AUSTRALIAN WHISKY HOLDINGS LIMITED
And Controlled Entity
ABN 62 104 600 544
PRELIMINARY FINAL REPORT
APPENDIX 4E
FINANCIAL YEAR ENDED 30 JUNE 2018

1. Details of the reporting period

Reporting period	Previous corresponding period
30 June 2018	30 June 2017

2. Results for announcement to the market

	Key Information	Current period $	Previous corresponding period $	Change %	Amount change $
2.1	Revenues from ordinary activities	428,476	96,570	343	331,906
2.2	Loss from ordinary activities after tax attributable to member	(3,388,235)	(2,637,474)	28	(750,761)
2.3	The total comprehensive loss for the period attributable to member	(3,482,765)	(2,609,034)	33	(873,731)

2.4 Dividends/Distributions
No dividends declared in current or prior year.

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

2.6 Refer point 15 below for explanation of figures in 2.1 to 2.3 above

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

Refer attached summary financial statements.

4. Consolidated Statement of Financial Position

Refer attached summary financial statements.

5. Consolidated Statement of Changes in Equity

Refer attached summary financial statements

6. Consolidated Statement of Cash Flows

Refer attached summary financial statements.

7. Details of dividends or distributions

N/A

8. Details of dividend reinvestment plan

N/A

9. Consolidated Statement of Accumulated Losses Showing Movements

	2018 $	2017 $
Balance at the beginning of the year	24,889,805	22,252,331
Net loss attributable to members of the parent entity	3,388,235	2,637,474
Section 258F Capital Reduction	(21,246,675)	-
FX arising from translating	11,869	-
Recognition of non-controlling interest of Lark Distillery Pty Ltd	4,615	-
Balance at the end of the year	7,047,849	24,889,805

10. Net tangible assets per security

	2018 $	2017 $
Net tangible assets per ordinary shares	$0.0177	$0.0159

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

N/A

12. Details of associates and joint venture entities

N/A

13. Other significant information

Refer point 15 below.

14. Accounting standards used by foreign entities

N/A

15. Commentary on results and explanatory information

During the year under review the Company made significant progress in implementing the investment phase of its longer term strategy which is aimed at achieving a major position in the premium quality, craft whisky industry in Australia. Further to the purchase of certain assets, namely land and buildings, in the Nant Estate in February 2017, on 11 July 2017 the Company announced the completion of the acquisition of the remaining assets of Nant, being the distillery and intellectual property rights.

AWY's participation in a capital raising by Lark Distillery Pty Ltd (Lark) in August 2017 increased the Company's shareholding in Lark to 48.12%. On 5 March 2018 the Company announced its intention to acquire all remaining shares in Lark. This offer closed on 4 May 2018, with acceptances taking the AWY holding to 99.96% of Lark and in accordance with listing rules, required AWY to pay Lark shareholders a cash consideration of $846,400 and scrip totalling 307,925,000 AWY shares. A meeting of AWY shareholding approved this acquisition on 28 June 2018.

The shareholder meeting of 28 June 2018 also approved a placement of AWY shares to raise up to $10,708,800, in part to fund the Lark acquisition, plus the substantial capacity expansion and improvements at the Nant Distillery, Bothwell and to provide working capital needed to implement the expansion phase of the combined businesses, including an acceleration of the Nant barrel buy-back program. AWY's strategy for the group calls for Lark and Nant to remain separate operating entities, each with its distinct product offering and unique distilling capabilities, while group services in Financial management, Marketing services and Information Technology will strengthen the capabilities of each operating entity. Staffing of these functions and provision of upgraded IT software across the group is well advanced as at 30 June 2018, with some appointments already announced. By year end negotiations were also well advanced to establish domestic distribution partnerships which will strengthen sales capabilities in specific retail trade channels throughout Australia. In addition, the trial of a Digital Marketing platform has been initiated to assess and test the application of this on-line marketing communication technique to our premium brands.

Planned extensions to the Lark Distillery at Cambridge were commenced prior to year-end, including building extensions, relocation of the Overeem distillery to Cambridge, and the installation of a new gin still. At Bothwell, the initial stages of a planned improvement and capacity enlargement program were initiated, including installation of 2 new stills to increase production capacity to 14 barrels per week. Repair and upgrade of the kitchen, restaurant and cellar door areas was also completed to provide visitors an enhanced experience at this unique, historic location.

The Company maintained a 12% equity interest in Old Kempton Distillery (formally Redlands Estate).

The Board resolved with effect 30 June 2018, to reduce AWY's share capital by $21,246,675 in accordance with Section 258F of the Corporations Act.

During the period the group's Chinese operations were maintained to a level of minimum presence.

DIRECTORS' REPORT (CONTINUED)

Financial Position

The net assets of the Group have increased by $24,784,176 from 30 June 2017 to net assets of $30,969,151 in 2018. This increase is largely due to the following factors:

- Shares issued, net of issue costs, of $28,278,810, partially offset by:
- Operating expenses incurred during the year;
- Acquisition of Lark Distillery Pty Ltd for 51.84% share holdings, paid by cash consideration of $846,400 and scrip totaling 307,925,000 AWY shares;
- Interest expense of $1,068,051.

The Group's working capital, being current assets less current liabilities, has increased from net current assets of ($813,956) in 2017 to $17,037,047 in 2018.

16. Audit

The 30 June 2018 financial report and accompanying notes for Australian Whisky Holdings Limited and controlled entities have been audited and are not subject to any disputes or qualifications. Refer to page 56 of the 30 June 2018 Financial Report for a copy of the auditor's report.

CONSOLIDATED ENTITY
ABN 62 104 600 544

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

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DIRECTORS' REPORT

Your directors present their report on Australian Whisky Holdings Limited (ASX: AWY) consolidated entity ("Group") for the financial year ended 30 June 2018.

Directors

The names of directors in office at any time during or since the end of the year are:
Mr Terry Cuthbertson
Mr Peter Herd
Mr Gary Mares
Mr Rohan Boman
Mr David Yu (ceased to be director on 28 November 2017)

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

Operating Results

The consolidated entity's comprehensive loss for the year ended 30th June 2018 was $3,482,765, compared to a loss of $2,609,034 in the prior year.

Principal Activities and Significant Change in Nature of Activities

The principal activities of the Group during the financial year ended 30th June 2018 were in the further development of previously identified investment opportunities in the Australian craft distilling industry and management of current equity investments in this industry, including the operation of the Nant Distillery.

There were no other significant changes in the nature of the Group's principal activity during the financial year, other than for the acquisition of substantially all of the issued capital of Lark Distillery Pty Ltd not owned by the Group.

Dividends Paid or Recommended

No interim dividend was declared or paid during the current financial year. The directors are recommending that no final dividend be paid in respect of the year ended 30 June 2018 (2017: $nil).

Review of Operations

During the year under review the Company made significant progress in implementing the investment phase of its longer term strategy which is aimed at achieving a major position in the premium quality, craft whisky industry in Australia. Further to the purchase of certain assets, namely land and buildings, in the Nant Estate in February 2017, on 11 July 2017 the Company announced the completion of the acquisition of the remaining assets of Nant, being the distillery and intellectual property rights.

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DIRECTORS' REPORT (CONTINUED)

Review of Operations (Continued)

The shareholder meeting of 28 June 2018 also approved a placement of AWY shares to raise up to $10,708,800, in part to fund the Lark acquisition, plus the substantial capacity expansion and improvements at the Nant Distillery, Bothwell and to provide working capital needed to implement the expansion phase of the combined businesses, including an acceleration of the Nant barrel buy-back program. AWY's strategy for the group calls for Lark and Nant to remain separate operating entities, each with its distinct product offering and unique distilling capabilities, while group services in Financial management, Marketing services and Information Technology will strengthen the capabilities of each operating entity. Staffing of these functions and provision of upgraded IT software across the group is well advanced as at 30 June 2018, with some appointments already announced. By year end negotiations were also well advanced to establish domestic distribution partnerships which will strengthen sales capabilities in specific retail trade channels throughout Australia. In addition, the trial of a Digital Marketing platform has been initiated to assess and test the application of this on-line marketing communication technique to our premium brands.

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DIRECTORS' REPORT (CONTINUED)

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- Interest expense of $1,068,051.

The Group's working capital, being current assets less current liabilities, has increased from net current assets of ($813,956) in 2017 to $17,037,047 in 2018.

Significant Changes in State of Affairs

Other than as stated in this report, there were no significant changes in the state of affairs of the Group during the financial year.

After Balance Date Events

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

DIRECTORS' REPORT (CONTINUED)

Future Developments, Prospects and Business Strategies

The likely developments in the operations of the Group and the expected results of those operations in future financial years are to be:

- Developing investment opportunities already identified in the Australian premium whisky industry and the sale of their products in Australia and overseas.
- Identifying and assessing potential new investment opportunities for the Company's future growth prospects.

Environmental Issues

The consolidated group's operations are not subject to significant environmental regulation under a law of China, or of the Commonwealth or of a state or territory of Australia.

Information on Directors

Mr Terry Cuthbertson	—	Director (Non-Executive); appointed Non-Executive Chairman from July 2004.
Qualifications	—	Bachelor of Business, ACA
Experience	—	Non-Executive Chairman of Austpac Resources N.L., MNF Group Limited, Malachite Resources Limited and South American Iron & Steel Corporation Limited, Non-Executive Director of Mint Wireless Limited and ISentric Limited, previously a Partner of KPMG and Director of KPMG Corporate Finance and NSW Partner in Charge of Mergers and Acquisitions, Group Finance Director of Tech Pacific Holdings Pty Ltd which generated over $2 billion in revenues from operations throughout the Asia-Pacific Region.
Interest in Shares and Options	—	54,547,119 ordinary shares of Australian Whisky Holdings Limited as at 30 June 2018. 5,208,333 options expiring on 30 November 2019 with exercise price of $0.06054.
Special Responsibilities	—	Mr Cuthbertson is the Company's Chairman and member of the Audit Committee and Nomination and Remuneration Committee.
Directorships held in other listed entities	—	Mr Cuthbertson is Non-Executive Chairman of Austpac Resources N.L, MNF Group Limited, Mint Wireless Limited, Malachite Resources Limited, and South American Iron & Steel Corporation Limited, Non-Executive Director of iSentric Limited.

Mr Gary Mares	—	Director Non-executive; appointed 29 September 2014.
Qualifications	—	Bachelor of Commerce, Fellow of Chartered Accountants Australia and New Zealand.
Experience	—	Mr Mares has extensive public accounting, corporate governance and corporate services experience.
Interest in Shares and Options	—	2,952,293 ordinary shares of Australian Whisky Holdings Limited held indirectly as at 30 June 2018. 2,183,333 options expiring on 30 November 2019 with exercise price of $0.06054.
Special Responsibilities	—	Member of the Audit Committee and Nomination and Remuneration Committee.
Directorships held in other listed entities	—	None.

DIRECTORS' REPORT (CONTINUED)

Information on Directors (continued)

Mr Peter Herd	—	Director (Non-executive), appointed from July 2004.
Qualifications	—	Bachelor of Economics (Honours)
Experience	—	Previously General Manager of Dairy Farmers' Milk and Beverage Division, previously Regional Director of Australasia for Coca-Cola South Pacific, Division President for Coca-Cola Far East in the Philippines and Country Manager for Hong Kong, Taiwan and Indonesia.
Interest in Shares and Options	—	1,073,576 ordinary shares of Australian Whisky Holdings Limited held indirectly as at 30 June 2018. 2,183,333 options expiring on 30 November 2019 with exercise price of $0.06054.
Special Responsibilities	—	Member of the Audit Committee and Nomination and Remuneration Committee.
Directorships held in other listed entities	—	None.

Mr Rohan Boman	—	Director (Non-executive), appointed from February 2016.
Qualifications	—	None
Experience	—	Mr Boman has served as a director of ING Securities (Hong Kong), a divisional director for Macquarie Bank and has operated his own investment company since 2004.
Interest in Shares and Options	—	Mr Boman has beneficial interests in Boman Asset Pty Ltd. 9,666,667 ordinary shares of Australian Whisky Holdings Limited held by Boman Asset Pty Ltd as at 30 June 2018. 2,183,333 options expiring on 30 November 2019 with exercise price of $0.06054.
Special Responsibilities	—	Key relationship holder with local business in Tasmania, including whisky industry and enhance the Company growth strategy in the Australian craft whisky industry.
Directorships held in other listed entities	—	None

DIRECTORS' REPORT (CONTINUED)

Company Secretary

The following person held the position of company secretary at the end of the financial year:

Gary Stewart has been the Company Secretary since February, 2018. Mr Stewart holds Bachelor of Laws Degree and has his own firm, GS Solicitors, which is based in Sydney. Mr Stewart has extensive experience in Public Companies. He has served on the Boards of several Australian Public Companies as a Director and Company Secretary for a period in excess of 20 years. In addition he has experience in the Liquor and Gaming industry through interests in Hotels, Bottle stores and a Wine Distribution Company.

Chief Executive Officer

Christopher Malcolm has been appointed as Chief Executive Officer since 2 March 2017. Mr Malcolm is a Committee Member of the Australian Distillery Association, the leading Association involved in the establishment and the development of the spirit section in Australia. Mr Malcolm is also Chairman of Lark Distillery Pty Ltd and Clark Rubber Franchising Pty Ltd, Driclad Pty Ltd (Pools and Spas), Malcolm Property Pty Ltd, Retail Franchise Systems Pty Ltd (RFS Group Pty Ltd), Glenburn Station Pty Ltd and Chairperson of the Malcolm Foundation. Mr Malcolm is a member of the Australian Institute of Company Directors and an accredited franchise executive. He has a Diploma of Company Directorship from the University of New England and Finance Management Certificate from the University of New South Wales. He was awarded the Franchisor of the Year 2006, inducted into the Franchising Hall of Fame in 2003, and appointed to Government Senator Chris Schacht Franchise Review Committee.

Remuneration Report (Audited)

This report details the nature and amount of remuneration for each key management person of Australian Whisky Holdings Limited (the Company), and for the executive receiving the highest remuneration.

Remuneration Policy

The remuneration policy of the Company has been designed to align key management personnel objectives with shareholder and business objectives. The board of the Company believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best key management personnel to run and manage the consolidated group, as well as create goal congruence between directors, executives and shareholders.

The board's policy for determining the nature and amount of remuneration for key management personnel of the consolidated group is as follows:

- The remuneration policy, setting the terms and conditions for the key management personnel, was developed by the nomination and remuneration committee and approved by the board after seeking professional advice from independent external consultants.
- All key management personnel receive a base salary (which is based on factors such as length of service and experience), superannuation, fringe benefits, with the potential for options and other incentives. Options to be issued at the discretion of the Board.
- The nomination and remuneration committee reviews key management personnel packages annually by reference to the consolidated group's performance and executive performance.

The performance of key management personnel is reviewed annually and is based predominantly on the forecast growth of the consolidated group's profits and shareholders' value. All bonuses and option incentives are issued at the discretion of the Board. Any incentives or bonuses must be justified by reference to measurable performance criteria. The policy is designed to attract the highest calibre of other key management personnel executives and reward them for performance that results in long-term growth in shareholder wealth.

DIRECTORS' REPORT (CONTINUED)

Remuneration Report (Audited) (continued)

Key management personnel are also entitled to participate in the employee share and option arrangements.

The key management personnel receive a superannuation guarantee contribution required by the government, which is currently 9.5%, and do not receive any other retirement benefits. Some individuals, however, may choose to sacrifice part of their salary to increase payments towards superannuation.

All remuneration paid to key management personnel is valued at the cost to the company and expensed, shares given to key management personnel are valued as the difference between the market price of those shares and the amount paid by key management personnel. Options are valued using the Black-Scholes methodology.

The board policy is to remunerate non-executive directors at market rates for time, commitment and responsibilities. The Company's constitution and the ASX Listing Rules specify that the aggregate remuneration of non executive directors shall be determined from time to time by a general meeting. An amount not exceeding the amount determined is then divided between the directors as agreed. The latest determination was as outlined in the Company's Initial Public Offering prospectus of $300,000 per annum.

The amount of aggregate remuneration sought to be approved by shareholders and the manner in which it is apportioned amongst directors is reviewed annually. The board considers advice from external parties as well as the fees paid to non executive directors of comparable companies when undertaking the annual review process. Fees for non-executive directors are not linked to the performance of the consolidated group. However, to align directors' interests with shareholder interests, the directors are encouraged to hold shares in the company and are able to participate in the employee option plan.

Key Management Personnel Remuneration Policy

The board seeks to set aggregate remuneration at a level which provides the company with the ability to attract and retain directors of the highest calibre, whilst incurring a cost which is acceptable to shareholders.

The remuneration structure for key management personnel is based on a number of factors, including length of service, particular experience of the individual concerned, and overall performance of the company. The contracts for service between the company and key management personnel are on a continuing basis, the terms of which are not expected to change in the immediate future. Upon retirement key management personnel are paid employee benefit entitlements accrued to date of retirement.

Chief Executive Officer
Mr Malcolm has been remunerated $14,583.33 per month since 1 July 2017.

Chief Financial Officer
Mr Lee has been remunerated for company secretary duties until 31 January 2018.

Use of remuneration consultants
The Company did not engage any remuneration consultants during the year.

DIRECTORS' REPORT (CONTINUED)

Remuneration Report (Audited) (continued)

Key Management Personnel Compensation

a. Names and positions held of consolidated and parent entity key management personnel in office at any time during the financial year are:

Key Management Personnel	
Mr Terry Cuthbertson	Chairman — Non-Executive
Mr Peter Herd	Director — Non-Executive
Mr Gary Mares	Director — Non-Executive
Mr Rohan Boman	Director — Non-Executive
Mr Christopher Malcolm	Chief Executive Officer
Mr Kenneth Lee	Acting Chief Financial Officer
Mr Gary Stewart	Company Secretary

b. Options and Rights Holdings

Number of options held by Key Management Personnel

	Balance 1/7/17	Received as Compensation	Options Exercised	Net Change Other	Balance 30/6/18
Key Management Personnel					
Mr Terry Cuthbertson (i)	5,208,333	-	-	-	5,208,333
Mr Peter Herd (i)	2,183,333	-	-	-	2,183,333
Mr Kenneth Lee (i)	2,183,333	-	-	-	2,183,333
Mr Gary Mares (i)	2,183,333	-	-	-	2,183,333
Mr Rohan Boman (i)	2,183,333	-	-	-	2,183,333
Mr Christopher Malcolm (ii)	5,587,462	-	-	-	5,587,462
Mr Gary Stewart (iii)	-	-	-	2,000,000	2,000,000
	19,529,127	-	-	2,000,000	21,529,127

(i) Options expire on 30 November 2019 with an exercise price of $0.06054.
(ii) Options expire on 17 October 2019 with an exercise price of $0.0375841, issued as per consultancy agreement.
(iii) Options expire on 31 July 2021 with an exercise price of $0.075, issued under employee option plan.

DIRECTORS' REPORT (CONTINUED)

Remuneration Report (Audited) (continued)

Key Management Personnel Compensation (continued)

c. Shareholdings

Number of shares held by Key Management Personnel

	Balance 1/7/17	Received as Compensation	Options Exercised	Net Change Other	Balance 30/6/18
Key Management Personnel					
Mr Terry Cuthbertson (i)	50,620,983	-	-	3,926,136	54,547,119
Mr Peter Herd (ii)	1,073,576	-	-	-	1,073,576
Mr David Yu (iii)	18,360	-	-	(18,360)	-
Mr Kenneth Lee (iv)	1,033,334	-	-	2,886,718	3,920,052
Mr Gary Mares (vi)	1,259,761	-	-	1,692,532	2,952,293
Mr Rohan Boman (vii)	2,166,667	-	-	7,500,000	9,666,667
Mr Christopher Malcolm (viii)	67,857,412	-	-	27,220,780	95,078,192
	124,030,093	-	-	43,207,806	167,237,899

(i) Mr Terry Cuthbertson directly held 667 shares and 54,546,452 shares indirectly held in the name of Kore Management Services Pty Ltd. Movement related to issue of shares in lieu of debt approved by General Meeting on 22 May 2018.

(ii) Mr Peter Herd indirectly held 1,073,576 shares in the name of Byre Pty Ltd.

(iii) Mr David Yu ceased to be director on 28 November 2017. Mr David Yu as at 28 November 2017 has beneficial interests in Aviation Travel Holdings Pty Ltd. 18,360 ordinary shares held by Aviation Travel Holdings Pty Ltd.

(iv) Mr Kenneth Lee indirectly held 3,920,052 shares in the name Lee Superfund Management Pty Ltd. Movement related to issue of shares in lieu of debt approved by General Meeting on 22 May 2018.

(vi) Mr Gary Mares indirectly held 2,952,293 shares in the name of La Herencia Pty Ltd. Movement related to issue of shares in lieu of debt approved by General Meeting on 22 May 2018.

(vii) Mr Rohan Boman indirectly held 9,666,667 shares in the name Boman Asset Pty Ltd. Movement related to issue of shares in Tranche 2 Placement approved by General Meeting 22 May 2018.

(viii) Mr Christopher Malcolm indirectly held 95,078,192 shares in the names of Malcolm Property Pty Ltd and C H Malcolm Super Pty Ltd. Movement related to issue of shares in Tranche 1 and 2 Placement approved by General Meeting on 22 May 2018.

DIRECTORS' REPORT (CONTINUED)

Remuneration Report (Audited) (continued)

Details of Key Personnel Remuneration for the year ended 30 June 2018
The remuneration for the key management personnel during the year was as follows:

2018	Salary & Fees	Superannuation Contribution	Termination Benefits	Non-Cash Benefits	Options	Total	Performance Related %
	$	$	$	$	$	$	
Mr Terry Cuthbertson	75,000	-	-	-	-	**75,000**	-
Mr Peter Herd	45,000	-	-	-	-	**45,000**	-
Mr Gary Mares	45,000	-	-	-	-	**45,000**	-
Mr Rohan Boman	45,000	-	-	-	-	**45,000**	-
Mr Christopher Malcolm	175,000	-	-	-	-	**175,000**	-
Mr Kenneth Lee	21,000	-	-	-	-	**21,000**	-
Mr Gary Stewart	19,000	-	-	-	-	**19,000**	
Total Key Management Personnel	**425,000**	-	-	-	-	**425,000**	-

Details of Key Personnel Remuneration for the year ended 30 June 2017

2017	Salary & Fees	Superannuation Contribution	Termination Benefits	Non-Cash Benefits	Options	Total	Performance Related %
	$	$	$	$	$	$	
Mr Terry Cuthbertson	75,000	-	-	-	-	**75,000**	-
Mr Peter Herd	45,000	-	-	-	-	**45,000**	-
Mr David Yu	-	-	-	-	-	-	-
Mr Gary Mares	45,000	-	-	-	-	**45,000**	-
Mr Rohan Boman	45,000	-	-	-	-	**45,000**	-
Mr Christopher Malcolm (i)	106,250	-	-	150,000	-	**256,250**	-
Mr Kenneth Lee	36,000	-	-	-	-	**36,000**	-
Total Key Management Personnel	**352,250**	-	-	**150,000**	-	**502,250**	-

(i) Remuneration paid for the period from 17 October 2016 to 30 June 2017. A non-cash benefit of 5,000,000 ordinary shares issued at $0.03 for the consultancy fees as announced on 3 March 2017.

Options issued as Part of Remuneration for the year ended 30 June 2018

No options issued as remuneration for the year ended 30 June 2018 (2017: $150,000).

End of Audited Remuneration Report

DIRECTORS' REPORT (CONTINUED)

Meetings of Directors

During the financial year, 9 meetings of directors were held. Attendances by each director during the year were as follows:

	DIRECTORS' MEETINGS		COMMITTEE MEETINGS			
			AUDIT COMMITTEE		NOMINATION AND REMUNERATION COMMITTEE *	
	Number eligible to attend	Number Attended	Number eligible to attend	Number Attended	Number eligible to attend	Number Attended
Mr Terry Cuthbertson	9	9	2	2	-	-
Mr Peter Herd	9	9	2	2	-	-
Mr Gary Mares	9	9	2	2	-	-
Mr Rohan Boman	9	9	-	-	-	-
Mr David Yu	2	-	-	-	-	-

* Due to the Group's size, matters required to be discussed at a nomination and remuneration committee are covered at the directors' meeting.

Indemnifying Officers

During or since the end of the financial year the Company has given an indemnity or entered an agreement to indemnify, or paid or agreed to pay insurance premiums as follows:

- The Company has paid premiums to insure each of the following directors and executives against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in the capacity of director or executive of the Company, other than conduct involving a willful breach of duty in relation to the Company.

Mr Terry Cuthbertson
Mr Christopher Malcolm
Mr Gary Stewart
Mr Peter Herd
Mr Gary Mares
Mr Kenneth Lee
Mr Rohan Boman

Options

At the date of this report, the unissued ordinary shares of Australian Whisky Holdings Limited under option are as follows:

Grant Date	Date of Expiry	Exercise Price	Number under Option
31 December 2017	30 November 2019	$0.06054	14,983,337
31 December 2017	17 October 2019	$0.0375841	5,587,462
22 May 2018	30 May 2021	$0.03	4,141,380
22 May 2018	30 May 2021	$0.0375	4,141,380
22 May 2018	30 May 2021	$0.045	4,141,380
28 May 2018	31 July 2021	$0.075	7,000,000
			39,994,939

DIRECTORS' REPORT (CONTINUED)

Options (continued)

During the year ended 30 June 2018 no ordinary shares of Australian Whisky Holdings Limited were issued on the exercise of options granted under the Australian Whisky Holdings Limited Employee Option Plan. During the year 7,000,000 employee options exercisable at 7.5 cents with an expiry date of 31 July 2021 were issued.

Proceedings on Behalf of Company

No person has applied for leave of Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

The Company was not a party to any such proceedings during the year.

Non-audit Services

The Board of Directors, in accordance with the Audit Committee confirm that non-audit services were provided by MNSA Financial Services Pty Limited (being a related practice to MNSA Pty Ltd) for the year ended 30 June 2018 to the value of $2,080 (2017: $2,080), In addition, the Company paid $29,744 for the year ended 30 June 2018 (2017: nil) to Mark Schiliro and Associates (MNSA) Pty Ltd (being a related company to MNSA Pty Ltd) on a sub-lease of premises on the same terms as the primary lease between MNSA and an independent third party.

Auditor's Independence Declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 55 and forms part of this director's report.

Signed in accordance with a resolution of the Board of Directors.

Terry Cuthbertson
Chairman
Dated this 30th August 2018

AUSTRLALIAN WHISKY HOLDINGS LIMITED ABN 62 104 600 544
AND CONTROLLED ENTITIES

AUDITOR'S INDEPENDENCE DECLARATION UNDER S 307C OF THE CORPORATIONS ACT 2001
TO THE DIRECTORS OF AUSTRALIAN WHISKY HOLDINGS LIMITED AND CONTROLLED ENTITIES

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2018 there have been no contraventions of:

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

MNSA Pty Ltd

MNSA Pty Ltd

Mark Schiliro
Sydney
Dated this 30th day of August 2018

MNSA Pty Ltd
ABN 59 133 605 400

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CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2018

	Note	Consolidated Group 2018 $	2017 $
Revenue	2	428,476	96,570
Other income		11,947	1,010
Cost of Goods Sold	3	(164,401)	(159,400)
Administrative expenses		(1,875,404)	(1,636,775)
Employee Benefits Expenses		(239,007)	(192,844)
Marketing Expenses		(24,601)	(4,262)
Depreciation and amortisation expenses		(136,316)	(7,698)
Other Operating Expenses		(192,297)	-
Impairment of investments		-	(4,000)
Due diligence expenses		(158,649)	(189,334)
		(2,350,252)	(2,096,733)
Share of net profit from associates accounted for using the equity method	13	11,155	60,024
Finance costs		(1,068,051)	(621,217)
Finance income		18,913	20,452
Loss before income tax	3	**(3,388,235)**	**(2,637,474)**
Income tax expense	4	-	-
Loss for the year		**(3,388,235)**	**(2,637,474)**
Other comprehensive income			
Exchange differences on translating foreign operations		(94,530)	28,440
Other comprehensive income for the period, net of tax		(94,530)	28,440
Total comprehensive income for the period		**(3,482,765)**	**(2,609,034)**
Total comprehensive income for the period attributable to members of the parent entity		**(3,482,765)**	**(2,609,034)**
Basic and diluted earnings per share (cents per share)	7	(0.69)	(0.97)

The Financial Statements should be read in conjunction with the accompanying notes.

Australian Whisky Holdings Limited
ABN 62 104 600 544
and Controlled Entities

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2018

	Note	Consolidated Group 2018 $	2017 $
CURRENT ASSETS			
Cash and cash equivalents	8	6,860,819	860,976
Trade and other receivables	9	1,408,321	157,885
Inventories	12	9,570,706	1,396,462
Other current assets	10	317,203	44,636
TOTAL CURRENT ASSETS		**18,157,049**	**2,459,959**
NON-CURRENT ASSETS			
Trade and other receivables	9	223,228	-
Other current assets	10	4,534	-
Financial assets	13	554,232	6,744,939
Property, plant and equipment	14	12,933,635	6,446,003
Intangible assets	15	7,172,745	30,329
TOTAL NON-CURRENT ASSETS		**20,888,374**	**13,221,271**
TOTAL ASSETS		**39,045,423**	**15,681,230**
CURRENT LIABILITIES			
Trade and other payables	16	728,673	1,046,590
Short-term provisions	17	81,528	64,785
Financial liabilities	18	309,801	2,162,540
TOTAL CURRENT LIABILITIES		**1,120,002**	**3,273,915**
NON-CURRENT LIABILITIES			
Trade and other payables	16	102,618	-
Long-term provisions	17	173,161	-
Financial liabilities	18	6,680,491	6,222,340
TOTAL NON-CURRENT LIABILITIES		**6,956,270**	**6,222,340**
TOTAL LIABILITIES		**8,076,272**	**9,496,255**
NET ASSETS		**30,969,151**	**6,184,975**
EQUITY			
Issued capital	19	37,964,572	30,932,437
Reserves	20	47,813	142,343
Accumulated losses		(7,047,849)	(24,889,805)
Non-controlling interest		4,615	-
TOTAL EQUITY		**30,969,151**	**6,184,975**

The Financial Statements should be read in conjunction with the accompanying notes.

Australian Whisky Holdings Limited
ABN 62 104 600 544
and Controlled Entities

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2018

Consolidated Group

	Issued Capital $	Accumulated Losses $	Foreign Exchange Reserves $	Non-controlling Interests $	Total $
Balance at 1 July 2016	**24,061,258**	**(22,252,331)**	**113,903**	**-**	**1,922,830**
Total comprehensive income for the period	-	(2,637,474)	28,440	-	(2,609,034)
Shares issued during the year	6,934,545	-	-	-	6,934,545
Shares issue cost	(63,366)	-	-	-	(63,366)
Balance at 30 June 2017	**30,932,437**	**(24,889,805)**	**142,343**	**-**	**6,184,975**
Section 258F Capital Reduction	(21,246,675)	21,246,675	-	-	-
Total comprehensive income for the period	-	(3,388,235)	(94,530)	-	(3,482,765)
FX arising from translating	-	(11,869)	-	-	(11,869)
Recognition of non-controlling interest of Lark Distillery Pty Ltd	-	(4,615)	-	4,615	-
Shares issued during the year	29,290,102	-	-	-	29,290,102
Shares issue cost	(1,011,292)	-	-	-	(1,011,292)
Balance at 30 June 2018	**37,964,572**	**(7,047,849)**	**47,813**	**4,615**	**30,969,151**

The Financial Statements should be read in conjunction with the accompanying notes.

Australian Whisky Holdings Limited
ABN 62 104 600 544
and Controlled Entities

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2018

	Note	Consolidated Group 2018 $	2017 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		451,687	96,507
Payments to suppliers and employees		(4,348,807)	(1,678,172)
Interest received		18,913	20,452
Finance cost		(521,798)	(334,572)
Inventory		(599,915)	(874,283)
Net cash (used in) by operating activities	24a	**(4,999,920)**	**(2,770,068)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Payment for investments		(2,452,892)	(3,643,574)
Purchase of property plant and equipment		(3,284,222)	(6,446,466)
Payment for intangible assets		-	(9,421)
Payment for barrels buy back deposits		(108,654)	-
Cash acquired from acquisition of Lark Distillery		656,421	-
Net cash (used in) by investing activities		**(5,189,347)**	**(10,099,461)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		12,391,724	6,934,545
Proceeds from issue of convertible notes		3,310,000	-
Shares issue cost		(763,312)	(63,366)
Repayment of borrowings		(2,241,060)	-
Proceeds from borrowings		3,491,758	6,450,000
Net cash provided by financing activities		**16,189,110**	**13,321,179**
Net increase in cash and cash equivalents held		5,999,843	451,650
Cash and cash equivalents at start of year		860,976	409,326
Cash and cash equivalents at end of year	8	**6,860,819**	**860,976**

The Financial Statements should be read in conjunction with the accompanying notes.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards, including Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*.

The financial statements cover Australian Whisky Holdings Limited and its controlled entities as a consolidated entity ("Group"). Australian Whisky Holdings Limited is a company limited by shares, incorporated and domiciled in Australia.

Compliance with Australian Accounting Standards ensures that the financial statements and notes of Australian Whisky Holdings Limited and its controlled entities comply with International Financial Reporting Standards (IFRS). Australian Whisky Holdings Limited is a for profit entity for the purpose of preparing the financial statements.

The financial statements were authorised for issue by the directors on 30th August 2018.

Basis of Preparation

The financial statements have been prepared on an accruals basis and are based on historical costs modified by the revaluation of selected non-current assets, and financial assets and financial liabilities for which the fair value basis of accounting has been applied.

Significant Accounting Policies

a. Principles of Consolidation

A controlled entity is any entity that Australian Whisky Holdings Limited has the power to control the financial and operating policies of the entity so as to obtain benefits from its activities. In assessing the power to govern, the existence and effect of holdings of actual and potential voting rights are considered.

A list of controlled entities is contained in Note 11 to the financial statements. All controlled entities have a June financial year-end, except for Aowei Liquor Industries Beijing Limited (former name Beijing Montec Commercial Limited), which has a December year end.

As at reporting date, the assets and liabilities of all controlled entities have been incorporated into the consolidated financial statements as well as their results for the year then ended. Where controlled entities have entered the consolidated group during the year, their operating results have been included from the date control was obtained.

All inter-company balances and transactions between entities in the Group, including any unrealised profits or losses, have been eliminated on consolidation. Accounting policies of subsidiaries have been changed to ensure consistencies with those policies applied by the parent entity.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2018

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

a. Principles of Consolidation (Continued)

Business combinations

A business combination is accounted for by applying the acquisition method, unless it is a combination involving entities or businesses under common control. The business combination will be accounted for from the date that control is obtained, whereby the fair value of the identifiable assets acquired and liabilities (including contingent liabilities) assumed is recognised (subject to certain limited exemptions).

When measuring the consideration transferred in the business combination, any asset or liability resulting from a contingent consideration arrangement is also included. Subsequent to initial recognition, contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability is remeasured in each reporting period to fair value, recognising any change to fair value in profit or loss, unless the change in value can be identified as existing at acquisition date.

All transaction costs incurred in relation to business combinations, other than those associated with the issue of a financial instrument, are recognised as expenses in profit or loss when incurred.
The acquisition of a business may result in the recognition of goodwill or a gain from a bargain purchase.

Goodwill

Goodwill is carried at cost less any accumulated impairment losses. Goodwill is calculated as the excess of the sum of:

(i) the consideration transferred;
(ii) any non-controlling interest (determined under either the full goodwill or proportionate interest method); and
(iii) the acquisition date fair value of any previously held equity interest;

over the acquisition date fair value of any identifiable assets acquired and liabilities assumed.

The acquisition date fair value of the consideration transferred for a business combination plus the acquisition date fair value of any previously held equity interest shall form the cost of the investment in the separate financial statements.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the noncontrolling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2018

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

a. **Principles of Consolidation (Continued)**

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (ie reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable Accounting Standards). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under AASB 139: Financial Instruments: Recognition and Measurement, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

The amount of goodwill recognised on acquisition of each subsidiary in which the Group holds less than 100% interest will depend on the method adopted in measuring the non-controlling interest. The Group can elect in most circumstances to measure the non-controlling interest in the acquiree either at fair value (full goodwill method) or at the non-controlling interest's proportionate share of the subsidiary's identifiable net assets (proportionate interest method). In such circumstances, the Group determines which method to adopt for each acquisition and this is stated in the respective note to the financial statements disclosing the business combination.
Under the full goodwill method, the fair value of the non-controlling interest is determined using valuation techniques which make the maximum use of market information where available.

Goodwill on acquisition of subsidiaries is included in intangible assets. Goodwill on acquisition of associates is included in investments in associates.

Goodwill is tested for impairment annually and is allocated to the Group's cash-generating units or groups of cash-generating units, representing the lowest level at which goodwill is monitored and not larger than an operating segment. Gains and losses on the disposal of an entity include the carrying amount of goodwill related to the entity disposed of.

Changes in the ownership interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions and do not affect the carrying amounts of goodwill.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2018

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

b. Income Tax

The charge for current income tax expense is based on the result for the year adjusted for any non-assessable or disallowed items. It is calculated using tax rates that have been enacted or are substantively enacted by the end of the reporting period.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the statement of Profit or Loss and other Comprehensive income except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the consolidated group will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

All the 100% owned controlled entities of Australian Whisky Holdings Limited, except foreign companies, have formed a tax consolidated group under the tax consolidation regime.

c. Property, Plant and equipment

Land

Land held for use in production or administration is stated at cost. Re-valued amounts are fair market values based on appraisals prepared by external professional valuers once every two years or more frequently if market factors indicate a material change in fair value. Any revaluation surplus arising upon appraisal of land is recognised in other comprehensive income and credited to the revaluation reserve in equity.

Building, Plant and equipment

Building, plant and equipment are measured on the cost basis, less accumulated depreciation and impairment losses.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2018

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

c. Property, Plant and equipment (continued)

Depreciation

The depreciable amount of all fixed assets is depreciated on a straight line basis over their useful lives to the consolidated group commencing from the time the asset is held ready for use.

The depreciation rates used for each class of depreciable assets are:

Class of Fixed Asset	*Depreciation Rate*
Plant and equipment	10% - 37.5%

The assets residual values and useful lives are reviewed, and adjusted if appropriate, at each statement of Financial Position date.

An assets carrying amount is written down immediately to its recoverable amount if the assets carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the statement of Profit or Loss and other Comprehensive income.

d. Leases

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged on a straight-line basis unless another method is more representative of the time pattern of the users benefits.

e. Financial Instruments

Recognition and Initial Measurement

Financial instruments, incorporating financial assets and financial liabilities, are recognised when the entity becomes a party to the contractual provisions of the instrument. Trade date accounting is adopted for financial assets that are delivered within timeframes established by marketplace convention.

Financial instruments are initially measured at fair value plus transactions costs where the instrument is not classified as at fair value through profit or loss. Transaction costs related to instruments classified as at fair value through profit or loss are expensed to profit or loss immediately. Financial instruments are classified and measured as set out below.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2018

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

e. Financial Instruments (continued)

Derecognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expire. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognized in profit or loss.

Classification and Subsequent Measurement

(i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost using the effective interest rate method.

(ii) Financial liabilities

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost using the effective interest rate method.

Fair value

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for investments, including recent arm's length transactions, reference to similar instruments and option pricing models.

Impairment of financial assets

At each reporting date, the group assesses whether there is objective evidence that a financial instrument has been impaired. Impairment losses are recognised in the statement of Profit or Loss and other Comprehensive Income.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2018

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

f. Impairment of Assets

At each reporting date, the group reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the statement of Profit or Loss and other Comprehensive Income.

Impairment testing is performed annually for goodwill and intangible assets with indefinite lives. Where it is not possible to estimate the recoverable amount of an individual asset, the group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

g. Financial assets

Non-current investments are measured on the cost basis as they represent investments in wholly owned subsidiaries which are consolidated in accordance with note 1(a). The carrying amount of non-current investments is reviewed annually by directors to ensure it is not in excess of the recoverable amount of these investments. The recoverable amount is assessed by comparing the underlying net assets to carrying value recognised in the Company.

h. Investment in associates

Associates are those entities over which the Group is able to exert significant influence but which are not controlled and therefore are not subsidiaries. Investment in associates is accounted for using the equity method.

The carrying amount of the investment in associates is increased or decreased to recognise the Group's share of the profit or loss and other comprehensive income of the associate, adjusted where necessary to ensure consistency with the accounting policies of the Group.

i. Intangibles

Patents and acquired rights

Patents and acquired rights are recognised at cost of acquisition and are amortised over the period in which their benefits are expected to be realised and adjusted for any impairment losses. The carrying amount of patents and acquired rights are reviewed annually to ensure they do not exceed the recoverable amount.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2018

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

j. Foreign Currency Transactions and Balances

Functional and presentation currency

The functional currency of each of the group's entities is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars which is the parent entity's functional and presentation currency.

Transaction and balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in the statement of Profit or Loss and other Comprehensive Income.

Exchange differences arising on the translation of non-monetary items are recognised directly in equity to the extent that the gain or loss is directly recognised in equity, otherwise the exchange difference is recognised in the statement of Profit or Loss and other Comprehensive Income.

Group companies

The financial results and position of foreign operations whose functional currency is different from the group's presentation currency are translated as follows:

- assets and liabilities are translated at year-end exchange rates prevailing at that reporting date;
- income and expenses are translated at average exchange rates for the period, where this approximates the rate at date of transaction; and
- retained earnings are translated at the exchange rates prevailing at the date of the transaction.

Exchange differences arising on translation of foreign operations are transferred directly to the group's foreign currency translation reserve in the statement of Financial Position. These differences are recognised in the statement of Profit or Loss and other Comprehensive Income in the period in which the operation is disposed.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2018

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

k. Employee Benefits

Provision is made for the consolidated group's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits expected to be settled within one year, have been measured at the amounts expected to be paid when the liability is settled plus related on-costs. Other employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits. Those cashflows are discounted using market yields on national government bonds with terms to maturity that match the expected timing of cashflows.

Contributions are made by the consolidated group to employee superannuation funds and are charged as expenses when incurred.

l. Provisions

Provisions are recognised when the group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

m. Cash and Cash Equivalents

For the purpose of the statement of cash flows, cash and cash equivalents includes:

- cash on hand and at call deposits with banks or financial institutions, net of bank overdrafts.

n. Revenue

Revenue in the form of royalties from the utilisation of technology is recognised upon the sale of raw materials supplied as part of the contractual agreement with customers. Revenue is also derived from the sale of raw materials to customers which is recognised on the date of delivery.

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

Dividend revenue is recognised when the right to receive a dividend has been established.

All revenue is stated net of the amount of goods and services tax (GST).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2018

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

o. Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

Cash flows are presented in the statement of cash flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

p. Comparative Figures

Where required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

q. Inventories

Inventories are measured at the lower of cost and net realisable value. Costs are assigned on the basis of actual costs.

Provision for obsolescence is calculated as management's best estimate of amounts that will be recoverable from sale of inventory at a particular point in time.

r. Going concern

The financial report has been prepared on the basis of a going concern notwithstanding, the consolidated group incurred a loss of $3,388,235 and had net cash (used in) by operating activities of $4,999,920 during the year ended 30 June 2018, and had net working capital of $17,258,494 as at 30 June 2018. The cash flow projections of the consolidated entity evidence that the consolidated entity has sufficient funding to continue operations.

The directors consider it appropriate to prepare the accounts on a going concern basis as they are satisfied that, based on the cash flow forecasts prepared including receipts from the May 2018 shares placement, the consolidated group will be able to meet its debts as and when they become due and payable for a period of at least 12 months from the date of this report.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2018

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

s. Critical accounting estimates and judgments

The directors evaluate estimates and judgments incorporated into the financial statement based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the group.

Key Estimates

Impairment of financial assets

The group assesses impairment at each reporting date by evaluating conditions specific to the group that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates.

t. Adoption of new and revised accounting standards

During the current year the Group adopted all of the new and revised Australian Accounting Standards and Interpretations applicable to its operations which became mandatory. There were no significant effects on current period or future periods arising from the first-time application of these standards in respect of presentation, recognition and measurement of accounts.

u. New Accounting Standards for Application in Future Periods

Accounting Standards and Interpretations issued by the AASB that are not yet mandatorily applicable to the Group, together with an assessment of the potential impact of such pronouncements on the Group when adopted in future periods, are discussed below:

AASB 9: Financial Instruments and associated amending standards (applicable to annual reporting periods beginning on or after 1 January 2018).

The Standard will be applicable retrospectively (subject to provisions on hedge accounting outlined below) and includes revised requirements for the classification and measurement of financial instruments, revised recognition and derecognition requirements for financial instruments and simplified requirements for hedge accounting.

The key changes that may affect the Group on initial application include certain simplifications to the classification of financial assets, simplifications to the accounting of embedded derivatives, upfront accounting for expected credit loss, and the irrevocable election to recognize gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. AASB 9 also introduces a new model for hedge accounting that will allow greater flexibility in the ability to hedge risk, particularly with respect to hedges of non-financial items. Should the entity elect to change its hedge policies in line with the new hedge accounting requirements of the Standard, the application of such accounting would be largely prospective.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2018

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

u. **New Accounting Standards for Application in Future Periods (continued)**

The Group does not expect a significant impact on its balance sheet or equity on applying classification and measurement requirements of AASB 9. It expects to continue to measure derivatives at fair value through other comprehensive income.

AASB 15: Revenue from contracts with customers (applicable to annual reporting periods beginning on or after 1 January 2018).

The core principle of this standard is that an entity shall recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

Although the directors anticipate that the adoption of AASB 15 may have an impact on the Group's financial statements, it is not expected to generate material differences to the current or future years' results.

AASB 16: Leases (applicable to annual reporting periods commencing on or after 1 January 2019).

This standard sets out the principles for the recognition, measurement, presentation and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an entity.

The Company has operating leases that relates to empty barrels and distillery facilities.

The Group, after its initial assessment of the impact arising from AASB 16 anticipates that upon adoption of this standard, The Group's Consolidated Statement of Financial Position will be grossed up to reflect the rights and obligations relating to the Group's lease.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2018

NOTE 2: REVENUE

	Note	Consolidated Group 2018 $	2017 $
Operating activities:			
— Sales		428,476	96,570
Total Revenue		**428,476**	**96,570**

NOTE 3: LOSS BEFORE INCOME TAX EXPENSE

Loss before income tax has been determined after:

	2018	2017
Cost of goods sold	(164,401)	(159,400)
Rental expense on property	(32,318)	(28,200)
Other expenses:		
— Legal fees	(716,355)	(475,076)
Loss on investments	-	(4,000)
Due Diligence expenses	(158,649)	(189,334)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2018

NOTE 4: INCOME TAX EXPENSE	Consolidated Group 2018 $	2017 $
The prima facie tax on loss before income tax is reconciled to income tax as follows:		
a. Prima facie tax receivable on loss at 27.5% (2017: 30%)	(931,765)	(791,242)
Add:		
Tax effect of:		
— non-deductible amortization	-	-
— other non-allowable items	-	1,200
Less:		
Tax effect of:		
— foreign currency exchange profit not subject to income tax	-	-
— other allowable items	(18,375)	19,206
Tax effect of deferred tax assets not brought to account	950,140	770,836
Income tax expense attributable to entity	-	-
The applicable weighted average effective tax rates are as follows:	-%	-%

The directors estimate that the Group has carry-forward income tax losses of $21,161,950 (2017: $20,211,810) available to offset against future years' taxable income. The benefits of these losses have not been brought to account as there is no convincing evidence of future taxable profits to offset losses. The benefit will only be obtained if:

(i) The Group derives future assessable income of the nature and of an amount sufficient to enable the benefits from the deductions for the losses to be realised.

(ii) The Group continues to comply with the conditions for deductibility imposed by the law; and

(iii) No changes in tax legislation adversely affect the parent entity and its controlled entities in realising the benefit from the deductions for the losses.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2018

NOTE 5: AUDITORS' REMUNERATION	Consolidated Group	
	2018	2017
	$	$
a. Remuneration of the auditor of the parent entity (MNSA Pty Ltd) for:		
— auditing and reviewing the financial statements	55,218	57,651
b. Remuneration for non-audit services of the parent entity (MNSA Financial Services Pty Ltd – paid to a related practice)		
— Tax	2,080	2,080
c. Rent paid to Mark Schiliro and Associates (MNSA) Pty Ltd (being a related company to MNSA Pty Ltd) on a sub-lease of premises on the same terms as the primary lease between MNSA and an independent third party		
— Rent	29,744	-

NOTE 6: DIVIDENDS

No interim and final dividends have been declared or paid during the current financial year, nor in the previous financial year.

The directors are recommending no final dividend be paid in the current financial year.

NOTE 7: EARNINGS PER SHARE	Consolidated Group	
	2018	2017
	$	$
a. Reconciliation of earnings to net loss		
Net loss for the year	(3,388,235)	(2,637,474)
Earnings used in the calculation of basic and diluted EPS	(3,388,235)	(2,637,474)
b. Applying AASB 133:		
Weighted average number of ordinary shares outstanding during the year used in calculation of basic EPS	492,960,683	271,009,194
Weighted average number of options outstanding not treated as dilutive	-	-
Weighted average number of ordinary shares outstanding during the year used in calculation of dilutive EPS	492,960,683	271,009,194

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2018

NOTE 8: CASH AND CASH EQUIVALENTS	**Note**	Consolidated Group 2018 $	2017 $
Cash at bank and in hand		6,860,819	860,976

Reconciliation of Cash

Cash at the end of the financial year as shown in the cash flow statement is reconciled to items in the balance sheet as follows:

Cash and cash equivalents		**6,860,819**	**860,976**

NOTE 9: TRADE AND OTHER RECEIVABLES			
CURRENT			
Trade receivables		448,907	1,073
Provision for Doubtful Debts		(1,000)	-
Other receivables		880,018	156,812
Deposit Paid	a	80,396	-
		1,408,321	**157,885**
NON-CURRENT			
Other receivables		1,781	-
Deposit Paid	b	221,447	-
		223,228	**-**

a. Deposit paid for raw materials of $55,388 and market events of $25,008 by Lark Distillery Pty Ltd

b. Deposit paid for barrel buy-back program during year ended 2018 by Australian Whisky Holdings Management Pty Ltd.

NOTE 10: OTHER CURRENT ASSETS		
CURRENT		
Prepayments	234,733	44,636
Current Tax Asset	82,470	-
	317,203	**44,636**
NON-CURRENT		
Deferred Tax Asset	**4,534**	**-**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2018

NOTE 11: CONTROLLED ENTITIES

a. Controlled Entities	Country of Incorporation	Percentage Owned 2018	Percentage Owned 2017
Parent Entity:			
Australian Whisky Holdings Limited			
Subsidiaries of Australian Whisky Holdings Limited:			
— Aowei Liquor Industries Beijing Limited (former name: Beijing Montec Commercial Limited)	China	100%	100%
— Australian Whisky Holdings (HK) Limited (former name: Montec International (HK) Limited)	Hong Kong	100%	100%
— Australian Whisky Holdings Management Pty Ltd	Australia	100%	100%
— Australian Whisky Holdings Bothwell Pty Ltd	Australia	100%	100%
— Australian Whisky Holdings Services Pty Ltd	Australia	100%	-
— Lark Distillery Pty Ltd	Australia	99.96%	48.12%
— Overeem Whisky Pty Ltd	Australia	99.96%	48.12%

b. Controlled Entities Acquired

99.96% of Lark Distillery Pty Ltd acquired during the year ended 28 June 2018.
99.96% of Overeem Whisky Pty Ltd acquired during the year ended 28 June 2018.

NOTE 12: INVENTORIES

	Consolidated Group 2018 $	Consolidated Group 2017 $
Raw Materials	427,166	312,575
Whisky in Casks	8,593,023	1,071,856
Finished Goods	520,703	11,724
Inventory others	29,814	307
	9,570,706	**1,396,462**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2018

NOTE 13: FINANCIAL ASSETS

	Consolidated Group 2018 $	2017 $
NON CURRENT		
Investments – Lark Distillery Pty Ltd (i)	-	6,038,646
Investments – Old Kempton Distillery (ii)	300,000	300,000
Investments – Others (iii)	254,232	403,816
Other long term receivables	-	2,477
	554,232	6,744,939

(i) On 28 June 2018 the Group has increased its shareholding to 99.96% from 48.1% in Lark Distillery Pty Ltd (Lark), funded by script and cash consideration approved by General Meeting 28 June 2018.

At 28 June 2018, the investment in Lark has been recorded at fair value of the identifiable assets and liabilities acquired. Any excess of the sum of the consideration has been recognised directly in goodwill.

Consequently, the Company has recognised share of net profit $11,155 from Lark for the financial year ended 30 June 2018.

Lark Distillery Pty Ltd and its controlled entity, Overeem Whisky Pty Ltd, are incorporated in Australia, the principal activities of Lark and Overeem, is manufacturing and selling premium single malt whisky based in Tasmania. The Company held 99.96% equity interest as at 30 June 2018 (2017: 48.1%) in Lark (directly) and Overeem (indirectly).

Summarised aggregated financial information of the Group's share in the associates:

	2018 $	2017 $
Profit from operation (net of estimated tax)	23,181	249,580
Share of net profit (a)	11,155	60,024

a) Share of 48.1% net profit for 6 months periods from 1 January 2017 to 30 June 2017.
Share of 48.1% net profit for 12 months periods from 1 July 2017 to 28 June 2018.

(ii) The Group has maintained 12% ownership interest for $300,000 in Old Kempton Distillery (formly Redlands Estate Distillery (Redlands)) based in Tasmania, the only paddock to bottle single malt whisky distiller in Australia.

At 30 June 2018, the investment in Old Kempton Distillery is recorded at cost, with no impairment.

(iii) Work in progress in acquiring the Distillery Assets at Bothwell, including the Nant intellectual property from the Receivers of NAW Distillery business of Nant.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2018

NOTE 14: PROPERTY, PLANT AND EQUIPMENT		Consolidated Group 2018 $	2017 $
LAND AND BUILDINGS			
Land and buildings – 254 Nant Lane, Bothwell at cost		6,289,644	6,289,644
Land and buildings - 40 Denholms Road, Cambridge at cost		524,759	-
Buildings improvements		2,521,044	147,116
Buildings improvements amortization		(74,556)	-
Leasehold improvements		7,547	-
Assets in Progress		160,114	-
Total Land and Buildings		9,428,552	6,436,760
PLANT AND EQUIPMENT			
Plant and equipment			
At cost		3,947,551	9,706
Accumulated depreciation		(573,459)	(463)
Total Plant and Equipment		3,374,092	(9,243)
Office and computer equipment			
At cost		40,658	-
Accumulated depreciation		(5,100)	-
Total Office and Computer Equipment		35,558	-
Motor Vehicles			
At cost		154,045	-
Accumulated depreciation		(58,612)	-
Total Motor Vehicles		95,433	-
Total Property, Plant and Equipment	14a	**12,933,635**	**6,446,003**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2018

NOTE 14: PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

a. Movements in Carrying Amounts

Movement in the carrying amounts for each class of plant and equipment between the beginning and the end of the current financial year.

	Land and Building	Building improvement	Plant and Equipment	Total
	$	$	$	$
Consolidated Group:				
Balance at 1 July 2016	6,289,644	147,116	9,706	6,446,466
Disposals	-	-	-	-
Depreciation expenses	-	-	(463)	(463)
Balance at 30 June 2017	**6,289,644**	**147,116**	**9,243**	**6,446,003**
Purchases		-	-	-
Acquired	684,873	2,381,475	4,132,548	7198896
Depreciation expenses	-	(74,556)	(636,708)	(711264)
Balance at 30 June 2018	**6,974,517**	**2,454,035**	**3,505,083**	**12,933,635**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2018

NOTE 15: INTANGIBLE ASSETS

		Consolidated Group 2018	Consolidated Group 2017
		$	$
Goodwill		7,217,977	3,423,601
Accumulated amortisation		(67,599)	(1,686,348)
Impairment write down of patents		-	(1,737,253)
	15a	7,150,378	-
Whisky Barrel Fund		39,812	39,812
Accumulated amortisation		(18,395)	(10,433)
	15a	21,417	29,379
Formation		950	950
Total Intangible Assets		**7,172,745**	**30,329**

a.	Formation	Goodwill	Whisky Barrel Fund	Total
	$	$	$	$
Consolidated Group				
Year ended 30 June 2017				
Balance at the beginning of year	950	-	27,193	28,143
Purchases of intangible assets	-	-	9,421	9,421
Amortisation charge	-	-	(7,235)	(7,235)
Closing value at 30 June 2017	950	-	29,379	30,329
Year ended 30 June 2018				
Balance at the beginning of year	950	-	29,379	30,329
Acquisition of intangible assets	-	7,150,378	-	7,150,378
Amortisation charge	-	-	(7,962)	(7,962)
Closing value at 30 June 2018	950	7,150,378	21,417	7,172,745

Intangible assets have finite useful lives. The current amortisation charges for intangible assets are included under depreciation and amortisation expense in the statement of profit or loss and other comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2018

NOTE 16: TRADE AND OTHER PAYABLES

	Consolidated Group	
	2018	2017
	$	$
CURRENT		
Unsecured liabilities		
Trade creditors	482,245	860,400
Sundry creditors and accrued expenses	246,428	186,190
	728,673	**1,046,590**
NON-CURRENT		
Unsecured liabilities		
Sundry creditors and accrued expenses	**102,618**	**-**

NOTE 17: SHORT-TERM PROVISIONS

	Consolidated Group	
	2018	2017
	$	$
CURRENT		
Employees Provision	**81,528**	**64,785**
NON-CURRENT		
Employees Provision	37,338	-
Provision for Investor Barrels – Lark Distillery Pty Ltd	135,823	-
	173,161	**-**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2018

NOTE 18: FINANCIAL LIABILITIES

	Consolidated Group	
	2018	2017
	$	$
CURRENT		
Convertible Notes:		
Loan – Quality Life Pty Ltd (i)	-	1,120,000
Loan – CRN Holdings Pty Ltd (ii)	-	250,000
Loan – 13 Bears Pty Ltd (iii)	-	10,000
Unsecured Loans: (iv)		
John Brich Super Fund	-	300,000
AK Lee Super Fund	-	80,000
Terry Cuthbertson	-	2,600
Short term financing		
Loan - Tasmanian Irrigation Pty Ltd (v)	68,596	-
Insurance Premium Funding (vi)	241,205	-
Accrued Interest on convertible notes and loans	-	399,940
	309,801	**2,162,540**
NON-CURRENT		
Unsecured Loans:		
Loan – JB Trust (vii)	-	800,000
Secured Loans:		
Loan – Dowd Corporate Finance (viii)	2,500,000	2,500,000
Loan – BCU (ix)	2,322,752	2,322,340
Loan – Quality Life Pty Ltd (Whisky barrel fund) (x)	-	600,000
Loan – Eclipx (xi)	597,773	-
Operating Lease:		
Lease – Barrel Finance Logistics	1,169,342	-
Lease – Motor vehicles	13,443	-
Lease – BOQ	77,181	-
	6,680,491	**6,222,340**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2018

NOTE 18: FINANCIAL LIABILITIES (CONTINUED)

(i) The Convertible Note Agreement between Quality Life Pty Ltd and the Company. The convertible note agreement of $1,120,000 entered into by the Company was done so to provide for the working capital needs of the Company. The convertible notes were issued for 12 months with an interest rate of 12% per annum, payable annually in arrears and convertible to ordinary shares at the lesser of 80% of the 30 day volume weighted average market price or at $0.0009 per share (pre 1:30 consolidation). The notes may be extended for a further 12 months with a rollover fee of 2% payable on the balance of the money's owing under the convertible note and interest rate of 15% per annum. On 24 May 2018, the convertible notes and accrued interest were converted to shares.

(ii) The Convertible Note Agreement between CRN Holdings Pty Ltd and the Company. The convertible notes are convertible at any time within 6 months from the date of issue with 3 months extension option, at $0.033 per share. Interest is payable on the Convertible Notes at 10% per annum. The Company has the option to extend the maturity date for a further 3 months, at which interest rate for those 3 months would be at 12% per annum. On 24 May 2018, the convertible notes and accrued interest were converted to shares.

(iii) The Convertible Note Agreement between 13 Bears Pty Ltd and the Company. The convertible notes are convertible at any time within 6 months from the date of issue with 3 months extension option, at $0.033 per share. Interest is payable on the Convertible Notes at 10% per annum. The Company has the option to extend the maturity date for a further 3 months, at which interest rate for those 3 months would be at 12% per annum. On 24 May 2018, the convertible notes and accrued interest were converted to shares.

(iv) Unsecured loan was provided at 3 months term, interest payable at 9% per annum. The Company has the option to extend the maturity date for a further 3 months, at which interest rate for those 3 months would be at 10% per annum. On 30 May 2018, the unsecured loans with accrued interest were converted to shares.

(v) Payment instalments with interest rate at 2% with Tasmanian Irrigation Pty Ltd for the purchase of water entitlement in the Southern Highlands Irrigation Scheme for Nant Distillery.

(vi) Payment instalments with interest rate at 2.96% with Attvest Finance for business insurance premium.

(vii) The loan was advanced by J B Trust with interest rate at 9% per annum with 5 years term. Annual interest is due on 1 July each year. The loan has option to convert the principal and any capitalized interest into an investment in the Whisky Barrel Fund. During May 2018, the loan with accrued interest was fully repaid.

(viii) The loan was advanced by Dowd Corporate Finance with interest rate at 7.99% per annum interest payable quarterly in arrears. The loan is secured by land title at 254 Nant Lane, Bothwell TAS and guarantee and indemnity provided by Australian Whisky Holdings Bothwell Pty Ltd and Australian Whisky Holdings Management Pty Ltd and an unsecured guarantee from Australian Whisky Holdings Limited.

(ix) The loan was advanced by Bananacoast Community Credit Union Ltd (BCU) with interest rate at 6.5% per annum, interest payable monthly in arrears. The loan is secured by land title at 254 Nant Lane, Bothwell TAS and guarantee and indemnity provided by Australian Whisky Holdings Bothwell Pty Ltd and Australian Whisky Holdings Management Pty Ltd and an unsecured guarantee from Australian Whisky Holdings Limited.

(x) The loan was advanced by Quality Life Pty Ltd to provide funding for the Whisky barrels buy back facilities. The loan is secured by charge over specific whisky barrels purchased from Nant barrel investors and is at an interest rate at 8.5% per annum. During May 2018, the loan with accrued interest was repaid.

(xi) Payment instalments with interest rate at 8.5% per annum with Eclipx Commerical for the purchase of plant and equipment of Nant Distillery. The loan is secured over the assets of Australian Whisky Holdings Management Pty Ltd and by filled barrels owned by the company.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2018

NOTE 19: ISSUED CAPITAL

		Consolidated Group 2018 $	2017 $
1,339,212,384 (2017: 385,672,470) fully paid ordinary shares	19a	**37,964,572**	**30,932,437**

a. Ordinary shares		
At the beginning of the reporting period	30,932,437	24,061,258
Share movements during the year:		
-Shares issue of 33,955,520 ordinary shares on 15/09/2017	805,948	-
-Shares issue of 6,666,666 ordinary shares on 22/12/2017	200,000	
-Shares issue of 106,573,568 ordinary shares on 14/03/2018	3,195,834	
-Shares issue of 133,710,086 ordinary shares on 24/5/2018	4,247,157	
-Shares issue of 100,000,000 ordinary shares on 30/5/2018	3,000,000	-
-Shares issue of 264,709,074 ordinary shares on 31/5/2018	7,987,563	
-Shares issue of 307,925,000 ordinary shares on 28/6/2018	9,853,600	-
-Capital reduction on 28/6/2018 as per Section 258F of the Corporations Act	(21,246,675)	
- Shares Issue of 620,519,786 ordinary shares on 14/09/2016	-	620,520
- Shares Issue of 509,642,855 ordinary shares on 5/12/2016	-	515,000
- Shares consolidation at 30:1 share on 8/12/2016	-	-
- Shares Issue of 131,329,452 ordinary shares on 8/12/2016	-	3,939,884
- Shares Issue of 14,729,231 ordinary shares on 8/12/2016	-	397,689
- Shares Issue of 2,755,068 ordinary shares on 12/12/2016	-	82,652
- Shares Issue of 40,960,012 ordinary shares on 28/04/2017	-	1,228,800
- Shares Issue of 5,000,000 ordinary shares on 28/04/2017	-	150,000
- Share issue costs	(1,011,292)	(63,366)
At 30 June 2018	**37,964,572**	**30,932,437**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2018

NOTE 19: ISSUED CAPITAL (CONTINUED)	Consolidated Group	
	2018	2017
b. Number of ordinary shares	No.	No.
At the beginning of reporting period	385,672,470	4,596,798,575
Shares issued during the financial year ended 30 June 2018:		
- 15 September 2017	33,955,520	-
- 22 December 2017	6,666,666	-
- 14 March 2018	106,573,568	-
- 24 May 2018	133,710,086	-
- 30 May 2018	100,000,000	-
- 31 May 2018	264,709,074	-
- 28 June 2018	307,925,000	-
Shares issued during the financial year ended 30 June 2017:		
- 14 September 2016	-	620,519,786
- 5 December 2016	-	509,642,855
- Shares consolidation at 30:1 share on 8 December 2016	-	(5,536,062,509)
- 8 December 2016	-	131,329,452
- 8 December 2016	-	14,729,231
- 12 December 2016	-	2,755,068
- 28 April 2017	-	40,960,012
- 28 April 2017	-	5,000,000
At 30 June 2018	**1,339,212,384**	**385,672,470**

The fair value ascribed to ordinary shares issued is based on the level of cash subscribed or the fair value assessed for services rendered or assets acquired with those issued shares.

Ordinary shares participate in dividends and the proceeds on winding up of the parent entity in proportion to the number of shares held.

At shareholders' meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

The ordinary shares have no par value.

c. Capital Management
Management controls the capital of the group in order to ensure that the group can fund its operations and continue as a going concern.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2018

NOTE 20: RESERVES

	Consolidated Group	
	2018	2017
	$	$
a. Foreign Currency Translation Reserve	**47,813**	**142,343**

The foreign currency translation reserve records exchange differences arising on translation of a foreign controlled subsidiary.

NOTE 21: CAPITAL AND LEASING COMMITMENTS

a. Finance Lease Commitments

The Group had no finance lease commitments during the financial year ended 30 June 2018 and previous financial year ended 30 June 2017.

b. Operating Lease Commitments

	Consolidated Group	
	2018	2017
	$	$
Payable – minimum lease payments:		
- not later than 12 months	105,084	-
- between 12 months and five years	1,456,449	-
- later than five years	-	-
Minimum lease payments	**1,561,533**	**-**

The operating leases on motor vehicles, manufacturing plant and equipment, which commenced during 2017. The leases have various terms between two to five years, with rent payable monthly in advance.

c. Capital Expenditure Commitments

The group has engaged JAWS Architect for the Nant Estate Stage 1 upgrade and improvements. The committed capital works undertaken post 30 June 2018 amount to $401,308.

NOTE 22: CONTINGENT ASSETS AND LIABILITIES

There are no contingent assets or contingent liabilities of a material nature identified as at the date of this report.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2018

NOTE 23: SEGMENT REPORTING

Identification of reportable segments

Australian Whisky Holdings Limited has identified its operating segments based on the internal reports that are reviewed and used by the board of directors (chief operating decision makers) in assessing performance and determining the allocation of resources.

The operations of the Group in management of current equity investments is consistent with the Group's strategy to pursue investment in the craft whisky industry in Australia and the marketing of Australian premium whisky in Australia and overseas. This is consistent with the Group's longer term strategy of gaining access to premium quality food product for distribution into China and elsewhere. Operating segments are therefore determined on the same basis.

Basis of accounting for purposes of reporting by operating segments

Accounting policies adopted

Unless stated otherwise, all amounts reported to the Board of Directors as the chief decision maker with respect to operating segments are determined in accordance with accounting policies that are consistent to those adopted in the annual financial statements of the Group.

Inter segment transactions

Segment revenues, expenses and results include transfers between segments. The prices charged on inter-segment transactions are the same as those charged for similar goods to parties outside of the consolidated group at an arm's length. These transfers are eliminated on consolidation.

Segment assets

Assets include all assets used by a segment and consist principally of cash, receivables, inventories, intangibles and property, plant and equipment, net of allowances and accumulated depreciation and amortisation. While most such assets can be directly attributed to individual segments, the carrying amount of certain assets used jointly by two or more segments is allocated to the segments on a reasonable basis.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2018

NOTE 23: SEGMENT REPORTING (CONTINUED)

Segment liabilities
Liabilities consist principally of accounts payable, employee entitlements, accrued expenses, provisions and borrowings.

	Australia	China	Eliminations	Consolidated Group
	$	$	$	$
2018				
REVENUE				
Sales	428,476	-	-	428,476
Other income	11,947	-	-	11,947
Interest income	18,913	-	-	18,913
Share of net profits from associates	11,155	-	-	11,155
Total segment revenue	470,491	-	-	470,491
Total revenue				470,491
SEGMENT RESULT				
Expenses	(3,854,888)	(3,838)	-	(3,858,726)
Loss before income tax expense	**(3,384,397)**	**(3,838)**		**(3,388,235)**
Income tax expense				-
Loss after income tax expense				**(3,388,235)**
ASSETS				
Segment assets	40,303,423	13	(1,258,013)	39,045,423
Total assets	40,303,423	13	(1,258,013)	39,045,423
LIABILITIES				
Segment liabilities	7,912,889	532,511	(369,128)	8,076,272
Total liabilities	7,912,889	532,511	(369,128)	8,076,272
OTHER				
Depreciation and amortisation of segment assets	136,316	-	-	136,316
OTHER NON-CASH SEGMENT EXPENSES				
Loss on investments	-	-	-	-

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2018

NOTE 23: SEGMENT REPORTING (CONTINUED)

	Australia	China	Eliminations	Consolidated Group
	$	$	$	$
2017				
REVENUE				
Sales	96,570	-	-	96,570
Other income	1,010	-	-	1,010
Interest income	20,452	-	-	20,452
Share of net profits from associates	60,024	-	-	60,024
Total segment revenue	178,056	-	-	178,056
Total revenue				178,056
SEGMENT RESULT				
Expenses	(2,812,326)	(3,204)	-	(2,815,530)
Loss before income tax expense	**(2,634,270)**	**(3,204)**		**(2,637,474)**
Income tax expense				-
Loss after income tax expense				**(2,637,474)**
ASSETS				
Segment assets	17,362,136	68,551	(1,749,457)	15,681,230
Total assets	17,362,136	68,551	(1,749,457)	15,681,230
LIABILITIES				
Segment liabilities	11,123,159	576,510	(2,203,414)	9,496,255
Total liabilities	11,123,159	576,510	(2,203,414)	9,496,255
OTHER				
Depreciation and amortisation of segment assets	7,698	-	-	7,698
OTHER NON-CASH SEGMENT EXPENSES				
Loss on investments	4,000	-	-	4,000

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2018

NOTE 24: CASH FLOW INFORMATION

	Consolidated Group 2018 $	2017 $
a. Reconciliation of Cash Flow from Operations with loss after Income Tax		
Loss after income tax	(3,388,235)	(2,637,474)
Non-cash flows in loss		
Foreign exchange	-	27,257
Depreciation	136,316	7,698
Due diligence expenses	158,649	189,334
Other non cash items	552,595	(237,017)
Changes in assets and liabilities, net of the effects of purchase and disposal of subsidiaries		
(Increase)/Decrease in trade and other receivables	(298,222)	(171,972)
(Increase)/Decrease in prepayments	(141,571)	(42,534)
(Increase)/Decrease in inventories	(1,098,209)	(1,075,653)
Increase/(Decrease) in trade creditors and accruals	(921,243)	1,170,293
Cash flow used in operations	**(4,999,920)**	**(2,770,068)**

NOTE 25: EVENTS SUBSEQUENT TO REPORTING DATE

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2018

NOTE 26: RELATED PARTY TRANSACTIONS

	Consolidated Group	
	2018	2017
	$	$
Transactions between related parties are on normal commercial terms and conditions no more favorable than those available to other parties unless otherwise stated.		
Transactions with related parties:		
i. Controlled entities		
The outstanding receivables between the inter-companies have been eliminated on consolidation.	730,725	-
ii. Director-related Entities		
During the year ended 30 June 2018, the Company paid rent to South American Iron and Steel Limited (SAY) in which Mr Terry Cuthbertson also holds the position of non-executive chairman. The rental lease is on month to month base at $3,000 per month. (2017: $27,000)	12,000	27,000
iii. Key Management Personnel		
During the year ended 30 June 2018, the Company sold filled barrels of new make whisky and storage until maturity to Whisky Negociants Australia Pty Ltd in which Chris Malcolm holds the position of CEO. The sales were made in total of $46,200 including GST. (2017: $nil)	46,200	-
iv. Share Transactions of Key Management Personnel		
Share transactions of directors during the financial year ended 30 June 2018 were:		
- Mr Terry Cuthbertson received 3,926,136 shares for repayment of loan and interest in the name of Kore Management Services Pty Ltd	117,784	-
- Mr Rohan Boman subscribed 7,500,000 shares through the Tranche 2 Placement.	225,000	-
- Mr Gary Mares received 1,692,532 shares for repayment of loan and interest in the name of La Herencia Pty Ltd ATF Fingal Super Fund	50,776	-
- Mr Chris Malcolm subscribed 27,220,780 shares through the Tranche 1 and 2 Placement in the name of Malcolm Property Trust.	816,623	-
Share transactions of directors during the financial year ended 30 June 2017 were:		
- Mr Terry Cuthbertson received 16,395,898 shares for repayment of loan and interest in the name of Kore Management Services Pty Ltd	-	447,689

NOTE 27: FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

a. Financial Risk Management Policy

The Group's financial instruments consist mainly of deposits with banks, accounts receivable and payable, loans to and from subsidiaries.

The Board and Management monitor risks on a regular basis as part of formal board meeting and ad-hoc management discussion.

i. Financial Risk Exposures and Management

The main risks the Group is exposed to through its financial instruments are liquidity risks, foreign currency risk and credit risk.

Liquidity risks

The Group manages liquidity risk by continually monitoring forecast cash flows and generating when required additional capital funding as necessary. It is noted that the group does not have any borrowing facilities.

Foreign currency risk

The Group is exposed to fluctuations in foreign currencies arising from the sale and purchase of goods and services in currencies other than the group's measurement currency. The management managed the foreign currency transactions on a monthly basis to avoid the fluctuation on the exchange rate, while the Group does not have any material foreign currency risk exposure. Where exposures do arise, forward foreign exchange contracts will be applied.

Credit risk

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets is the carrying amount, net of any provisions for doubtful debts of those assets, as disclosed in the statement of financial position and notes to the financial statements.

There are no material amounts of collateral held as security at 30 June 2018.

The Group does not have any material credit risk exposure to any single debtor or group of debtors under financial instruments entered into by the Group.

b. Financial Instruments

i. Derivative Financial Instruments
The Group has not participated in the use of any derivative financial instruments during the year.

ii. Financial instrument composition and maturity analysis
The tables below reflect the weighted average effective interest rate on classes of financial assets and financial liabilities:

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2018

NOTE 27: FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

	Weighted Average Effective Interest Rate		Floating Interest Rate $		Non-interest Bearing $		Total $	
	2018	2017	2018	2017	2018	2017	2018	2017
Financial Assets:								
Cash	0.05%	0.05%	6,860,819	860,976	-	-	6,860,819	860,976
Trade and other receivables	-	-	-	-	1,631,549	157,885	1,631,549	157,885

	Fixed Interest Rate		Total $	
	2018	2017	2018	2017
Financial Liabilities:				
Loan–Quality Life Pty Ltd	-	12%	-	1,120,000
Loan–CRN Holdings Pty Ltd	-	12%	-	250,000
Loan–13 Bears Pty Ltd	-	12%	-	10,000
Loan-John Brich Super Fund	-	9%	-	300,000
Loan-AK Lee Super Fund	-	9%	-	80,000
Loan-Terry Cutbertson	-	9%	-	2,600
Loan–JB Trust	-	9%	-	800,000
Loan-Dowd Corporate Finance	7.99%	7.99%	2,500,000	2,500,000
Loan- Bananacoast Community Credit Union Ltd	6.5%	6.5%	2,322,752	2,322,340
Loan-Quality Life Pty Ltd (WBF)	-	8.5%	-	600,000
Loan–Eclipx Commerical	8.5%	-	597,773	-
Loan–Tasmanian Irrigation Pty Ltd	2%	-	68,596	-

	Implicit interest Rate		Total $	
	2018	2017	2018	2017
Lease – BOQ	10.3%	-	77,181	-
Lease – Barrel Finance Logistics	12.3%	-	1,169,342	-
Lease – Motor vehicle ute	6.375%	-	8,885	
Lease – Motor vehicle bus	5.89%	-	4,558	-

Trade and sundry payables are expected to be paid as follows:

	Consolidated Group 2018 $	2017 $
Less than 6 months	728,673	926,590
Over 6 months	102,618	120,000
	831,291	**1,046,590**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2018

NOTE 27: FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

iii. Sensitivity Analysis

Interest Rate Risk and Foreign Currency Risk

The Group has performed a sensitively analysis relating to its exposure to interest rate risk and foreign currency risk at balance date. This sensitivity analysis demonstrates the effect on the current year results and equity which could result from a change in these risks.

Interest Rate Sensitivity Analysis

At 30 June 2018, the effect on profit and equity as a result of changes in the interest rate, with all other variables remaining constant would be as follows:

	Consolidated Group	
	2018	2017
	$	$
Change in profit		
- Increase in interest rate by 2%	(21,361)	(12,015)
- Decrease in interest rate by 2%	21,361	12,015
Change in equity		
- Increase in interest rate by 2%	(21,361)	(12,015)
- Decrease in interest rate by 2%	21,361	12,015

Foreign Currency Risk Sensitivity Analysis

At 30 June 2018, the effect on profit and equity as a result of changes in the value of the Australian Dollar to the Chinese Renminbi, with all other variables remaining constant is as follows:

Change in profit		
- Improvement in AUD to RMB by 5%	(192)	(160)
- Decline in AUD to RMB by 5%	192	160
Change in equity		
- Improvement in AUD to RMB by 5%	(192)	(160)
- Decline in AUD to RMB by 5%	192	160

NOTE 28: ECONOMIC DEPENDENCY

Australian Whisky Holdings Limited is dependent on revenue generated from sales of whisky from subsidiaries.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2018

NOTE 29: AUSTRALIAN WHISKY HOLDINGS LIMITED PARENT COMPANY INFORMATION

	2018 $	2017 $
Parent entity		
ASSETS		
Current Assets	7,225,012	2,980,500
Non-current assets	25,599,138	13,069,964
TOTAL ASSETS	**32,824,150**	**16,050,464**
LIABILITIES		
Current liabilities	69,634	827,056
Non-current liabilities	52,209	8,384,881
TOTAL LIABILITIES	**121,843**	**9,211,937**
EQUITY		
Issued capital	37,964,572	30,932,437
Retained earnings	(5,273,057)	(24,104,702)
Share options reserves	-	-
Foreign currency revaluation reserves	10,792	10,792
TOTAL EQUITY	**32,702,307**	**6,838,527**
FINANCIAL PERFORMANCE		
Loss for the year	(2,415,030)	(2,034,720)
Other comprehensive income	-	-
TOTAL COMPREHENSIVE INCOME	(2,415,030)	(2,034,720)

GUARANTEES IN RELATION TO THE DEBTS OF SUBSIDIARIES

The parent company has entered into guarantee and indemnity of subsidiaries' loan with Dowd Corporate Finance and Bananacoast Community Credit Union Ltd.

CONTINGENT LIABILITIES

No contingent liabilities of a material nature identified as at the date of this report.

CONTRACTUAL COMMITMENTS

There is no contractual commitment as at 30 June 2018, except for the committed capital works undertaken post 30 June 2018 amount to $401,308.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2018

NOTE 30: COMPANY DETAILS

The registered office of the Company is:

Australian Whisky Holdings Limited
Level 1, 283 George Street
Sydney NSW 2000 Australia

The principal places of business are:

Australian Whisky Holdings Limited
Australian Whisky Holdings Bothwell Pty Ltd
Australian Whisky Holdings Services Pty Ltd
Level 4, 283 George Street,
Sydney NSW 2000

Australian Whisky Holdings Management Pty Ltd
254 Nant Lane, Bothwell, TAS 7030

Aowei Liquor Industries Beijing Limited (former name Beijing Montec Commercial Limited)
Beijing PRC 100022

Australian Whisky Holdings (HK) Limited (former name Montec Internatioanl (HK) Limited)
Kowloon, Hong Kong

Lark Distillery
Overeem Distillery
Hobart, Tasmania TAS 7000

DIRECTORS' DECLARATION

The directors of the Company declare that:

1. The financial statements and notes, as set out on pages 13 to 53 are in accordance with the *Corporations Act 2001 and*:

a. comply with Australian Accounting Standards and the *Corporations Regulations 2001*;
b. give a true and fair view of the financial position as at 30 June 2018 and of the performance for the year ended on that date of the consolidated entity; and
c. complies with International Financial Reporting Standard as disclosed in Note 1.

2. The Chief Executive Officer and Chief Finance Officer have each declared that:

a. the financial records of the company for the financial year have been properly maintained in accordance with s 286 of the Corporations Act 2001;
b. the financial statements and notes for the financial year comply with the Accounting Standards; and
c. the financial statements and notes for the financial year give a true and fair view.

3. In the directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.

Terry Cuthbertson
Chairman
Dated this 30th August 2018

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF AUSTRALIAN WHISKY HOLDINGS LIMITED

Report on the Audit of the Financial Report

Opinion

We have audited the accompanying financial report of Australian Whisky Holdings Limited (the company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2018, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.
In our opinion:

(a) the financial report of the Group is in accordance with the *Corporations Act 2001*, including:

i. giving a true and fair view of the Group's financial position as at 30 June 2018 and of its performance for the year ended on that date; and

ii. complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

(b) the financial report also complies with the International Financial Reporting Standards as disclosed in Note 1.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report. We are independent of Australian Whisky Holdings Limited in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

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

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ABN 59 133 605 400

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GPO Box 2943 Sydney 2001

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Email admin@mnsa.com.au

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How Our Audit Addressed the Key Audit Matter
Inventory The company holds significant inventory at year end. We consider the existence and ownership of the casks of whisky and raw materials at balance date are a significant risk.	We have test counted and proven the existence of cask inventory, the condition of inventory and agreed ownership to agreements or production records, and where held at outside locations, we agreed the inventory on hand to confirmation from a third party.
Equity Accounting The company had a significant investment in Lark Distillery Pty Limited ("Lark"), during the financial year. On the 28th of June 2018 the company increased its interest in Lark from 48.1% to 99.96%, and as a result became a controlled entity from that date. Lark is part of the consolidated group from 28 June 2018. AASB 128 Investments in Associates and Joint Ventures, sets out the conditions and tests for significant influence over another entity, and the requirements to account for the investment as an associate, by the application of the Equity accounting basis. This requires the director's to assess and document their conclusions about the classification of the investment, and to disclose the reasons for equity accounting in the financial statements.	We have: • Considered the director's assessment that the investment is an associate, as defined under AASB 128 Investments in Associates and Joint Ventures, and based on the level of ownership we confirmed the classification of the interest in Lark was an associate until 28 June 2018; • Agreed the accounting for the share of net profit from associate was mathematically correct and in accordance with the financial statements prepared by Lark.

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Key Audit Matter	How Our Audit Addressed the Key Audit Matter
Acquisition accounting	
The company acquired a 99.96% controlling interest in Lark Distillery Pty Limited (Lark) on the 28th June 2018, as described in note 11. Lark was Equity accounted up to the date the company gained control, and after that date, 28th June 2018, Lark has been consolidated. The transaction gave rise to cumulative goodwill of $7,172,745. The accounting treatment for the acquisition gives rise to significant judgement around the fair value adjustments, including the valuation of any identifiable intangible assets recognised and determining appropriate inputs and assumptions used in the underlying valuations of identified assets and liabilities.	We have considered management's assessment that the acquired assets represent a business combination under AASB 3 and challenged management's inputs and assumptions used in determining the fair values and completeness of the acquired assets and liabilities of Lark. This challenge specifically included the consideration of the forecast cash flows expected to be generated by the acquired assets. We also verified the existence of Lark's inventory, by attendance at a stocktake held at year end. Other material assets and liabilities were verified, with the assistance of the Component auditor. No significant issues were noted from our testing.
Going Concern	
Following operating losses and cash flow deficits, there is a heightened degree of judgement as to the group's ability to continue as a going concern through the assessment period. Accordingly, we considered the appropriateness of the going concern assumption, the question as to whether there is a material uncertainty and the adequacy of management's disclosure to be a key risk.	We have challenged the key assumptions in management's forecast cash flows for the next 12 months (base case and downside possibilities) by: • comparing the cash flow forecasts with the Board approved budget, and obtaining explanations for any significant differences; • assessing the accuracy of forecasts prepared by management; • testing the mathematical accuracy of the model used; • performing stress tests for a range of reasonably possible scenarios on management's cash flow for the going concern period; • challenged management's plans for mitigating any identified exposures, to obtain additional sources of financing; and • considering whether the disclosures in Note 1(r) relating to going concern referred to in the basis of preparation section of the accounting policies are balanced, proportionate and clear. We have determined that there are no material uncertainties that may cast significant doubt on the group's ability to continue as a going concern.

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Other Information

The directors of Australian Whisky Holdings Limited are responsible for the other information. The other information comprises the information in the annual report for the year ended 30 June 2018, but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

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

Responsibilities of the Directors for the Financial Report

The directors of Australian Whisky Holdings Limited are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101: *Presentation of Financial Statements*, the financial statements comply with *International Financial Reporting Standards.*

In preparing the financial report, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objective is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included on pages 6 to 10 of the directors' report for the year ended 30 June 2018.

In our opinion the remuneration report of Australian Whisky Holdings Limited for the year ended 30 June 2018, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of Australian Whisky Holdings Limited are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

MNSA Pty Ltd

Name of Firm: MNSA Pty Ltd
Chartered Accountants

Name of Auditor: ______________________

Mark Schiliro

Address: Level 1, 283 George Street, Sydney NSW 2000

Dated this **30th day of August 2018**

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CORPORATE GOVERNANCE STATEMENT

FOR THE YEAR ENDED 30 JUNE 2018

1.1 Introduction

The Australian Stock Exchange ("ASX") Listing Rules ("Listing Rules") require a listed entity to include in its Annual Report a statement on corporate governance practices disclosing the extent to which it has followed the "best practice" corporate governance recommendations set by the ASX Corporate Governance Council. If the entity has not followed any of the recommendations, it must identify them and give reasons why. It must state the period during which the recommendations were followed. For this purpose, Listing Rules Guidance Note 9A sets out the 8 essential corporate governance principles and the applicable "best practice recommendations".

The concept of "*corporate governance*" is the systems, policies and procedures under which an entity is directed and managed. The benefits of good corporate governance are accountability, systems of control and the encouragement to create value.

There is no single model of good corporate governance. Corporate governance will evolve as an entity's circumstances change and must be tailored to its circumstances.

1.2 Compliance with ASX Listing Rule 4.10.3

Listing Rule 4.10.3 and Guidance Note 9A reflect ASX policy that it is "*appropriate to focus on disclosure of corporate governance practices rather than prescribe adoption of a particular practice*". Therefore, an entity's obligation is to highlight areas of departure from the recommendations: the "*if not, why not?*" approach.

1.3 The Company's approach

The Board and senior management of Australian Whisky Holdings Limited (the "Company") are committed to acting responsibly, ethically and with high standards of integrity as the Company endeavours to create shareholder value. To achieve this goal, the Board is developing for the adoption of corporate governance practices and policies that are appropriate to the needs of the Company given its size, complexity and ownership structure and the skills of Directors and managers and the geographic locality of the Company's Whisky Investments and operations.

The table below summarises the "best practice" recommendations and the Company's current practice, including explanations in the instances where the Company does not comply.

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2018

Recommendation		Australian Whisky Holdings Limited current position
1.1	Establish and disclose the functions reserved to the Board and those delegated to management	Given the present size of the Company, the Board takes an active role in overseeing management functions and responsibilities. The Board is responsible for: ▪ overseeing the performance and activities of the Company through agreed goals and strategy; ▪ assessing performance against Board approved budgets, targets and strategies; ▪ overseeing the management of the Company's business; ▪ overseeing appropriate controls, systems and procedures within the Company to manage the risks of its businesses and compliance with all regulatory and prudential requirements including, without limitation, occupational health and environmental issues; ▪ reviewing matters of general corporate governance; ▪ appointing and removing the Managing Director; ▪ ratifying the appointment and, where appropriate, the removal of the Company Secretary; ▪ the Company Secretary is accountable directly to the board, through the chair, on all matters to do with the proper functioning of the board ▪ monitoring senior Management's performance and implementation of the Board approved strategies, and ensuring appropriate succession planning is in place; ▪ approving and monitoring the progress of major capital expenditure, capital management, and acquisitions and divestitures; ▪ approving and monitoring material financial and other reporting; and ▪ setting delegated spending limits. The day to day management is delegated to the Managing Director and the Company's management team.
1.2	Disclose the process for evaluating performance of senior executives.	The performance of senior executives is reviewed annually by the Managing Director who reports the results of the review to the Board.
1.3	Report on recommendation 1	Please refer to the Corporate Governance Statements, Policies and Procedures adopted by the Company, details of which are set out in the Company's website.
2.1	A majority of the Board should be independent Directors	The Board consists of four independent and Non-Executive Directors.
2.2	The chair should be an independent Director	The Company's Chairperson, Mr Terry Cuthbertson is an Independent Director.
2.3	The roles of the chair and chief executive officer should not be exercised by the same individual	The Company's Chief Executive Officer is Mr Kenneth Lee.
2.4	The Board should establish a nomination committee	The Board has not established a nomination committee as, due to the Company's size and its operations, the Board considers a separately established committee is not warranted and its functions and responsibilities can be adequately and efficiently discharged by the Board as a whole.

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2018

2.5	Disclose the process for evaluating the performance of the Board, its committees and individual Directors.	The Board has not established and at this stage, does not intend to establish a Nomination and Remuneration Committee, due to the Company's current size and its operations.
2.6	Program for inducting new directors and provide appropriate professional development opportunities for directors to develop and maintain the skills and knowledge needed to perform their role as directors effectively	The Board has not established and at this stage, due to the Company's current size and its operations.
2.7	Report on recommendation 2	The details of the Directors, their experience, qualifications, term of office, and independent status are set out in the Company's Annual Report. There is a procedure agreed by the Board for Directors to take independent professional advice at the expense of the Company. Other reporting requirements pertaining to recommendation 2 can be found in the Corporate Governance Statements, Policies and Procedures adopted by the Company, details of which are set out in the Company's website.
3.1	Establish a code of conduct and disclose the code or a summary of the code as to: ▪ practices necessary to maintain confidence in the Company's integrity ▪ practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders ▪ the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.	The Board recognises there is a need for a "code of conduct" and expects that the actions of its staff reflect the ethical standards of the Company. Accordingly, the Board has established an appropriate policy. In summary, staff members are under an obligation to the Company not to place themselves or allow themselves to be placed directly or indirectly in a position where their private interests conflict or could conflict with their responsibilities to the Company. They may not use their positions, the Company's assets or confidential information gained in connection with their employment for personal gain or for the benefit of a family member or any outside party.
3.2	Companies should establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include requirements for the board to establish measurable objectives for achieving gender diversity for the board to assess annually both the objectives and progress in achieving them.	The Company intends to make each staff appointment after consideration of each candidate's qualifications, experience and proven competence, whilst conscientiously avoiding any discrimination on the basis of, but not limited to, race, creed, colour, gender, age, marital status, religion or physical impairment. The Board reviews this policy on an annual basis to ensure that the objectives are being meet.

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2018

3.3	Companies should disclose in each annual report the measurable objectives for achieving gender diversity set by the board in accordance with the diversity policy and progress towards achieving them.	The Company does not have a formal policy concerning diversity. Given the small size of the Company's workforce, the Board has determined that it is not currently practicable to implement a policy concerning diversity. The Board will further consider the establishment of a diversity policy as the Company grows.
3.4	Companies should disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the board.	The Company has 11 woman employees. There are no women in senior executive positions or on the board.
3.5	Reporting on Recommendations 3	Details of the code of conduct and trading policy are set out in the Company's website.
4.1	The Board should establish an audit committee	The Board has established an Audit Committee.
4.2	Structure the audit committee so that it consists of only non-executive Directors, a majority of independent Directors, an independent chairperson who is not chairperson of the Board and at least three members	The Audit Committee has three members all of whom are Non-Executive Directors. The Chairman of the Committee is a Non-Executive Director.
4.3	Audit Committee to have a formal Charter	At present, the Audit Committee does not have a formal charter and this will be reviewed in the future.
4.4	Reporting on recommendation 4	The names and qualifications of each of the members of the Audit Committee, and details of attendance at Audit Committee meetings, are set out in the Company's annual report.
5.1	Establish written policies and procedures designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies	The Company is committed to fulfilling all legal, statutory and listing disclosure requirements. Written policies and procedures designed to ensure compliance with ASX Listing Rule disclosure requirements and the ASX Corporate Governance Council Principles of Good Corporate Governance and Best Practice Recommendations, as well as to ensure accountability at a senior management level for that compliance have been established. In respect of its disclosure policy, at each of its meetings, the Board discusses continuous disclosure issues as a standing item and a list of all recent Company announcements is presented. The procedure adopted by the Company is essentially that any information which may need to be disclosed must be brought to the attention of the Chairman, who in consultation with the Board (where practicable) and any other appropriate personnel will consider the information and whether disclosure is required and prepare an appropriate announcement.

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2018

5.2	Reporting on recommendation 5	Please refer to the Corporate Governance Statements, Policies and Procedures adopted by the Company, details of which are set out in the Company's website.
6.1	Design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy	In so far as the Company is required to comply with ASX continuous disclosure requirements, the Managing Director (and, in the alternative, the Chairman) has been nominated as the responsible person. The Board reviews and approves all announcements to the ASX.
6.2	Reporting on recommendation 6	Please refer to the Corporate Governance Statements, Policies and Procedures adopted by the Company, details of which are set out in the Company's website.
7.1	Establish policies for the oversight and management of material business risks and disclose a summary of those policies.	The Board has not established and at this stage, does not intend to establish a Risk Management Committee, due to the Company's size and its operations. At present, the Board regularly reviews the Company's risk management systems and control frameworks, and the effectiveness of their implementation and is in the process of formally establishing a policy for adoption. The Company's reports in writing to the Board that the Company's financial reports present a true and fair view, in all material respects, of the Company's financial condition and operational results and are in accordance with relevant accounting standards. The CFO is also required to report that this statement so made is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board and that the Company's risk management and internal compliance and control system is operating efficiently and effectively in all material respects.
7.2	The Board should require management to design and implement the risk management and internal control system to manage the Company's material business risks and report to it on whether those risks are being managed effectively. The Board should disclose that management has reported to it as to the effectiveness of the Company's management of its material business risks.	The Company's CEO and the CFO report in writing to the Board that the statement given is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board and that the Company's risk management and internal compliance and control system is operating efficiently and effectively in all material respects. Management reports to the Board on a regular basis in relation to the management of its material business risks.

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2018

7.3	The Board should disclose whether it has received assurance from the CEO (or equivalent) and the CFO (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.	The Board has received written assurance from the CEO and the CFO that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.
7.4	Reporting on recommendation 7	The Company has provided relevant information in this Statement upon recognising and managing risk.
8.1	The Board should establish a remuneration committee	The Company has a Remuneration Committee which consists of Three Independent Directors who meet when required.
8.2	The remuneration committee should be structured so that it: ▪ consists of a majority of independent directors ▪ is chaired by an independent director ▪ has at least three members.	Please refer to the above comments.
8.3	Clearly distinguish the structure of non-executive Directors' remuneration from that of executive Directors and senior executives	Non-executive Directors will be remunerated by cash benefits alone, except where approved by a general meeting of shareholders and will not be provided with retirement benefits (except in exceptional circumstances) and aggregate remuneration will not exceed the amount approved by shareholders (currently $250,000). Executive Directors may be remunerated by both fixed remuneration and equity performance based remuneration.
8.4	Report on recommendation 8	Relevant information can be found in the Corporate Governance Statements, Policies and Procedures adopted by the Company, details of which are set out in the Company's website.