



Fiji Kava Limited  
and its controlled entities  
ACN 169 441 874

# Annual Report FOR THE YEAR ENDED 30 June 2022

# CORPORATE DIRECTORY

## DIRECTORS

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

Zane Yoshida (Non-Executive Director) –  
appointed 20 December 2018

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

Jack Lowenstein (Non-Executive Director) –  
appointed on 11 August 2021

Anthony Noble (Managing Director) –  
appointed on 20 December 2021

## COMPANY SECRETARY

Jay Stephenson

## REGISTERED OFFICE

Suite 9 Level 2  
330 Churchill Avenue  
Subiaco WA 6008

## CONTACT INFORMATION

Tel: +61 7 3844 1010

## AUDITORS

Hall Chadwick QLD  
Level 4, 240 Queen Street  
Brisbane QLD 4000  
GPO Box 389  
Brisbane QLD 4001

## 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 4101

## POSTAL ADDRESS

PO Box 866  
Subiaco WA 6904

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# DIRECTORS' REPORT

The Directors present their report together with the summary of the financial information of Fiji Kava Limited and its Controlled Entities (**the Group or Fiji Kava**) for the financial year ended 30 June 2022 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 Executive 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, resigned 29 May 2022
- Mr Anthony Noble Managing Director appointed 20 December 2021

For additional information of Directors including details of the qualifications of Directors please refer to paragraph 12 of this Directors' Report.

## 2. Information on other officers

### Company Secretary

Mr Jay Stephenson held the position of Company Secretary for the financial year ended 30 June 2022. Please refer to paragraph 12.

## 3. Meetings of Directors

During the financial year ending 30 June 2022, 6 meetings of Directors (including committees of Directors) were held. Attendances by each Director during the year are stated in the following table.

	DIRECTORS' MEETINGS		COMMITTEE MEETINGS					
			DUE DILIGENCE COMMITTEE		REMUNERATION COMMITTEE		AUDIT COMMITTEE	
	Number eligible to attend	Number Attended	Number to attend	Number Attended	Number to attend	Number Attended	Number to attend	Number Attended
<b>Dr Andrew Kelly</b>	6	6						
<b>Zane Yoshida</b>	6	6						
<b>Nicholas Simms</b>	6	6						
<b>Jack Lowenstein</b>	6	5						
<b>Dr Anthony Noble</b>	6	5						

*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.*

#### **4. Nature of Operations and Principal Activity**

Fiji Kava is a medicinal 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 a 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 global markets to provide a natural alternative to anti-anxiety prescription medicines. The Company sells its range of Therapeutic Goods Administration and Food and Drug Administration compliant Fiji Kava products online and through retailers in Australia, Fiji, New Zealand, the United States. Noble kava extracts are backed by a significant body of peer reviewed clinical research into the safe and effective use of kava products, and thousands of years of traditional use in the Pacific Islands.

Over the course of FY22 the company has expanded its operations, particularly in the USA, has broadened the nature of operations to include medicinal cannabis tinctures and has focussed on drinking formats in its new product development. Since January 2022, the wholly owned subsidiary Fiji Kava Inc. (USA) has been doing business as The Calmer Co. The company will seek to change the corporate brand globally to The Calmer Co. in FY23.

#### **5. Review of Operations**

The Company continues to expand and now has a retail and online presence in Australia, Fiji and the USA. The activities undertaken during the year ended 30 June 2022 include:

##### **1. Growing Availability of Fijian Noble Kava**

**Fiji Kava is the first and only foreign company with approval from the Fijian Government to operate in the kava industry:**

- Appointment of regional retail broker, Grass Roots Marketing for Danodan products and onboarding of a national retail broker network for Fiji Kava products to cover key US markets including Florida, Georgia, New York City, New Jersey, Pennsylvania, Southern California, Arizona, New Mexico, Nevada, Colorado, North Carolina, Utah and Texas.
- Coles commenced ranging Fiji Kava's Drinking Kava nationally in more than 700 locations across Australia, excluding the Northern Territory, with Fiji Kava being the only nationally distributed Drinking Kava product.
- Continued growth in Amazon channel for Taki Mai and Fiji Kava instant Drinking Kava and Fiji Kava Tea products, highlighted by a more than 250% growth in sales via Amazon.com in FY22 vs FY21.
- Sales In the Fiji market tracking at pre-covid levels due to strong performance across the tourist retail sector through partners Jacks, Tappoos and Prouds.

## 2. Noble Kava Supply Chain Excellence

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

- Multi-year operational partnerships designed to streamline, vertically integrate, mitigate risk and expand the Company's supply chain in Fiji with kava procured from our network of more than 250 farmers across the Fiji Islands.
- Major investment in state-of-the-art heat pump dryer which complements existing drying ovens and solar drying units, doubling the output of FijiKava's wholly owned subsidiary and medicinal kava extract producer.
- Upgrade of the Fiji Kava water extraction and drinking kava processing facility to increase production capacity by approximately 3 times allowing for processing of up to 300MT of Green Kava per annum moving forward.
- Execution of the first commercial farming and collection hub on Taveuni Island in Cakaudrove Province with Fiji's most successful agricultural program, the Tutu Rural Training Centre, in partnership with iTaukei Trust Fund Board.
- Memorandum of Understanding (MOU) with KaiMing Agricultural Processing (KAP), defining a long-term partnership intention to collaborate on the manufacture and production of drinking kava products as well as ginger, turmeric, and kava juices.

## 3. Innovation & Product Development

**Innovation and product development to bring health & wellbeing to consumers through the natural benefits of Fijian noble kava:**

- Launch of three functional teas on Amazon USA - Noble Calm® Tea, Noble Sleep® Tea and Noble Wellness™ Tea, with The FijiKava® tea range being the first product to market with a full therapeutic dose of kava in each serving.
- Several new product formats developed for the USA market in FY23, with Dietary Shots, in various potencies and flavours now in pilot scale production, with potential manufacturing, brand and technology partners engaged for the development.
- Extension of R&D partnership with IMCD group to include the development of active beverage premixes for a range of RTD drinks, targeting a launch within the USA market.

#### 4. Promoting the Medical Benefits of Kava

**Investments in brand marketing and education around the health benefits of kava have exceeded A\$2m, with results demonstrating measurable changes in consumer perceptions**

- Total Brand Development and Marketing Investment by Fiji Kava of more than \$2m in FY22
- Trade-spend in Australian retailers of \$1.3m to support distribution and product launches in Coles and Chemist Warehouse nationally
- Targeted digital out of home advertising across delivered to 911 screens in retail locations, all with Coles and Chemist Warehouse proximity, has delivered a Unique Reach of 3m viewers since October 2021
- More than 50,000 visitors to fijikava.com, with a majority of new visitors finding the site via Social Media linkages
- 27% improvement in Net Promoter Score of the "Fiji Kava" brand, which reflect the increased likelihood of consumers to promote or recommend the brand.

#### **Key Appointments**

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

- Dr Anthony Noble was appointed as Managing Director effective 28 December 2021
- Mr Zane Yoshida was appointed as Chief Operating Officer effective 1<sup>st</sup> May 2022.

#### **6. Operating Results**

During the year company has achieved following operational results:

##### **United States of America**

- Fijikava Inc. USA completed the acquisition of Danodan Hempworks LLC, including Danodan's Portland Oregon based CBD Tincture Plant and CBD extract US Patent 10,716,819
- Fijikava Inc (USA) began doing business as The Calmer Co. USA from January 1st 2022
- Managing Director, Brian Cassuto and the USA Board of Directors appointed
- Network Nutrition, part of Dutch multinational IMCD, to include Australia, New Zealand and ASEAN countries.
- Strong finish to FY22 from the Danodan business including launch of new CBDA+ product
- Renewed engagement with MOM's Organic Market and New Seasons natural grocer
- Appointment of retail broker for Danodan and network of eleven FijiKava regional brokers.
- Development of new product formats in Dietary Shots and Gummy lines
- Three functional teas launched on Amazon USA; Noble Calm Tea, Noble Sleep® Tea and Noble Wellness Tea

## Asia Pacific

- Coles commenced stocking Fiji Kava's Drinking Kava nationally in more than 700 locations in Australia alongside their Noble Kava extract capsules and three Noble Kava medicinal product varieties: Noble Sleep, Noble Calm and Noble Body
- Fiji Kava launched the capsule range on Alibaba's Tmall e-commerce platform
- Extension of Strategic Partnership with Network Nutrition, part of Dutch multinational IMCD, to include Australia, New Zealand and ASEAN countries.

## Supply Chain Modernisation

- \$490k program of capital works was completed across three farming and manufacturing sites in Ovalau as part of modernisation of supply chain model which now spans across geographic regions and encompasses both community based and commercial farming operations.
- Execution of the first commercial farming and collection hub on Taveuni Island with Fiji's most successful agricultural program, the Tutu Rural Training Centre.
- Execution of commercial supply agreements with Green North Kava and the Old Plantation in Vanua Levu.
- Signing of two key commercial farm supply agreements with Green North Kava, in Dogotuki and "The Old Plantation" in Fawn Bay, Savusavu.

## 7. Financial Position

Revenues for the year were \$2,050,738 (FY21: \$1,168,566) a 75% increase on FY21, driven by sales expansion into the USA and the acquisition of Danodan Hempworks LLC. Cash receipts of \$2.57m, an increase of 188% vs the prior corresponding period (FY21: \$895k)

Reflecting one-off costs in FY22 and investments to execute the company's strategy for rapid expansion into the USA and new product launches in Australia retail, Fiji Kava recorded a statutory net loss from continuing operations for the year ended 30th June 2022 is \$5,916,235 which is 74% increase from last financial year (FY21: \$3,390,522).

Total assets of the company as of 30th June 2022 are \$4,788,864 and total liabilities are \$2,506,830. As of 30 June 2022, the company had \$814,056 in cash and FJD1,000,000 (\$657,895) in undrawn convertible notes.

## **8. Dividends**

There were no dividends paid or recommended during the financial year ended 30 June 2022.

## **9. Events Subsequent to Reporting Date**

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 36.

## **10. Likely Developments**

Other than matters referred to in section 5 of this Directors' report, no other likely developments in the operations of the Group and the expected results of those operations in future financial years has not been included in this report because disclosure of the information would be likely to result in unreasonable prejudice to the Group.

## **11. Environmental Regulation**

The Director's regularly monitor environmental exposures and compliance with environmental regulations. As part of this process, the Directors are responsible for:

- Setting and communicating environmental objectives and quantified targets;
- Monitoring progress against these objectives and targets;
- Implementing environmental management plans in operating areas which may have a significant environmental impact;
- Identifying where remedial actions are required and implementing action plans; and
- Regular monitoring of licence requirements, with performance against licence conditions reported to the various regulators on a regular basis.

The Directors believe that the Group has adequate systems in place for the management of its environmental requirements and are not aware of any significant breaches during the period covered by this report.

## 12. Information on Directors Including Directors' Interests

<b>Dr Andrew Kelly</b>	Chairman (Non-executive) Appointed 20 December 2018.
	<b>Experience and Qualifications</b>
	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).
	<b>Interest in Shares and Options</b>
	863,776 ordinary shares.
	<b>Directorships held in other listed entities</b>
	Dr Kelly has been a Director of Living Cell Technology Limited since November 2019

<b>Mr Zane Yoshida</b>	Chief Operating Officer Executive Director
	<b>Experience and Qualifications</b>
	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 of 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.

	<p>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.</p>
	<b>Interest in Shares and Options</b>
	13,267,273 ordinary Shares in Fiji Kava Limited.
	<b>Directorships held in other listed entities</b>
	No other Directorships held in other listed entities

<b>Mr Nicholas Simms</b>	<p>Director (Non-executive) Appointed 10 September 2019.</p>
	<b>Experience and Qualifications</b>
	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.
	<b>Interest in Shares and Options</b>
	441,176 Ordinary Shares, 750,000 Options exercisable at 0.105 on or before 27.12.2022, and 1,000,000 Options exercisable at 0.105 on or before 22.12.2023 in Fiji Kava Limited.
	<b>Directorships held in other listed entities</b>
	No other Directorships held in other listed entities.

<b>Mr Jack Lowenstein</b>	<p>Director (Non-executive) Appointed 11 August 2021. Resigned 29<sup>th</sup> May 2022.</p>
	<b>Experience and Qualifications</b>
	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.
	<b>Interest in Shares and Options at time of resignation</b>
	3,368,189 Ordinary Shares, 750,000 Options exercisable at 0.105 on or before 22.12.2023 in Fiji Kava Limited.

	<b>Directorships held in other listed entities</b>
	Director of ASX listed Morphic Ethical Equities Fund Ltd Director South Pacific Stock Exchange listed Kinetic Growth Fund Ltd. Sharmila to confirm if still current.

<b>Dr Anthony Noble</b>	Managing Director Appointed 20 December 2021.
	<b>Experience and Qualifications</b>
	Anthony joined Fiji Kava in June 2021. Prior to this he was CEO of Australian Biotherapeutics from 2019 - 2021, a joint venture between SFI Health and Servatus Ltd; a manufacturer of live biotherapeutics and probiotic products based in Coolum Beach, Queensland. Anthony worked at SFI Health from 2010-2019 and held roles as Managing Director of SFI Research Pty Ltd, the group's innovation incubator company, as Global Head of Innovation, Group Head of North Asia and as General Manager of the SFI-Shineway Chinese Joint Venture. SFI acquired and integrated Ginsana SA (Switzerland), Prothera Inc (USA), Complementary Prescriptions (USA) and Potters Herbals (UK) over this time.
	Anthony was Principal Scientist, for Cryosite Ltd (Australian Cord Blood Service) and a lead inspector for the Human Tissue Authority (UK). Anthony holds a PhD in Biological Sciences (QUT) and M.B.A. from Australian Graduate School of Management, with a year spent at the Wharton School in the USA, as well as post-graduate qualifications in Technology and Innovation Management and as a USFDA Preventive Controls Qualified Individual.
	<b>Interest in Shares and Options</b>
	450,000 Ordinary Shares
	<b>Directorships held in other listed entities</b>
	nil

<b>Mr Jay Stephenson</b>	Company Secretary and Previous Non-Executive Director
	Appointed as Director 1 February 2018
	Resigned 11th August 2021
	<b>Experience and Qualifications</b>

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

	member of Chartered Accountants Australia and New Zealand, 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.
<b>Interest in Shares and Options</b>	
Nil ordinary Shares in Fiji Kava Limited	
<b>Directorships held in other listed entities</b>	
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 Stonehorse Energy Limited since July 2011, Non-Executive Director of Fiji Kava Limited since - January 2019 to August 2021,	

### 13. Share Options

#### Unissued Shares Under Option

At the date of this report unissued shares of the Group under option are:

Option	Expiry Date	Exercise price	Number of shares
Ordinary Shares	27/12/2022	\$0.105	750,000
Ordinary Shares	28/02/2023	\$0.12	14,907,406
Ordinary Shares	22/12/2023	\$0.105	1,750,000

Further details about share-based payments to Directors and KMP are included in the remuneration report. These options do not entitle the holder to participate in any share issue of the Group or any other body corporate.

#### Shares Issued on Exercise of Options

During or since the end of the financial year, the Group issued nil ordinary shares of the Company as a result of the exercise of options.

## **Indemnification and Insurance Officers or Auditor**

### **Indemnification**

The group has agreed to indemnify the following officers of the Group:

- Mr A Kelly (current non-executive Director);
- Mr Z Yoshida (current Executive Director);
- Mr N Simms (current non-executive Director);
- Mr J Lowenstein (current non-executive Director);
- Dr Anthony Noble (current Chief Executive Officer and Managing Director); and
- Mr J Stephenson (Corporate secretary and former non-executive Director)

against all liabilities to another person (other than the Group or a related body corporate) that may arise from their position as officers of the Group 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.

### **Insurance premiums**

Since the end of the previous financial year the Group has paid insurance premiums of \$24,336 in respect of Directors' and officers' liability insurance contracts for current and former Directors and officers of the Group. The insurance premiums relate to:

- costs and expenses incurred by the relevant officers in defending proceedings, whether civil or criminal and whatever their outcome
- other liabilities that may arise from their position, with the exception of conduct involving a wilful breach of duty or improper use of information or position to gain a personal advantage.

## **14. Non-Audit Services**

The Group's auditor has not performed services in addition to the audit and review of the financial statements.

## **15. 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.

## **16. Lead Auditor's Independence Declaration**

The Lead auditor's independence declaration is set out on page 18 and forms part of the Directors' report for the financial year ended 30 June 2022.

## 17. Remuneration Report (Audited)

### 17.1 Principles of Compensation – audited

Remuneration 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.

#### a. Fixed Remuneration

Fixed remuneration for the Group's executive officers 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.

#### 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 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.

**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 \$129,436 (FY21: \$166,786).

**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 research. 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.

### **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.

## 17.2 Directors' and Executive Officers' Remuneration – audited

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:

Key Management Personnel	2021-22										Total	
	Short-term benefits			Post-employment benefits			Long-term benefits			Equity-settled share-based payments		
	Salary, fees and leave (Accrued)	Profit share and bonuses	Non-monetary	Other	Superannuation	Other	Termination benefits			Equity	Options	
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	
A Noble	225,000	-	-	15,000	22,500	-	-	-	-	-	-	262,500
Z Yoshida	95,483	-	-	-	4,708	-	-	-	-	-	-	100,191
A Kelly	46,361	-	-	-	-	-	-	-	-	-	-	46,361
J Stephenson	33,000	-	-	-	-	-	-	-	-	-	-	33,000
N Simms	14,924	-	-	-	-	-	-	-	-	-	-	14,924
J Lowenstein <sup>1</sup>	36,666	-	-	-	-	-	-	-	-	-	-	40,333
	451,434	-	-	15,000	30,875	-	-	-	-	-	-	497,309

<sup>1</sup> Mr Jack Lowenstein resigned as a non-executive director on 29<sup>th</sup> May 2022.

Key Management Personnel	2020-21										Total	
	Short-term benefits			Post-employment benefits			Long-term benefits			Equity-settled share-based payments		
	Salary, fees and leave (Accrued)	Profit share and bonuses	Non-monetary	Other	Superannuation	Other	Termination benefits			Equity	Options	
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	
A Kelly	59,120	-	-	-	-	-	-	-	-	22,851	-	81,971
Z Yoshida <sup>1</sup>	193,200	-	-	-	15,426	-	-	-	-	-	-	208,626
A Noble <sup>2</sup>	18,939	-	-	-	1,667	-	-	-	-	-	-	20,607
J Stephenson	6,000	-	-	35,000	570	-	-	-	-	-	-	42,070
N Simms <sup>3</sup>	42,817	-	-	96,000	-	-	-	-	-	97,251	-	236,068
J Lowenstein	36,667	-	-	-	3,483	-	-	-	-	66,370	-	106,520
S Nanayakkara	122,589	-	-	-	11,646	-	-	-	-	-	-	134,235
S Pothecary	212,575	-	-	-	3,483	-	-	-	-	-	-	216,058
	691,907	-	-	131,500	36,376	-	-	-	-	186,472	-	1,046,155

<sup>1</sup>Mr Zane Yoshida resigned as Managing Director on 19 October 2020 and remained a Non-Executive Director for the entire financial year

<sup>2</sup>Dr Anthony Noble was appointed Chief Executive Officer on 31 May 2021

<sup>3</sup>Mr Nicholas Simms was interim Chief Executive Officer between 19 October and 30 May 2021 and remained a Non-Executive Director for the entire financial year

### 17.3 Analysis of Bonuses Included in Remuneration – audited

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

### 17.4 Key Management Personnel Equity Holdings – audited

#### Options Over Equity Instruments Granted as Compensation

Details on rights and options over ordinary shares in the Group that were granted as compensation to each key management person during the reporting period and details on options that vested during the reporting period are as follows:

No options granted or vested during the 2022 financial year.

#### Exercise of Options Granted as Compensation

During the reporting period, no shares were issued on the exercise of options previously granted as compensation.

#### Details of Equity Incentives Affecting Current and Future Remuneration – audited

Details of vesting profiles of the rights and options held by each key management person of the Group are detailed below.

	Instrument	Number	Grant date	% vested in year	% forfeited in year <sup>1</sup>	Financial year in which grant vests
A Kelly	Options	750,000	14 Dec 2018	100%	-	2019
N Simms	Options	750,000	27 Dec 2019	100%	-	2021
N Simms	Options	1,000,000	22 Dec 2021	100%	-	2022
J Lowenstein	Options	750,000	22 Dec 2021	100%	-	2022

<sup>1</sup>The percentage forfeited in the year represents the reduction from the maximum number of instruments available to vest due to performance criteria not being achieved.

### Analysis of Movements in Shares – audited

The movement during the reporting period in the number of ordinary shares in the Group held, directly, indirectly or beneficially, by each KMP, including their related parties, is as follows:

	Number held at 1 July 2021	Number received during the year as compensation exercise of options	Number received during the year on the exercise of options	Number other changes during the year	Number held at 30 June 2022
Dr Andrew Kelly	801,276	-	-	62,500	863,776
Zane Yoshida	13,017,028	-	-	250,245	13,267,273
Nicholas Simms	441,176	-	-	-	441,176
Jack Lowenstein	3,368,189	-	-	-	3,368,189
Anthony Noble	-	-	-	450,000	450,000
	17,627,669	-	-	762,745	18,390,414

### 19.5 Loans to Key Management Personnel

There are no loans made to Directors of the Group as at 30 June 2022 (2021: nil).

### 19.6 Loans from Key Management Personnel

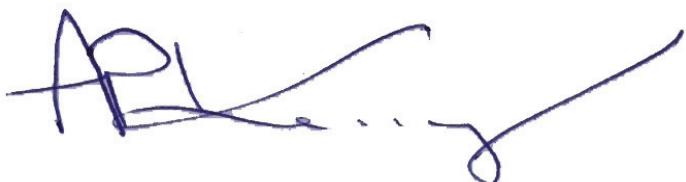
There are no loans from Directors of the Group as at 30 June 2022 (2021: nil).

### 19.7 Other Transactions with Key Management Personnel

There have been no other transactions involving equity instruments other than those described in the paragraphs 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 s298(2) of the *Corporations Act 2001* (Cth).



Dr Andrew Kelly

Chairman

Dated this 30<sup>th</sup> day of September 2022

**Auditor's Independence Declaration under Section 307C of the Corporations Act 2001 to the  
directors of Fiji Kava Limited**

As lead auditor for the audit of the financial report of Fiji Kava Limited for the financial year ended 30 June 2022, I declare, to the best of my knowledge and belief, there have been no contraventions of:

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

This declaration is in respect of Fiji Kava Limited and the entities it controlled during the financial period.



HALL CHADWICK QLD

Clive Massingham  
Director  
HALL CHADWICK QLD, Chartered Accountants

Dated this 30<sup>th</sup> September 2022

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2022

	Note	2022	2021
		\$	\$
Sales Revenue	10	2,050,738	1,168,566
Cost of Sales		(1,427,261)	(755,732)
Gross Profit		623,477	412,834
Other Income	11.1	16,042	308,172
Consulting and Professional fees		(307,901)	(545,863)
Audit and Accounting fees		(196,883)	(164,792)
Director Fees		(229,473)	(190,882)
Depreciation		(147,068)	(156,980)
Marketing		(2,054,964)	(779,305)
Insurance		(56,922)	(100,888)
Research and Development		(44,287)	(137,852)
Legal expenses		(130,458)	(70,518)
Occupancy costs		(97,400)	(895)
Employment costs	15	(1,787,383)	(1,088,131)
ASX Fees		(140,984)	(113,472)
Other expenses	11.2	(914,224)	(580,789)
Finance expenses		(60,468)	(89,574)
Loss on disposal of assets		-	(77,042)
Impairment of loss of plants		(36,025)	-
Impairment of provision of receivables		-	(14,544)
Impairment of inventory		(351,314)	-
Total Expenses		(6,555,754)	(4,111,527)
Loss before income tax expense		<b>(5,916,235)</b>	<b>(3,390,521)</b>
Income tax (benefit)/expense	17	-	-
<b>Loss after tax from continuing operations</b>		<b>(5,916,235)</b>	<b>(3,390,521)</b>
Other comprehensive income/(expense)			
Foreign exchange translation differences		46,497	(82,855)
<b>Total comprehensive loss for the year</b>		<b>(5,869,738)</b>	<b>(3,473,376)</b>
Basic and diluted loss per share (cents per share)	13	(3.33)	(2.76)

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 2022

	Note	2022	2021
		\$	\$
<b>Current assets</b>			
Cash and cash equivalents	18	814,056	1,184,132
Trade and other receivables	19	179,778	566,429
Prepayments		515,329	24,082
Inventories	20	1,485,832	868,273
Total current assets		<b>2,994,995</b>	<b>2,642,916</b>
<b>Non-current assets</b>			
Property, plant and equipment	21	794,978	640,884
Intangible assets	22	881,205	215,714
Right-of-use assets	23	117,686	104,785
Total Non-current assets		<b>1,793,869</b>	<b>961,383</b>
Total assets		<b>4,788,864</b>	<b>3,604,299</b>
<b>Current liabilities</b>			
Trade and other payables	24	582,077	360,923
Provisions	25	124,203	33,971
Deferred revenue	26	20,884	32,765
Borrowings	27	106,552	125,000
Lease liability	23	138,142	91,985
Total current liabilities		<b>971,858</b>	<b>644,644</b>
<b>Non-current liabilities</b>			
Borrowings	27	1,534,972	-
Lease liability	23	-	50,133
Total non-current liabilities		<b>1,534,972</b>	<b>50,133</b>
Total liabilities		<b>2,506,830</b>	<b>694,777</b>
Net assets		<b>2,282,034</b>	<b>2,909,522</b>
<b>Equity</b>			
Issued Capital	28	22,302,523	17,066,355
Reserves		293,273	240,694
Accumulated losses		(20,313,762)	(14,397,527)
Total equity		<b>2,282,034</b>	<b>2,909,522</b>

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 2022

2022	Contributed Equity	Accumulated Loss	Foreign Exchange Reserve	Option Reserve	Business Combination Reserve	Total Equity
Balance at 1 July 2021	17,066,355	(14,397,527)	10,568	165,947	64,179	2,909,522
Shares issued during the year (net of costs)	5,236,168	-	-	-	-	5,236,168
Option Issued	-	-	-	6,082	-	6,082
Foreign exchange translation differences	-	-	46,497	-	-	46,497
Total profit items recognised directly in other Comprehensive income for the year						
Loss for the year	-	(5,916,235)	-	-	-	(5,916,235)
Total comprehensive income for the year	-	-	-	-	-	-
Balance as at 30 June 2022	22,302,523	(20,313,762)	57,065	172,029	64,179	2,282,034

2021	Contributed Equity	Accumulated Loss	Foreign Exchange Reserve	Option Reserve	Business Combination Reserve	Total Equity
Balance at 1 July 2020	12,196,188	(11,007,006)	93,423	35,689	64,179	1,382,473
Shares issued during the period	4,870,167	-	-	-	-	4,870,167
Option Issued	-	-	-	130,258	-	130,258
Foreign exchange translation differences	-	-	(82,855)	-	-	(82,855)
Total profit items recognised directly in other Comprehensive income for the period						
Loss for the period	-	(3,390,521)	-	-	-	(3,390,521)
Total comprehensive income for the period	-	-	-	-	-	-
Balance as at 30 June 2021	17,066,355	(14,397,527)	10,568	165,947	64,179	2,909,522

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 2022

	Note	2022	2021
		\$	\$
<b>Cash flows from operating activities</b>			
Cash receipts from customers		2,573,678	894,845
Interest received/paid (net)		(37,427)	(41,302)
Payments to suppliers and employees		<u>(8,671,831)</u>	<u>(4,993,875)</u>
<b>Net cash used by operating activities</b>	18	<b>(6,135,580)</b>	<b>(4,140,332)</b>
<b>Cash flows from investing activities</b>			
Intangible asset purchases		(665,491)	(217,892)
Plant and equipment purchases		<u>(301,163)</u>	<u>(41,475)</u>
<b>Net cash used by investing activities</b>		<b>(966,654)</b>	<b>(259,367)</b>
<b>Cash flows from financing activities</b>			
Share Issue (net costs)		5,236,168	4,244,792
Receipt of Loan		1,516,524	-
Repayment of leases		<u>(16,877)</u>	<u>(89,225)</u>
<b>Net cash generated by financing activities</b>		<b>6,735,816</b>	<b>4,155,567</b>
<b>Net decrease in cash and cash equivalents</b>		<b>(366,418)</b>	<b>(244,132)</b>
Movement in foreign exchange		(3,658)	(1,960)
Cash and cash equivalents at the beginning of the period		<u>1,184,132</u>	<u>1,430,224</u>
<b>Cash and cash equivalents at the end of the year</b>	18	<b>814,056</b>	<b>1,184,132</b>

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 2022

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## GENERAL INFORMATION

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

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

### 1. Basis of Preparation

The consolidated financial statements of Fiji Kava Limited (the “Company”) and its controlled entities (“Fiji Kava” or the “Group”) for the year ended 30 June 2022, 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.

### 2. Functional and Presentation Currency

These consolidated financial statements are presented in Australian dollars which is the Company’s functional currency. The Group is of a kind referred to in *ASIC Corporations (Rounding in Financial/Directors’ Reports) Instrument 2016/191* and in accordance with that instrument, amounts in the consolidated financial statements and Directors’ report have been rounded off to the nearest dollar, unless otherwise stated.

### 3. Use of Judgements and Estimates

In preparing these consolidated financial statements, management has made judgements and estimates that affect the application of the Group’s accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

### Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties at 30 June 2022 that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities in the next financial year is outlined below:

#### *Calculation of loss allowance*

When measuring expected credit losses (“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 based on management’s industry experience and expertise. Costs are assigned to individual items

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2022

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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.

### Measurement at Fair Values

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

The Group has an established control framework with respect to the measurement of fair values. This includes a valuation team that has overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values, and reports directly to the chief financial officer.

The valuation team regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values, then the valuation team assesses the evidence obtained from the third parties to support the conclusion that these valuations meet the requirements of the Standards, including the level in the fair value hierarchy in which the valuations should be classified.

Significant valuation issues are reported to the Group's audit committee.

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Further information about the assumptions made in measuring fair values is included in the following notes:

- Note 14 – share-based payment arrangements;
- Note 31 – financial instruments; and
- Note 33 – acquisition of subsidiary.

### 4. Changes in Significant Accounting Policies

The Group has not adopted any significant new accounting policies.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2022

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### 5. Significant Accounting Policies

The Group has consistently applied the following accounting policies to all periods presented in these consolidated financial statements, except if mentioned otherwise.

#### 5.1. Consolidation

##### 5.1.1. Business combination 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.

##### 5.1.2. 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.

##### 5.1.3. Interests in equity-accounted investees

The Group's interests in equity-accounted investees comprise interests in associates. Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies.

Interests in associates and the joint venture are accounted for using the equity method. They are initially recognised at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit or loss and OCI of equity-accounted investees, until the date on which significant influence or joint control ceases.

##### 5.1.4. Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses (except for foreign currency transaction gains or losses) arising from intra-group transactions, are eliminated. Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022

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## 5.2. Foreign Currency

### 5.2.1. Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currencies of Group companies at the exchange rates at the end of the month of the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Foreign currency differences arising on translation are generally recognised in profit or loss and presented within finance costs.

### 5.2.2. Foreign operations

The assets and liabilities of foreign operations are translated into Australian dollars at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into Australian dollars at the exchange rates at the dates of the transactions. Foreign exchange differences on translation are recognised as a separate component of equity.

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

## 5.3. Employee Benefits

### 5.3.1. Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

### 5.3.2. Share-based payment arrangements

The grant-date fair value of equity-settled share-based payment arrangements granted to employees is generally recognised as an expense, with a corresponding increase in equity, over the vesting period of the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognised is based on the number of awards that meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant-date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

### 5.3.3. Defined contribution plans

Obligations for contributions to defined contribution plans are expensed as the related service is provided.

### 5.3.4. Other long-term employee benefits

The Group's net obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods.

## 5.4. Government Grants

The Group recognises an unconditional government grant related to a biological asset in profit or loss as other income when the grant becomes receivable. Other government grants are initially recognised as deferred income at fair value if there is reasonable assurance that they will be received, and the Group will comply with the conditions associated with the grant; they are then recognised in profit or loss.

Grants that compensate the Group for expenses incurred are recognised in profit or loss on a systematic basis in the periods in which the expenses are recognised, unless the conditions for receiving the grant are met after the related expenses have been recognised. In this case, the grant is recognised when it becomes receivable.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2022

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### 5.5. Finance Income and Finance Costs

The Group's finance income and finance costs include:

- interest income;
- interest expense;
- the net gain or loss on financial assets at FVTPL; and
- the foreign currency gain or loss on financial assets and financial liabilities;

Interest income or expense is recognised using the effective interest method. The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- the gross carrying amount of the financial asset; or
- the amortised cost of the financial liability.

In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortised cost of the liability. However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

### 5.6. Revenue

#### 5.6.1. Sale of goods

Revenue is measured based on the consideration specified in a contract with a customer and excluded 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 investments property is recognised at a point in time when control of the asset is transferred which is on delivery of the goods.

#### 5.6.2. Interest revenue

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

### 5.7. 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 expenses as incurred and included in financing costs.

### 5.8. 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2022

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### 5.9. 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.

### 5.10. 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.

### 5.11. Property, Plant and Equipment

#### 5.11.1. Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.

If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is recognised in profit or loss.

#### 5.11.2. Depreciation

Depreciation is calculated to write off the cost of items of property, plant and equipment using the straight-line method over their estimated useful lives and is generally recognised in profit or loss. Land is not depreciated.

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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2022

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### 5.12. Intangible Assets

#### 5.12.1. Recognition and measurement

Intangible assets that are acquired by the Group are stated at cost less accumulated amortisation and any accumulated 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 is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in profit or loss 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 intention 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.

#### 5.12.2. Amortisation

Amortisation is calculated to write off the cost of intangible assets less their estimated residual values using the straight-line method and is generally recognised in profit or loss.

The estimated useful lives for current and comparative periods are as follows:

— Trademark costs 10 years (2021: 10 years)

### 5.13. 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.

##### 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2022

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### 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.
- **FVOCl:** 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 FVOCl. 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 FVOCl 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 FVOCl are not reported separately from other changes in fair value.

### d. Impairment

The Group assesses on a forward-looking basis, the expected credit losses associated with its debt instruments carried at amortised cost and FVOCl. 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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## **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.

## **5.14. Share Capital**

### *Ordinary shares*

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.

### *Reacquisition of ordinary shares*

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.

## **5.15. Compound Financial Instruments**

Compound financial instruments issued by the Group comprise convertible notes denominated in Australian dollars that can be converted to ordinary shares at the option of the holder, when the number of shares to be issued is fixed and does not vary with changes in fair value.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2022

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The liability component of compound financial instruments is initially recognised at the fair value of a similar liability that does not have an equity conversion option. The equity component is initially recognised at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortised cost using the effective interest method. The equity component of a compound financial instrument is not remeasured.

Interest related to the financial liability is recognised in profit or loss. On conversion at maturity, the financial liability is reclassified to equity and no gain or loss is recognised.

### **5.16. Impairment**

#### **Non-derivative financial assets**

##### *Financial instruments and contract assets*

The Group recognises loss allowances for expected credit losses ("ECLs") on:

- financial assets measured at amortised cost;
- debt investments measured at FVOCI; and
- contract assets.

The Group measures loss allowances at an amount equal to lifetime ECLs.

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment, that includes forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Group considers a financial asset to be in default when:

- the debtor is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or
- the financial asset is more than 90 days past due.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

##### *Measurement of ECLs*

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive).

ECLs are discounted at the effective interest rate of the financial asset.

##### *Credit-impaired financial assets*

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At each reporting date, the Group assesses whether financial assets carried at amortised cost and debt securities at FVOCI are credit impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the debtor;
- a breach of contract such as a default or being more than 90 days past due;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- it is probable that the debtor will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

### *Presentation of allowance for ECL in the statement of financial position*

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

For debt securities at FVOCI, the loss allowance is charged to profit or loss and is recognised in OCI.

### *Write-off*

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For individual customers, the Group has a policy of writing off the gross carrying amount when the financial asset is 180 days past due based on historical experience of recoveries of similar assets. For corporate customers, the Group individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Group expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

### *Non-financial 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.

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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2022

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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.

### 5.17. 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.

### 5.18. Leases

#### As a lessee

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date plus any initial direct costs incurred.

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.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses the incremental borrowing rate as the discount rate.

The Group determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments less lease incentives;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2022

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its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

### *Short-term leases and leases of low-value assets*

The Group has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases, including IT equipment. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

### *As a lessor*

At inception or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Group applies the exemption described above, then it classifies the sub-lease as an operating lease.

If an arrangement contains lease and non-lease components, then the Group applies IFRS 15 to allocate the consideration in the contract.

The Group applies the derecognition and impairment requirements in IFRS 9 to the net investment in the lease. The Group further regularly reviews estimated unguaranteed residual values used in calculating the gross investment in the lease.

The Group recognises lease payments received under operating leases as income on a straight-line basis over the lease term as part of 'other revenue'.

### **5.19. Fair Value Measurement**

'Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk.

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities (see Note 2).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2022

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When one is available, the Group measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as 'active' if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Group uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all the factors that market participants would take into account in pricing a transaction.

If an asset or a liability measured at fair value has a bid price and an ask price, then the Group measures assets and long positions at a bid price and liabilities and short positions at an ask price.

The best evidence of the fair value of a financial instrument on initial recognition is normally the transaction price – i.e. the fair value of the consideration given or received. If the Group determines that the fair value on initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique for which any unobservable inputs are judged to be insignificant in relation to the measurement, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value on initial recognition and the transaction price. Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

### **6. New accounting standards and interpretations**

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2022 reporting periods and have not been early adopted by the group. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2022

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### 7 Segment Reporting

#### *Basis for 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.

The Group has the following four reportable segments namely South Pacific Elixirs Pty Limited ("SPE Fiji"), Fiji Kava Inc (USA), Danodan Hempworks LLC (USA) and Fiji Kava Australia Trading Pty Ltd ("Fiji Kava Australia Trading"). These reportable segments operate in three different geographical areas.

The following summary describes the operations of each reportable segment.

Reporting segments	Operations	Geographical areas
Fiji Kava Australia Trading	Marketing and Selling of products	Australia
SPE Fiji	Sourcing and manufacturing of kava powder	Fiji
Fiji Kava Inc (USA)	Marketing and Selling of products	USA
Danodan Hempworks LLC (USA)	Manufacture, Marketing and Selling of products	USA

The Group's chief executive officer reviews the internal management reports of each division on at least a monthly basis.

In 2021 only the Fiji Kava Trading and SPE Fiji met the requirements for segment reporting.

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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2022

### Information about reportable segments

Information related to each reportable segment and all other segments 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.

2022	Reportable Segments				All other segments	Total
	Fiji Kava Trading	SPE Fiji	Fiji Kava USA	Danodan		
External revenues	1,341,811	1,013,836	343,411	207,386	12,611	2,919,055
Inter-segment revenue	-	(852,275)	-	-	-	(852,275)
Segment Revenue	1,341,811	161,561	343,411	207,386	12,611	2,066,780
Segment profit (loss) before tax	(2,326,089)	(321,978)	(567,274)	(328,724)	(2,372,170)	(5,916,235)
Interest income	-	-	-	-	91	91
Interest expense	(668)	(19,408)	-	(1,141)	(16,210)	(37,427)
Depreciation and amortisation	(9,190)	(64,102)	(25,992)	-	(47,784)	(147,068)
Other material non-cash items:						
Impairment losses on non-financial assets	-	-	-	-	-	-
Segment assets	1,205,046	1,581,102	1,434,230	130,081	438,405	4,788,864
Segment liabilities	(214,309)	(262,721)	(375,876)	(16,723)	(1,637,201)	(2,506,830)

2021	Reportable Segments			All other segments	Total
	Fiji Kava Trading	SPE Fiji			
External revenues	939,304	49,543		179,719	1,168,566
Inter-segment revenue	3,331	499,914		-	503,245
Segment Revenue	942,635	549,457		179,719	1,671,811
Segment profit (loss) before tax	(1,239,133)	26,583		(2,177,972)	(3,390,522)
Interest income	-	-		366	366
Interest expense	-	7,540		82,034	89,574
Depreciation and amortisation	4,841	60,956		71,183	156,980
Other material non-cash items:					
Impairment losses on non-financial assets	-	3,569		-	3,569
Segment assets	1,138,670	1,290,811		1,174,818	3,604,299
Segment liabilities	(515,833)	(161,117)		(17,827)	(694,777)

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2022

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### 8. Disposal Group Held for Sale

The Group does not currently have any disposal group held for sale.

### 9. Going Concern

The Financial Report has been prepared on the going concern basis that contemplates the continuity of normal business activities and the realisation of assets and extinguishment of liabilities in the ordinary course of business. During the financial year, the Group made a loss before tax of \$5,916,235 (2021: loss of \$3,390,521) and has accumulated losses of \$20,313,762. As at 30 June 2022, the Group retained a net current assets position of \$2,023,137 including a cash position of \$814,056. Based on the Group's cash flow forecast, the net current asset position provides approximately 1.5 months of funding, without including the benefit of continued revenue improvement which is expected to increase during FY 2023.

The Group's cash flow forecast shows that despite the projected growth in sales, it is likely that the Group will need to access additional working capital in the next few months to support and implement the Group's goals and objectives. The directors are confident that the Group will be successful in raising additional funds through the issue of new equity and/or debt as they have been successful in raising equity in previous periods.

Based on these facts, the directors consider the going concern basis of preparation to be appropriate for this financial report. Should the Group be unsuccessful in raising additional funds through the issue of new equity, there is a material uncertainty which may cast significant doubt whether the Group will be able to continue as a going concern and therefore, whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

The financial statements do not include any adjustments relative to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that might be necessary should the Group not continue as a Going Concern.

### 10. Revenue

#### 10.1. Revenue streams

The Group generates revenue primarily from the sale of Kava products to its customers. Other sources of revenue include rental income from an owned investment property (for a further split see note 11 below).

	2022	2021
	\$	\$
Revenue from contracts with customers	2,050,738	1,168,566
Other income:		
Rental of office space	7,700	8,400
Other Revenue	8,342	299,772
<b>Total Revenue</b>	<b>2,066,780</b>	<b>1,476,738</b>

#### 10.2. Disaggregation of revenue from contracts with customers

In the following table, revenue from contracts with customers (including revenue related to a discontinued operation) is disaggregated by primary geographical market, major products and service lines and timing of revenue recognition. The table also includes a reconciliation of the disaggregated revenue with the Group's reportable segments (see Note 7).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2022

	Reportable Segments						Total
	Fiji Kava Trading	SPE Fiji	Fiji Kava USA	Danodan	Other		
<b>Geographical Markets</b>							
Australia	1,341,811	-	-	-	-	-	1,341,811
Fiji	-	161,561	-	-	-	-	161,561
Other	-	-	343,411	207,386	12,611	563,408	
	1,341,811	161,561	343,411	207,386	12,611	2,066,780	
<b>Major product lines</b>							
Drinking	50,112	137,422	343,411	-	11,566	542,511	
Health	681,978	-	-	-	-	681,978	
Capsules							
Other	609,721	11,183	-	205,345	-	826,249	
	1,341,811	148,605	343,411	205,345	11,566	2,050,738	
Other Revenue	-	12,956	-	2,041	1,045	16,042	
<b>External Revenue as reported in Note 7</b>	<b>1,341,811</b>	<b>161,561</b>	<b>343,411</b>	<b>207,386</b>	<b>12,611</b>	<b>2,066,780</b>	
<b>2021</b>							
	Reportable Segments						Total
	Fiji Kava Trading	SPE Fiji		Other			
<b>Geographical Markets</b>							
Australia	939,304	-	-	-	-	-	939,304
Fiji	-	49,543	-	-	-	-	49,543
Other	-	-	-	179,719	-	-	179,719
	939,304	49,543	-	179,719	-	-	1,168,566
<b>Major product lines</b>							
Health Capsules	939,304	49,543	-	171,319	-	-	1,160,166
Other	-	-	-	-	-	-	-
	939,304	49,543	-	171,319	-	-	1,160,166
Other Revenue	-	-	-	8,400	-	-	8,400
<b>External Revenue as reported in Note 7</b>	<b>939,304</b>	<b>49,543</b>	<b>-</b>	<b>179,719</b>	<b>-</b>	<b>-</b>	<b>1,168,566</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2022

### 10.3. Contract balances

The following table provides information about receivables, contract assets and contract liabilities from contracts with customers.

	Note	2022 \$	2021 \$
Receivables, which are included in 'trade and other receivables'	19	106,335	566,429
Contract assets		-	200,640
Contract liabilities		20,884	32,765

The contract assets primarily relate to the Group's rights to consideration for orders completed but not billed at the reporting date on made-to-order products. The contract assets are transferred to receivables when the rights become unconditional. This usually occurs when the Group issues an invoice to the customer.

The contract liabilities primarily relate to the advance consideration received from customers.

### 10.4. Revenue recognition policies

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.

## 11. Income and Expenses

### 11.1. Other Income

	2022 \$	2021 \$
Cash Flow Boost	-	73,244
Interest income	91	366
Rental income	7,700	8,400
Other income	8,251	226,162
	<b>16,042</b>	<b>308,172</b>

### 11.2. Other Expenses

	2022 \$	2021 \$
Computer expenses	120,472	159,671
Entertainment	4,796	4,797
Investor relations	123,267	166,313
Motor vehicle	11,150	15,890
Printing, stationery & postage	2,957	21,039
Staff amenities	2,076	2,679
Storage & third party logistics	123,298	95,070
Subscriptions & publications	15,577	2,452
Travel expenses	150,745	39,469
Other miscellaneous expenses	359,886	73,409
	<b>914,224</b>	<b>580,789</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2022

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### 12. Net finance costs

See Accounting Policies in Note 5.5

	2022 \$	2021 \$
<b>Finance income</b>		
Interest income	91	366
Foreign exchange (gains)	-	-
<b>Finance costs</b>		
Foreign exchange losses	9,983	42,887
Bank fees	13,058	5,019
Interest expense	37,427	41,668
Net finance costs recognised in profit or loss	<u>60,377</u>	<u>89,208</u>

### 13. 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.

	2022 \$	2021 \$
<b>Reconciliation of earnings to profit or loss</b>		
Loss for the year	(5,916,235)	(3,390,521)
Loss used in the calculation of basic and diluted EPS	(5,916,235)	(3,390,521)
Weighted average number of ordinary shares outstanding during the period used in the calculation of basic EPS	177,359,835	122,860,471
Loss per share		
Basic and diluted loss per share (cents per share)	(3.33)	(2.76)

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2022

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### 14. Share Based Payment Arrangements

#### Share options (Equity-settled)

The key terms and conditions related to the grants under these programmes are as follows; all options are to be settled by the physical delivery of shares.

Name and grant date	Number of options	Contractual life of options
Nicholas Simms on 22 December 2020	1,000,000	3 years
Jack Lowenstein on 22 December 2020	750,000	3 years

#### Measurement of fair values

The fair value of the share options has been measured using the Black-Scholes formula.

The inputs used in the measurement of the fair values at grant date of the equity-settled share-based payment plans were as follows.

	2020
Fair value per option at grant date	\$0.0305
Market value per share at grant date	
Exercise price per option	\$0.105
Expected volatility <sup>1</sup>	
Expected life	3 years
Expected dividend yield	0.00%
Risk-free interest rate (based on government bonds)	

<sup>1</sup>Expected volatility has been based on an average of the standard deviation of approx. 10 listed entities that undertake similar activities to the Group.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2022

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### 15. Employee Benefits

See accounting policies in Note 5.3

	2022 \$	2021 \$
Current liability for annual leave	124,203	33,971
Total employee benefit liabilities	<u>124,203</u>	<u>33,971</u>

Employee benefits expense

	2022 \$	2021 \$
Wages and salaries (including allowances)	1,480,568	803,952
Superannuation expense	95,554	73,498
Annual leave expense	77,494	(9,688)
Equity-settled share-based payments	-	130,258
Other employee benefits expense	<u>133,767</u>	<u>90,111</u>
	<u>1,787,383</u>	<u>1,088,131</u>

### 16. Auditor's Remuneration

Remuneration of the auditor for the Group for:

	2022 \$	2021 \$
Auditing or reviewing the financial reports	79,689	77,107
	<u>79,689</u>	<u>77,107</u>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2022

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### 17. Income Tax

See accounting policy in Note 5.8.

There are no current or deferred tax expenses during the year.

#### Reconciliation of income tax

The **prima facie tax expense/(credit) on profit/(loss)** from ordinary activities before income tax is reconciled to income tax is:

	2022 \$	2021 \$
Prima facie tax payable/(benefit) on profit/(loss) before income tax at 25% (2021: 26%)	(1,479,058)	(881,536)
Tax effect of other deductible expenses	38,768	(73,843)
International tax rate differences	60,757	61,349
Tax effect of unrecognised tax losses utilised	1,379,533	894,030
	-	-

#### Tax losses carried forward

The Group has estimated tax losses of approximately \$6M (2021: \$5M). Utilization 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").

#### Deferred tax asset

The Group has recognized a deferred tax asset of \$nil (2021: \$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 5.8.

As of 1 July 2021, the corporate tax rate in Australia for base rate entities will be reduced from 26 to 25%.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2022

### 18. 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:

	2022 \$	2021 \$
Cash at bank	782,801	1,137,762
Term deposits	31,167	46,370
Cash on hand	88	-
<b>Cash and cash equivalent</b>	<b>814,056</b>	<b>1,184,132</b>

*Reconciliation of loss for the year to net cash flows from operating activities*

	2022 \$	2021 \$
Loss for the year	(5,916,235)	(3,390,522)
Non-cash items in profit from ordinary activities		
Depreciation	147,068	156,980
Shared based option expense	-	130,258
Interest expense and borrowing costs	5,852	41,668
Unrealised foreign exchange movement	46,497	(48,109)
Interest income	(91)	(366)
(Profit)/loss on sale of fixed assets	-	75,448
 Movements in working capital		
(Increase)/decrease in receivables and prepayments	743,575	(423,685)
(Increase)/decrease in inventories	(1,461,751)	(470,675)
(Increase)/decrease in interest received	-	366
Increase/(decrease) in trade and other payables	221,154	(132,033)
Increase/(decrease) in deferred revenue	(11,881)	(39,385)
Increase/ (decrease) in interest paid	-	(41,668)
Increase/(decrease) in provisions	90,232	1,390
Net cash used in operating activities	<b>(6,135,580)</b>	<b>(4,140,332)</b>

*Changes in liabilities arising from Financing Activities*

	1 July 2021	Cash Flows	Conversion to Equity	Accrued interest	Other movements	30 June 2022
<b>Short term borrowings</b>	125,000	-	(75,000)	-	6,552	56,552
<b>Long term borrowings</b>	-	1,516,524	-	75,000	(6,552)	1,584,972
<b>Lease Liabilities</b>	142,118	(16,877)	-	12,901	-	138,142
<b>Total</b>	<b>267,118</b>	<b>1,499,647</b>	<b>(75,000)</b>	<b>87,901</b>	<b>-</b>	<b>1,779,666</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2022

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### 19. Trade and Other Receivables

	2022 \$	2021 \$
Current		
Trade receivables	101,753	445,426
Other Receivables	4,583	53,041
GST receivables	73,442	67,962
	<hr/>	<hr/>
	179,778	566,429
 <i>Ageing of trade receivables</i>		
	2022 \$	2021 \$
0 - 60 days	35,279	421,847
60 - 120 days	4,313	23,579
Over 120 days	62,161	-
	<hr/>	<hr/>
	<b>101,753</b>	<b>445,426</b>

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 2022 is determined based on the expected credit losses, incorporating forward-looking information.

#### **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.

#### **Foreign exchange and interest rate risk**

Foreign exchange and interest rate risk exposure are disclosed in note 31.

### 20. Inventories

See accounting policy in Note 5.10.

	2022 \$	2021 \$
Raw material	16,305	511,975
Finished goods	1,469,527	356,298
	<hr/>	<hr/>
	<b>1,485,832</b>	<b>868,273</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2022

### 21. Property, Plant and Equipment

See accounting policies in Note 5.11.

	Buildings	Green House	Plant & Equipment	Motor Vehicle	Lab & Nursery	Furniture & Fittings	Total
<b>Cost</b>							
Balance at 1 July 2021	171,804	162,058	257,369	200,046	26,734	13,199	831,210
Effect of movements in exchange rates	5,154	4,443	7,647	5,484	1,096	-	23,824
Acquisitions	-	-	247,269	-	35,432	-	282,701
Disposals	(63,707)	-	-	-	-	-	(63,707)
Other movement	-	-	-	-	-	-	-
Balance at 30 June 2022	113,251	166,501	512,285	205,530	63,262	13,199	1,074,028

	Buildings	Green House	Plant & Equipment	Motor Vehicle	Lab & Nursery	Furniture & Fittings	Total
<b>Accumulated Depreciation</b>							
Balance at 1 July 2021	17,503	12,964	61,266	88,096	5,262	5,234	190,325
Effect of movements in exchange rates	523	389	1,838	2,643	158	157	5,708
Depreciation	1,014	2,122	47,090	20,919	11,880	942	83,967
Disposals	(950)	-	-	-	-	-	(950)
Other movement	-	-	-	-	-	-	-
Balance at 30 June 2022	18,090	15,475	110,194	111,658	17,300	6,333	279,050

	Buildings	Green House	Plant & Equipment	Motor Vehicle	Lab & Nursery	Furniture & Fittings	Total
<b>Cost</b>							
Balance at 1 July 2020	170,282	251,495	241,990	208,404	27,902	13,199	913,272
Effect of movements in exchange rates	(6,646)	(12,014)	(10,268)	(8,358)	(1,168)	-	(38,454)
Acquisitions	8,677	-	32,798	-	-	-	41,475
Disposals	-	(77,792)	(7,151)	-	-	-	(84,943)
Other movement	(509)	369	-	-	-	-	(140)
Balance at 30 June 2021	171,804	162,058	257,369	200,046	26,734	13,199	831,210

	Buildings	Green House	Plant & Equipment	Motor Vehicle	Lab & Nursery	Furniture & Fittings	Total
<b>Accumulated Depreciation</b>							
Balance at 1 July 2020	6,645	17,166	42,125	67,087	4,957	6,748	144,728
Effect of movements in exchange rates	3,315	(727)	(2,698)	(3,042)	(2,519)	-	(5,671)
Depreciation	7,530	2,026	22,665	24,005	2,673	1,584	60,483
Disposals	-	(5,341)	(4,154)	-	-	-	(9,495)
Other movement	13	(160)	3,329	46	151	(3,098)	281
Balance at 30 June 2021	17,503	12,964	61,267	88,096	5,262	5,234	190,326

Property, plant and equipment does not include right-of-use assets. Please see note 23 for information on leased assets.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2022

### 22. Intangible Assets

	2022 \$	2021 \$
Capitalised website costs, at cost	15,748	15,748
Trademarks	563,936	217,892
Accumulated amortisation	(32,345)	(17,926)
Goodwill	333,866	-
	<hr/> <hr/> 881,205	<hr/> <hr/> 215,714

#### Amortisation

The amortisation of trademarks and website costs is included in 'total expenses' under depreciation.

#### Impairment tests for goodwill

Goodwill is allocated to the Dandan operations as a single cash-generating unit (CGU) which is included in the US business segment, and to Danodan following the acquisition (see note 37) as a single cash-generating unit included in the USA business segment. The recoverable amount of the CGU is determined based on a valuation performed on the business (fair value less costs to sell).

### 23. Leases

#### Leases as a lessee

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.

Information about leases for which the Group is a lessee is presented below.

#### Right-of-use assets

Right-of-use assets related to leased properties that do not meet the definition of investment property are presented as property, plant and equipment (see Note 5.18).

2022	Total \$
<b>Right of use assets</b>	
Opening balance	104,785
Right of use assets acquired	19,461
Current year disposals	-
Other current year increase / (decrease)	(380)
Depreciation charge for the year	(6,180)
<b>Closing Balance</b>	<hr/> <hr/> 117,686

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2022

2022	Total	\$
<b>Lease Liabilities</b>		
Opening balance	142,118	
Current year additions	7,596	
Current year disposals	-	
Other current year increase / (decrease)	(33)	
Accretion of interest	5,305	
Payments made	(16,844)	
<b>Closing Balance</b>	<b>138,142</b>	

2022	Total	\$
<b>Current</b>		
Current	138,142	
Non-current	-	
<b>Closing Balance</b>	<b>138,142</b>	

Amounts recognised in profit or loss	2022	\$
<b>Interest on lease liabilities</b>		
Interest on lease liabilities	12,904	
Expenses relating to short-term leases	-	
<b>Amounts recognised in statement of cash flows</b>		
Amounts recognised in statement of cash flows	2022	\$
Income from sublease	7,700	
Total cash outflow for leases	16,877	

### 24. Trade and Other Payables

See Note 5.13 for measurement policies.

	2022	2021
	\$	\$
<b>Current</b>		
Trade payables	377,377	216,871
Other payables	112,195	89,827
Accrued expenses	92,505	54,225
	<b>582,077</b>	<b>360,923</b>

Information about the Group's exposure to currency and liquidity risks is included in the notes to these financial statements.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2022

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### 25. Provisions

See accounting policy in note 5.17

	2022 \$	2021 \$
Balance at start of year	33,971	32,581
<b>Employee Annual Leave Provision</b>		
Provisions made during the year	137,711	11,078
Provisions used during the year	(47,479)	-
Provisions reversed during the year	-	(9,688)
Closing balance	<u>124,203</u>	<u>33,971</u>

### 26. Deferred Revenue

See accounting policy in note 5.6

	2022 \$	2021 \$
Other Grants	20,884	32,765
	<u>20,884</u>	<u>32,765</u>

### 27. Borrowings

	2022 \$	2021 \$
Current		
Convertible Notes	50,000	125,000
Other Borrowings	56,552	-
	<u>106,552</u>	<u>125,000</u>
Non-Current		
Convertible Notes	1,323,600	-
SBA Loan	211,372	-
	<u>1,534,972</u>	<u>-</u>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2022

### Convertible notes

	Current \$	Non-current \$
Balance at 1 July 2021	125,000	-
Proceeds from issue of convertible notes during the year	-	1,323,600
Transaction costs during the year	-	-
Net proceeds	125,000	1,323,600
Notes converted during the year	(75,000)	-
Carrying amount of liability at 30 June 2022	50,000	1,323,600

### Terms and conditions

The terms and conditions of the convertible note (issued in FY 2019):

- Maturity date: 18 months after subscription date
- Interest rate: 7% per annum
- Conversion rate: 15% discount to the 5-day VWAP prior to conversion with a maximum conversion price of \$0.15.

The terms and conditions of the convertible note (issued in FY 2022):

- Maturity date: 60 months anniversary of issue date
- Interest rate: 5% per annum
- Conversion rate: 5% discount per annum with a maximum conversion price of \$0.15.

### US Small Business Administration (SBA) Loan

	Current \$	Non-current \$
Balance at 1 July 2021	-	-
Proceeds from SBA loan from acquisition of Danodan	-	211,372
Transaction costs during the year	-	-
Net proceeds	-	211,372
Interest accrued during the year	12,190	-
Interest paid during the year	(12,190)	-
Carrying amount of liability at 30 June 2022	-	211,372

### Terms and conditions

The terms and conditions of the SBA Loan is:

- Details: Currently paying principal and interest on the loan taken out 4 June 2020 with a maturity of 30 years from the date of the loan.
- Interest rate: 3.75% per annum

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2022

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### 28. Issued Capital

Fully paid ordinary shares	2022		2021	
	No.	\$	No.	\$
Balance at beginning of the reporting period	129,956,232	17,066,355	95,600,234	12,196,188
Shares issued during the year				
Placement (net costs)	59,313,195	5,150,650	25,678,360	4,228,447
Conversion of Convertible Note	1,670,837	85,518	8,677,638	641,720
Balance at end of the reporting period	190,940,264	22,302,523	129,956,232	17,066,355

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.

#### *Issue of ordinary shares*

The company completed a capital raising of \$5,150,650 during the year with the issue of 59,313,195 shares.

### 29. 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.

### 30. Reserves

#### *Option reserve*

The option reserve records items recognised as expenses on valuation of employee share options.

#### *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 5.1.1.

#### *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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2022

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### 31. Financial Instruments - Risk Management

#### Financial Risk Management Policies

This note presents information about the Group's exposure to 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, accounts payable and receivable and convertible notes.

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

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

2022	Note	Floating Interest	Fixed Interest	Non-interest	Total
		Rate	Rate	Bearing	
		\$	\$	\$	\$
<b>Financial Assets</b>					
Cash and cash equivalents	18	814,056	-	-	814,056
Trade and other receivables	19	-	-	179,778	179,778
<b>Total Financial Assets</b>		<b>814,056</b>	<b>-</b>	<b>179,778</b>	<b>993,834</b>
 <b>Financial Liabilities</b>					
Borrowings	27	-	1,641,524	-	1,641,524
Trade and other payables	24	-	-	582,077	582,077
<b>Total Financial Liabilities</b>		<b>-</b>	<b>1,641,524</b>	<b>582,077</b>	<b>2,223,601</b>
 <b>Net Financial Assets</b>		<b>814,056</b>	<b>(1,641,524)</b>	<b>(402,299)</b>	<b>(1,229,767)</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2022

2021	Note	Floating Interest Rate	Fixed Interest Rate	Non-interest Bearing	Total
		\$	\$	\$	\$
<b>Financial Assets</b>					
Cash and cash equivalents	18	1,184,132	-	-	1,184,150
Trade and other receivables	19	-	-	566,429	566,429
<b>Total Financial Assets</b>		<b>1,184,132</b>	<b>-</b>	<b>566,429</b>	<b>1,750,561</b>
<b>Financial Liabilities</b>					
Borrowings	27	-	125,000	-	125,000
Trade and other payables	24	-	-	360,923	360,923
<b>Total Financial Liabilities</b>		<b>-</b>	<b>125,000</b>	<b>360,923</b>	<b>485,923</b>
<b>Net Financial Assets</b>		<b>1,184,132</b>	<b>(125,000)</b>	<b>205,506</b>	<b>1,264,638</b>

### 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.

#### Credit Risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Group's receivables from customers and investments in debt securities.

#### Credit risk exposures

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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2022

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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 \$nil (2021: \$3,569) impairment expense in relation to trade receivables in the current year.

### **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 Group's objective when managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

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 24 and 27 of the financial statements.

The following are the remaining contractual maturities of financial liabilities at the reporting date.

### **Financial Asset and Liability Maturity Analysis**

	Within 1 Year	Over a year	Total
Financial liabilities due for payment at 30 June 2022			
Trade payables	377,377	-	377,377
Other payables	204,700	-	204,700
Convertible note and borrowings	106,552	1,534,972	1,641,524
<b>Total contractual outflows</b>	<b>688,629</b>	<b>1,534,972</b>	<b>2,223,601</b>

	Within 1 Year	Over a year	Total
Financial liabilities due for payment at 30 June 2021			
Trade payables	216,871	-	216,871
Other payables	89,827	-	89,827

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2022

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Accrued expenses	54,225	-	54,225
Convertible notes	125,000	-	125,000
<b>Total contractual outflows</b>	<b>485,923</b>	-	<b>485,923</b>

### 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.

The interest rate profile of the Group's interest-bearing financial instruments as reported to the management of the Group is as follows.

	2022	2021
	\$	\$

#### Fixed rate

Borrowings	(1,641,524)	(125,000)
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#### Floating rate

Cash and cash equivalents	814,056	1,184,132
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### Sensitivity Analysis

#### Fixed rate instruments

The Group does not account for any fixed-rate financial assets or financial liabilities at FVTPL, therefore, a change in interest rates at the reporting date would not affect profit or loss.

#### Floating rate instruments

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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2022

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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 was performed on the same basis for 2021.

	Profit \$	Equity \$
<b>Year ended 30 June 2022</b>		
±100 basis points change in interest rates	± 2,005	± 2,005
<b>Year ended 30 June 2021</b>		
±100 basis points change in interest rates	± 10,591	± 10,591

### 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.

The summary quantitative data about the Group's exposure to currency risk as reported to the management of the Group is as follows.

	2022			2021		
	FJD	USD	NZD	FJD	USD	NZD
Trade receivables	71,745	57,667	2,045	35,428	1,603	75
Trade payables	(22,991)	(18,526)	-	(34,356)	(1,841)	(10,173)
Net exposure	48,754	39,141	2,045	1,072	(238)	(10,098)

The following exchange rates have been applied.

AUD to	Average Rate		Year-end rate	
	2022	2021	2022	2021
FJD	1.530	1.525	1.516	1.558
USD	0.720	0.747	0.689	0.752
NZD	1.082	1.074	1.108	1.075

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2022

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### *Sensitivity Analysis*

A reasonably possible strengthening or weakening of the Australian dollar, Fijian dollar, US dollar or New Zealand dollar against all other currencies at 30 June would have affected the measurement of financial instruments denominated in a foreign currency and affected equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

	Profit ± \$	Equity ± \$
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#### **Year ended 30 June 2022**

FJD (3% movement)	4,611	9,367
USD (8% movement)	25,040	50,080
NZD (3% movement)	1,076	2,152

#### **Year ended 30 June 2021**

FJD (5% movement)	2,027	132,639
USD (9% movement)	383	35,853
NZD (1% movement)	872	776

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2022

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### 32. Parent Entity Information

	2022	2021
	\$	\$
<b>Financial Position of Fiji Kava Limited</b>		
Current Assets	14,030,976	9,168,914
Non-current assets	228,615	258,295
	<hr/>	<hr/>
	<b>14,259,591</b>	<b>9,427,209</b>
Current liabilities	352,331	338,657
Non-current liabilities	1,388,444	-
	<hr/>	<hr/>
	<b>1,740,775</b>	<b>338,657</b>
<b>Net Assets</b>	<b>12,518,816</b>	<b>9,088,552</b>
Contributed equity	17,989,945	12,754,475
Reserves	172,029	162,029
Accumulated losses	(5,643,158)	(3,827,952)
	<hr/>	<hr/>
<b>Total Equity</b>	<b>12,518,816</b>	<b>9,088,552</b>
<b>Financial Performance of Fiji Kava Limited</b>		
Loss for the year	(2,900,227)	(1,288,423)
	<hr/>	<hr/>
Total Comprehensive Loss	<b>(2,900,227)</b>	<b>(1,288,423)</b>

### Guarantees entered into by Fiji Kava Limited

There are no guarantees entered into by Fiji Kava Limited for the debts of its subsidiaries as at 30 June 2022 (2021: none).

### Contingent Liabilities of Fiji Kava Limited

There are no contingent liabilities as at 30 June 2022 (2021: none).

### Commitments of Fiji Kava Limited

There are no commitments as at 30 June 2022 (2021: none).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2022

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### 33. Subsidiaries

See accounting policy in Note 5.1.2.

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 2022	% Equity Interest 2021
Fiji Kava (Australia) Trading Pty Ltd	Australia	100%	100%
Fiji Kava Inc	USA	100%	100%
Fiji Kava NZ Limited	New Zealand	100%	100%
South Pacific Elixirs Ltd	Fiji	100%	100%
Danodan Hempworks LLC	USA	90%	0%

### 34. Contingent Assets and Liabilities

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

### 35. Related Party Transactions

#### The ultimate parent

The ultimate parent and ultimate controlling parent of the Group is Fiji Kava Limited.

#### Key management personnel compensation

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

	2022	2021
	\$	\$
Short term employee benefits	466,434	823,407
Post-employment benefits	30,875	36,376
Other long-term benefits	-	-
Share-based payments	-	186,472
	497,309	1,046,255

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 2022.

#### Key management personnel transactions

A number of key management personnel, or their related parties, hold positions in other companies that result in them having control or significant influence over these companies.

A number of these companies transacted with the Group during the year. The terms and conditions of these transactions were no more favourable than those available, or which might reasonably be expected to be available, in similar transactions with non-key management personnel-related companies on an arm's length basis.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2022

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The aggregate value of transactions and outstanding balances related to key management personnel and entities over which they have control or significant influence were as follows.

	Transaction value 2022 \$	Transaction value 2021 \$
Consulting Service fees paid to Forest House Pty Ltd <sup>1</sup>	33,000	35,500
Consulting Service fees paid to NCES Enterprises Pty Ltd <sup>2</sup>	14,924	96,000
Consulting Service fees paid to Yoshida Enterprises Pty Ltd <sup>3</sup>	48,400	-
Consulting Service fees paid to Bio Pacific Partners Ltd <sup>4</sup>	46,361	-

<sup>1</sup>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.

<sup>2</sup>NCES Enterprises Pty Ltd, a company related to Nicholas Simms, provided consulting services to the Group in relation to sales and marketing.

<sup>3</sup>Yoshida Enterprises Pte Ltd, a company related to Zane Yoshida, provided consulting services to the Group.

<sup>4</sup> Bio Pacific Partners Ltd, a company related to Dr Andrew Kelly, Provided consulting services to the Group.

From time to time Directors of the Group, or their related entities, may buy goods from the Group. These purchases are on the same terms and conditions as those entered into by other Group employees or customers.

### 36. Subsequent Events

No matters or circumstances have arisen since the end of the financial year which have significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future years.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2022

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### 37. Business Combinations

On the 1st January 2022, the Group acquired 100% of the issued share capital of Danodan Hempworks LLC, a US based CBD Tincture company, from Danodan founder, Mr Daniel Stoops. The acquisition has further strengthened the Group's ability to deliver a suite of products to reduce anxiety, promote relaxation, improve sleep and support sports recovery. Subsequent to the date of acquisition the group transferred 10% of the interest in Danodan Hempworks LLC to Daniel Stoops as part of his remuneration package.

Details of the purchase consideration, the fair value of net assets acquired and goodwill are as follows:

<b>Purchase consideration</b>	<b>\$</b>
Cash paid	<u>346,118</u>
<b>Net assets acquired</b>	
Cash at bank	4,994
Inventories	63,260
Property, Plant and Equipment	161,736
Financial liabilities	<u>(217,738)</u>
Net identifiable assets acquired:	12,252
Add: goodwill	<u>333,866</u>
Net assets acquired	<u>346,118</u>

The goodwill is attributable to the expected synergies from the combined operations and the existing market position of Danodan Hempworks LLC. It will not be deductible for tax purposes.

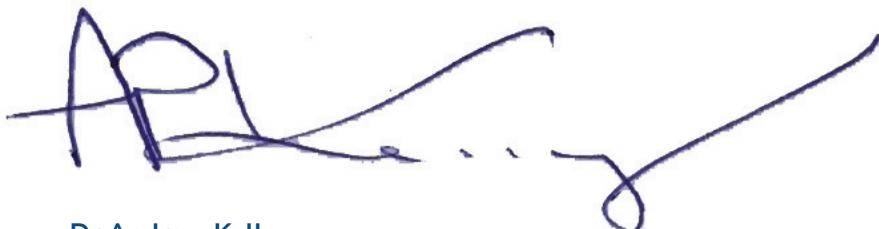
Danodan Hempworks LLC contributed revenues of \$205,346 and net loss of \$328,723 to the Group for the period date of acquisition to 30 June 2022.

## DIRECTORS' DECLARATION

The Directors of the Company declare that:

1. The financial statements and notes, as set out on pages [19 to 63], 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 2022 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.
3. 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 30<sup>th</sup> day of September 2022

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

### Report on the Audit of the Financial Report

#### Opinion

We have audited the accompanying financial report of Fiji Kava Limited and controlled entities (the Group), which comprises the consolidated statement of financial position as at 30 June 2022, 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 and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the Group's financial position as at 30 June 2022 and of its financial performance for the year then ended; and
- (b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

#### Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the audit of the financial report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of 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 (including Independence Standards)* (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.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the company, would be in the same terms if given to the directors as at the time of this auditor's report.

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

#### Material Uncertainty Related to Going Concern

We draw attention to Note 9 of the financial statements which indicates that the Group incurred a loss before tax of \$5,916,235, has accumulated losses of \$20,313,762 and retained a net current assets position of \$2,023,137. As stated in Note 9, these events or conditions, along with other matters set forth in Note 9, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

## 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 for the year ended 30 June 2022. 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.

Key Audit Matter	How our audit addressed the key audit matter
<p><b>Going Concern</b></p> <p><b>Refer to Note 9 in the financial statements</b></p> <p>For the financial year ended 30 June 2022, Fiji Kava Limited had incurred a net loss of \$5.916m, net cash outflows from operating activities of \$6.13m and net cash outflows from investing activities of \$966k.</p> <p>The directors have prepared the financial report on the going concern basis. The directors' assessment of the Group's ability to continue as a going concern is based on a cash flow budget and potential future capital raising.</p> <p>We determined this assessment of going concern to be a key audit matter due to the significant judgements involved in preparing the cashflow budget and the potential material impact of the results of management's assessment.</p>	<p>Our procedures included, but were not limited to, the following:</p> <ul style="list-style-type: none"> <li>• Critically assessing the directors' reasons as to why they believe it appropriate to prepare the financial report on a going concern basis;</li> <li>• Reviewing the current financial position of the Group;</li> <li>• Assessing the appropriateness and mathematical accuracy of the cash flow forecasts and budgets prepared by management;</li> <li>• Challenging the reasonableness of key assumptions used; and</li> <li>• Assessing the adequacy of the going concern disclosures in the financial report.</li> </ul>
<p><b>Inventory Existence and Valuation</b></p> <p><b>Refer to Note 20 – Inventory</b></p> <p>Fiji Kava Limited has inventories at a carrying value of \$1.485m at 30 June 2022 as disclosed in Note 20. Inventory valuation and existence was an audit focus area because of the number of locations that inventory was held at, and the judgement applied to the valuation of inventory to incorporate potential impairment on slow moving product lines.</p>	<p>Our procedures included, but were not limited to, the following:</p> <ul style="list-style-type: none"> <li>• Observed the stocktake process at selected locations near period end and undertook our own test counts.</li> <li>• For inventory held at third party distribution centres, we obtained independent verification of inventories held at balance date and reconciled back to the inventory reports.</li> <li>• Assessed the inventory impairment provision by reviewing the level of inventory write downs during the period.</li> <li>• Held discussions with management to understand and corroborate the assumptions applied in estimating the impairment provisions.</li> </ul>

	<ul style="list-style-type: none"> <li>• Performed lower of cost or net realisable value testing on a sample of inventory items to confirm that there was no further impairment on other inventory items.</li> <li>• Assessing the appropriateness of the disclosures included in the relevant notes to the financial report.</li> </ul>
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### **Information Other Than the Financial Report and Auditor's Report Thereon**

The directors are responsible for the other information. The other information comprises the information in the Group's annual report for the year ended 30 June 2022 but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, 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.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### **Director's Responsibility 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 preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the 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 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 the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the 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 the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain

audit evidence that is sufficient and appropriate to provide a basis for our opinion. 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 controls.

- Obtain an understanding of internal controls relevant to the audit 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 Group's internal controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- 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 report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- 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.
- 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 Group 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.

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 the 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.

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## **Report on the Remuneration Report**

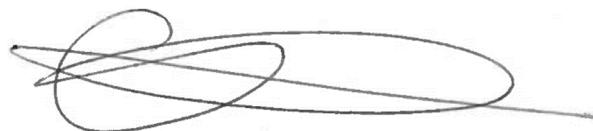
### **Opinion on the Remuneration Report**

We have audited the remuneration report included in pages 12 to 17 of the directors' report for the year ended 30 June 2022.

In our opinion the remuneration report of Fiji Kava Limited for the year ended 30 June 2022 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 QLD

Clive Massingham  
Director  
Hall Chadwick Qld, Chartered Accountants

Dated at Brisbane this 30<sup>th</sup> September 2022

## 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 (3<sup>rd</sup> 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](http://www.fijikava.com).

PRINCIPLES AND RECOMMENDATIONS	COMPLY	EXPLANATION
<b><i>Principle 1: Lay solid foundations for management and oversight</i></b>		
<b>Recommendation 1.1</b>  A listed entity should have and disclose a charter which:  (a) sets out the respective roles and responsibilities of the board, the chair and management; and (b) includes a description of those matters expressly reserved to the board and those delegated to management.	Complying	<p>The Company has adopted a Board Charter. 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.</p> <p>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.</p>
<b>Recommendation 1.2</b>  A listed entity should:  (a) undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a Director; and (b) provide security holders with all material information relevant to a decision on whether or not to elect or re-elect a Director.	Complying	<p>(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.</p> <p>(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.</p>
<b>Recommendation 1.3</b>  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.
<b>Recommendation 1.4</b>  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.

# CORPORATE GOVERNANCE STATEMENT

<p><b>Recommendation 1.5</b></p> <p>A listed entity should:</p> <p>(a) have a diversity policy which includes requirements for the board:</p> <ul style="list-style-type: none"> <li>(i) to set measurable objectives for achieving gender diversity; and</li> <li>(ii) to assess annually both the objectives and the entity's progress in achieving them;</li> </ul> <p>(b) disclose that policy or a summary of it; and</p> <p>(c) disclose as at the end of each reporting period:</p> <ul style="list-style-type: none"> <li>(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</li> <li>(ii) either: <ul style="list-style-type: none"> <li>(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</li> <li>(B) the entity's "Gender Equality Indicators", as defined in the Workplace Gender Equality Act 2012.</li> </ul> </li> </ul>	<p>Complying</p>	<p>(a) The Company has adopted a Diversity Policy.</p> <ul style="list-style-type: none"> <li>(i) The Diversity Policy provides a framework for the Company to achieve a list of 6 measurable objectives that encompass gender equality.</li> <li>(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.</li> </ul> <p>(b) The Diversity Policy is stated in Schedule 10 of the Corporate Governance Plan which is available on the company website.</p> <p>(c)</p> <ul style="list-style-type: none"> <li>(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.</li> <li>(ii) As at 30 June 2022, there were no female directors or executives.</li> </ul> <p>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.</p>
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<p><b>Recommendation 1.6</b></p> <p>A listed entity should:</p> <p>(a) have and disclose a process for periodically evaluating the performance of the board, its committees and individual Directors; and</p> <p>(b) disclose in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.</p>	<p>Complying</p>	<p>(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.</p> <p>(b) The Company's Corporate Governance Plan requires the Board to disclose whether or not performance evaluations were conducted during the relevant reporting period.</p> <p>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</p>
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# CORPORATE GOVERNANCE STATEMENT

		<p>this stage of the Company's development an informal process is appropriate.</p> <p>The review will assist to indicate if the Board's performance is appropriate and efficient with respect to the Board Charter.</p> <p>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.</p> <p>Directors are encouraged to avail themselves of resources required to fulfil the performance of their duties.</p>
<p><b>Recommendation 1.7</b></p> <p>A listed entity should:</p> <p>(a) have and disclose a process for periodically evaluating the performance of its senior executives; and</p> <p>(b) disclose in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.</p>	Complying	<p>(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.</p> <p>(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.</p> <p>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 ongoing basis to ensure that structures suitable to the Company's status as a listed entity are in place.</p>

# CORPORATE GOVERNANCE STATEMENT

<b>Principle 2: Structure the board to add value</b>																																					
<p><b>Recommendation 2.1</b></p> <p>The board of a listed entity should:</p> <p>(a) have a nomination committee which:</p> <ul style="list-style-type: none"> <li>(i) has at least three members, a majority of whom are independent Directors; and</li> <li>(ii) is chaired by an independent Director,</li> </ul> <p>and disclose:</p> <ul style="list-style-type: none"> <li>(iii) the charter of the committee;</li> <li>(iv) the members of the committee; and</li> <li>(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</li> </ul> <p>(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.</p>	Part Complying	<p>(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.</p> <p>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.</p> <p>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.</p> <p>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.</p>																																			
<p><b>Recommendation 2.2</b></p> <p>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.</p>	Complying	<table border="1"> <thead> <tr> <th>Board Skills Matrix</th> <th>Number of Directors that Meet the Skill</th> </tr> </thead> <tbody> <tr> <td>Executive &amp; Non- Executive experience</td> <td>4</td> </tr> <tr> <td>Industry experience &amp; knowledge</td> <td>4</td> </tr> <tr> <td>Leadership</td> <td>4</td> </tr> <tr> <td>Corporate governance &amp; risk management</td> <td>4</td> </tr> <tr> <td>Strategic thinking</td> <td>4</td> </tr> <tr> <td>Desired behavioural competencies</td> <td>4</td> </tr> <tr> <td>Geographic experience</td> <td>4</td> </tr> <tr> <td>Capital Markets experience</td> <td>4</td> </tr> <tr> <td><i>Subject matter expertise:</i></td> <td></td> </tr> <tr> <td>- accounting</td> <td>1</td> </tr> <tr> <td>- capital management</td> <td>2</td> </tr> <tr> <td>- corporate financing</td> <td>2</td> </tr> <tr> <td>- industry taxation</td> <td>1</td> </tr> <tr> <td>- risk management</td> <td>4</td> </tr> <tr> <td>- legal<sup>1</sup></td> <td>0</td> </tr> <tr> <td>- IT expertise <sup>2</sup></td> <td>0</td> </tr> </tbody> </table>	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	<i>Subject matter expertise:</i>		- accounting	1	- capital management	2	- corporate financing	2	- industry taxation	1	- risk management	4	- legal <sup>1</sup>	0	- IT expertise <sup>2</sup>	0	
Board Skills Matrix	Number of Directors that Meet the Skill																																				
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# CORPORATE GOVERNANCE STATEMENT

		<p>(1) Skill gap noticed however an external legal firm is employed to maintain legal requirements.</p> <p>(2) Skill gap noticed however an external IT firm is employed on an adhoc basis to maintain IT requirements.</p>
<b>Recommendation 2.3</b>  A listed entity should disclose:  (a) the names of the Directors considered by the board to be independent Directors;  (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  (c) the length of service of each Director	Complying	<p>(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.</p> <p>(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.</p> <p>(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.</p>
<b>Recommendation 2.4</b>  A majority of the board of a listed entity should be independent Directors.	Complying	<p>The Board Charter requires that where practical the majority of the Board will be independent. Dr Andrew Kelly and Nicholas Simms are Independent Directors.</p> <p>Details of each Director's independence are provided in the Annual Reports and Company website.</p>
<b>Recommendation 2.5</b>  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	<p>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.</p>
<b>Recommendation 2.6</b>  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	<p>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.</p>

# CORPORATE GOVERNANCE STATEMENT

<b><i>Principle 3: Act ethically and responsibly</i></b>		
<b>Recommendation 3.1</b>  A listed entity should articulate and disclose its values	Complying	The Company values are articulated and disclosed on the Company's website.
<b>Recommendation 3.2</b>  <b>A listed entity should:</b>  (a) have and disclose a code of conduct for its Directors, senior executives and employees; and (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 (c) any other material breaches of that code that call into question the culture of the organisation.	Complying	(a) The Corporate Code of Conduct applies to the Company's Directors, senior executives and employees. (b) The Company's Corporate Code of Conduct is in the Corporate Governance Plan, which is summarised on the Company's website.
<b>Recommendation 3.3</b>  <b>A listed entity should:</b>  (a) have and disclose a whistleblower policy; and (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.
<b>A listed entity should:</b>  (a) have and disclose an anti-bribery policy; and (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

Principle 4: Safeguard integrity in financial reporting		
<p><b>Recommendation 4.1</b></p> <p>The board of a listed entity should:</p> <p>(a) have an audit committee which:</p> <ul style="list-style-type: none"> <li>(i) has at least three members, all of whom are non-executive Directors and a majority of whom are independent Directors; and</li> <li>(ii) is chaired by an independent Director, who is not the chair of the board,</li> </ul> <p>and disclose:</p> <ul style="list-style-type: none"> <li>(iii) the charter of the committee;</li> <li>(iv) the relevant qualifications and experience of the members of the committee; and</li> <li>(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</li> </ul> <p>(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.</p>	Part Complying	<p>(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.</p> <p>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.</p> <p>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.</p>
<p><b>Recommendation 4.2</b></p> <p>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.</p>	Complying	<p>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.</p>
<p><b>Recommendation 4.3</b></p> <p>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.</p>	Complying	<p>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.</p>

# CORPORATE GOVERNANCE STATEMENT

<b><i>Principle 5: Make timely and balanced disclosure</i></b>			
<b>Recommendation 5.1</b> 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.	
<b>Recommendation 5.2</b> 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.	
<b>Recommendation 5.3</b> 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.	

# CORPORATE GOVERNANCE STATEMENT

<b>Principle 6: Respect the rights of security holders</b>			
<b>Recommendation 6.1</b> A listed entity should provide information about itself and its governance to investors via its website.	Complying	<p>Information about the Company and its governance is available in the Corporate Governance Plan which can be found on the Company's website.</p> <p>Information about the Company and its governance is available in the Corporate Governance Plan which can be found on the Company website.</p>	
<b>Recommendation 6.2</b> A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors.	Complying	<p>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.</p> <p>The Shareholder Communications Strategy can be found in Schedule 10 of the Board Charter which is available on the Company website.</p>	
<b>Recommendation 6.3</b> A listed entity should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders.	Complying	<p>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.</p> <p>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.</p>	
<b>Recommendation 6.4</b> 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	<p>Security holders can register with the Company to receive email notifications when an announcement is made by the Company to the ASX.</p> <p>Shareholders queries should be referred to the Company Secretary at first instance.</p>	
<b>Recommendation 6.5</b> 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	<p>Security holders can register with the Company to receive email notifications when an announcement is made by the Company to the ASX.</p> <p>Shareholders queries should be referred to the Company Secretary at first instance.</p>	

# CORPORATE GOVERNANCE STATEMENT

<b>Principle 7: Recognise and manage risk</b>		
<b>Recommendation 7.1</b> The board of a listed entity should: <ul style="list-style-type: none"> <li>(a) have a committee or committees to oversee risk, each of which: <ul style="list-style-type: none"> <li>(i) has at least three members, a majority of whom are independent Directors; and</li> <li>(ii) is chaired by an independent Director, and disclose: <ul style="list-style-type: none"> <li>(iii) the charter of the committee;</li> <li>(iv) the members of the committee; and</li> <li>(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</li> </ul> </li> </ul> </li> <li>(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.</li> </ul>	Part-Complying	<p>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.</p> <p>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.</p> <p>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.</p>
<b>Recommendation 7.2</b> The board or a committee of the board should: <ul style="list-style-type: none"> <li>(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</li> <li>(b) disclose in relation to each reporting period, whether such a review has taken place.</li> </ul>	Part - Complying	<ul style="list-style-type: none"> <li>(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.</li> <li>(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.</li> </ul>
<b>Recommendation 7.3</b> A listed entity should disclose: <ul style="list-style-type: none"> <li>(a) if it has an internal audit function, how the function is structured and what role it performs; or</li> <li>(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</li> </ul>	Complying	<ul style="list-style-type: none"> <li>(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</li> </ul>

# CORPORATE GOVERNANCE STATEMENT

management and internal control processes.		discuss strategic risks and opportunities as they arise and arising from changes in the Company's business evaluate regularly on an 'as need' basis.  The Charter outlines the monitoring, review and assessment of a range of internal audit functions and procedures.
<b>Recommendation 7.4</b>  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

<b><i>Principle 8: Remunerate fairly and responsibly</i></b>			
<b>Recommendation 8.1</b> The board of a listed entity should: (a) have a remuneration committee which: (i) has at least three members, a majority of whom are independent Directors; and (ii) is chaired by an independent Director, and disclose: (iii) the charter of the committee; (iv) the members of the committee; and (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 (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	<p>(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. 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. 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.</p>	
<b>Recommendation 8.2</b> 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.	
<b>Recommendation 8.3</b> A listed entity which has an equity-based remuneration scheme should: (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 (b) disclose that policy or a summary of it.	Complying	<p>(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.</p> <p>(b) A copy of the Company's Corporate Governance Plan is available on the Company's website.</p>	

## 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 28 September 2022

#### a. Distribution of Shareholders

Category (size of holding)	Total Holders	Number Ordinary	% Held of Issued Ordinary Capital
1 – 1,000	37	8,032	0.00
1,001 – 5,000	265	885,795	0.45
5,001 – 10,000	371	3,136,614	1.58
10,001 – 100,000	674	25,421,554	12.81
100,001 – and over	256	168,988,269	85.16
	1,603	198,440,265	100.00

#### b. Unmarketable Parcels

	Minimum Parcel Size	Holders	Units
Minimum \$500.00 parcel at [\$0.025 per unit]	20,000	855	6,640,362

#### 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.

## ADDITIONAL INFORMATION FOR LISTED PUBLIC COMPANIES

### d. 20 Largest Shareholders — Ordinary Shares as 28 August 2022

Rank	Name	Number of Ordinary Fully Paid Shares Held	% Held of Issued Ordinary Capital
1	YOSHIDA HOLDINGS PTE LTD	12,965,314	6.53%
2	GORMCO PTY LTD <THE GORMAN FAMILY A/C>	9,500,000	4.79%
3	CW RETAIL SERVICES PTY LTD	6,497,727	3.27%
4	PROJECT 1 HOLDINGS PTY LTD <PROJECT 1 A/C>	6,400,000	3.23%
5	911 CAPITAL PTY LTD	6,125,000	3.09%
6	NATIONAL NOMINEES LIMITED	5,298,462	2.67%
7	BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP>	4,504,913	2.27%
8	ONE MANAGED INVESTMENT FUNDS LTD <STRATEGIC GLOBAL A/C>	4,444,769	2.24%
9	BNP PARIBAS NOMS PTY LTD <DRP>	3,962,574	2.00%
10	ACE PROPERTY HOLDINGS PTY LTD	3,300,000	1.66%
11	KINETIC GROWTH FUND LIMITED	2,867,048	1.44%
12	MR IAN ALASTAIR LEETE & MRS HELEN LEETE <THE LEETE FAMILY S/F A/C>	2,844,906	1.43%
13	ERNEST W MOODY <REVOCABLE A/C>	2,359,010	1.19%
14	MR RANNY PONIS	2,260,000	1.14%
15	SARANTZOUKLIS INVESTMENTS PTY LTD <SARANTZOUKLIS SF A/C>	2,000,000	1.01%
16	MIAL ENTERPRISES PTY LIMITED <DASHIAN FAMILY A/C>	1,825,000	0.92%
17	MR MATTHEW REEDE	1,811,111	0.91%
18	EPPWOOD INVESTMENT PTY LTD <THE COPPLIN SUPER A/C>	1,791,115	0.90%
19	CITICORP NOMINEES PTY LIMITED	1,742,315	0.88%
20	SHUDADUN NOMINEES PTY LTD <ROKROL SUPER FUND A/C>	1,695,000	0.85%
<b>Total</b>		<b>84,194,264</b>	<b>42.43%</b>

#### 2 Name of Company Secretary

The name of the Company Secretary is **Jay Richard Stephenson**.

#### 3 Principal Registered Office

The Registered Office and Principal Place of Business is 96 Victoria Street, West End QLD 4101.

#### 4 Registers of Securities

The Share Registry is Automic Share Registry.

# ADDITIONAL INFORMATION FOR LISTED PUBLIC COMPANIES

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## 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 19,407,406 options on issue.

## 7 Use of Funds

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