

29 July 2022



COST SAVING INITIATIVES FY23

Fiji Kava Ltd (ASX: FII), a health and wellness company with operations in Australia, Fiji, and the USA. The company which produces natural products to reduce anxiety, promote relaxation, improve sleep, and support sports recovery and performance, has taken steps to lower operating cost base in response to the current challenging environment and preparedness to expedite functional beverage growth in the USA market.

KEY INITIATIVES

- New initiatives expected to deliver significant operational savings to existing business model
- Relocation of medicinal extraction line to Navua on Viti Levu, significantly reducing associated production overheads and shipping expenses
- Inventory position across Australia, Fiji and USA of over \$2m to underpin future growth, reduce manufacturing costs and streamline logistics in FY23
- Significant reduction in retailer associated costs in the Australian market
- Saving initiatives implemented, including reduction in Directors and staff costs

Relocation Of Medicinal Extraction Line To Navua

Following the modernisation and upgrade of the Noble Fijian Kava supply chain and key processing machinery for extraction. The company is now reliably producing medicinal extracts to meet the needs of Fiji Kava and the needs of our strategic partner Network Nutrition, part of Dutch multinational IMCD for its Kavaton™ brand of bulk ingredients.

This includes the impending re-location of our medicinal extraction line to Navua, with the Ovalau facility to operate solely as a collection and processing centre for green kava. This will significantly reduce the shipping and associated costs of supply chain for raw materials and finished products between islands and key ports within Fiji, as well as reducing production overheads.

Inventory Position and Shipping Cost

Over the course of FY22, like many companies, Fiji Kava has experienced significant supply chain disruptions and challenges in maintaining appropriate inventory levels. In response, we have extended shelf life of our over-the-counter products to 3 years, enabling us to establish a robust inventory position for the existing Australian product range. In addition to this, as we prepare to focus on the USA market in FY23, we have built ~FJD1m of bulk drinking kava, intermediates and finished products in Fiji; suitable for use in both the Australian and USA markets.

In line with the previously announced expanded partnership with Network Nutrition – IMCD we now hold Kavaton™ extract stock in Fiji, Australia and the USA sufficient to fulfil anticipated demand over the coming months. Enabling identified logistics efficiencies to be implemented in FY23, which will deliver meaningful operations savings vs. FY22.

Australian Retail Market Costs

Costs associated with entering the Australia retail market in FY22, have been not provided the anticipated returns. As such associated investment in FY23 has been reduced to reflect anticipated revenues more appropriately within the market.

Staff & Administration Costs

Several initiatives designed to control administrative and staff costs in FY23, are proposed by the Board of Directors. These include:

- Anthony Noble's salary will reduce by \$40,000 per annum effective 1st August 2022
- Brian Cassuto salary will reduce by US\$45,000 per annum effective 1st August 2022
- Zane Yoshida to replace COO with a net salary saving of \$40,000
- Fees due to all Directors to be reviewed and paid in shares, issued quarterly at VWAP (subject to shareholder approval).

CEO Anthony Noble said: "Over the course of the previous financial year, we have made significant investments in building the Fiji Kava brand, acquiring the Danodan brand and technology and in upgrading our key production equipment and processes. As our home markets in Fiji and Australia mature, we are undertaking a program of aggressive cost reductions, so we can focus on our most exciting growth opportunity, the US functional beverage market. In the current economic environment, it is prudent to implement cost controls and show greater focus in our FY23 programs."

This release has been approved by the Board of Directors

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For Further Information

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About Fiji Kava

Fiji Kava Ltd (ASX: FIJ), an Australian-Fijian medicinal kava health & wellness company, producing natural 'noble kava' products for the natural medicine market, estimated to exceed USD \$210 billion by 2026 globally. The Danodan range of CBD products contain USFDA certified hemp and non-palm derived USFDA

certified glycerine. As the first foreign company with approval from the Fijian Government to operate in the kava industry, Fiji Kava has established a global leading sustainable and 100% traceable, certified organic supply chain of 'noble kava', ginger and turmeric, supported through partnership throughout the Fiji Islands, including with the iTaukei Trust Fund Board.

Fiji Kava is focussed on developing a range of natural products based on effective natural medicine ingredients that promote sleep, soothe and calm the nerves, support muscle relaxation and relax the mind. Backed by years of independent research, Fiji Kava medical kava products are produced by high-quality GMP and are TGA and FDA compliant.

Forward-Looking Statements

This ASX release includes certain forward-looking statements that are based on information and assumptions known to date and are subject to various risks and uncertainties. Actual results, performance or achievements could be significantly different from those expressed in, or implied by, these forward-looking statements. Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties and other factors, many of which are beyond the control of Fiji Kava. These factors may cause actual results to differ materially from those expressed in the statements contained in this announcement.