FijiKavaLtd.

30 August 2019

2019 Preliminary Financial Results

- Cash flow of $2.6 million used on operating and investing activities for FY2019, with a core focus on completing a major capital expenditure program to establish the company's required farm and supply chain infrastructure.

- Fiji Kava well prepared for the imminent mass market retail launch with the company to have an online retail presence in Australia, New Zealand, Fiji and the burgeoning US markets from September. Fiji Kava's in-store retail networks to be further established in FY2020.

- Fiji Kava to launch its initial product suite to align with its mass market retail entry, including kava capsules (90, 60 and 30 capsule ranges), tea bags, powders and shots.

- World-first tissue culture laboratory launched to help ensure Fiji produces world-class disease-free kava and to meet burgeoning demand for kava from around the world.

- New distribution agreements extend Fiji Kava's footprint, with the pipeline for FY2020 strong.

Fiji Kava (ASX: FIJ), an Australian-Fijian medicinal kava company, submits the following Appendix 4E Preliminary Report for Financial Year 2019 (unaudited).

Releasing the 2019 Financial results, Fiji Kava Founder and Managing Director, Zane Yoshida said: "In less than nine months since we listed on the Australian Securities Exchange, Fiji Kava has been ramping up its facilities and capabilities as it prepares to commence mass market retailing next month.

"This is a critical time in the life of Fiji Kava as we look to unlock the promise of the benefits of kava and tap what is a resurgence in global demand for kava.

"Cash flow used in operating and investing activities for the year ending 30 June 2019 was $2.6 million, reflecting Fiji Kava's use of funds to increase production at its manufacturing plant, expand product lines and continue marketing and promotional initiatives aimed at attracting new customers and building brand awareness.

"We are now ready to commence a significant retail push. There is very strong growth in kava in western markets as new global legislation and regulations are developed and applied. In the United States, for instance, the market is witnessing a surge in kava use, where the liberalisation around the natural medicinal market is well advanced and important restrictions are much less onerous than Australia."

Financial Overview

Fiji Kava recorded a statutory net loss before tax of $4.67 million for the full year ending 30 June 2019, which includes a non-cash corporate transaction accounting expense of $2.96 million as a result of the reverse acquisition.

The company's underlying net loss before tax of $1.71 million reflects that Fiji Kava's initial nine months as a listed company was used to complete its major capital expenditure program targeted at the upfront establishment requirements around farm infrastructure and supply chain.

Cash flows in operating and investing activities included $405,719 in property, plant and equipment purchases, which was critical to initial infrastructure investments to establish farm facilities and to setup a fully-integrated supply chain to satisfy future customer demand for kava. Within this, $39,158 was used to establish Fiji Kava's landmark tissue culture laboratory, which will be used to develop a higher standardisation of kava to meet industry demands and to support future clinical trials.

Other activities include $717,000 in product manufacturing and operating to establish Fiji Kava's initial suite of products, including kava capsules, teabags, powders and shots. The company spent $219,857 in marketing during the period, with a further ramp-up of advertising activities expected in FY2020 as we launch the company's mass market retailing efforts; $536,605 in employment costs and an initial $10,956 in research and development.

As expected, during this ramp-up phase, overall receipts were minimal with revenues of $159,105.

As at June 30, 2019, the company had $2,317,865 in cash and no debt.

MANUFACTURING 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. Importantly, this investment has increased production and processing capabilities across existing properties and infrastructure. Fiji Kava now has plantation covering 10 acres at its 110-acre estate in Levuka on the island of Ovalau, Fiji, which will be increased to 110 acres over the next 12 months.

In addition, Fiji Kava has sought to expand its geographic footprint through new property and infrastructure investments. The company will shortly complete construction of both processing facilities in Viti Levu and Vanua Levu with the first processing plant due for completion in September for Vanua Levu. These new processing facilities will create increased kava processing capacity at Viti Levu and Vanua Levu by an additional 4 tons/week.

Launching Fiji Kava's world-first tissue culture laboratory

Fiji Kava today commissioned 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 – more than 200 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 – as Fiji Kava moves into clinical trials.

Mr Yoshida said: "This investment is pioneering and will help standardise the quality of kava globally in the future. Kava is enjoying a resurgence in western markets, and tissue culture technology that we are developing at this plant establishes a platform for guaranteed quality to help shape the global resurgence of kava.

"Not only will it have major sustainability benefits of kava for the industry, but the tissue culture lab will provide Fiji Kava with a unique differentiator and leading edge over its competitors. We see tissue culture as a long-term solution for creating a sustainable and growing kava industry."

MULTI-CHANNEL DISTRIBUTION

With the relevant infrastructure projects nearing completion, Fiji Kava is now well prepared for its next phase of work in the launch of its mass-market retail entry, starting next month (September, 2Q2020). These branding and marketing activities, including initial advertising with Fiji Airways, will align with increased product availability of the company's kava range.

Once launched, Fiji Kava will have an online presence in Australia, New Zealand, Fiji and US. The company's retail presence will expand to include Australia and New Zealand by the end of December (end of 2Q2020), with the US retail market entry targeted for early 2020 (4Q2020).

As previously announced, the company has continued to grow its retail presence in Fiji during the financial year. This included a recent new retail agreement with the nation's largest supermarket chain Morris Hedstrom, in addition to agreements signed with Yee's, Fresh Choice and Kundan Singh Supermarkets. This has enhanced availability of Fiji Kava products to more than 29 new Fijian supermarkets nationwide, bringing total number of Fijian stores to 59.

During the year, the company also signed its three-year wholesale distribution agreement with Pathway International to supply noble kava extract to its large and prestigious customers. Fiji Kava will shortly realise benefits of the Pathway agreement as products become available via their retail network.

The company also continues to seek new retail opportunities, with a strong pipeline of opportunities being progressed in new and existing international markets.

PRODUCT INNOVATION

Fiji Kava is the first foreign company granted approval by Fijian Government to operate in the kava industry, giving the company a unique leadership position in a market with high barriers to entry.

During FY19, Fiji Kava has sought to finalise its initial product suite in anticipation of its retail launch. The company has been deliberately measured in its retail and advertising activities to align this timing with the availability of initial variants and product ranges being available for sale across its key markets.

Fiji Kava begins its mass-market retail entry from September, with the following products progressively becoming available in coming months across each of the company's four key global regions:

- *Australia* – capsules and tea bags
- *New Zealand* – capsules, tea bags, powders and shots
- *Fiji* - capsules, tea bags, powders and shots
- *USA* - capsules, tea bags, powders and shots

These products will be launched and sold using Fiji Kava branding. Importantly, the initial September launch will include the evolution of the 90-capsule product to include 60 and 30 capsule varieties.

While the short-term focus for the company has been this initial launch to support retail and sales activities, further ongoing research has continued in the evolution of new products to include varieties such as coconut water kava and dissolvable tablets, with availability of these products in FY2020.

CLINICAL BENEFITS

There is a resurgence of kava as new global legislation and regulations are developed and applied. Fiji Kava is well placed in this resurgence and in meeting new regulations, including these two key developments:

- 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.

Fiji Kava also continues to operate as industry pioneers to support this resurgence and to influence the future of the kava industry, especially via its tissue culture laboratory where the company seeks to achieve a high-quality standardisation of kava to meet industry demand.

Fiji Kava is also 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.

APPOINTMENTS

The company has today announced the appointment of Deva Dhar as Fiji Kava's New Zealand Market Consultant. Mr Dhar is the former General Manager of Blackmores in New Zealand and Country Manager of Remedy Kombucha in New Zealand. He also has previously worked with large, global brands L'Oreal and Nestle.

In his role as a consultant for Fiji Kava, Mr Dhar will be focused on the strategic execution of the company's retail plans in the New Zealand market, as well as e-commerce and further cross-border export opportunities.

-- ENDS --

For further information

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About Fiji Kava

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

Fiji Kava Limited
and its controlled entities
ACN 169 441 874

Appendix 4E
Preliminary Final Report

FOR THE YEAR ENDED
30n June 2019

PRELIMINARY FINAL REPORT

for the year ended 30 June 2019

Results for Announcement to the Market

for the year ended 30 June 2019

1 REPORTING PERIOD (item 1)

- Report for the period ended: 30 June 2019
- Previous corresponding period: 30 June 2018

2 RESULTS FOR ANNOUNCEMENT TO THE MARKET

	Movement	Percentage %		Amount $
Revenues from ordinary activities (item 2.1)	24,109	17.9%	to	159,105
Loss from ordinary activities after tax attributable to members (item 2.2)	(4,231,060)	(1058%)	to	(4,666,035)
Loss for the period attributable to members (item 2.3)	(4,231,060)	(1058%	to	(4,666,035)

a. Dividends (items 2.4 and 5)

	Amount per Security ¢	Franked amount per security %
Interim dividend	nil	n/a
Final dividend	nil	n/a

- Record date for determining entitlements to the dividend (item 2.5): n/a

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

The Loss from ordinary activities consists of a non-cash item related to the transaction to acquire South Pacific Elixirs which is a Corporate Transaction Accounting Expense of $2,960,295.

Refer to the Consolidated Profit and Loss and Comprehensive Income for other items.

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

Nil.

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

Not applicable

4 RATIOS

	Current period	Previous corresponding period
a. Financial Information relating to 4b:	$	$
Loss for the period attributable to owners of the parent	(4,671,909)	(440,849)
Net assets	3,105,520	(375,399)
Less: Intangible assets	(58,039)	-
Net tangible (liabilities)/assets	3,047,481	(375,399)
	No.	No.
Fully paid ordinary shares	69,720,000	1,480,088
b. Net tangible (liability)/assets backing per share (cents) (item 3):	4.4c	(25.4c)

5 DETAILS OF ENTITIES OVER WHICH CONTROL HAS BEEN GAINED OR LOST DURING THE PERIOD: (item 4)

a. Control gained over entities

■ Name of entities (item 4.1)	Reverse acquisition occurred, refer to Note 2 of the Half Year Report
■ Date(s) of gain of control (item 4.2)	n/a

b. Loss of control of entities

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

c. Contribution to consolidated profit (loss) from ordinary activities after tax by the controlled entities to the date(s) in the current period when control was gained / lost (item 4.3).	n/a
d. Profit (loss) from ordinary activities after tax of the controlled entities for the whole of the previous corresponding period (item 4.3)	n/a

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

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

	Current period	Previous corresponding period
■ Aggregate share of profits (losses) of these entities (item 7)	N/A	N/A

7 The financial information provided in the Appendix 4E is based on the preliminary final report (attached), which has been prepared in accordance with Australian Accounting Standards.

8 The report is based on accounts which are in the process of being audited by the Company's independent auditor.

DIRECTORS

Andrew Kelly (Non-Executive Chairman) – appointed 20 December 2018
Zane Yoshida (Managing Director) – appointed 20 December 2018
Stephen Copplin (Executive Director) – appointed 20 December 2018
Jay Stephenson (Non-Executive Director) – appointed on 1 February 2018
Loren King (Non-Executive Director) – resigned 20 December 2018
Josh Puckridge (Non-Executive Director) - resigned 20 December 2018
Ian Leete (Non-Executive Director) - resigned 20 December 2018

COMPANY SECRETARY

Jay Stephenson

REGISTERED OFFICE

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CONTACT INFORMATION

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AUDITORS

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SHARE REGISTRY

Automic Share Registry
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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

Suite 9, 330 Churchill Avenue
Subiaco WA 6008

POSTAL ADDRESS

PO Box 866
Subiaco WA 6904

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 30 June 2019

	Note	2019 $	2018 $
Sales Revenue	3	159,105	134,996
Cost of Sales		(83,956)	(104,884)
Gross (Loss)/Profit		75,149	29,570
Other Income – Interest Income		26,403	27,409
Consulting and Professional fees		(385,380)	(60,323)
Audit fees		(48,621)	-
Director Fees		(66,625)	-
Depreciation		(28,347)	(15,937)
Marketing		(219,857)	(79)
Insurance		(57,390)	(3,709)
Research and Development		(10,956)	(593)
Legal expenses		(32,194)	-
Occupancy costs		(46,031)	-
Employment costs		(536,605)	-
Corporate transaction accounting expense	2	(2,960,295)	-
ASX Fees		(7,907)	-
Other expenses		(359,391)	(219,442)
Finance expenses		(13,862)	(58,643)
Provision for Impairment of intangibles			(6,351)
Provision for impairment of receivables			(110,990)
Debts written off			(10,543)
Inventory written off			(11,760)
Loss before income tax expense		**(4,671,909)**	**(440,849)**
Income tax (benefit)/expense		5,874	-
Loss after tax from continuing operations		**(4,666,035)**	**(440,849)**
Other comprehensive income/(expense)			
Foreign exchange translation differences		30,579	(17,869)
Total comprehensive loss for the year		**(4,635,456)**	**(458,718)**
Earnings per share			
Basic and diluted loss per share (cents per share)	5	**(12.50)**	**(22.25)**

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at 30 June 2019

	Note	2019 $	2018 $
Current assets			
Cash and cash equivalents	7	2,317,865	12,025
Trade and other receivables	8	153,371	343,403
Inventories		310,818	-
Total current assets		**2,782,053**	**355,428**
Non-current assets			
Property, plant and equipment	9	738,214	2,017
Intangible assets		58,039	-
Total Non-current assets		**796,253**	**2,017**
Total assets		**3,578,307**	**357,445**
Current liabilities			
Trade and other payables	10	405,101	732,844
Deferred revenue		66,366	-
Borrowings		1,320	-
Total current liabilities		**472,787**	**732,844**
Total liabilities		**472,787**	**732,844**
Net assets / (liabilities)		**3,105,520**	**(375,399)**
Equity			
Contributed equity	4	10,104,429	1,982,180
Reserves		84,146	53,567
Accumulated losses		(7,083,055)	(2,411,146)
Total equity		**3,105,520**	**(375,399)**

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the year ended 30 June 2019

	Contributed Equity	Accumulated Loss	Foreign Exchange Reserve	Business Combination Reserve	Total Equity
2019					
Balance at 1 July 2018	**1,982,180**	**(2,411,146)**	**(10,612)**	**64,179**	**(375,399)**
Shares issued during the period	8,122,249	-	-	-	8,122,249
Foreign exchange translation differences	-	-	30,579	-	30,579
Loss for the period	-	(4,671,909)	-	-	(4,671,909)
Balance as at 30 June 2019	**10,104,429**	**(7,083,055)**	**19,967**	**64,179**	**3,105,520**
2018					
Balance as at 1 July 2017	**1,982,180**	**(1,970,297)**	32,052	**64,179**	108,114
Loss for the period		(440,849)			(440,849)
Foreign exchange translation differences			(42,664)	-	(42,664)
Balance as at 30 June 2018	**1,982,180**	**(2,411,146)**	**(10,612)**	**64,179**	**(375,399)**

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

CONSOLIDATED STATEMENT OF CASH FLOWS
for the year ended 30 June 2019

	Note	2019 $	2018 $
Cash flows from operating activities			
Cash receipts from customers		135,422	113,289
Payments to suppliers and employees		(2,332,076)	(350,244)
Net cash used by operating activities		**(2,196,653)**	**(236,955)**
Cash flows from investing activities			
Net cash acquired on acquisition of subsidiary net of cash consideration paid	2	4,881,809	
Plant and equipment purchases		(405,719)	(18,123)
Payments for intangible assets			(1,232)
Interest earned on term deposits		26,403	-
Net cash generated by investing activities		**4,502,493**	**(19,355)**
Cash flows from financing activities			
Advances to a related party			
Advances from a related party		-	(54,064)
		-	315,320
Net cash generated by financing activities		**-**	**261,256**
Net increase in cash and cash equivalents		**2,305,840**	**4,946**
Cash and cash equivalents at the beginning of the period		12,025	7,079
Foreign currency variance		-	-
Cash and cash equivalents at the end of the period	**7**	**2,317,865**	**12,025**

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

GENERAL INFORMATION

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

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

1. BASIS OF PREPARATION

The interim consolidated financial statements of Fiji Kava Limited (the "Company") and its controlled entities ("Fiji Kava" or the "Group") for the year ended 30 June 2019, represent a general purpose financial report prepared in accordance the Corporations Act 2001.

1.1. ADOPTION OF NEW AND REVISED STANDARDS

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

The Group has adopted all Australian Accounting Standards and Interpretations effective from 1 July 2018. The adoption of new and amended standards and interpretations had no impact on the financial position or performance of the Group.

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

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 2019 comprises twelve months of SPE Group and six months and 11 days of Fiji Kava Limited; and
    - for the comparative period comprises 1 July 2017 to 30 June 2018 of SPE Group.
- The consolidated statement of financial position:
    - as at 30 June 2019 represents both SPE Group and Fiji Kava Limited as at that date; and
    - as at 30 June 2018 represents SPE Group as at that date.
- The consolidated statement of changes in equity:
    - 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.
    - for the comparative period comprises 1 July 2017 to 30 June 2018 of SPE Group's changes in equity.
- The consolidation statement of cash flows:
    - 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;
        - for the comparative period comprises 1 July 2017 to 30 June 2018 of SPE Group's cash transactions.

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
Management reviews its loans and receivables for objective evidence of impairment at least quarterly. Significant financial difficulties of the debtor, the probability that the debtor will enter bankruptcy, and default or significant delay in payments are considered objective evidence that a receivable is impaired. In determining this, management makes judgement as to whether there is observable data indicating that there has been a significant change in the payment ability of the debtor, or whether there have been significant changes with adverse effect in the technological, market, economic or legal environment in which the debtor operates in.

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 unrealised 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;
- 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 deprecation rates used for each class of asset are as follows:

Buildings	1.25%
Greenhouse	1.25%
Plant and equipment	12.0%
Motor vehicles	18.0%
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. TRADE AND OTHER RECEIVABLES

Trade and other receivables are recognised initially at fair value and subsequently stated at their amortised cost less impairment losses.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off by reducing the carrying amount directly. An allowance account (provision for impairment of trade receivables) is used when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

The amount of the impairment loss is recognised in the Statement of Profit or Loss and Other Comprehensive Income within other expenses. When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account.

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. IMPAIRMENT

The carrying amounts of the Group' s assets and inventories, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. For assets that have an indefinite useful life the recoverable amount is estimated at each reporting date.

The Group follows the guidance of AASB 139 'Financial Instruments: Recognition and Measurement' to determine when an available-for-sale financial asset is impaired. This determination requires significant judgement. In making this judgement, the Company evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost and the financial health of and short-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flows.

The provision for impairment of receivables assessment requires a degree of estimation and judgement. The level of provision is assessed by taking into account the ageing of receivables, historical collection rates and specific knowledge of the individual debtor's financial position.

An impairment loss is recognised whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognised in the Consolidated Statement of Profit or Loss and Other Comprehensive Income.

Calculation of recoverable amount
Impairment of receivables is not recognised until objective evidence is available that a loss event has occurred. Significant receivables are individually assessed for impairment. Impairment testing of significant receivables that are not assessed as impaired individually is performed by placing them into portfolios of significant receivables with similar risk profiles and undertaking a collective assessment of impairment. Non-significant receivables are not individually assessed. Receivables with a short duration are not discounted.

The recoverable amount of other assets is the greater of their fair value less costs to sell and value in use.

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. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

Reversal of impairment
Impairment losses are reversed when there is an indication that the impairment loss may no longer exist and there has been a change in the estimate used to determine the recoverable amount. In respect of other assets, an impairment loss is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the date the impairment loss was recognised.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

1.12. 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.

1.13. TRADE AND OTHER PAYABLES

Trade and other payables are recognised initially at fair value and subsequently at the amortised cost. Trade payables are non-interest bearing and are normally settled on 30-day terms.

1.14. REVENUE

Revenues are recognised at fair value of the consideration received or receivable net of the amount of goods and services tax (GST) payable to the taxation authority. Revenue is recognised to the extent that it is probable that the economic benefit will flow to the entity and the revenue can be reliably measured.

Sale of goods
Revenue from the sale of goods is recognised (net of returns, discounts and allowances) when control of the licence or other goods passes to the customer.
Interest revenue
Interest revenue is recognised as it accrues, taking into account the effective yield on the financial asset.

1.15. 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.

1.16. DEFERRED INCOME

Grants received for specific purpose is 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.

1.17. 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.

1.18. 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.

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.

1.19. 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.

1.20. GOING CONCERN

The financial statements have been prepared on a going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and the settlement of liabilities in the ordinary course of business.

The Group incurred a loss for the period of $4,671,909 (primarily attributed to a non-cash corporate transaction accounting expense of $2.9m arising from the reverse acquisition) and a net operating cash outflow of $2,196,653. As at 30 June 2019, the Group is in net asset position of $3,105,520. The Group recently completed a successful IPO during the year with the issue of 26,000,000 Shares to raise $5,200,000.

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	8,144,000
Fair value of assets and liabilities held at acquisition date	
Cash	4,881,809
Intangible Assets - Website	15,748
Loan	666,094
Trade and other receivables	295,024
Accruals	(23,351)
Trade and other payables	(650,299)
Borrowings	(1,320)
Fair value of identifiable assets and liabilities assumed	5,183,705
Goodwill (Corporate transaction accounting expense)	2,960,295

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.

3. REVENUE

	2019 $	2018 $
Product sales	148,842	134,130
Freight income	270	-
Rental of office space	3,500	-
Release from deferred income	6,493	-
	159,105	134,130

4. ISSUED CAPITAL

	2019 No.	2018 No.
Fully paid ordinary shares	69,720,000	1,480,088

	30 June 2019		30 June 2018	
	No.	$	No.	$
Balance at beginning of the reporting period	1,480,088	1,982,180	1,480,088	1,982,180
Shares issued during the year	12,000	14,447		
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	4,550,475		
Issue of shares to SPE Shareholders	29,000,000	3,557,327		
Balance at end of the reporting period	69,720,000	10,104,429	1,480,088	1,982,180

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.

5. EARNINGS PER SHARE

	2019 $	2018 $
Reconciliation of earnings to profit or loss		
Loss for the period	(4,671,909)	(329,311)
Loss used in the calculation of basic and diluted EPS	(4,671,909)	(329,311)
Weighted average number of ordinary shares outstanding during the period used in the calculation of basic EPS	37,381,839	1,480,088
Loss per share		
Basic and diluted loss per share (cents per share)	(12.50)	(22.25)

6. FINANCIAL INSTRUMENTS

6.1. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that it will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance.

The Group's overall strategy remains unchanged.

Gearing levels are reviewed by the Board on a regular basis in line with its target gearing ratio, the cost of capital and the risks associated with each class of capital.

6.2. FAIR VALUE

At 30 June 2019, there are no financial assets or financial liabilities which are accounted for at fair value. Carrying amounts approximate the fair value of financial assets and financial liabilities presented in the consolidated Statement of Financial Position.

7. 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:

	2019 $	2018 $
Cash and cash equivalents	2,317,865	12,025

8. TRADE AND OTHER RECEIVABLES

	2019 $	2018 $
Current		
Loan to a related party	-	628,648
Less: Impairment provision	-	(286,122)
Other receivables	153,371	876
	153,371	343,403

9. PROPERTY, PLANT AND EQUIPMENT

	2019 $	2018 $
Buildings		
Cost	78,689	-
Accumulated depreciation	(4,464)	-
Carrying amounts	74,225	-
Green House		
Cost	284,377	-
Accumulated depreciation	(13,190)	-
Carrying amounts	271,187	-
Plant and Equipment		
Cost	198,014	-
Accumulated depreciation	(24,860)	-
Carrying amounts	161,729	-
Motor vehicle		
Cost	208,404	-
Accumulated depreciation	(44,697)	-
Carrying amounts	163,707	-
Lab and Nursery		
Cost	39,158	-
Accumulated depreciation	-	-
Carrying amounts	39,158	-
Furniture and Fittings		
Cost	19,305	7,428
Accumulated depreciation	(2,521)	(5,411)
Carrying amounts	16,784	2,017
Totals		
Cost	827,946	7,428
Accumulated depreciation	(89,732)	(5,411)
Carrying amounts	**738,214**	**2,017**

10. TRADE AND OTHER PAYABLES

	2019 $	2018 $
Current		
Other payables	366,491	2,001
Accrued expenses	38,610	14,864
Loan from related party	-	715,979
	405,101	**732,844**

11. SEGMENT REPORTING

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

Management has determined the operating segments of the Group, based on the reports reviewed by the Board in its decision making.

The Group is in the process of determining a more appropriate basis for its reporting segment, given that the reverse acquisition of Fiji Kava Limited happened so close to the end of the financial period. Currently, the Group has two reportable operating segments, namely:

South Pacific Elixirs (SPE) Group
Sales and operations of the Group are reported under the SPE Group Segment.

Fiji Kava Limited
Corporate expenditure is reported under the Fiji Kava Limited Segment.

The Group has subsidiaries in Fiji, Australia, Singapore, and USA, however the Group operates in two principal geographic areas, Fiji and Australia. The Group results can be categorised into two main areas manufacture and sale of products and Corporate/unallocated.

30 June 2019	Manufacture and Sale of Products	Corporate/ Unallocated	Others (*)	Total
Revenue from external customers	159,105	-	-	159,105
Segment net operating loss before income tax	(1,145,295)	(566,319)	(2,960,295)	(4,671,909)
Segment assets	1,680,483	1,897,824	-	3,578,307
Segment Liabilities	(256,508)	(216,281)	-	(472,788)
Significant non-cash expenses				
Corporate transaction accounting expense	-	-	2,960,295	2,960,295

(*) as a result of reverse acquisition

30 June 2018	Manufacture and Sale of Products	Total
Revenue from external customers	-	-
Segment net operating loss before income tax	(178,588)	(178,588)
Segment assets	357,445	357,445
Segment Liabilities	(732,844)	(732,844)

12. COMMITMENTS AND CONTINGENT LIABILITIES

12.1. COMMITMENTS

No commitments exist as at the date of this report.

12.2. CONTINGENT ASSETS AND LIABILITIES

12.2.1. CONTINGENT LIABILITIES

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

12.2.2. CONTINGENT ASSETS

No contingent assets exist as at the date of this report

13. SUBSEQUENT EVENTS

There are no other subsequent events to report after 30 June 2019.