



5 February 2018

Mr Ben Secrett
Senior Adviser, ASX Listings Compliance
ASX Compliance Pty Ltd
Level 40, Central Park
152 – 158 St Georges Terrace
Perth WA 6000

Dear Ben

Yowie Group Ltd – ASX aware query

Yowie Group Ltd (**YOW** or **the Company**) refers to your letter dated 1 February 2018 and provides the following responses to your letter:

- 1. Does YOW consider the information in the Claims Announcement, including that YOW had agreed to pay a total of US\$1.95 million in stock adjustment claims, to be information that a reasonable person would expect to have a material effect on the price or value of its securities?**

Yes

- 2. If the answer to question 1 is “no”, please advise the basis for that view.**

Not applicable

- 3. When did YOW first become aware of the information in the Claims Announcement regarding the conclusion of negotiations and an agreement being made regarding stock adjustment claims and payments? In answering this question, please state the date and time that the entity first became aware of the conclusion of negotiations and an agreement being made regarding stock adjustment claims and payments (“Agreed Claims and Payments”).**

Verbal agreement as to the quantum, period of claim and payment timing was reached on the morning of Thursday 11 January 2018 AEDT and documentation was finalised on 19 January 2018 AEDT. Having regard to Listing Rules 3.1 and 3.1A, although not formalised, YOW released the substantive elements of the verbal agreement at 2.14pm AEDT on 12 January 2018.

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4. **If YOW first became aware of the Agreed Claims and Payments before the Claims Announcement, did YOW make any announcement prior to the Claims Announcement which disclosed the Agreed Claims and Payments? If so, please provide details. If not, please explain why this information was not released to the market at an earlier time, commenting specifically on when you believe YOW was obliged to release the information under Listing Rules 3.1 and 3.1A and what steps YOW took to ensure that the information was released promptly and without delay.**

No announcement in relation to this issue was made prior to 2.14pm AEDT on Friday 12 January 2018.

As mentioned in 3 above, verbal agreement as to the quantum, period of claim and payment timing was reached on the morning of Thursday 11 January 2018 AEDT and documentation was finalised on 19 January 2018 AEDT. Having regard to Listing Rules 3.1 and 3.1A, although not formalised, YOW released the substantive elements of the verbal agreement at 2.14pm AEDT on 12 January 2018.

5. **In respect of the Agreed Claims and Payments, please:**

- 5.1 **explain the basis for the total of US\$1.95 million in stock adjustment claims;**

The amount of the customer's claim was verified to the satisfaction of management and the amount of \$US1.95M was a commercially negotiated amount. The \$US1.95M negotiated claim is based on actual stock adjustment by the customer from February, 2016 through July, 2017, plus an estimate for August, 2017 through to the end of January, 2018.

- 5.2 **advise whether the payment of US\$1.95 million in stock adjustment claims constitutes full and final resolution of the customer's stock adjustment claims, and if not, please provide details of the basis for a continuing claim or claims; and**

Yes with respect to the periods to which the claims relate. However, in the ordinary course of business there may be claims with respect to subsequent periods. YOW and the customer will audit stock adjustments quarterly to determine if adjustments need to be made with respect to subsequent periods.

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5.3 advise whether there are any non-monetary aspects to the resolution of the customer's stock adjustment claims.

There are no non-monetary aspects to the resolution of the claim.

6. When did YOW first become aware of the information in the Claims Announcement regarding YOW's major US retail customer retrospectively claiming stock adjustment payments? In answering this question, please state the date and time that the entity first became aware that its major US retail customer retrospectively claiming stock adjustment payments ("Retrospective Claims").

Management was informed by the customer at 6:38am AEDST on 3 January 2018 of a stock adjustment claim after a routine customer audit.

7. If YOW first became aware of the Retrospective Claims before the Claims Announcement, did YOW make any announcement prior to the Claims Announcement which disclosed the information? If so, please provide details. If not, please explain why this information was not released to the market at an earlier time, commenting specifically on when you believe YOW was obliged to release the information under Listing Rules 3.1 and 3.1A and what steps YOW took to ensure that the information was released promptly and without delay.

YOW made no announcement in relation to the Retrospective Claim until 2.14pm AEDT on Friday 12 January 2018. For the reasons outlined in paragraphs 3 and 4 the Board considered that an announcement prior to formal agreement was not appropriate. YOW believes that it was obliged to release the details of the agreed Retrospective Claim when the Retrospective Claim was finalized. This was not done until 19 January 2018 but, having regard to Listing Rules 3.1 and 3.1A, YOW released the substantive elements of the verbal agreement at 2.14pm AEDT on 12 January 2018.

The fact of an audit adjustment claim by one party to a contractual relationship as part of the ordinary course of a business relationship is not a matter that requires announcement. It is not in any way similar to the commencement of legal proceedings or the threat of litigation, for example. In any event, information regarding the fact of a claim was confidential, concerned the commencement of a (necessarily incomplete) negotiation and would not have been expected to be disclosed to ASX.

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8. Is YOW aware of any customer or customers intending to make or having made a material stock adjustment claim (other than the claims the subject of the Agreed Claims and Payments) against YOW? If so, please provide details.

YOW is not aware of any material stock adjustments claims from other customers. However, there can be no assurance such claims will not arise in the future.

9. Does YOW consider the information in the Guidance Announcement regarding the 11.7% decline in North America net sales to be information that a reasonable person would expect to have a material effect on the price or value of its securities?

No.

10. If the answer to question 9 is “no”, please advise the basis for that view.

If it were the sole data point for YOW’s performance over a six month period, it is possible that the 11.7% decline in North America net sales might have been material. However, in the context of all information, trading history and disclosures to the market the Board was not of the view that the North American H1 2018 shortfall to the prior corresponding period of 11.7% was material to the price or value of YOW securities. It was relevant to the assessment of the revision of the Revenue Guidance.

YOW notes that the market had been kept fully and timely informed of group and North American actual trading net sales performance. On 19 October 2017 YOW disclosed a 7% negative comparison between group Q1 2017 and group Q1 2018 actual trading net sales performance. It also disclosed a 22% negative comparison between North American Q1 2017 actual trading net sales performance and North American Q1 2018 actual trading net sales performance. Against this background, the 11.7% shortfall for the 6 months reflected an overall and significant improvement in actual trading performance in North America during Q2. It is the board’s belief that the revised net sales growth guidance rather than the disclosure of the improvement in North American trading performance compared to Q1 had and could be reasonably expected to have had a material impact on the price or value of YOW’s securities.

The board became aware that there was an actual 11.7% shortfall in North American net sales compared to the prior corresponding half year period subsequent to the half year ended 31 December 2017 and whilst the company was in trading halt. The 11.7% shortfall in North American net sales was disclosed by Yowie in the release to the market prior to the commencement of trading on Wednesday, 3 January 2018.

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11. Please confirm that YOW is in compliance with the Listing Rules and, in particular, Listing Rule 3.1.

YOW confirms that it is in compliance with the Listing Rules and, in particular, Listing Rule 3.1.

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

YOW confirms that its responses to the questions above have been authorised and approved by its board.

Yours sincerely,

A handwritten signature in black ink, appearing to read "N Bassett", with a long horizontal line extending to the right.

Neville Bassett
Company Secretary

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