

Appendix 4D

Half-year Report

*Rule 4.2A.3
Introduced 1/1/2003*

Name of entity: Yowie Group Limited

ABN: 98 084 370 669

1. Reporting period ("current period"): Half-year ended 31 December 2016

Previous corresponding period: Half-year ended 31 December 2015

2. Results for announcement to the market

US\$'000

2.1 Revenue from ordinary activities up **67%** to **9,599**

2.2 Loss from ordinary activities
after tax attributable to members up **45%** to **(3,772)**

2.3 Net loss for the period
attributable to members up **45%** to **(3,772)**

2.4 The directors recommend that no amount be paid by way of dividend. No dividend has been paid or declared since the start of the financial period.

2.5 Record date for determining entitlements to dividends: N/A

2.6 An explanation of the above figures is contained in the "Review of Operations" included within the attached directors' report.

Explanation of Revenue (*Appendix 4D item 2.6*)

Total revenue for the half-year is US\$9.60 million, an increase of 67% over the previous corresponding period. The higher revenue was primarily driven by stronger sales performance from the rollout of Yowie Series 2 products in U.S. market.

Explanation of Loss from ordinary activities after tax (*Appendix 4D item 2.6*)

Net loss after tax attributable to members is US\$3.77 million, an increase in loss of 45% over the previous corresponding period.

Adjusted net loss after tax attributable to members after adding back the effect of unrealised foreign exchange gains and non-cash expenses is US\$0.84 million for the half-year as compared to US\$1.69 million for the previous corresponding period. This represents a decrease in adjusted net loss after tax of US\$0.85 million or 50%.

Net loss after tax attributable to members for the half-year includes US\$0.45 million of foreign exchange gains and non-cash items of US\$3.19 million for share-based-payment expense and US\$0.20 million for depreciation and amortisation expense. For the previous corresponding period, net loss after tax attributable to members includes US\$0.04 million of foreign exchange losses and non-cash items of US\$0.83 million for share-based-payment expense and US\$0.04 million for depreciation and amortisation expense.

3. Net tangible assets

	Current Period <i>(cents)</i>	Previous Corresponding Period <i>(cents)</i>
Net tangible asset backing per ordinary share	17.15	9.74

4. Details of entities over which control has been gained or lost during the period

N/A

5. Dividends

No dividends have been paid or declared during or since the beginning of the reporting period.

6. Dividend reinvestment plans

No dividend reinvestment plans are in operation.

7. Details of associates and joint venture entities

N/A

8. Accounting standards for foreign entities

The Group applied Australian Accounting Standards to all entities in the Group including its overseas subsidiaries.

9. Auditor's review report

The accounts were subject to a review by the auditor and the review report is attached as part of the half-year report.

YOWIE GROUP LTD

ABN 98 084 370 669

HALF-YEAR FINANCIAL REPORT

31 DECEMBER 2016



CONTENTS

	Page
Company Directory	2
Directors' Report	3
Auditor's Independence Declaration	8
Consolidated Statement of Profit or Loss and Other Comprehensive Income	9
Consolidated Statement of Financial Position	10
Consolidated Statement of Changes in Equity	11
Consolidated Statement of Cash Flows	12
Notes to the Consolidated Financial Statements	13
Directors' Declaration	19
Independent Auditor's Review Report	20



(Expressed in US Dollars (US\$), unless stated otherwise)

COMPANY DIRECTORY



DIRECTORS:	Mr Wayne Loxton Ms Patricia Fields Mr Trevor Allen
KEY MANAGEMENT:	Mr Bert Alfonso Mr Mark Schuessler Mr Salvador Alvarez Mr Cove Overley Mr Simon Andrew
COMPANY SECRETARY:	Mr Neville Bassett
REGISTERED AND PRINCIPAL OFFICE:	Level 4 216 St Georges Terrace Perth WA 6000 Telephone: +61 8 6268 2640
ABN:	98 084 370 669
COMPANY WEBSITE ADDRESS:	www.yowiegroup.com www.yowbrands.com www.yowieworld.com
AUDITORS:	Deloitte Touche Tohmatsu Tower 2, Brookfield Place 123 St Georges Terrace Perth WA 6000
SHARE REGISTRY:	Link Market Services Limited Level 4, Central Park 152 St Georges Terrace Perth WA 6000 Telephone: 1300 554 474 or +61 8280 7111
ASX CODE:	YOW
UNITED STATES ADR DEPOSITORY TRANSFER AGENT & REGISTRAR FOR LEVEL 1 ADR PROGRAM:	BNY Mellon Shareowner Services PO Box 358016 Pittsburgh, PA 15252-8016 Telephone: 1-888-269-2377 (USA) 1-201-680-6825 (International) Website: www.bnymellon.com/shareowner E-mail: shrrelations@bnymellon.com shrrelations@cpushareownerservices.com
ADR CODE:	YWRPY

DIRECTORS' REPORT

Your Directors submit their report for Yowie Group Ltd ("Yowie or the Group") and the consolidated entity ("the Group") for the half-year ended 31 December 2016.

DIRECTORS

The names of the Group's Directors in office during the half-year and until the date of this report are as follows. Directors were in office for this entire period unless otherwise stated.

Mr Wayne Loxton
Ms Patricia Fields
Mr Trevor Allen

PRINCIPAL ACTIVITY

Yowie Group Ltd is a global brand licensing Company specialising in the development of consumer products designed to promote learning, understanding and engagement with the natural world through the adventures and exploits of six endearing Yowie characters. Educating children and adults about environment and ecology and 'Save the Natural World' is at the heart of Yowie proposition. Yowie Group Ltd employs its company-owned intellectual property rights to supply Yowie branded chocolate confectionery product, a digital platform and Yowie branded licensed consumer products. Manufacturing and distribution of these products is undertaken by outsourced third parties on Yowie's behalf. The Group's vision for the Yowie brand is to distribute the Yowie chocolate confectionery product initially in the United States of America (USA) and then via international markets. The development of its digital platform and licensed consumer products is being undertaken in stages with stage 1 development now complete with the launch of the consumer website Yowieworld.com with free App download.

OPERATING AND FINANCIAL REVIEW

During the half-year the Group continued to move towards its objective of building a strong sales and distribution network in the United States and elsewhere. In addition to delivering 65% YoY sales revenue growth in the period, other key achievements include successfully executing a marketing campaign that enhanced Yowie's brand awareness in the United States market, undertaking market investigations of a number of international markets and doubling the Group's packaging capacity with the commissioning of an additional wrapping line to support future growth and expansion.

Sales and Distribution

The following achievements are notable in the reporting period:

- Recorded strong sales for Yowie of US\$9.3 million in the USA. This represents growth of 65% over the comparable period in 2016.
- The USA market share for Yowie continued to improve as Yowie added in store merchandising and also new accounts. Yowie made good progress in the important Convenience class of trade reaching 6.5% ACV (Nielsen) at the end of the period.

OPERATING AND FINANCIAL REVIEW (continued)**Sales and Distribution (continued)**

- In Nielsen market share data for the 52 weeks ending December 31st, 2016 xAOC (™eXtended All Outlet Combined), which includes Food, Drug, Mass, Dollar, Club and excludes Convenience, Yowie reached 0.95% market share and continued to be the number 1 selling item at the end of the period.
- In Yowie's largest customer, Yowie was the number 1 selling Novelty Item and the number 4 chocolate selling item on front end.
- Current active YNA retail accounts include mass merchandise, grocery, convenience, oil, drug, specialty candy stores, retail groups, brokers and distributors.

New partnership

- One of the most important and unique aspects of Yowie is our commitment to furthering responsible actions and bringing education to our consumers regarding the Yowie Mission to "Save the Natural World". In support of the Yowie mission, in Q2 Yowie entered into a Partnership Agreement with the Wildlife Conservation Society, (WCS), to co-design a future Yowie WCS collectible series. Through this collaboration, Yowie will provide much needed funding to WCS to support activities through-out the world to save endangered species and other conservation efforts. We are very proud to begin this association with WCS, a world leading organization with an over 100 year history in saving endangered species and wild places. Consumer, distributor and retailer support for the partnership has been positive, providing a strong endorsement to Yowie 'giving back' in support of endangered species and natural world conservation.

Marketing

- During October and November 2016, we executed a Yowie Pre-Holiday marketing campaign including national social media plus TV advertising in San Antonio and Chicago.
- The results of the advertising campaign included the sell-through of the Yowie 'All American' series increasing by more than 103% compared to the same period in 2015 at the same locations. Brand awareness saw an increase of more than 30% 'Likes' to the Facebook page within the campaign period confirming the importance of social media to Yowie targeted demographics. The Yowie World social feeds also achieved significant milestones in response to the campaign with over 17 Million combined 'Views' on the Yowie World Official YouTube channel and 18.6 Million 'Views' on Yowie World Official Facebook.

Digital and Entertainment

- Work was completed on a 6 book collection centred around the story of Yowie World and the six Yowie characters set in a US environment. The books will provide both learning and entertainment for children as well as raise the profile of the Yowie characters in conjunction with brand awareness efforts.

OPERATING AND FINANCIAL REVIEW (continued)**Digital and Entertainment (continued)**

- During the period, Yowie made progress on plans to develop the Group's digital assets through enhancement of the Yowie Play & Learn proposition on the Yowie consumer website www.yowieworld.com as well as webisode development aimed at the entertainment space.

Operations

- The Group significantly expanded its contracted manufacturing capacity in the USA by installing a second wrapping line in the manufacturing plant. The second wrapper had been fully commissioned by end of the period. This allows Yowie to maintain reliable customer service levels and rebuild safety stocks going forward.
- A frustrating 'perfect storm' of events impacted manufacturing in December, negatively impacting a stronger sales finish to the Half. Order fulfillment was negatively affected by these events while inventory was at its lowest due to peak season sell in and lower than desired starting inventory following our 100% growth in Q1. Delivery into key distribution warehouses is tightly managed by customer allocated time slots during this peak pre-Holiday period forcing Yowie to forfeit several customer allocated delivery windows.
- On September 15th Yowie received a favourable ruling in the court case against Hank Whetstone (Atlantic Candy Company) in the company's claim to recover either the Yowie owned wrapping machine or cash equivalent. The outstanding litigation case against Whetstone (ACC) is likely to take several quarters to finalise. With a second wrapping line now fully installed and commissioned in the manufacturing facility, there is no immediate need to secure the Yowie wrapper at Whetstone prior to concluding the current case.

Corporate

- Management and the Board's continuing focus on talent acquisition has resulted in the hiring of Cove Overley, Group Global CMO and Simon Andrew, Commercial and Finance Manager.

Outlook

- Overall, the Group continues to make strong progress in the development of the Yowie Brand, and the business in the various US retail channels, as well as preparing for expansion into new markets. Q3 Easter driven orders are well above year ago levels and will be supported by our social media driven Pre Easter marketing campaign.
- The Group is refining the full year/Q4 YoY growth outlook as we gain greater visibility to the final months of fiscal 2017. The slight reduction to the Group's outlook from about double to a narrower 85% to 90% growth rate, simply reflects a delay in the timing for both the Yo Kai license and ex-US expansion. Importantly, sales of Yowie branded product remain on track in the US market.

OPERATING AND FINANCIAL REVIEW (continued)**Outlook (continued)**

- Consumer demand for Yowie remains strong and the Group continues to execute against its key strategies in the USA market. In recent weeks the Group achieved another significant milestone by exceeding US\$30m in gross sales in the USA since inception.
- As we complete Q3 we will provide visibility and guidance for fiscal 2018, which we believe will be another year of strong growth for Yowie.

Operating results and financial position

The Group's net loss for the half-year ended 31 December 2016 was US\$3,772,020 (half-year ended 31 December 2015: US\$2,596,285).

Total revenue for the half-year is US\$9.6 million, an increase of 67% over the previous corresponding period. The higher revenue was primarily driven by stronger sales performance from the rollout of Yowie products in U.S. market.

Net loss after tax attributable to members is US\$3.77 million, an increase in loss of 45% over the previous corresponding period.

Net loss after tax attributable to members after adding back the effect of unrealised foreign exchange gains and non-cash expenses (including share-based payment expenses) is US\$0.84 million for the half-year as compared to US\$1.69 million for the previous corresponding period. This represents a decrease in adjusted net loss after tax of US\$0.85 million, or 50%, after adding back the effect of unrealised foreign exchange and non-cash expenses.

Net loss after tax attributable to members for the half-year includes US\$0.45 million of foreign exchange gains and non-cash items of US\$3.19 million for share-based-payment expense and US\$0.20 million for depreciation and amortisation expense. For the previous corresponding period, net loss after tax attributable to members includes US\$0.04 million of foreign exchange losses and non-cash items of US\$0.83 million for share-based-payment expense and US\$0.04 million for depreciation and amortisation expense.

As at 31 December 2016 the Group's consolidated cash position was US\$28,894,660 (30 June 2016: US\$31,693,265).

The net assets of the Group decreased by 2% from US\$36,976,576 as at 30 June 2016 to US\$36,221,951 as at 31 December 2016.

The financial position of the Group remains strong with net tangible assets of US\$35,386,361, inclusive of US\$31,452,096 in cash and inventories, US\$1,375,910 in trade and other receivables, US\$1,073,532 in prepayments, US\$3,353,391 in plant and equipment and current liabilities of US\$1,868,568.

OPERATING AND FINANCIAL REVIEW (continued)**Operating results and financial position (continued)**

Capital, funding and liquidity are managed at the corporate level. The Group has generated negative cash flows from operating activities of US\$2,169,118 during the period, compared to positive cash flows from operating activities of US\$206,939 for the same period last year. Over the period, the carrying value of finished goods inventory has decreased by \$501,551 to \$335,950. The level of finished goods inventory was below desirable levels as at 31 December 2016. Considerable effort is being made to ensure inventories return to reasonable levels by 30 June 2017.

A summary of the cash flows for the Group for the period is as follows:

Cash flows from:	
- Operating activities	(US\$2,169,118)
- Investing activities	(US\$439,788)
- Financing activities	-
Net cash flow for the period	(US\$2,608,906)
Opening cash	US\$31,693,265
Effect of foreign exchange movements on cash flow	(US\$189,699)
Closing cash	US\$28,894,660

EVENTS SUBSEQUENT TO BALANCE DATE

No circumstances or events have arisen subsequent to the end of the period that have had, or are likely to have, a material impact on the financial statements.

AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration is included on page 8 of the financial report.

Signed in accordance with a resolution of the Directors.



Wayne Loxton
Chairman

24 February 2017

The Board of Directors
Yowie Group Ltd
Level 4, 216 St Georges Tce
Perth WA 6000

24 February 2017

Dear Directors,

Yowie Group Ltd

In accordance with section 307C of the *Corporations Act 2001*, I am pleased to provide the following declaration of independence to the directors of Yowie Group Ltd.

As lead audit partner for the review of the financial statements of Yowie Group Ltd for the half-year ended 31 December 2016, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

Yours sincerely


DELOITTE TOUCHE TOHMATSU

Ian Skelton
Partner
Chartered Accountants

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 31 DECEMBER 2016**



	Note	Consolidated	
		Half-Year Ended 31 Dec 2016 US\$	Half-Year Ended 31 Dec 2015 US\$
Sale of goods		9,318,024	5,651,701
Other revenue		280,847	96,001
Total revenue		9,598,871	5,747,702
Other income			
Foreign exchange gains/(losses)		450,755	(35,443)
Expenses			
Cost of sales		(4,296,570)	(2,722,898)
Selling and distribution		(1,251,544)	(1,303,111)
Marketing		(1,821,651)	(909,706)
Administration	3	(6,407,881)	(3,351,062)
Finance		-	-
Loss before income tax		(3,728,020)	(2,574,518)
Income tax expense		(44,000)	(21,767)
Loss after income tax for the half-year		(3,772,020)	(2,596,285)
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Movement in foreign currency translation reserve		(635,561)	(297,054)
Total comprehensive loss for the half-year net of tax		(4,407,581)	(2,893,339)
Loss per share			
Basic (loss) per share (cents)	4	(1.83)	(1.70)
Diluted (loss) per share (cents)	4	(1.83)	(1.70)

This consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2016**



	Note	Consolidated 31 Dec 2016 US\$	30 June 2016 US\$
Current Assets			
Cash and cash equivalents		28,894,660	31,693,265
Trade and other receivables	5	1,375,910	1,326,869
Prepayments	6	1,073,532	1,666,268
Inventories	7	2,557,436	1,133,675
Total Current Assets		33,901,538	35,820,077
Non-Current Assets			
Plant and equipment		3,353,391	3,081,210
Intangible assets		835,590	783,459
Total Non-Current Assets		4,188,981	3,864,669
Total Assets		38,090,519	39,684,746
Current Liabilities			
Trade and other payables		1,817,519	2,662,955
Provisions		51,049	38,836
Current tax liabilities		-	6,379
Total Current Liabilities		1,868,568	2,708,170
Total Liabilities		1,868,568	2,708,170
Net Assets		36,221,951	36,976,576
Equity			
Issued capital	8	52,631,418	52,631,418
Reserves		5,904,498	2,887,103
Accumulated losses		(22,313,965)	(18,541,945)
Total Equity		36,221,951	36,976,576

This consolidated statement of financial position should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE HALF-YEAR ENDED 31 DECEMBER 2016



	Issued capital	Share-based payment reserve	Consolidated Foreign currency translation reserve	Accumulated losses	Total
	US\$	US\$	US\$	US\$	US\$
Balance at 1 July 2015	25,454,351	3,274,684	(3,373,981)	(11,144,006)	14,211,048
Loss for the half-year	-	-	-	(2,596,285)	(2,596,285)
Other comprehensive income					
Foreign currency translation	-	-	(297,054)	-	(297,054)
Total comprehensive income/(loss) for the half-year	-	-	(297,054)	(2,596,285)	(2,893,339)
Transactions with owners recorded directly in equity					
Shares issued	5,036,399	-	-	-	5,036,399
Shares issue transaction costs	(10,418)	-	-	-	(10,418)
Share-based payments	-	834,445	-	-	834,445
Balance as at 31 December 2015	30,480,332	4,109,129	(3,671,035)	(13,740,291)	17,178,135
Balance at 1 July 2016	52,631,418	5,825,069	(2,937,966)	(18,541,945)	36,976,576
Loss for the half-year	-	-	-	(3,772,020)	(3,772,020)
Other comprehensive income					
Foreign currency translation	-	-	(635,561)	-	(635,561)
Total comprehensive income/(loss) for the half-year	-	-	(635,561)	(3,772,020)	(4,407,581)
Transactions with owners recorded directly in equity					
Shares issued	-	-	-	-	-
Shares issue transaction costs	-	-	-	-	-
Share-based payments	-	3,652,956	-	-	3,652,956
Balance as at 31 December 2016	52,631,418	9,478,025	(3,573,527)	(22,313,965)	36,221,951

This consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2016**



	Consolidated	
	Half-Year Ended 31 Dec 2016 US\$	Half-Year Ended 31 Dec 2015 US\$
Cash flow from operating activities		
Receipts from customers	9,222,258	5,435,940
Other receipts	4,604	44,039
Payments to suppliers and employees	(11,508,079)	(5,289,685)
Interest received	154,732	48,708
Income taxes paid	(42,633)	(32,063)
Net cash flows from/(used in) operating activities	(2,169,118)	206,939
Cash flow from investing activities		
Payments for security deposit	(8,381)	-
Payments for plant and equipment	(288,955)	(717,626)
Payments for intangible assets	(142,452)	(190,764)
Net cash flows used in investing activities	(439,788)	(908,390)
Cash flow from financing activities		
Proceeds from exercise of options	-	4,203,030
Payment of share issue transaction costs	-	(11,145)
Net cash flows from financing activities	-	4,191,885
Net change in cash and cash equivalents	(2,608,906)	3,490,434
Cash and cash equivalents at beginning of period	31,693,265	8,465,149
Effect of foreign exchange movements	(189,699)	(366,163)
Cash and cash equivalents at end of period	28,894,660	11,589,420

This consolidated statement of cash flows should be read in conjunction with the accompanying notes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2016



1. BASIS OF PREPARATION

These general purpose financial statements for the half-year reporting period ended 31 December 2016 have been prepared in accordance with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Act 2001.

These half-year financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual financial statements for the year ended 30 June 2016 and any public announcements made by Yowie Group Ltd during the half-year reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

New and amended standards adopted by the Group

The consolidated entity has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

We have considered Standards in issue not yet effective for the half year ended 31 December 2016, including AASB 9, 15 and 16, and do not consider the impact to be significant to the Group.

2. SEGMENT REPORTING

The Group has only one reportable segment, which relates to the operations of its confectionery business. All production and sales to date have taken place in the United States, with production carried out under a contract manufacturing arrangement. The net result is presented on a consolidated basis.

Major customer information

Revenue from one customer amounted to US\$6,634,983 (half-year ended 31 December 2015: US\$4,330,582), arising from the sale of Yowie chocolate confectionery product.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2016**



3. EXPENSES

	Consolidated	
	Half-Year Ended 31 Dec 2016 US\$	Half-Year Ended 31 Dec 2015 US\$
<i>Administration expenses include:</i>		
Employee benefits	1,323,650	807,669
Business development and travel	995,199	1,020,190
Legal, tax, listing, compliance and insurance	437,552	369,584
Share-based payment for directors, staff and consultants	3,186,815	834,445
Depreciation and amortisation	88,189	36,485
Other administrative expenses	376,476	282,689
	6,407,881	3,351,062

4. EARNINGS / (LOSS) PER SHARE

	Consolidated	
	Half-Year Ended 31 Dec 2016 Number	Half-Year Ended 31 Dec 2015 Number
Weighted average number of ordinary shares used in the calculation of basic and diluted earnings per share	206,372,375	152,662,522
	US\$	US\$
Basic loss attributable to ordinary equity holders of the parent	3,772,020	2,596,285

This calculation does not include instruments that could potentially dilute basic earnings per share in the future as these instruments are anti-dilutive, since their inclusion would reduce the loss per share.

5. TRADE AND OTHER RECEIVABLES

	Consolidated	
	31 December 2016 US\$	30 June 2016 US\$
Current		
Trade debtors	1,120,339	1,049,671
Other debtors	1,622	72,177
Security deposit	71,218	65,174
GST receivable	25,882	94,464
Accrued interest	156,849	45,383
	1,375,910	1,326,869

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2016**



6. PREPAYMENTS

	Consolidated	
	31 December	30 June
	2016	2016
	US\$	US\$
Current		
Prepayments – raw materials	864,506	1,430,908
Prepayments – others	209,026	235,360
	1,073,532	1,666,268

7. INVENTORIES

	Consolidated	
	31 December	30 June
	2016	2016
	US\$	US\$
Current		
Raw materials	2,221,486	296,174
Work in progress	-	-
Finished goods	335,950	837,501
	2,557,436	1,133,675

Inventories are valued at the lower of cost or net realisable value.

8. ISSUED CAPITAL

	US\$	Number
Issue of ordinary shares during the half-year		
As at 1 July 2015	25,454,351	139,230,199
Exercise of options	4,836,054	31,358,826
Shares issued to vendor for settlement of invoice	200,345	227,794
Share issue cost	(10,418)	-
As at 31 December 2015	30,480,332	170,816,819
As at 1 July 2016	52,631,418	206,372,375
Shares issued	-	-
Share issue cost	-	-
As at 31 December 2016	52,631,418	206,372,375

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2016**



9. SHARE-BASED PAYMENTS

The following rights were issued to directors and key management personnel as incentives for future services. The rights will be automatically exercised for nil consideration once the vesting condition is met. The vesting condition of rights includes meeting agreed non-market conditions.

	Service Rights STI	Service Rights STI	Service Rights STI	Service Rights STI
No of securities	Note 1	Note 1	Note 1	1,041,666
Exercise price (A\$)	-	-	-	-
Grant date	1 July 2016	8 Sep 2016	1 Nov 2016	7 Nov 2016
Vesting date	30 Jun 2017	30 Jun 2017	30 Jun 2017	7 Dec 2016
Expiry date	30 Jun 2018	30 Jun 2018	30 Jun 2018	7 Dec 2017
Share price at grant date (A\$)	N/A	N/A	N/A	0.61
Fair value per security (A\$)	N/A	N/A	N/A	0.61
Total fair value (A\$)	602,490	279,839	110,000	635,416

Note 1: The number of rights will be calculated based on the 5-day VWAP after the release of the annual financial results for the year ending 30 June 2017

	Perf. Rights LTI	Perf. Rights LTI	Perf. Rights LTI
No of securities	777,330	305,084	1,041,666
Exercise price (A\$)	-	-	-
Grant date	8 Sep 2016	1 Nov 2016	7 Nov 2016
Vesting date	30 Jun 2018 and 30 Jun 2019	30 Jun 2018 and 30 Jun 2019	31 Aug 2019
Expiry date	30 Jun 2019 and 30 Jun 2020	30 Jun 2019 and 30 Jun 2020	30 Sep 2019
Share price at grant date (A\$)	0.72	0.59	0.61
Fair value per security (A\$)	0.72	0.59	0.61
Total fair value (A\$)	559,678	180,000	635,416

10. FAIR VALUES OF FINANCIAL INSTRUMENTS

Recurring fair value measurements

The Group does not have any financial instruments that are subject to recurring or non-recurring fair value measurements.

Fair values of financial instruments not measured at fair value

The following instruments had the following fair values at 31 December 2016:

	Carrying Amount US\$	Fair Value US\$
Current assets		
Trade and other receivables	1,375,910	1,375,910
Current liabilities		
Trade and other payables	1,817,519	1,817,519

Due to their short-term nature, the carrying amounts of current receivables and current trade and other payables is assumed to equal their fair value.

11. COMMITMENTS AND CONTINGENCIES

Commitments

Significant capital expenditure contracted for at the end of the reporting period but not recognised as liabilities is as follows:

	Consolidated	
	31 December 2016 US\$	30 June 2016 US\$
Plant and Equipment		
Cost	-	256,891

Contingencies

In the financial year ended 30 June 2016, Yowie North America Inc ("YNA"), a wholly owned subsidiary of the Group, brought claims against Whetstone Chocolate Factory ("WCF") and Atlantic Candy Company ("ACC") for the release and return of the RASCH "Type FI" wrapping machine ("Wrapper") owned by the Group and located at ACC's facility, as well as for monetary damages. The assigned judge, after hearing testimony from both Yowie and ACC, determined that the Wrapper was owned by Yowie and should be returned to Yowie forthwith. In response to this ruling, ACC used a procedural mechanism under Florida law to post a US\$562,500 cash bond, the effect of which was to temporarily prevent YNA from removing its plant and materials from ACC's facility. In September 2016, the judge took this matter up for final trial at which WCF conceded that all of the property at issue belonged to Yowie, and it would allow Yowie immediate access for purposes of removal of the property.

11. COMMITMENTS AND CONTINGENCIES (continued)

Yowie currently has the option of either immediately retrieving the wrapper and material, or to wait until the full trial of the lawsuit, expected in Quarter 4 FY 2017, and collect the value of this property against the cash bond posted by WCF. The Group has made full provision for impairment against the value of the property in the financial year ended 30 June 2016. The Group has not recorded an asset related to the value of this property in the six months ended 31 December 2016 following the judgement in September 2016 because the ultimate value to be recovered is not yet known until the full trial of the lawsuit in Quarter 4 FY 2017.

In the financial year ended 30 June 2016, ACC has filed a counterclaim alleging that YNA has breached the Manufacturing Agreement between the parties and sent a Notice of Default to YNA alleging that YNA is also in default under the Patent and Technology License Agreement. YNA has disclaimed liability and is defending the action. The company considers no provision is warranted in relation to this claim. The Group expects judgement in Quarter 4 FY 2017.

12. EVENTS SUBSEQUENT TO BALANCE DATE

No circumstances or events have arisen subsequent to the end of the period that have had, or are likely to have, a material impact on the financial statements.

**DIRECTORS' DECLARATION
FOR THE HALF-YEAR ENDED 31 DECEMBER 2016**



The directors declare that:

- (a) 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; and
- (b) in the directors' opinion, the attached financial statements and notes thereto are in accordance with the *Corporations Act 2001*, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the consolidated entity.

Signed in accordance with a resolution of the directors made pursuant to s.303(5) of the *Corporations Act 2001*.

On behalf of the Board

A handwritten signature in black ink, appearing to read "Wayne Loxton", written over a light blue horizontal line.

**Wayne Loxton
Chairman**

24 February 2017

Independent Auditor's Review Report to the members of Yowie Group Ltd

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Yowie Group Ltd, which comprises the consolidated statement of financial position as at 31 December 2016, the consolidated statement of profit or loss and other comprehensive Income, the consolidated statement of cash flows and the consolidated statement of changes in equity for the for the half year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the end of the half-year or from time to time during the half-year as set out on pages 9 to 19.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year 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 half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Yowie Group Ltd, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Auditor's Independence Declaration

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Yowie Group Ltd, would be in the same terms if given to the directors as at the time of this auditor's review report.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Yowie Group Ltd is not in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Deloitte Touche Tohmatsu
DELOITTE TOUCHE TOHMATSU



Ian Skelton

Partner

Chartered Accountants

Perth, 24 February 2017