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 2017**
	Previous corresponding period:	**Half-year ended 31 December 2016**

2. Results for announcement to the market

					US$'000
2.1	Revenue from ordinary activities	down	**16%**	to	**8,037**
2.2	Loss from ordinary activities after tax attributable to members	down	**8%**	to	**3,459**
2.3	Net loss for the period attributable to members	down	**8%**	to	**3,459**

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.

3. Net tangible assets

	Current Period *(cents)*	**Previous Corresponding Period** *(cents)*
Net tangible asset backing per ordinary share	13.60	17.15

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 2017

CONTENTS

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

COMPANY DIRECTORY

DIRECTORS:	Mr Louis Carroll Mr Mark Schuessler Mr Glen Watts
KEY MANAGEMENT:	Mr Cove Overley
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
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SHARE REGISTRY:	Link Market Services Limited Level 12, QV1 Building 250 St Georges Terrace Perth WA 6000 Telephone: 1300 554 474 or +61 2 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

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 2017.

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 Louis Carroll *(appointed on 18 September 2017)*
Mr Mark Schuessler *(appointed on 5 January 2018)*
Mr Glen Watts *(appointed on 5 January 2018)*
Mr Bert Alfonso *(resigned on 2 January 2018)*
Mr Trevor Allen *(resigned on 5 January 2018)*
Ms Patricia Fields *(resigned on 5 January 2018)*

PRINCIPAL ACTIVITY

Yowie Group Limited 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 the environment and ecology and 'Save the Natural World' is at the heart of the Yowie proposition. Yowie Group Limited employs its company-owned intellectual property rights to supply Yowie branded chocolate confectionery product, a digital platform and Yowie branded licensed consumer products. The Group's vision for the Yowie brand is to distribute on a widening basis the Yowie product initially in the United States of America (USA) followed by international expansion. The development of its digital platform and licensed consumer products is being undertaken in stages with Stage 1 development complete. Expansion into Australia, New Zealand and Canada is underway, and expansion into Europe and the Middle East are key strategic priorities for a second-stage brand rollout.

OPERATING AND FINANCIAL REVIEW

During the half-year the Group achieved progress towards its objective of building a strong sales and distribution network in the United States, Canada, Australian and New Zealand markets, with some key milestones already achieved.

Sales and Distribution

<u>North America and Canada</u>

- Expansion into current and new key retailers across the Grocery, Convenience, Mass and Specialty consumer channels in the United States market which will come on stream in the second half of the current financial year.
    - In Grocery, the addition of Albertson's, expansion of Safeway, and Brookshire Bros, adding key accounts on both the east and west coasts of the United States.
    - A significant expansion in Target to 1,250 stores. This follows positive sales results from a 300-Target store trial, adding critical volume in the important Mass channel and confirming Yowie's success in consumer trial.

OPERATING AND FINANCIAL REVIEW (continued)

Sales and Distribution (continued)

North America and Canada (continued)

- In Convenience, an important channel for the category, more than 8,000 new stores will come on stream, from sales expansion into Circle K, Speedway, Travel Centers of America, Sunoco and AMPM.

- In Specialty, distribution will also benefit from the addition of Bed Bath and Beyond, Five Below and Michael's.

- US market share as reported by Nielsen for the 52 weeks ending 2 December 2017, xAOC (™eXtended All Outlet Combined) plus Convenience was 0.494%, a slight decline versus 0.503% in the same period last year.

- Strong US distribution in all channels in the past 52 weeks, with accelerating increase in the last 13 weeks in Convenience (+4.6% ACV) and Food (+5.7% ACV), both being focus channels for us. But, at 37% ACV distribution, we still have a great scope to expand the availability of Yowie.

- Discovery World fell short of budget as retailers are hesitant to bring on more, lower priced offerings to the crowded set.

- Initiated sales into Canada through an agreement with Mondoux Confectionery Inc., a national distribution partner with significant experience in the category and a broad reach across all trade channels in Canada.

Australia and New Zealand (ANZ)

- The Australian market continues to perform well with retailers engaged and satisfied with sustained progress. We are preparing for a pre-Easter launch of Series 2, the Ranger series, and we anticipate more distribution as the product performs to expectations.

Marketing

- Marketing activities increased significantly in the first half of FY2018, with a focus on Fall Campaign for the Series 3 launch into the US market. The total campaign has reached 119 million online impressions, surpassing our target of 95 million.

OPERATING AND FINANCIAL REVIEW (continued)

Operations

- An agreement was reached with Whetstone regarding the packaging equipment that had been the subject of a lawsuit between the parties. On 17 October 2017, Yowie recovered the contested packaging equipment and planned to utilise the equipment for further growth.

- The Group's major US retail customer claimed payments after a standard periodic internal supplier audit based on stock adjustments relating to the last two years. Negotiations on the quantum and merits of the claim were conducted in January 2018 and resulted in a chargeback of US$1.95 million to be paid progressively over the next twelve months. The amount has been recognised against 'Sale of goods' line item in the Consolidated Statement of Profit or Loss at the end of the reporting date.

  The Board is satisfied that this event will not adversely affect the trading relationship with the customer.

  In light of the stock adjustment claim, our focus is to make changes in packaging and the supply chain to eliminate issues going forward.

Corporate

- In September 2017, Mr Louis Carroll joined the Board as Non-Executive Chair following a successful international career in CEO, Senior Executive Management and Chair roles across a range of founder-backed, entrepreneurial organisations and public companies.

- Mr Bert Alfonso resigned from his position as Global Chief Executive Officer and Managing Director on 2 January 2018. Mark Schuessler, formerly the Global Chief Operating Officer and Chief Executive Officer of Yowie North America assumed the role of Global Chief Executive Officer and Managing Director effective on that date and the role of Managing Director effective on 5 January 2018.

- On 5 January 2018, Mr Glen Watts joined the Board as Non-Executive Director with a strong track record of driving transformational business performance and profitability across multiple geographies within a leading multinational across the fast-moving consumer goods ("FMCG") and manufacturing sectors.

- Ms Patricia Fields and Mr Trevor Allen have resigned as directors effective 5 January 2018. The Group would like to thank both of them for their services on the Board. Both remain shareholders in Yowie and committed to supporting the Group's future success in a consulting capacity, as required.

- Corporate infrastructure is being restructured to maximise retail, broker and distributor touchpoints, take advantage of our team's experience and reduce administrative costs.

OPERATING AND FINANCIAL REVIEW (continued)

Growth Strategies

The Group has revised its outlook of revenue guidance to be flat for this financial year, before the effect of the stock adjustments announced on 12 January. This is principally the result of launch activity by a competitor into the US market in January. The Group has observed significant and aggressive investing by this competitor in off shelf promotional displays which is believed to be a key driver.

The Group's priority to return to revenue growth is focused on the following:

- Expand distribution across all channels in the US, especially Grocery and Convenience. This will reduce our reliance on our major retail customer and provide broader availability of Yowie for the consumer and better position us in the vastly changing novelty category competitive landscape.

- Secure distribution in the two major Australian retailers as we move into Series 2, the Ranger series, and continue to engage the Australian consumer digitally.

- Ramp up distribution and initiate marketing activities in the Canadian market.

- Develop innovation in the Yowie brand that continues to deliver our mission of educating children about the natural world with a premium collectible, tasty treat and a digital experience.

Financial Overview

- Total revenue for the half-year ended 31 December 2017 was US$8 million, a decrease of 16% over the previous corresponding period.

  Total revenue for the half year, before stock adjustment claim, was US$ 10 million, an increase of 7.3% over the previous corresponding period.

- The Group's EBITDA loss, before share-based payments expense, for the half-year ended 31 December 2017 was US$4.24 million compared to US$1.18 million for the half-year ended 31 December 2016.

- Net loss after tax attributable to members is US$3.46 million, a decrease of 8% from the loss incurred in the previous corresponding period.

- As at 31 December 2017 the Group's consolidated cash position was US$22.7 million (30 June 2017: US$26.9 million).

- The net assets of the Group decreased by 12% from US$36.2 million as at 30 June 2017 to US$32 million as at 31 December 2017.

OPERATING AND FINANCIAL REVIEW (continued)

Financial Overview (continued)

- Capital, funding and liquidity are managed at the corporate level. A summary of the cash flows for the Group is as follows:

Cash flows used in:	**US$**
- Operating activities	(3.33 million)
- Investing activities	(0.95 million)
- Financing activities	(0.01 million)
Net cash flows for the year	**(4.29 million)**
Opening cash	26.88 million
Effect of foreign exchange movements	0.1 million
Closing cash balance	**22.69 million**

EVENTS SUBSEQUENT TO BALANCE DATE

Refer to Note 13 in the Notes to the Consolidated 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.

Louis Carroll
Non-Executive Chairman

21 February 2018

Deloitte Touche Tohmatsu
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The Directors
Yowie Group Limited
Level 4, 216 St Georges Tce
Perth WA 6000

21 February 2018

Dear Directors,

Yowie Group Limited

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 Limited.

As lead audit partner for the review of the financial statements of Yowie Group Limited for the half-year ended 31 December 2017, 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
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 2017

	Note	Consolidated Half-Year Ended 31 Dec 2017 US$	Consolidated Half-Year Ended 31 Dec 2016 US$
Sale of goods		**8,008,580**	9,318,024
Other revenue		**28,268**	280,847
Total revenue		**8,036,848**	9,598,871
Other income/(expense)			
Foreign exchange gains/(losses)		**(185,322)**	450,755
Expenses			
Cost of sales		**(4,513,647)**	(4,296,570)
Selling and distribution		**(1,887,052)**	(1,251,544)
Marketing		**(2,439,981)**	(1,865,907)
Administration	3	**(2,665,556)**	(6,363,625)
Reversal of impairment of non-current assets	12(b)	**472,858**	-
Loss before income tax		**(3,181,852)**	(3,728,020)
Income tax (expense) / benefit		**(277,450)**	(44,000)
Loss after income tax for the half-year		**(3,459,302)**	(3,772,020)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Movement in foreign currency translation reserve		**274,255**	(635,561)
Total comprehensive loss for the half-year net of tax		**(3,185,047)**	(4,407,581)
Loss per share			
Basic (loss) per share (cents)	4	**(1.61)**	(1.83)
Diluted (loss) per share (cents)	4	**(1.61)**	(1.83)

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 2017

	Note	Consolidated	
		31 Dec 2017 US$	30 Jun 2017 US$
Current Assets			
Cash and cash equivalents		**22,689,387**	26,877,580
Trade and other receivables	5	**1,627,379**	1,522,537
Prepayments	6	**962,184**	1,171,411
Inventories	7	**4,006,360**	3,721,390
Total Current Assets		**29,285,310**	33,292,918
Non-Current Assets			
Plant and equipment		**4,096,503**	3,512,987
Intangible assets		**1,772,687**	1,139,520
Deferred tax assets		**910,089**	1,042,061
Total Non-Current Assets		**6,779,279**	5,694,568
Total Assets		**36,064,589**	38,987,486
Current Liabilities			
Trade and other payables	8	**4,007,057**	2,678,035
Provisions		**27,334**	28,223
Current tax liabilities		**-**	175
Unearned income		**73,447**	87,487
Total Current Liabilities		**4,107,838**	2,793,920
Total Liabilities		**4,107,838**	2,793,920
Net Assets		**31,956,751**	36,193,566
Equity			
Issued capital	9	**55,512,109**	55,198,677
Reserves		**4,016,530**	5,107,475
Accumulated losses		**(27,571,888)**	(24,112,586)
Total Equity		**31,956,751**	36,193,566

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 2017

	Consolidated				
	Issued capital US$	Share-based payment reserve US$	Foreign currency translation reserve US$	Accumulated losses US$	Total US$
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					
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
Balance at 1 July 2017	**55,198,677**	**7,363,748**	**(2,256,273)**	**(24,112,586)**	**36,193,566**
Loss for the half-year	**-**	**-**	**-**	**(3,459,302)**	**(3,459,302)**
Other comprehensive income					
Foreign currency translation	**-**	**-**	**274,255**	**-**	**274,255**
Total comprehensive income/(loss) for the half-year	**-**	**-**	**274,255**	**(3,459,302)**	**(3,185,047)**
Transactions with owners recorded directly in equity					
Shares issued under YOW Employee Incentive Plan	**316,194**	**(537,092)**	**-**	**-**	**(220,898)**
Shares issue transaction costs	**(2,762)**	**-**	**-**	**-**	**(2,762)**
Share-based payments	**-**	**(828,108)**	**-**	**-**	**(828,108)**
Balance as at 31 December 2017	**55,512,109**	**5,998,548**	**(1,982,018)**	**(27,571,888)**	**31,956,751**

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 2017

	Consolidated	
	Half-Year Ended 31 Dec 2017 US$	Half-Year Ended 31 Dec 2016 US$
Cash flow from operating activities		
Receipts from customers	**9,876,254**	9,222,258
Other receipts	**1,902**	4,604
Payments to suppliers and employees	**(13,145,890)**	(11,508,079)
Interest received	**23,764**	154,732
Income taxes paid	**(87,206)**	(42,633)
Net cash flows used in operating activities	**(3,331,176)**	(2,169,118)
Cash flow from investing activities		
Payments for security deposit	**-**	(8,381)
Payments for plant and equipment	**(248,642)**	(288,955)
Payments for intangible assets	**(700,951)**	(142,452)
Net cash flows used in investing activities	**(949,593)**	(439,788)
Cash flow from financing activities		
Payment of share issue transaction costs	**(7,865)**	-
Net cash flows used in financing activities	**(7,865)**	-
Net change in cash and cash equivalents	**(4,288,634)**	(2,608,906)
Cash and cash equivalents at beginning of period	**26,877,580**	31,693,265
Effect of foreign exchange movements	**100,441**	(189,699)
Cash and cash equivalents at end of period	**22,689,387**	28,894,660

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

1. BASIS OF PREPARATION

These condensed consolidated financial statements for the half-year reporting period ended 31 December 2017 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 2017 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 2017, 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, with production carried out under a contract manufacturing arrangement. The net result is presented on a consolidated basis.

<u>Major customer information</u>

Revenue from a major customer amounted to US$5,456,744 (half-year ended 31 December 2016: US$6,634,983), arising from the sale of Yowie chocolate confectionery product. Revenue after stock adjustment claim amounted to US$3,526,240.

Revenue from another major customer amounted to US$1,609,663 (half-year ended 31 December 2016: nil), also arising from sale of Yowie chocolate confectionery product.

2. SEGMENT REPORTING (continued)

	Consolidated	
	Half-Year Ended 31 Dec 2017 US$	Half-Year Ended 31 Dec 2016 US$
Major customer 1 (after stock adjustment claim)	**3,526,240**	6,634,983
% of Total Net Sales	**44%**	71%
Major customer 2	**1,609,663**	-
% of Total Net Sales	**20%**	-%

3. EXPENSES

	Consolidated	
	Half-Year Ended 31 Dec 2017 US$	Half-Year Ended 31 Dec 2016 US$
Administration expenses include:		
Employee benefits	**1,523,905**	1,323,650
Business development and travel	**752,877**	995,199
Legal, tax, listing, compliance and insurance	**495,998**	439,233
Share-based payment expense [1]	**(828,108)**	3,186,815
Depreciation and amortisation	**87,007**	88,189
Other administrative expenses	**633,877**	330,539
	2,665,556	6,363,625

[1] Share-based payment expense for the half year ended 31 December 2017 is a credit balance of US$828,108. Refer to Note 10 for further details.

4. EARNINGS / (LOSS) PER SHARE

	Consolidated	
	Half-Year Ended 31 Dec 2017 Number	Half-Year Ended 31 Dec 2016 Number
Weighted average number of ordinary shares used in the calculation of basic and diluted earnings per share	**215,173,756**	206,372,375
	US$	**US$**
Basic loss attributable to ordinary equity holders of the parent	**(3,459,302)**	(3,772,020)

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 Dec 2017 US$	30 Jun 2017 US$
Current		
Trade debtors	**1,531,363**	1,400,669
Other debtors	**3,896**	723
Security deposit	**76,699**	75,619
GST receivable	**15,421**	45,526
	1,627,379	1,522,537

6. PREPAYMENTS

	Consolidated	
	31 Dec 2017 US$	30 Jun 2017 US$
Current		
Prepayments – raw materials	**754,980**	816,446
Prepayments – others	**207,204**	354,965
	962,184	1,171,411

7. INVENTORIES

	Consolidated	
	31 Dec 2017 US$	30 Jun 2017 US$
Current		
Raw materials	**2,458,773**	1,587,145
Finished goods	**1,547,587**	2,134,245
	4,006,360	3,721,390

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

8. TRADE AND OTHER PAYABLES

	Consolidated	
	31 Dec 2017 US$	30 Jun 2017 US$
Current		
Trade payables and accruals [1]	**4,005,071**	2,676,080
Other	**1,986**	1,955
	4,007,057	2,678,035

[1] The trade payables and accruals balance at 31 December 2017 includes the stock adjustment claim from the Group's major US retail customer of US$1.95 million to be paid progressively over the next twelve months.

9. ISSUED CAPITAL

Issue of ordinary shares during the half-year	US$	Number
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
As at 1 July 2017	**55,198,677**	**214,055,365**
Conversion of rights	**316,194**	**1,232,925**
Share issue cost	**(2,762)**	**-**
As at 31 December 2017	**55,512,109**	**215,288,290**

10. SHARE-BASED PAYMENTS

Share-based payment expense for the half year ended 31 December 2017 is a credit balance of US$828,108. This is mainly due to reversal of share-based payment expense previously recognised in respect of the rights granted to Mr Bert Alfonso which were cancelled following his resignation subsequent to the reporting date. This is calculated in accordance with AASB 2 *Share-based Payments*.

The reversal of share-based payment expense also reflects the lower probability of the Key Management Personnel achieving their non-market vesting conditions.

The following tables list the inputs to the models used for the valuation of rights issued during the half year ended 31 December 2017.

	Service Rights	**Performance Rights STI**	**Performance Rights LTI**
Number of securities	815,217	TBD [1]	1,531,039
Exercise price (A$)	-	-	-
Grant date	16 Nov 2017	1 Jul 2017	1 Jul 2017
Expiry date	18 Sep 2023 to 18 Sep 2025	30 Jun 2019	30 Jun 2021
Share price at grant date (A$)	0.18	N/A	0.31
Expected volatility	67%	N/A	72%
Risk-free rate	1.80%	N/A	1.78%
Fair value per security (A$)	0.18	N/A	0.31
Valuation method	Binomial	N/A	Binomial

[1] The number of rights vested will be calculated based on the 5-day VWAP after the release of the annual financial results for the year ending 30 June 2018. The maximum value of the STI is US$315,000, subject to meeting performance conditions.

11. 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 2017:

	Carrying Amount US$	Fair Value US$
Current assets		
Trade and other receivables	1,627,379	1,627,379
Current liabilities		
Trade and other payables	4,007,057	4,007,057

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.

12. COMMITMENTS AND CONTINGENCIES

(a) Commitments

The Group has no significant commitments at the end of the reporting period.

(b) Contingencies

As reported previously, Yowie North America Inc ("YNA"), a wholly owned subsidiary of the Group, had 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. YNA was able to enter into a settlement agreement for the release and return of the Wrapper, and, as of the date of this disclosure, YNA has successfully secured the return of the Wrapper. Consequently, the provision for impairment relating to the wrapping machine that was previously recognised has been reversed during the half-year ended 31 December 2017.

In this same case, 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 counterclaim. The Group expects judgement in the second half of 2018 financial year.

12. COMMITMENTS AND CONTINGENCIES (continued)

(b) Contingencies (continued)

In a related matter, Mr Whetstone, on 4 November 2016, filed suit in the Circuit Court for the Seventh Judicial Circuit in and for St. John's County, Florida against YNA. Whetstone alleges that YNA owes him royalty fees from the present until 2027 under the Patent Technology and License Agreement regardless of whether the Company uses Whetstone's patent. Because the Company is no longer using Mr Whetstone's patent in its manufacturing process, it believes that there is no legal basis under YNA's contract with Mr Whetstone to pay him any royalty. Both parties filed and argued cross-motions for summary judgment on this issue in October 2017. The Court has not issued a ruling yet, but YNA anticipates a ruling in the second half of 2018 financial year.

In another related matter, on 15 June 2016 two separate Yowie entities filed suit against Mr Whetstone and related entities. This suit was originally filed by Yowie Natural World and Yowie Group, Ltd. against Whetstone Chocolate Factory, Henry M. Whetstone, Jr., and Atlantic Candy Company in the Southern District of New York alleging that Defendants tortiously interfered with the Company's business relationship with Madelaine Chocolate Factory, impermissibly used Yowie's likeness and product images in violation of the Lanham Act, and defamed Yowie on social media websites. Subsequently, Whetstone Chocolate Factory removed this case to Federal Court in New York and filed a Counterclaim against Yowie Group Limited, Wayne Loxton, Mark Avery, and Patricia Fields (with Mark Avery and Patricia Fields being since dismissed from the case) for breach of contract due to their alleged disclosure of proprietary information related to Whetstone Chocolate Factory's operations.

After the case was transferred to the Middle District of Florida, ACC and Mr Whetstone filed a counterclaim against Yowie Group Limited and Wayne Loxton for tortious interference with the Manufacturing Agreement and Patent and Technology License Agreement. As of the date of this financial report, all claims in this matter have been dismissed.

Finally, on 16 November 2017, Whetstone Industries and Mr. Whetstone re-filed their tortious interference claims against the Group, Wayne Loxton, Patricia Fields, and Trevor Allen in Middle District of Florida. Neither the Group, Wayne Loxton, Patricia Fields, nor Trevor Allen have been served with a copy of this lawsuit, and, as such, the Group cannot make a determination as to whether this matter will be resolved in the 2018 financial year.

Management is not able to reliably estimate the ultimate settlement amounts at this time nor does management believe any material payments would be made as a result of these cases, and therefore no provision in relation to the claim has been recognised in the financial statements. The Company will incur ongoing legal costs due to these cases. However, due to inherent uncertainties, no accurate quantification of any cost, or timing of such cost, which may arise from the legal proceedings, we have not made any provision for legal costs.

13. EVENTS SUBSEQUENT TO BALANCE DATE

Mr Bert Alfonso resigned from his position as Global Chief Executive Officer and Managing Director on 2 January 2018. Mark Schuessler, formerly the Global Chief Operating Officer and Chief Executive Officer of Yowie North America will assume the role of Global Chief Executive Officer effective on that date and the role of Managing Director effective on 5 January 2018.

Any share-based payment expense previously recognised in respect of the rights granted to Mr Alfonso which have not vested has been reversed at the end of the reporting date.

The Group's major US retail customer claimed payments after a standard periodic internal supplier audit based on stock adjustments relating to the last two years. Negotiations on the quantum and merits of the claim were conducted in January and resulted in a chargeback of US$1.95 million to be paid progressively over the next twelve months.

The amount has been recognised against 'Sale of goods' line item in the Consolidated Statement of Profit or Loss at the end of the reporting date.

DIRECTORS' DECLARATION
FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

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

Louis Carroll
Non-Executive Chairman

21 February 2018

Deloitte.

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

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Yowie Group Limited, which comprises the consolidated statement of financial position as at 31 December 2017, 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 20.

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 2017 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 Limited, 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.

Deloitte.

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 Limited, 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 Limited 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 2017 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, 21 February 2018