

| PRINCIPLES AND RECOMMENDATIONS | COMPLY | EXPLANATION |
|---|---|---|
| PRINCIPLE 7: RECOGNISE AND MANAGE RISK | | |
| **Recommendation 7.2**<br><br>**The board or a committee of the board should:**<br><br>(a) review the entity's risk management framework with management at least annually to satisfy itself that it continues to be sound, to determine whether there have been any changes in the material business risks the entity faces and to ensure that they remain within the risk appetite set by the board; and<br><br>(b) disclose in relation to each reporting period, whether such a review has taken place. | Complying | (a) The Company process for risk management and internal compliance includes a requirement to identify and measure risk, monitor the environment for emerging factors and trends that affect these risks, formulate risk management strategies and monitor the performance of risk management systems. Schedule 8 of the Corporate Governance Plan is entitled 'Disclosure – Risk Management' and details the Company's disclosure requirements with respect to the risk management review procedure and internal compliance and controls.<br><br>(b) The Board Charter requires the Board to disclose the number of times the Board met throughout the relevant reporting period, and the individual attendances of the members at those meetings. Details of the meetings will be provided in the Company's Annual Report. |
| **Recommendation 7.2**<br><br>**The board or a committee of the board should:**<br><br>(c) review the entity's risk management framework with management at least annually to satisfy itself that it continues to be sound, to determine whether there have been any changes in the material business risks the entity faces and to ensure that they remain within the risk appetite set by the board; and<br><br>(d) disclose in relation to each reporting period, whether such a review has taken place. | Part Compliant | (a) The Company process for risk management and internal compliance includes a requirement to identify and measure risk, monitor the environment for emerging factors and trends that affect these risks, formulate risk management strategies and monitor the performance of risk management systems. Schedule 8 of the Corporate Governance Plan is entitled 'Disclosure – Risk Management' and details the Company's disclosure requirements with respect to the risk management review procedure and internal compliance and controls.<br><br>(b) The Board Charter requires the Board to disclose the number of times the Board met throughout the relevant reporting period, and the individual attendances of the members at those meetings. Details of the meetings will be provided in the Company's Annual Report. |

## CORPORATE GOVERNANCE STATEMENT – CONTINUED

| PRINCIPLES AND RECOMMENDATIONS | COMPLY | EXPLANATION |
|---|---|---|
| **PRINCIPLE 7: RECOGNISE AND MANAGE RISK** | | |
| **Recommendation 7.3**<br>**A listed entity should disclose:**<br>(a) if it has an internal audit function, how the function is structured and what role it performs; or<br>(b) if it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes. | Complying | (b) Schedule 3 of the Company's Corporate Plan provides for the internal audit function of the Company. In the absence of a risk committee, the Board is responsible for identifying risks and ensuring that there are controls for these risks which are to be designed and ensure that any identified risk is mitigated to an acceptable level. The Board will review and discuss strategic risks and opportunities as they arise and arising from changes in the Company's business evaluate regularly on an 'as need' basis.<br>The Charter outlines the monitoring, review and assessment of a range of internal audit functions and procedures. |
| **Recommendation 7.4**<br>A listed entity should disclose whether, and if so how, it has regard to economic, environmental and social sustainability risks and, if it does, how it manages or intends to manage those risks. | Complying | Schedule 3 of the Company's Corporate Plan details the Company's risk management systems which assist in identifying and managing potential or apparent business, economic, environmental and social sustainability risks (if appropriate). Review of the Company's risk management framework is conducted at least annually and reports are continually created by management on the efficiency and effectiveness of the Company's risk management framework and associated internal compliance and control procedures. |

## CORPORATE GOVERNANCE STATEMENT – CONTINUED

| PRINCIPLES AND RECOMMENDATIONS | COMPLY | EXPLANATION |
|---|---|---|
| **PRINCIPLE 8: REMUNERATE FAIRLY AND RESPONSIBLY** | | |
| **Recommendation 8.1**<br><br>**The board of a listed entity should:**<br><br>(a) have a remuneration committee which:<br>(i) has at least three members, a majority of whom are independent directors; and<br>(ii) is chaired by an independent director, and disclose:<br>(iii) the charter of the committee;<br>(iv) the members of the committee; and<br>(v) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or<br>(b) if it does not have a remuneration committee, disclose that fact and the processes it employs for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive. | Part Complying | (b) Due to the size and nature of the existing board and the magnitude of the Company's operations the Company currently has no Remuneration Committee. Pursuant to clause 4(h) of the Company's Board Charter, the full Board currently carries out the duties that would ordinarily be assigned to the Remuneration Committee under the written terms of reference for that committee.<br><br>The role and responsibilities of the Remuneration Committee are outlined in Schedule 4 of the Company's Corporate Governance Plan available online on the Company's website.<br><br>The Board devote time at annual board meetings to fulfilling the roles and responsibilities associated with setting the level and composition of remuneration for Directors and senior executives and ensuring that such remuneration is appropriate and not excessive. |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – FOR THE YEAR ENDED 30 JUNE 2020

## CORPORATE GOVERNANCE STATEMENT – CONTINUED

| PRINCIPLES AND RECOMMENDATIONS | COMPLY | EXPLANATION |
|---|---|---|
| **PRINCIPLE 8: REMUNERATE FAIRLY AND RESPONSIBLY** | | |
| **Recommendation 8.2**<br><br>A listed entity should separately disclose its policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives and ensure that the different roles and responsibilities of non-executive directors compared to executive directors and other senior executives are reflected in the level and composition of their remuneration. | Complying | The Company's Corporate Governance Plan requires the Board to disclose its policies and practices regarding the remuneration of non-executive, executive and other senior directors. |
| **Recommendation 8.3**<br><br>**A listed entity which has an equity-based remuneration scheme should:**<br><br>(a) have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme; and<br><br>(b) disclose that policy or a summary of it. | Complying | (a) Company's Corporate Governance Plan states that the Board is required to review, manage and disclose the policy (if any) on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme. The Board must review and approve any equity based plans.<br><br>(b) A copy of the Company's Corporate Governance Plan is available on the Company's website. |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – FOR THE YEAR ENDED 30 JUNE 2020

## ADDITIONAL INFORMATION FOR LISTED PUBLIC COMPANIES

The following additional information is required by the Australian Securities Exchange in respect of listed public companies.

## 1. SHAREHOLDING AS AT – 10 SEPTEMBER 2020

### a. Distribution of Shareholders

| CATEGORY (SIZE OF HOLDING) | TOTAL HOLDERS | NUMBER ORDINARY | % HELD OF ISSUED ORDINARY CAPITAL |
|---|---|---|---|
| 1 – 1,000 | 22 | 8,150 | 0.00 |
| 1,001 – 5,000 | 422 | 1,391,988 | 1.36 |
| 5,001 – 10,000 | 358 | 3,088,869 | 3.01 |
| 10,001 – 100,000 | 473 | 16,548,517 | 16.11 |
| 100,001 – and over | 134 | 81,675,920 | 79.52 |
| | 1,409 | 102,675,920 | 100.00 |

### b. Unmarketable Parcels

| | MINIMUM PARCEL SIZE | HOLDERS | UNITS |
|---|---|---|---|
| Minimum $500.00 parcel at $0.27 per unit | 2,083 | 113 | 176,454 |

### c. Voting Rights

The voting rights attached to each class of equity security are as follows:

**Ordinary shares:** Each ordinary share is entitled to one vote when a poll is called, otherwise each member present at a meeting or by proxy has one vote on a show of hands.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – FOR THE YEAR ENDED 30 JUNE 2020

## ADDITIONAL INFORMATION FOR LISTED PUBLIC COMPANIES – CONTINUED

### d. 20 Largest Shareholders — Ordinary Shares as at – 10 September 2020

| RANK | NAME | NUMBER OF ORDINARY FULLY PAID SHARES HELD | % HELD OF ISSUED ORDINARY CAPITAL |
|---|---|---|---|
| 1 | Yoshida Holdings Pte Ltd | 13,915,314 | 13.55% |
| 2 | Avanteos Investments Limited (Warczak Super fund a/c) | 4,000,000 | 3.89% |
| 3 | National Nominees Limited | 3,000,000 | 2.92% |
| 4 | One Managed Investment Funds Ltd (Strategic Global a/c) | 2,731,482 | 2.66% |
| 5 | Kinetic Growth Fund | 2,492,048 | 2.43% |
| 6 | Green Stream Commodity Traders Pte Ltd | 2,449,179 | 2.38% |
| 7 | Ernest W Moody (Revocable a/c) | 2,359,010 | 2.30% |
| 8 | Mr Toni Sinozic & Mrs Anka Sinozik | 2,205,000 | 2.15% |
| 9 | Project 1 holdings Pty Ltd (Project 1 a/c) | 1,989,000 | 1.94% |
| 10 | Mial enterprises Pty ltd (Dashian family a/c) | 1,675,000 | 1.63% |
| 11 | Mr Bruno Grandelis (Bruno Grandelis a/c) | 1,653,196 | 1.61% |
| 12 | JBS Investment Management Limited | 1,600,000 | 1.56% |
| 13 | Great Southern flour Mills Pty Ltd | 1,500,000 | 1.46% |
| 14 | James Stephen Tonkin | 1,469,507 | 1.43% |
| 15 | Eppwood Investment Pty ltd (the Copplin super a/c) | 1,416,115 | 1.38% |
| 16 | Mr Matthew Reede | 1,311,111 | 1.28% |
| 17 | Mr Matthew Crawford Reede | 1,261,176 | 1.23% |
| 18 | Citicorp nominees Pty limited | 1,246,445 | 1.21% |
| 19 | Mial enterprises Pty Ltd (Dashian family a/c) | 1,085,052 | 1.06% |
| 20 | Tu investments Pty ltd (Tu family super fund a/c) | 1,000,000 | 0.97% |
| | **TOTAL** | **50,358,635** | **49.03%** |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – FOR THE YEAR ENDED 30 JUNE 2020

## ADDITIONAL INFORMATION FOR LISTED PUBLIC COMPANIES – CONTINUED

### 2. NAME OF COMPANY SECRETARY

The name of the Company Secretary is Jay Richard Stephenson.

### 3. PRINCIPAL REGISTERED OFFICE

The Principal Place of Business is 96 Victoria Street, West End QLD 4101

The Registered Office is Suite 9, 330 Churchill Avenue Subiaco WA 6008

### 4. REGISTERS OF SECURITIES

The Share Registry is Automic Share Registry.

### 5. STOCK EXCHANGE LISTING

Quotation has been granted for all the ordinary shares of the Company on all Member Exchanges of the Australian Securities Exchange Limited.

### 6. UNQUOTED SECURITIES

a. Options over Unissued Shares
   The Company has 27,407,406 options on issue.

### 7. USE OF FUNDS

The Company has used its funds in accordance with its initial business objectives.

Suite 9, 330 Churchill Avenue,
Subiaco WA 6008

PO Box 866,
Subiaco WA 6904

Tel: +61 8 6489 1600
Fax: +61 8 6489 1601

www.fijikava.com

FijiKava