

Appendix 4E

Preliminary final report

Name of entity:

Yowie Group Ltd

1.

ABN or equivalent company
reference:

98 084 370 669

Reporting period:

Year ended 30 June 2016

Previous corresponding period:

Year ended 30 June 2015

2. **Results for announcement to the market**

US\$

2.1	Revenue from ordinary activities	up	450%	to	13,062,662
2.2	Loss from ordinary activities for the period after tax attributable to members	up	165%	to	(7,397,939)
2.3	Net loss for the period attributable to members	up	165%	to	(7,397,939)
2.4	Dividends		Amount per security		Franked amount per security
	Final dividend		Nil		N/A
	Interim dividend		Nil		N/A
2.5	Record date for determining entitlements to the dividends		N/A		
2.6	Brief explanation of any of the figures reported above to enable the figures to be understood:				
	<p>The Group has previously reported its consolidated results in Australian Dollar (AUD). As the Group's main operations are based in the United States, the Group has changed its presentation currency for financial reporting from AUD to USD from 1 July 2015 in order to better align the presentation of the Group's financial position and financial performance with its operations.</p> <p>Increase of revenue from ordinary activities of 450% over prior year is a direct result of successful rollout of Yowie product in the United States confectionery market. Revenue from ordinary activities for the year includes net sales of US\$12.9 million and other revenue of US\$0.2 million. Net loss of US\$7.4 million results from significant business development and marketing expenses incurred to support the sales effort.</p>				

2.6 Brief explanation of any of the figures reported above to enable the figures to be understood (continued):

Table below outlines non-cash and non-recurrent expenses for the year and the previous corresponding year.

	2016	2015
	US\$	US\$
Loss after income tax for the year	(7,397,939)	(2,791,076)
Add back:		
Foreign exchange (gains) / losses	159,663	(2,803,256)
Write-off of non-current assets	700,399	63,609
Share-based payments ¹	3,105,310	896,672
Depreciation and amortisation	74,195	40,588
KMP recruitment fees	420,000	-
Adjusted loss after income tax for the year	(2,938,372)	(4,593,463)

¹ Included in the share-based payments for FY2016 is US\$0.56 million (A\$0.75 million) relating to STI of the Executive Directors, subject to shareholders' approval at the Annual General Meeting, which will be settled in shares

The loss after tax attributable to members after adding back the effect of non-cash and non-recurrent expenses is US\$2.9 million for the year compared to a loss of US\$4.6 million for the previous corresponding year. This represents a decrease in the net loss after tax of US\$1.7 million or 36% after adding back the effect of non-cash and non-recurrent expenses.

3. Consolidated Statement of Profit or Loss and Other Comprehensive Income

	Note	Current Period 2016 US\$	Previous Corresponding Period 2015 US\$
Sale of goods		12,887,571	2,043,879
Other revenue		175,091	333,104
Total revenue		13,062,662	2,376,983
Other income / (expense)			
Foreign exchange gains / (losses)		(159,663)	2,803,256
Expenses			
Cost of sales		(6,244,814)	(1,042,557)
Selling and distribution		(2,581,715)	(1,731,672)
Marketing		(2,166,190)	(839,954)
Administration	1	(8,584,735)	(4,292,850)
Finance		(6)	(673)
Impairment of non-current assets *		(499,377)	-
Write-off of non-current assets		(201,022)	(63,609)
Loss before income tax		(7,374,860)	(2,791,076)
Income tax expense		(23,079)	-
Loss after income tax for the year		(7,397,939)	(2,791,076)
Other comprehensive income for the year			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Movement in foreign currency translation reserve		436,015	(3,373,981)
Total comprehensive loss for the year			
Net of tax attributable to members of the Company		(6,961,924)	(6,165,057)
Loss per share attributable to members of the Company			
Basic loss per share (cents)		(4.47)	(2.21)
Diluted loss per share (cents)		(4.47)	(2.21)

* Impairment of non-current assets relates to provision of impairment on wrapping machine of which recoverability is subject to court's decision. Refer to note 4 for further details.

4. Statement of Financial Position

	Note	Current Period 30 June 2016 US\$	Previous Corresponding Period 30 June 2015 US\$
Current Assets			
Cash and cash equivalents		31,693,265	8,465,149
Trade and other receivables		1,326,869	318,602
Prepayments	2	1,666,268	227,387
Inventories		1,133,675	5,197,419
Total Current Assets		35,820,077	14,208,557
Non-Current Assets			
Plant and equipment	3	3,081,210	1,186,627
Intangible assets		783,459	385,063
Total Non-Current Assets		3,864,669	1,571,690
Total Assets		39,684,746	15,780,247
Current Liabilities			
Trade and other payables		2,662,955	1,516,122
Provisions		38,836	-
Current tax liabilities		6,379	-
Unearned income		-	53,077
Total Current Liabilities		2,708,170	1,569,199
Total Liabilities		2,708,170	1,569,199
Net Assets		36,976,576	14,211,048
Equity			
Issued capital		52,631,418	25,454,351
Reserves		2,887,103	(99,297)
Accumulated losses		(18,541,945)	(11,144,006)
Total Equity		36,976,576	14,211,048

5. Consolidated Statement of Cash Flows

	Current Period 2016 US\$	Previous Corresponding Period 2015 US\$
Cash flows from operating activities		
Receipts from customers	12,426,245	2,020,865
Other receipts	48,470	130,468
Payments to suppliers and employees	(12,642,202)	(8,857,196)
Interest received	78,080	160,907
Interest paid	-	(728)
Income taxes paid	(42,935)	-
Net cash flows used in operating activities	(132,342)	(6,545,684)
Cash flows from investing activities		
Payments for security deposit	(66,937)	-
Payments for plant and equipment	(2,636,271)	(137,467)
Payments for intangible assets	(507,428)	(179,936)
Net cash flows used in investing activities	(3,210,636)	(317,403)
Cash flows from financing activities		
Proceeds from shares issued	23,129,600	7,787,000
Proceeds from exercise of options	4,203,030	887,420
Payment of share issue transaction costs	(1,056,038)	(497,563)
Net cash flows from financing activities	26,276,592	8,176,857
Net increase in cash and cash equivalents	22,933,614	1,313,770
Cash and cash equivalents at the beginning of the year	8,465,149	7,766,563
Effect of foreign exchange movements	294,502	(615,184)
Cash and cash equivalents at the end of the year	31,693,265	8,465,149

6. Consolidated Statement of Changes in Equity

	Issued capital	Share-based payment reserve	Foreign currency translation reserve	Accumulated losses	Total
	US\$	US\$	US\$	US\$	US\$
Balance at 1 July 2014	17,935,093	2,389,495	-	(8,352,930)	11,971,658
Loss for the year	-	-	-	(2,791,076)	(2,791,076)
Other comprehensive income					
Foreign currency translation	-	-	(3,373,981)	-	(3,373,981)
Total comprehensive loss for the year	-	-	(3,373,981)	(2,791,076)	(6,165,057)
Transactions with owners recorded directly in equity					
Shares issued	8,016,821	-	-	-	8,016,821
Share issue transaction costs	(497,563)	-	-	-	(497,563)
Share-based payments	-	885,189	-	-	885,189
Balance as at 30 June 2015	25,454,351	3,274,684	(3,373,981)	(11,144,006)	14,211,048
Balance at 1 July 2015	25,454,351	3,274,684	(3,373,981)	(11,144,006)	14,211,048
Loss for the year	-	-	-	(7,397,939)	(7,397,939)
Other comprehensive income					
Foreign currency translation	-	-	436,015	-	436,015
Total comprehensive loss for the year	-	-	436,015	(7,397,939)	(6,961,924)
Transactions with owners recorded directly in equity					
Shares issued	28,166,000	-	-	-	28,166,000
Share issue transaction costs	(988,933)	-	-	-	(988,933)
Share-based payments	-	2,550,385	-	-	2,550,385
Balance as at 30 June 2016	52,631,418	5,825,069	(2,937,966)	(18,541,945)	36,976,576

7. Notes to the Financial Statements

Note 1 – Administration

	Consolidated	
	2016 US\$	2015 US\$
Administration expenses include:		
Employee benefits ¹	2,262,595	1,128,356
Business development and travel	2,322,037	1,130,498
Legal, tax, listing, compliance and insurance	949,411	829,994
Share-based payment for directors, staff and consultants	2,550,385	896,672
Depreciation and amortisation	74,195	40,588
Other administrative expenses	426,112	266,742
	8,584,735	4,292,850

¹ Included in the employee benefits for FY2016 is US\$0.56 million (A\$0.75 million) relating to STI of the Executive Directors, subject to shareholders' approval at the Annual General Meeting, which will be settled in shares

Note 2 – Prepayments

	Consolidated	
	2016 US\$	2015 US\$
Prepayments – raw materials	1,430,908	109,825
Prepayments - other	235,360	117,562
	1,666,268	227,387

Note 3 – Plant and Equipment

	Consolidated	
	2016 US\$	2015 US\$
Manufacturing plant and equipment		
Cost	2,927,772	589,582
Accumulated depreciation	(31,432)	(30,031)
	2,896,340	559,551
Manufacturing plant and equipment under construction		
Cost	174,869	614,169
	174,869	614,169
Office equipment		
Cost	30,010	23,890
Accumulated depreciation	(20,009)	(10,983)
	10,001	12,907
Total plant and equipment	3,081,210	1,186,627

7. Notes to the Financial Statements (continued)

Note 3 – Plant and Equipment (continued)

Movements in the carrying amount of each class are set out below.

	Consolidated	
	2016	2015
	US\$	US\$
Manufacturing plant and equipment		
Balance at the beginning of the year	559,551	579,817
Additions	-	-
Transfers from manufacturing plant and equipment under construction	2,927,774	-
Depreciation	(37,995)	(20,266)
Provision for impairment	(499,377)	-
Amounts written off	(53,613)	-
Foreign exchange adjustment	-	-
Carrying amount at the end of the year	2,896,340	559,551
Manufacturing plant and equipment under construction		
Balance at the beginning of the year	614,169	454,372
Additions	2,564,409	159,797
Transfers to manufacturing plant and equipment	(2,927,774)	-
Amounts written off	(75,935)	-
Foreign exchange adjustment	-	-
Carrying amount at the end of the year	174,869	614,169
Office equipment		
Balance at the beginning of the year	12,907	14,170
Additions	6,902	8,292
Depreciation	(9,262)	(8,656)
Disposals	(444)	-
Foreign exchange adjustment	(102)	(899)
Carrying amount at the end of the year	10,001	12,907

Note 4 – Contingencies

During the year, Yowie North America Inc (“YNA”), a wholly owned subsidiary of the Group, has brought claims against Whetstone Chocolate Factory (“WCF”) and Atlantic Candy Company (“ACC”) for the release and return of the RASCH “Type F1” 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 materials from ACC’s facility. A court action is planned to occur in September 2016, at which time it is expected that the judge will enter a final judgement as to the disposition of the Wrapper and the miscellaneous materials.

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. The company 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 the 2017 financial year.

8. Dividends (in the case of a trust, distributions)

Date dividend is payable N/A

Record date to determine entitlements to the dividend N/A

If it is a final dividend, has it been declared? N/A

Amount per security

	Amount per security	Franked amount per security at 30% tax	Amount per security of foreign source dividend
Final dividend: Current year	Nil	N/A	N/A
Interim dividend: Current year	Nil	N/A	N/A

Total dividend (distribution) per security (interim plus final)

	Current period	Previous Corresponding Period
Ordinary securities	N/A	N/A
Preference securities	N/A	N/A

9. Dividend or distribution plans in operation

N/A

The last date(s) for receipt of election notices for the dividend or distribution plans N/A

10. Net tangible asset (NTA) backing

	Current Period 2016 US\$	Previous Corresponding Period 2015 US\$
Net tangible asset backing per ordinary security (cents)	17.54	9.93

11. Control gained over entities having material effect

Name of entity (or group of entities)	N/A
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Consolidated loss from ordinary activities after tax of the controlled entity (or group of entities) since the date in the current period on which control was acquired	N/A
Date from which such profit has been calculated	N/A
Loss from ordinary activities after tax of the controlled entity (or group of entities) for the whole of the previous corresponding period	N/A

Loss of control of entities having material effect

Name of entity (or group of entities)	N/A
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Consolidated profit (loss) from ordinary activities after tax of the controlled entity (or group of entities) for the current period to the date of loss of control	N/A
Date to which the profit (loss) has been calculated	N/A
Consolidated profit (loss) from ordinary activities after tax of the controlled entity (or group of entities) while controlled during the whole of the previous corresponding period	N/A
Contribution to consolidated profit (loss) from ordinary activities from sale of interest leading to loss of control	N/A

12. Material interests in entities which are not controlled entities

The economic entity has an interest (that is material to it) in the following entities. *(If the interest was acquired or disposed of during either the current or previous corresponding period, indicate date of acquisition "from dd/mm/yy" or disposal "to dd/mm/yy")*

Name of entity	Percentage of ownership interest held at end of period or date of disposal		Contribution to net profit (loss)	
	Current period	Previous corresponding period	Current period US\$	Previous corresponding period US\$
Equity accounted associates and joint venture entities				
Total	N/A	N/A	N/A	N/A
Other material interests				
Total	N/A	N/A	N/A	N/A

13. Significant information

Any other significant information needed by an investor to make an informed assessment of the entity's financial performance and financial position:

<p>During the financial year, the Group progressed its objective of building a strong sales and distribution network in the United States, with some important milestones achieved.</p> <p>The Group's net loss attributable to members of the Company for the financial year ended 30 June 2016 was US\$7.4 million (year ended 30 June 2015: net loss of US\$2.8 million). Please refer to Item 2.6 for discussion on the Group's net loss for the year compared to the previous corresponding year.</p> <p>As at 30 June 2016 the Group's consolidated cash position was US\$31,693,265 (30 June 2015: US\$8,465,149).</p> <p>The net assets of the Group increased by 160% from US\$14.2 million to US\$37 million. This increase was mainly a result of the share placement and exercise of options during the year.</p> <p>The financial position of the Group remains strong with net tangible assets of US\$36.2 million, inclusive of US\$31.7 million in cash, US\$1.3 million in trade and other receivables, US\$1.7 million in prepayments, US\$1.1 million in inventories, US\$3.1 million in plant and equipment and US\$2.7 million in trade and other payables, provisions and current tax liabilities.</p> <p>During the financial year, the Group completed a placement of 35,555,556 ordinary fully paid shares at US\$0.65 (A\$0.90) per share, raising US\$23.1 million (A\$32 million). The Group also received US\$4.2 million from exercise of options during the year. Funds raised under the placement and exercise of options will be used for working capital, investment in Yowie's digital, social and publishing media campaigns and the continued rollout of the Yowie product in the U.S.</p>

14. Foreign entities set of accounting standards used in compiling the report (IAS)

N/A

15. Commentary on the results for the period

15.1 Earnings per security (EPS)

	Current Period 2016	Previous Corresponding Period 2015
Basic EPS (cents per share)	(4.47)	(2.21)
Diluted EPS (cents per share)	(4.47)	(2.21)

15.2 Returns to shareholders (Including distributions and buy backs)

	Current Period 2016 US\$	Previous Corresponding Period 2015 US\$
Ordinary securities	N/A	N/A
Preference securities	N/A	N/A
Other equity instruments	N/A	N/A
Total	N/A	N/A

The dividend or distribution plans shown below are in operation.

N/A

The last date(s) for receipt of election notices for the dividend or distribution plans

N/A

Any other disclosures in relation to dividends (distributions).

N/A

15.3 Significant features of operating performance

Refer to Item 13.

15.4 Segment Information

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.

15.5 Report on trends in performance

Refer to Item 2.6.

- 15.6 Report any factors which have affected the results during the reporting period or which are likely to affect results in the future, including those where the effect could not be quantified.**

N/A

16. Compliance statement

This report is based on accounts to which one of the following applies.
(Tick one)

- | | | | |
|-------------------------------------|--|--------------------------|---|
| <input type="checkbox"/> | The accounts have been audited. | <input type="checkbox"/> | The accounts have been subject to review. |
| <input checked="" type="checkbox"/> | The accounts are in the process of being audited or subject to review. | <input type="checkbox"/> | The accounts have not yet been audited or reviewed. |

- 17. If the accounts have not yet been audited or subject to audit review and are likely to be subject to dispute or qualification, a description of the likely dispute or qualification:**

N/A

- 18. If the accounts have been audited or subject to review and are subject to dispute or qualification, a description of the dispute or qualification:**

N/A

Sign here: W Loxton
(Executive Chairman)

Date: 31 August 2016

Print name: Wayne Loxton