



ABN 98 084 370 669

April 5, 2016

ASX Market Announcements
ASX Limited
20 Bridge Street
Sydney NSW 2000

NEW PLANT COMMISSIONING AT THE MADELAINE CHOCOLATE COMPANY ON SCHEDULE and UPDATE ON U.S. LITIGATION AND POTENTIAL RELATED CLAIMS BY HENRY M. WHETSTONE, JR.

MADELAINE PLANT COMMISSIONING

In December 2015 **Yowie Group Ltd** (the "**Company**" or "**Yowie**") announced that the Company had significantly expanded its contracted manufacturing capacity in the USA by entering into a long term manufacturing agreement with New York based Madelaine Chocolate Company ("MCC"). The production and capacity features at MCC allow Yowie the opportunity to expand its US rollout and plan for global expansion opportunities.

The new Yowie manufacturing arrangements and Company-owned capsule design have been developed as part of a long term strategic plan to optimize Yowie performance and be well positioned to compete successfully in a competitive global market.

The Company wishes to advise that manufacturing equipment tailored by the Company specifically to utilize the new Yowie capsule design in the production of the new Yowie product has been successfully installed at the MCC facility and is in the process of now being fully commissioned. Production has commenced at the MCC facility with the Angry Birds licensed product, the first product being manufactured on the newly commissioned line.

Yowie has sufficient product inventory to cover production ramp-up at MCC and near term planned growth with significant contingency.

Head Office
Yowie Group Ltd.
Level 45, 108 St Georges Terrace,
Perth WA 6000

PO Box 7315, Perth WA 6850
Phone +61 8 9486 7066
Fax +61 8 9486 8066
ABN 98 084 370 669

With the consolidation of Yowie's US manufacturing activities at MCC, Yowie can confirm that base production potential at MCC's facility is 100 million units per annum. The wrapping capacity for the new Yowie product at MCC's facility, which utilizes a wrapping machine owned by Yowie, is a matter subject to Yowie capex and views on demand. The current installation at MCC has wrapping capacity of 20 million units per annum. Additional wrapping machines can be acquired as needed, including wrapping machines with higher capacities.

As discussed below, Yowie is seeking to recover one of its Rasch wrapping machines from Atlantic Candy Company ("ACC"). If recovery of the wrapping machine is impeded, Yowie is considering purchasing additional wrapping machines, which may include new or refurbished machines with higher capacities than the Rasch machine previously used by Yowie. In the meantime, the Company is well placed to cover volume requirements and has sufficient time to source additional wrapping machines. The layout at MCC's facility allows for easy installation and integration of additional wrappers up to 100 million units per annum.

LITIGATION UPDATE

As previously disclosed, Yowie North America, Inc. ("YNA"), an affiliate of the Company, has brought claims against Whetstone Chocolate Factory, Inc. ("WCF") and ACC for the return of the Rasch "Type FI" wrapping machine ("Wrapper") owned by a Yowie affiliate and located at ACC's facility, as well as for money damages.

On February 26, 2016, the assigned judge, after hearing testimony from both Yowie and ACC, determined that the Wrapper was owned by Yowie and should be returned to Yowie forthwith.

On March 9, 2016, one day before YNA and the Sheriff of St. John's County, Florida were scheduled to remove its spare Wrapper and a small quantity of raw materials from ACC's facility, ACC used a procedural mechanism under Florida law to post a \$562,500 cash bond temporarily preventing YNA from removing its materials from ACC's facility. It is important to note that the presiding Judge in the case ruled that the Wrapper and miscellaneous material belonged to YNA and its affiliates, should be returned to YNA, and that ACC could not use the Wrapper or any material.

Head Office
Yowie Group Ltd.
Level 45, 108 St Georges Terrace,
Perth WA 6000

PO Box 7315, Perth WA 6850
Phone +61 8 9486 7066
Fax +61 8 9486 8066
ABN 98 084 370 669

ACC, as assignee of WCF's rights under the Manufacturing Agreement dated April 24, 2012, between WCF and YNA, as amended (the "Manufacturing Agreement"), filed a counterclaim against YNA on March 16, 2016 (the "Counterclaim") and sent an e-mail communication to YNA on March 17, 2016, alleging that YNA has breached the terms of the Manufacturing Agreement. Henry M. Whetstone, Jr. ("Mr. Whetstone") sent a Notice of Default to YNA on March 22, 2016 (the "Notice of Default"), alleging that YNA is in default under the Patent and Technology License Agreement dated April 24, 2012, between Mr. Whetstone and YNA, as amended (the "License Agreement"). We believe the allegations in the Counterclaim and the Notice of Default are wholly without merit.

Manufacturing Agreement

The Counterclaim alleges that YNA breached the Manufacturing Agreement by failing to provide ACC with a second Rasch "Type FI" wrapping machine. The terms of the Manufacturing Agreement do not require YNA to provide a second wrapping machine until certain production thresholds are met. Since ACC never produced enough product to meet these thresholds, the Company believes YNA is under no obligation to provide a second wrapping machine given that YNA has no intent to place orders with ACC.

The Counterclaim also alleges that YNA breached the Manufacturing Agreement by failing to pay certain invoices for ACC's overhead costs (and further alleges that YNA will continue to be obligated to pay ACC's overhead costs through December 31, 2025 under the Manufacturing Agreement). The terms of the Manufacturing Agreement do not require YNA to pay or reimburse ACC for its overhead costs; rather, the Manufacturing Agreement uses various fixed and variable costs in the calculation of the price of the product ordered by YNA. YNA has paid ACC in full for all product ordered and does not intend to place any further orders under the Manufacturing Agreement. No additional amounts are owed by YNA under the Manufacturing Agreement.

Patent and Technology License Agreement

The Notice of Default alleges that YNA is in default under the License Agreement for failing to pay minimum non-exclusive patent royalties described in Section 5 of the License Agreement. The License Agreement specifies certain amounts YNA may pay in order to maintain non-exclusive rights to use

Head Office
Yowie Group Ltd.
Level 45, 108 St Georges Terrace,
Perth WA 6000

PO Box 7315, Perth WA 6850
Phone +61 8 9486 7066
Fax +61 8 9486 8066
ABN 98 084 370 669

certain patents and technology owned by Mr. Whetstone, but does not require YNA to pay any such amounts if it elects not to renew such rights. YNA does not intend to use Mr. Whetstone's patents or technology in its products moving forward, so it has elected not to renew any rights under the License Agreement. YNA is not in default under the License Agreement and Mr. Whetstone's positions to the contrary are wholly without merit.

We intend to respond directly to ACC and Mr. Whetstone regarding these meritless claims, and we will vigorously defend against them. We also intend to pursue any and all affirmative legal remedies against the Defendants – monetary or otherwise – we determine to be appropriate.

Recent Court Hearing

On Friday 1st April YNA requested a further hearing at which YNA sought a temporary injunction to allow YNA access to remove the Wrapper from ACC's facility. The application for the temporary injunction was denied as the judge found that the cash bond posted by ACC provided YNA protection against any short term damages it may experience as a result of ACC's decision to refuse to return YNA's property. The judge, however, agreed to YNA's request to bi-furcate and expedite the claim for return of the Wrapper and the judge will set that issue for an immediate trial. YNA anticipates that the trial of that matter will be heard in May 2016, at which time the judge will enter a final judgment as to the disposition of the Wrapper and miscellaneous material. Again, this same judge has already determined that the Wrapper belongs to YNA and should be returned to YNA.

In the meantime, the Wrapper will remain at ACC's facility pending trial. ACC has not been enjoined from using the Wrapper in the interim.

The current situation and Mr. Whetstone's response reaffirms the Board's strategy and decision to seek an alternate manufacturing supplier in the early stages of the Company's life cycle. The Company expected and is well prepared to go to trial and has planned for this outcome. Legal opinion was extensively reviewed before taking action to enter into manufacturing arrangements with MCC and to develop the new Yowie capsule design. The Board remains confident of its decision in relation to both issues. Responding to Mr. Whetstone's legal challenge will not impact day-to-day business operations.

Head Office
Yowie Group Ltd.
Level 45, 108 St Georges Terrace,
Perth WA 6000

PO Box 7315, Perth WA 6850
Phone +61 8 9486 7066
Fax +61 8 9486 8066
ABN 98 084 370 669

The Company wishes to thank shareholders for their ongoing support and we look forward to providing further updates as the Yowie brand continues to go from strength to strength in the U.S. market.

Yours sincerely



Wayne Loxton
Executive Chairman
Yowie Group Ltd

About Yowie

Yowie Group Ltd is a global brand licensing company specializing in the development of consumer products designed to promote learning, understanding and engagement with the natural world through the adventures and exploits of six endearing Yowie characters. Educating children and adults about the environment and ecology is at the heart of the Yowie proposition.

Yowie Group employs its company-owned intellectual property rights in the outsourcing of the manufacturing and distribution of the Yowie chocolate confectionery product and in the development of a Yowie digital platform and Yowie branded licensed consumer products. The Company's vision for the Yowie brand includes distribution of Yowie product in North America, with further expansion planned into Australia, New Zealand and throughout Asia, where the Yowie brand is known and brand equity remains strong, even with the brand not having been active in the market for around eight years. Expansion into Europe and the Middle East are key strategic priorities for further brand rollout.

Yowie Group Ltd was first listed on the Australian Securities Exchange www.asx.com.au in December 2012 under code name 'YOW'. The Company's registered head office is in Perth, Western Australia.

For more information on the Company go to www.yowiegroup.com
The Yowie consumer website can be found at www.yowieworld.com

Head Office
Yowie Group Ltd.
Level 45, 108 St Georges Terrace,
Perth WA 6000

PO Box 7315, Perth WA 6850
Phone +61 8 9486 7066
Fax +61 8 9486 8066
ABN 98 084 370 669

