

9 November 2020

Mr Sean Maloney  
Adviser, Listings Compliance (Perth)

By email: ListingsCompliancePerth@asx.com.au

Dear Mr Maloney

**Fiji Kava Limited ('FIJ'): General – Response to Aware Query**

We refer to the ASX General – Response to Aware Query dated 4 November 2020.

Using the numbering contained in the ASX General – Response to Aware Query, FIJ responds as follows:

1. In relation to the Q2 Response and Q3 Response, please state the date and approximate time that FIJ became aware of the decline in revenue during the quarter ended 30 September 2020 ('September Quarter') having regard to the lumpy sales. In answering this question please specify the dates that sales were recorded and the amounts of sales on those dates.

**FIJ response:** FIJ management became aware that revenue would decline in the September quarter at close of business on 30 September 2020. Typical of the company's lumpy revenue, a large sales order of \$117,185 was received on 2 October 2020. As was the practise throughout the quarter, management updated the Board via email each week, and the nearest weekly update occurred on 6 October 2020.

The FIJ Board formally considered the quarterly revenue at a board meeting on 12 October 2020. As previously noted, FIJ considered that the September quarter revenue position was not material given the year on year quarterly increase in revenue and especially In circumstances where FIJ has not provided earnings guidance and no broker report has provided earnings forecasts for FIJ.

Sales during the September Quarter were:

Sales transactions for each of the months that had a number of small transactions spread throughout the month.

- July 2020 - \$ 24,565
- August 2020 - \$ 21,908
- September 2020 - \$12,121

Sales Transactions greater than \$25000 and their specific dates.

- 11 September 2020 – \$ 29,804
- 21 September 2020 - \$ 35,172
- 28 September 2020 - \$ 40,679

The total revenue for the September Quarter of \$164,249 compares to the prior year September quarter revenue of \$67,105.

2. In relation to paragraph 5.1 of the Q5 Response, please confirm what the disruptions were, what date(s) the disruptions became apparent and what the events were that resulted in those disruptions becoming apparent.

**FIJ response:**

- 14 September 2020 - FIJ staff received notification that our contract manufacturer was completing a TGA Audit. This caused disruptions as the contract manufacturer's quality team were unavailable.
  - 22 September 2020 – FIJ's contract manufacturer notified FIJ staff that an irregular testing result had been received. This resulted in re-testing being required.
  - 28 September 2020 – FIJ's contract manufacturer notified FIJ staff that re-testing had confirmed the Irregular testing result was an error.
3. In relation to paragraph 5.2 of the Q5 Response, please confirm whether FIJ made any other shipments of product to Australia during the September Quarter, aside from the 2 shipments which were made in September referred to in the Q5 Response, and the dates in which those shipments were made and the clearance timeframes for those shipments.

**FIJ response:** Shipments of product during the September quarter are set out below:

- 380.4 kg DHL shipment dispatched 10 September 2020 and arrived 1 October 2020;
  - 351.8 kg DHL shipment dispatched 10 September 2020 and arrived 1 October 2020;
  - 250 kg Bolloare shipment dispatched 6 July 2020 and arrived 22 July 2020.
4. In relation to paragraph 5.3 of the Q5 Response, please state the exact date and approximate time that FIJ became aware of the "testing bottlenecks" referred to in the Q5 Response and confirm the dates that FIJ became aware of:
    - 4.1 the delay caused by the increased testing volumes experienced by Southern Cross University; and
    - 4.2 the delay caused by the State border closures between Queensland and New South Wales.

**FII response:** FII became aware that testing bottlenecks may cause some disruptions on 19 August 2020 when information was requested of Southern Cross University to confirm testing timelines. While testing bottlenecks caused some short term sales disruptions it was not considered material.

In relation to the delay caused by increased testing volumes experienced by Southern Cross University, in response to a FII request for information the University advised FII management on 1 September 2020 that testing timelines were returning to normal but still subject to split shifts, so delays were still possible.

In relation to the delay caused by the State border closure, FII became aware of the impending border closure when Premier Anastacia Palaszczuk made the announcement on 5 August 2020.

5. In relation to paragraph 5.4 of the Q5 Response, please state the exact date and approximate time that FII became aware of the constraints on available freight referred to in the Q5 response and comment specifically on when FII became aware of the delay caused by the reduced shipments to Australia and the alternative shipping arrangements.

**FII response:**

Certain imports were held for inspection on 16 July 2020, and were not released until 20 July 2020. Further, FII became aware of flight cancellations from Fiji to Australia and NZ by Fiji airways through to September on 12 August 2020 through releases on [fijivillage.com](http://fijivillage.com).

6. Please confirm that FII's responses to the questions above have been authorised and approved in accordance with its published continuous disclosure policy or otherwise by its board or an officer of FII with delegated authority from the board to respond to ASX on disclosure matters.

**FII response:** FII confirms the responses to the questions above have been authorised and approved by its board.

This announcement was authorised for release by the board of FII.

Yours sincerely



Jay Stephenson  
Company Secretary



4 November 2020

Mr Jay Stephenson  
Company Secretary  
Fiji Kava Limited

By email: jay.stephenson@foresthous.com.au

Dear Mr Stephenson

**Fiji Kava Limited ('FIJ'): General – Response to ASX Aware Query**

ASX refers to the following:

- A. ASX's letter to FIJ dated 28 October 2020 requesting FIJ respond to a number of queries ('Aware Query');
- B. FIJ's response to the Aware Query dated 30 October 2020, which disclosed the following, among other things:

- (i) In response to question 2 of the Aware Query ('Q2 Response'):

*"The decline in the FIJ share price was from a high point of \$0.275. The decline brought the price to a level at which the stock was trading at the start of October. The Coronavirus Impact Information was detail released by FIJ to disclose some challenges the Company faced during the later stages of the September quarter including delays in custom clearances, testing bottlenecks and constraints on freight. FIJ considers that its Coronavirus disclosure has been accurate and complete, but the evolving nature of the virus and its economic impacts, means that disclosure will need to be updated from time to time. Investors have been informed, most recently in the presentations related to the recent capital raising by the company and released to the ASX that quarterly results were showing uneven growth. In FIJ's view the continued increase in quarterly revenue on a year on year basis which shows an increase of 144% on the prior corresponding period is more relevant in determining materiality for a company of the size, with the revenue profile and at the development stage of FIJ than quarter on quarter movements. FIJ considers that announcements regarding partnerships and distribution opportunities (such as the announcement of the agreement with Blackmores owned Bioceuticals on 13 August 2020) have historically had a larger impact on the FIJ share price than short term revenue volatility. FIJ also considers that the share price decline came at a time of share price volatility in Australian micro-cap stocks generally."*

- (ii) In response to question 3 of the Aware Query ('Q3 Response'):

*"Intra-quarter sales are lumpy on a day to day basis so no clear view could be arrived at for full quarterly sales data until after the end of the quarter. With regard to the Coronavirus related impacts on revenue, management became aware that a number of Coronavirus related factors may have some impact on sales during September, but were working to resolve them in the ordinary course of business throughout that period."*

- (iii) In response to question 5 of the Aware Query ('Q5 Response'):

*"5.1 Operational disruptions.*

*The resignation of a farm and factory manager in Fiji caused some short-term operational disruptions. This change occurred on 30 June 2020. The disruptions became apparent in mid-September and they have now been addressed.*

*5.2 Delays in customs clearances.*

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*Fiji Kava extract was imported into Australia via airfreight, and an import permit is required with each shipment. This process of freight and customs clearance for shipments is usually one week. During September FIJ had 2 such shipments with the freight and customs clearance taking 3 weeks and 3.5 weeks respectively.*

#### *5.3 Testing bottlenecks.*

*FIJ tests its imported material at Southern Cross University (SCU) in Lismore. Recently, the company has engaged BJP Laboratories (BJP) to provide additional blending of its materials as well as managing the testing outsourced to SCU. FIJ understands SCU has experienced increased testing volumes due to increased demand for nutraceutical products during the Coronavirus period. State border closures between Queensland (where BJP is based) and New South Wales (where SCU is based) also added complications. These events have combined to cause delays of greater than 4 weeks for testing which became apparent during September.*

#### *5.4 Constraints on available freight.*

*Shipments to Australia (including airfreight) have been reduced and shipments have come into Australia via Sydney with road freight to Brisbane or alternatively shipments have arrived in Brisbane via Auckland. This has caused additional delays. There is no specific date that this occurred but the impact became apparent to FIJ during the quarter. To mitigate against the above constraints, FIJ has increased production of its noble kava extract and is in the process of having these shipped to Australia for storage in Brisbane.”*

### **Request for information**

Having regard to the above, ASX asks FIJ to respond separately to each of the following questions and requests for information:

1. In relation to the Q2 Response and Q3 Response, please state the date and approximate time that FIJ became aware of the decline in revenue during the quarter ended 30 September 2020 ('September Quarter') having regard to the lumpy sales. In answering this question please specify the dates that sales were recorded and the amounts of sales on those dates.
2. In relation to paragraph 5.1 of the Q5 Response, please confirm what the disruptions were, what date(s) the disruptions became apparent and what the events were that resulted in those disruptions becoming apparent.
3. In relation to paragraph 5.2 of the Q5 Response, please confirm whether FIJ made any other shipments of product to Australia during the September Quarter, aside from the 2 shipments which were made in September referred to in the Q5 Response, and the dates in which those shipments were made and the clearance timeframes for those shipments.
4. In relation to paragraph 5.3 of the Q5 Response, please state the exact date and approximate time that FIJ became aware of the "testing bottlenecks" referred to in the Q5 Response and confirm the dates that FIJ became aware of:
  - 4.1 the delay caused by the increased testing volumes experienced by Southern Cross University; and
  - 4.2 the delay caused by the State border closures between Queensland and New South Wales.
5. In relation to paragraph 5.4 of the Q5 Response, please state the exact date and approximate time that FIJ became aware of the constraints on available freight referred to in the Q5 response and comment specifically on when FIJ became aware of the delay caused by the reduced shipments to Australia and the alternative shipping arrangements.

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6. Please confirm that FIJ's responses to the questions above have been authorised and approved in accordance with its published continuous disclosure policy or otherwise by its board or an officer of FIJ with delegated authority from the board to respond to ASX on disclosure matters.

#### **When and where to send your response**

This request is made under Listing Rule 18.7. Your response is required as soon as reasonably possible and, in any event, by no later than **2 PM WST on Monday, 9 November 2020**. You should note that if the information requested by this letter is information required to be given to ASX under Listing Rule 3.1 and it does not fall within the exceptions mentioned in Listing Rule 3.1A, FIJ's obligation is to disclose the information 'immediately'. This may require the information to be disclosed before the deadline set out in the previous paragraph and may require FIJ to request a trading halt immediately.

Your response should be sent to me by e-mail at **ListingsCompliancePerth@asx.com.au**. It should not be sent directly to the ASX Market Announcements Office. This is to allow me to review your response to confirm that it is in a form appropriate for release to the market, before it is published on the ASX Market Announcements Platform.

#### **Trading halt**

If you are unable to respond to this letter by the time specified above, you should discuss with us whether it is appropriate to request a trading halt in FIJ's securities under Listing Rule 17.1. If you wish a trading halt, you must tell us:

- the reasons for the trading halt;
- how long you want the trading halt to last;
- the event you expect to happen that will end the trading halt;
- that you are not aware of any reason why the trading halt should not be granted; and
- any other information necessary to inform the market about the trading halt, or that we ask for.

We require the request for a trading halt to be in writing. The trading halt cannot extend past the commencement of normal trading on the second day after the day on which it is granted. You can find further information about trading halts in Guidance Note 16 *Trading Halts & Voluntary Suspensions*.

#### **Suspension**

If you are unable to respond to this letter by the time specified above, ASX will likely suspend trading in FIJ's securities under Listing Rule 17.3.

#### **Listing Rules 3.1 and 3.1A**

In responding to this letter, you should have regard to FIJ's obligations under Listing Rules 3.1 and 3.1A and also to Guidance Note 8 *Continuous Disclosure*: Listing Rules 3.1 – 3.1B. It should be noted that FIJ's obligation to disclose information under Listing Rule 3.1 is not confined to, nor is it necessarily satisfied by, answering the questions set out in this letter.

#### **Release of correspondence between ASX and entity**

We reserve the right to release a copy of this letter, your reply and any other related correspondence between us to the market under listing rule 18.7A.

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## Questions

If you have any questions in relation to the above, please do not hesitate to contact me.

Yours sincerely

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**Sean Maloney**  
Adviser, Listings Compliance (Perth)