CONSOLIDATED ENTITY

ABN 62 104 600 544

ANNUAL REPORT 2016

FOR THE YEAR ENDED 30 JUNE 2016

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DIRECTORS' REPORT

Your directors present their report on Australian Whisky Holdings Limited consolidated entity ("Group") for the financial year ended 30 June 2016.

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 David Mares
Mr Rohan Boman (Appointed 1 February 2016)
Mr David Yu

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

Operating Results

The loss of the Group for the financial year after providing for income tax amounted to $574,033 (2015: $240,970).

Principal Activities and Significant Change in Nature of Activities

The principal activity of the Group during the financial year was identifying and assessing potential new investment opportunities for the Company's future growth prospects.

There were no other significant changes in the nature of the Group's principal activity during the financial year.

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 2016 (2015: $nil).

Review of Operations

The principal activities and operations of the consolidated entity during the year were investment in equity investment opportunities and financing activities.

During the year the Group has initiated or further implemented several steps of the investment phase of its whisky growth strategy which is aimed at achieving a significant position in the premium quality, craft whisky industry in Australia. The Group has maintained its 31.97% equity in Lark Distillery Pty Ltd and acquired a 12% equity interests in Redlands Estate Distillery. In addition, the Company commenced purchasing selected barrels from individual distilleries, to begin building an inventory of maturing whisky. This is consistent with the Group's longer term strategy of gaining access to premium quality food and beverage product for distribution into China and elsewhere.

DIRECTORS' REPORT (CONTINUED)

i. China business

During the year the Group maintained Chinese operations to the level of minimum presence, and the management continued to investigate other food and beverage opportunities, both within and outside the dairy category.

Financial Position

The net assets of the Group have decreased by $289,193 from 30 June 2015 to net assets of $1,922,830 in 2016. This decrease is largely due to the following factors:

- Operating expenses incurred during the year;
- Interest expenses of $90,663; partially offset by
- Shares issued net of cost of $273,870.

The Group's working capital, being current assets less current liabilities, has increased from net current liabilities of $472,429 in 2015 to $945,994 in 2016.

Significant Changes in State of Affairs

There were no significant changes in the state of affairs of the Group during the financial year.

After Balance Date Events

During August 2016, the Group maintained its investment in Lark Distillery Pty Ltd (Lark) by taking up its 143 entitlement to a new issue and paid $1,070,550 for 3,510 shares. The revised Lark holding will be 13,070 shares of 41,281 shares or 31.66% of the Lark expanded capital post 30 June 2016, 9,560 shares held or 31.97% in Lark as at 30 June 2016.

During August 2016, the Group has issued 200 convertible notes with face value $10,000 to raise $2,000,000 to fund the additional investment in Lark and working capital for the Group. The convertible notes are issued for 6 months with interest rate at 10% per annum and may be extended for another 6 months. The conversion price to ordinary shares is at $0.001 per share.

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.

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:

- Investment in opportunities already identified in other industries and the sale of Australian made premium products into Asia Pacific countries.

- 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.

DIRECTORS' REPORT (CONTINUED)

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	—	1,026,752,520 ordinary shares of Australian Whisky Holdings Limited as at 30 June 2016.
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 David Mares	—	Director Non-executive, appointed 29 September 2014.
Qualifications	—	Bachelor of Commerce, Fellow of Chartered Accountant Australia New Zealand.
Experience	—	Mr Mares has extensive public accounting, corporate governance and corporate services experience.
Interest in Shares and Options	—	37,792,816 ordinary shares of Australian Whisky Holdings Limited held indirectly as at 30 June 2016.
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	—	32,207,267 ordinary shares of Australian Whisky Holdings Limited held indirectly as at 30 June 2016.
Special Responsibilities	—	Member of the Audit Committee and Nomination and Remuneration Committee.
Directorships held in other listed entities	—	None.

Mr David Yu	—	Director (Non-executive), appointed from May 2010.
Qualifications	—	None.
Experience	—	Mr Yu has established several businesses in Australia to complement business interests in China in the areas of finance, travel and retail.
Interest in Shares and Options	—	Mr Yu has beneficiary interests in Aviation Travel Holdings Pty Ltd. 16,523,651 ordinary shares of Australian Whisky Holdings Limited held by Aviation Travel Holdings Pty Ltd as at 30 June 2016.
Special Responsibilities	—	Key relationship holder with local business in Guangdong Province, including dairy company, and integral to China business development.
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. 65,000,000 ordinary shares of Australian Whisky Holdings Limited held by Boman Asset Pty Ltd as at 30 June 2016.
Special Responsibilities	—	Key relationship holder with local business in Tasmania, including whisky industry and enhance the Company purse 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:

Kenneth Lee Company Secretary. Mr Lee is a member of the Institute of Chartered Accountants in England & Wales and has a Masters degree in Business Administration. He was a Director of KPMG Corporate Finance, Sydney. Kenneth was Company Secretary to Berren Limited and manager of the International Wine Fund (formerly Australian Wine & Investment Fund), a listed fund with more than $200 million under management.

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. Option 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.

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

DIRECTORS' REPORT (CONTINUED)

Remuneration Report (Audited) (continued)

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 Financial Officer
Mr Lee has been remunerated for company secretary duties since 1 March 2016.

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 David Yu	Director — Non-Executive
Mr Gary David Mares	Director — Non-Executive
Mr Rohan Boman	Director — Non-Executive , appointed Director – Non-Executive 1 February 2016
Mr Kenneth Lee	Acting Chief Financial Officer & Company Secretary

b. Options and Rights Holdings

No options are held by Key Management Personnel.

c. Shareholdings

Number of shares held by Key Management Personnel

	Balance 1/7/15	Received as Compensation	Options Exercised	Net Change Other (i)	Balance 30/6/16
Key Management Personnel					
Mr Terry Cuthbertson (ii)	1,021,196,964	-	-	5,555,556	1,026,752,520
Mr Peter Herd (iii)	26,651,711	-	-	5,555,556	32,207,267
Mr David Yu (iv)	16,523,651	-	-	-	16,523,651
Mr Kenneth Lee (v)	32,607,671	-	-	-	32,607,671
Mr Gary David Mares (vi)	32,237,260	-	-	5,555,556	37,792,816
Mr Rohan Boman (vii)	-	-	-	65,000,000	65,000,000
	1,129,217,257	-	-	81,666,668	1,210,883,925

(i) Movement related to Shares Purchase Plan in September 2015 except for Mr Rohan movement related to market acquisition and consultant fees paid by share issued to Boman Asset Pty Ltd in November 2015.

(ii) Mr Terry Cuthbertson directly held 20,000 shares and 1,026,732,520 shares indirectly held in the name of Kore Management Services Pty Ltd.

(iii) Mr Peter Herd indirectly held 32,207,267 shares in the name of Byre Pty Ltd.

(iv) Note that Mr David Yu as at 30 June 2016 has beneficial interests in Aviation Travel Holdings Pty Ltd. 16,523,651 ordinary shares held by Aviation Travel Holdings Pty Ltd.

(v) Mr Kenneth Lee indirectly held 32,607,671 shares in the name Lee Superfund Management Pty Ltd.

(vi) Mr Gary David Mares indirectly held 37,792,816 shares in the name of La Herencia Pty Ltd.

(vii) Mr Rohan Boman has beneficial interest in Boman Asset Pty Ltd.

DIRECTORS' REPORT (CONTINUED)

Remuneration Report (Audited) (continued)

Details of Key Personnel Remuneration for the year ended 30 June 2016

The remuneration for the key management personnel during the year was as follows:

2016	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 (i)	18,750	-	-	-	-	**18,750**	-
Mr Kenneth Lee (ii)	12,000	-	-	-	-	**12,000**	-
Total Key Management Personnel	**195,750**	**-**	**-**	**-**	**-**	**195,750**	-

(i) Director fees paid for the period from 1 February 2016 to 30 June 2016.
(ii) Company secretary fees paid for the period from 1 March 2016 to 30 June 2016.

Details of Key Personnel Remuneration for the year ended 30 June 2015

2015	Salary & Fees	Superannuation Contribution	Termination Benefits	Non-Cash Benefits	Options	Total	Performance Related %
	$	$	$	$	$	$	
Mr Terry Cuthbertson	-	-	-	-	-	**-**	-
Mr Peter Herd	-	-	-	-	-	**-**	-
Mr David Yu	-	-	-	-	-	**-**	-
Mr Gary Mares	-	-	-	-	-	**-**	-
Mr Kenneth Lee	-	-	-	-	-	**-**	-
Total Key Management Personnel	**-**	**-**	**-**	**-**	**-**	**-**	-

Options issued as Part of Remuneration for the year ended 30 June 2016

There were no options issued as part of remuneration for the year ended 30 June 2016 (2015: nil).

End of Audited Remuneration Report

DIRECTORS' REPORT (CONTINUED)

Meetings of Directors

During the financial year, 6 meetings of directors (including committees) 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	5	3	1	-	-	-
Mr Peter Herd	5	5	1	1	-	-
Mr David Yu	5	-	1	-	-	-
Mr Gary David Mares	5	4	1	1	-	-
Mr Rohan Boman	1	1	-	-	-	-

* 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 Peter Herd, Mr Kenneth Lee,
  Mr David Yu, Mr Gary David Mares, Mr Rohan Boman

Options

There were no options granted over unissued shares or interest during or since the financial year by the Company or controlled entities.

During the year ended 30 June 2016 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. No shares have been issued since that date.

At the date of this report, the unissued ordinary shares of the Company under option are nil.

DIRECTORS' REPORT (CONTINUED)

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 Ltd (being a related practice to MNSA Pty Ltd) for the year ended 30 June 2016 to the value of $3,180 (2015: $2,000).

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 45 and forms part of this director's report.

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

Terry Cuthbertson
Chairman
Dated this 31st August 2016

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2016

	Note	Consolidated Group 2016 $	Consolidated Group 2015 $
Revenue	2	6,283	1,634
Compliance and professional fees		(407,954)	(148,491)
Administrative expenses		(11,324)	(19,250)
Travel expenses		(42,628)	(16,982)
Insurance expenses		(19,049)	(26,405)
Depreciation and amortization expenses		(3,198)	-
Impairment of investments		(5,500)	(4,500)
Finance costs		(90,663)	(26,976)
Loss before income tax		**(574,033)**	**(240,970)**
Income tax expense	4	-	-
Loss for the year		**(574,033)**	**(240,970)**
Other comprehensive income			
Exchange differences on translating foreign operations		10,970	(26,090)
Other comprehensive income for the period, net of tax		10,970	(26,090)
Total comprehensive income for the period		**(563,063)**	**(267,060)**
Loss for the period attributable to members of the parent entity		**(574,033)**	**(240,970)**
Total comprehensive income for the period attributable to members of the parent entity		**(563,063)**	**(267,060)**
Basic and diluted earnings per share (cents per share)	7	(0.0001)	(0.0001)

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2016

	Note	Consolidated Group 2016 $	2015 $
CURRENT ASSETS			
Cash and cash equivalents	8	409,326	43,334
Trade and other receivables	9	62,853	15,111
Inventories	12	320,809	-
Other current assets	10	2,089	3,064
TOTAL CURRENT ASSETS		**795,077**	**61,509**
NON-CURRENT ASSETS			
Financial assets	13	3,041,631	2,684,452
Intangible assets	14	27,193	-
TOTAL NON-CURRENT ASSETS		**3,068,824**	**2,684,452**
TOTAL ASSETS		**3,863,901**	**2,745,961**
CURRENT LIABILITIES			
Trade and other payables	15	402,278	267,745
Short-term provisions	16	16,193	16,193
Financial liabilities	17	1,322,600	250,000
TOTAL CURRENT LIABILITIES		**1,741,071**	**533,938**
NON-CURRENT LIABILITIES			
Financial liabilities	17	**200,000**	**-**
TOTAL NON-CURRENT LIABILITIES		**200,000**	**-**
TOTAL LIABILITIES		**1,941,071**	**533,938**
NET ASSETS		**1,922,830**	**2,212,023**
EQUITY			
Issued capital	18	24,061,258	23,787,388
Reserves	19	113,903	102,933
Accumulated losses		(22,252,331)	(21,678,298)
TOTAL EQUITY		**1,922,830**	**2,212,023**

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2016

			Reserves		
Consolidated Group	Issued Capital	Accumulated Losses	Share Options	Foreign Exchange	Total
	$	$	$	$	$
Balance at 1 July 2014	**23,453,947**	**(21,437,328)**	**-**	**129,023**	**2,145,642**
Total comprehensive income for the period	**-**	(240,970)	-	(26,090)	(267,060)
Shares issued during the year	366,045	-	-	-	366,045
Shares issue cost	(32,604)	-	-	-	(32,604)
Balance at 30 June 2015	**23,787,388**	**(21,678,298)**	**-**	**102,933**	**2,212,023**
Total comprehensive income for the period	**-**	(574,033)	-	10,970	(563,063)
Shares issued during the year	313,010	-	-	-	313,010
Shares issue cost	(39,140)	-	-	-	(39,140)
Balance at 30 June 2016	**24,061,258**	**(22,252,331)**	**-**	**113,903**	**1,922,830**

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2016

	Note	Consolidated Group 2016 $	2015 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		-	-
Payments to suppliers and employees		(410,276)	(193,771)
Interest received		6,283	1,634
Finance cost		(70,871)	(152,127)
Inventory		(320,809)	-
Net cash used in operating activities	23a	**(795,673)**	**(344,264)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Payment for Investments		(354,414)	(119,565)
Payment for intangible assets		(30,391)	-
Net cash (used in)/provided by investing activities		**(384,805)**	**(119,565)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		313,010	366,045
Shares issue cost		(39,140)	(32,604)
Repayment of borrowings		-	(415,518)
Proceeds from borrowings		1,272,600	200,000
Net cash provided by financing activities		**1,546,470**	**117,923**
Net (decrease)/increase in cash and cash equivalents held		365,992	(345,906)
Cash and cash equivalents at start of year		43,334	389,240
Cash and cash equivalents at end of year	8	**409,326**	**43,334**

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

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 31 August 2016.

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 polices 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 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.

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2016

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

b. **Income Tax (Continued)**

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.

As all the controlled entities are foreign companies Australian Whisky Holdings Limited has not formed a tax consolidated group under the tax consolidation regime.

c. **Plant and equipment**

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

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.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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 all unlisted securities, including recent arm’s length transactions, reference to similar instruments and option pricing models.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2016

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

e. **Financial Instruments (continued)**

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.

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. **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 patents expired on 12 June 2012. The carrying amount of patents and acquired rights are reviewed annually to ensure they do not exceed the recoverable amount.

i. **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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2016

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

i. Foreign Currency Transactions and Balances (continued)

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.

j. 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2016

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

k. **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.

l. **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.

m. **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).

n. **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.

o. **Comparative Figures**

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2016

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

p. **Inventories**

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

q. **Going concern**

The financial report has been prepared on the basis of a going concern notwithstanding, the consolidated group incurred a loss of $574,033 and had net cash used in operating activities of $795,673 during the year ended 30 June 2016, and had net deficiency in current assets of $945,994 at 30 June 2016. The cash flow projections of the consolidated entity evidence that the consolidated entity will require positive cash flows from additional capital funds or financing to continue operations. The Directors anticipate the funding provided will be sufficient to cover its liabilities when they fall due.

The consolidated group's ability to continue as a going concern is contingent upon successfully raising additional capital. Whilst the directors are confident of raising funds either through a capital raising or financing, should the need arise, if additional funds are not generated or raised, the going concern basis may not be appropriate. As a result the consolidated group may have to realise its assets and discharge its liabilities, other than in the ordinary course of business and in amounts different from those stated in the financial report. No allowance for such circumstances has been made in the financial report.

Whilst there is material uncertainty, 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 future fund raising, 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.

r. **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 intangibles – Patents

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2016

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

r. **Critical accounting estimates and judgments (continued)**

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.

s. **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.

t. **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.

Although the directors anticipate that the adoption of AASB 9 may have an impact on the Group’s financial instruments, including hedging activity, it is impracticable at this stage to provide a reasonable estimate of such impact.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2016

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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.

The Company is currently at its investment stage of the business and it is impracticable at this stage to provide a reasonable estimate of such impact.

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.

This standard has no impact as the Company has no leases.

NOTE 2: REVENUE

	Note	Consolidated Group	
		2016	2015
		$	$
Operating activities:			
— interest income – other persons		6,283	1,634
Total Revenue		**6,283**	**1,634**

NOTE 3: LOSS BEFORE INCOME TAX EXPENSE

Loss before income tax has been determined after:

Rental expense on property	(1,200)	(13,200)
Other expenses:		
— Legal fees	(9,022)	(24,908)
Loss on investments	(5,500)	(4,500)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2016

NOTE 4: INCOME TAX EXPENSE

	Consolidated Group 2016 $	2015 $
The prima facie tax on loss before income tax is reconciled to income tax as follows:		
a. Prima facie tax receivable on loss at 30% (2015*:* 30%)	(172,210)	(72,291)
Add:		
Tax effect of:		
— non-deductible amortization	-	-
— other non-allowable items	2,609	1,350
Less:		
Tax effect of:		
— foreign currency exchange profit not subject to income tax	-	-
— other allowable items	(4,067)	(163,857)
Tax effect of deferred tax assets not brought to account	173,668	234,798
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 $19,026,327 (2015: $18,828,320) 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 2016

NOTE 5: AUDITORS' REMUNERATION

	Consolidated Group	
	2016	2015
	$	$
a. Remuneration of the auditor of the parent entity (MNSA Pty Ltd) for:		
— auditing and reviewing the financial statements	38,000	38,000
b. Remuneration for non-audit services of the parent entity (MNSA Financial Services Pty Ltd – paid to a related practice)		
— Tax	3,180	2,000

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	
	$	$
	2016	2015
a. Reconciliation of earnings to net loss		
Net loss for the year	(574,033)	(240,970)
Earnings used in the calculation of basic and diluted EPS	(574,033)	(240,970)
b. Applying AASB 133:		
Weighted average number of ordinary shares outstanding during the year used in calculation of basic EPS	4,596,798,575	4,122,491,384
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	4,596,798,575	4,122,491,384

NOTE 8: CASH AND CASH EQUIVALENTS

Cash at bank and in hand	409,326	43,334

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	**409,326**	**43,334**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2016

NOTE 9: TRADE AND OTHER RECEIVABLES

	Note	Consolidated Group	
		$	$
		2016	2015
CURRENT			
Trade receivables		-	572
Provision for doubtful debts	9a	-	-
		-	572
Term receivables		-	9,000
Other receivables		62,853	5,539
Provision for impairment of other receivables		-	-
		62,853	**15,111**

a. Provision for Impairment of Receivables

Current trade and term receivables are non-interest bearing loans and generally on 60 day terms. A provision for impairment is recognised when there is objective evidence that an individual trade or term receivable is impaired. These amounts have been included in the administrative expense items in the statement of Profit or Loss and other Comprehensive Income.

Movement in the provision for impairment of receivables is as follows:

	Opening Balance 1.07.2015	Charge for the Year	Amounts Written Off	Closing Balance 30.06.2016
	$	$	$	$
Consolidated Group				
Current trade receivable	-	-	-	-
	-	**-**	**-**	**-**

The aging of trade and other receivables are within 30 days.

NOTE 10: OTHER CURRENT ASSETS

Prepayments	2,089	3,064

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2016

NOTE 11: CONTROLLED ENTITIES

a. Controlled Entities	Country of Incorporation	Percentage Owned	
		2016	2015
Parent Entity:			
Australian Whisky Holdings Limited			
Subsidiaries of Australian Whisky Holdings Limited:			
— Beijing Montec Commercial Limited	China	100%	100%
— Montec International (HK) Limited	Hong Kong	100%	100%

b. Controlled Entities Acquired

No controlled entities acquired during the year ended 30 June 2016.

NOTE 12: INVENTORIES

	Consolidated Group	
	2016	2015
	$	$
Barrels of whisky	320,809	-

NOTE 13: FINANCIAL ASSETS

CURRENT		
Loan – Ellsar Investments Pty Ltd (i)	398,212	398,212
Provisions for Impairment of Investment	(398,212)	(398,212)
	-	**-**
NON CURRENT		
Investments – Lark Distillery Pty Limited (ii)	2,723,887	2,684,452
Investments – Redlands Estate Distillery (iii)	300,000	-
Investments – Others	14,978	-
Other long term receivables	2,766	-
	3,041,631	2,684,452

NOTE 13: FINANCIAL ASSETS (Continued)

(i) The term of the loan agreement is for 18 months, with interest at 8% per annum payable quarterly in arrears. The Company may require Ellsar Investments Pty Ltd ("Ellsar") to repay the loan amount by either:

- issue the Company such number of shares as is required to satisfy the loan amount and any outstanding interest at a deemed issue price of $0.0000001 each; or
- exercising a call option to acquire all of the issued capital of Ellsar at a purchase price of $1.00.

The loan amount is fully impaired as at 30 June 2016.

(ii) During the financial year the Group maintain its ownership interest in Lark Distillery Pty Limited (Lark), a Tasmanian based whisky distillery.

At 30 June 2016, the investment in Lark is recorded at cost, with no impairment.

The directors have determined that, although the Company holds in excess of 20% ownership and has one director of six directors on the Board, the Group does not control Lark or have significant influence over the operating and financial decisions of Lark.

Having regard to the acquisition of shares in Lark in January 2014 and a further subscription for shares in March 2015 by the Group no impairment charge has been made at 30 June 2016.

In considering matters relating to impairment the directors have taken into account:

a. The acquisition of shares at the cost equivalent to that of the Group by non-associated third parties to the Group & Lark in March 2015;
b. The improved operating performance of Lark in the period subsequent to acquisition by the Group;
c. Lark receiving the Telstra Tasmanian Business of the year Award Winner for 2014 and being awarded the Telstra National Small Business Award Winner for 2014.

During August 2016, the Group participated in a rights issue offered by Lark, to fund expansion activities and the acquisition of new plant and equipment.

(iii) During March 2016, the Group acquired 12% ownership interest for $300,000 in Redlands Estate Distillery (Redlands) based in Tasmania, the only paddock to bottle single malt whisky distiller in Australia.

At 30 June 2016, the investment in Redlands is recorded at cost, with no impairment.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2016

NOTE 14: INTANGIBLE ASSETS

	Consolidated Group 2016 $	Consolidated Group 2015 $
Patents at cost	3,423,601	3,423,601
Accumulated amortisation	(1,686,348)	(1,686,348)
Impairment write down of patents	(1,737,253)	(1,737,253)
	-	-
Whisky Barrel Fund	30,391	-
Accumulated amortisation	(3,198)	-
Total Intangible Assets	**27,193**	**-**

	Whisky Barrel Fund $	Total $
Consolidated Group		
Year ended 30 June 2015		
Balance at the beginning of year	-	-
Amortisation charge	-	-
Closing value at 30 June 2015	-	-
Year ended 30 June 2016		
Balance at the beginning of year	-	-
Purchases of intangible assets	30,391	30,391
Amortisation charge	(3,198)	(3,198)
Closing value at 30 June 2016	27,193	27,193

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2016

NOTE 14: INTANGIBLE ASSETS (CONTINUED)

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.

NOTE 15: TRADE AND OTHER PAYABLES

	Consolidated Group	
	2016	2015
	$	$
CURRENT		
Unsecured liabilities		
Trade creditors	222,752	89,545
Sundry creditors and accrued expenses	179,526	178,200
	402,278	**267,745**

NOTE 16: SHORT-TERM PROVISIONS

CURRENT		
Redundancy Provision	**16,193**	**16,193**

NOTE 17: FINANCIAL LIABILITIES

CURRENT		
Loan – Kore Management Services Pty Ltd (i)	200,000	200,000
Loan – Kore Management Services Pty Ltd (ii)	50,000	50,000
Loan – Quality Life Pty Ltd (iii)	1,000,000	-
Loan – Kore Management Services Pty Ltd (iv)	72,600	-
	1,322,600	**250,000**
NON-CURRENT		
Loan – JB Trust (v)	**200,000**	**-**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2016

NOTE 17: FINANCIAL LIABILITIES (CONTINUED)

(i) The loan was advanced by Kore Management Services Pty Ltd with interest rate at 12% until such time shareholders' approval is obtained to convert at the same term as the other noteholder in note(ii). The directors propose to seek shareholders' approval at the 2016 Annual General Meeting of the Company to convert the loan to shares in the Company

(ii) The Convertible note agreement is between Kore Management Services Pty Ltd and the Company. The convertible notes agreement of $50,000 was to provide working capital needs of the Company. The convertible note was issued for 6 months with interest rate at 12% per annum or 15% per annum if the maturity date is extended by three months and converted to ordinary shares at $0.001 per share. The directors propose to seek shareholders' approval at the 2016 Annual General Meeting of the Company to convert the convertible note to shares in the Company

(iii) The Convertible Note Agreement between Quality Life Pty Ltd and the Company. The convertible note agreement of $1,000,000 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. 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.

(iv) The loan was advanced by Kore Management Services Pty Ltd with interest rate at 12% until such time shareholders' approval is obtained to convert at the same term as the other noteholder in note (ii).

(v) 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 capitalised interest into an investment in the Whisky Barrel Fund.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2016

NOTE 18: ISSUED CAPITAL

		Consolidated Group 2016 $	Consolidated Group 2015 $
4,596,798,575 (2015: 4,255,687,448) fully paid ordinary shares	18a	**24,061,258**	**23,787,388**
a. Ordinary shares			
At the beginning of the reporting period		23,787,388	23,453,947
Share movements during the year:			
- Shares Issue of 132,126,591 ordinary shares at $0.001 per share on 29/09/2014		-	132,127
- Shares Issue of 233,918,281 ordinary shares at $0.001 per share on 5/12/2014		-	233,918
- Rights Issue of 2,830,385,483 ordinary shares at $0.001 per share on 28/5/2014		-	-
- Shares Issue of 281,111,127 ordinary shares at $0.0009 per share on 19/10/2015		253,010	-
- Shares Issue of 60,000,000 ordinary shares at $0.001 per share on 27/11/2015		60,000	-
- Share issue costs		(39,140)	(32,604)
At reporting date		**24,061,258**	**23,787,388**

	Consolidated Group 2016 No.	Consolidated Group 2015 No.
b. Number of ordinary shares		
At the beginning of reporting period	4,255,687,448	3,889,642,576
Shares issued during the financial year ended 30 June 2016:		
- Shares Issue of 281,111,127 ordinary shares at $0.0009 per share on 19/10/2015	281,111,127	-
- Shares Issue of 60,000,000 ordinary shares at $0.001 per share on 27/11/2015	60,000,000	-
Shares issued during the financial year ended 30 June 2015:		
- Shares Issue of 132,126,591 ordinary shares at $0.001 per share on 29/09/2014	-	132,126,591
- Shares Issue of 233,918,281 ordinary shares at $0.001 per share on 5/12/2014	-	233,918,281
At reporting date	**4,596,798,575**	**4,255,687,448**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2016

NOTE 18: ISSUED CAPITAL (CONTINUED)

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.

NOTE 19: RESERVES

a. Foreign Currency Translation Reserve

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

NOTE 20: CAPITAL AND LEASING COMMITMENTS

The Group had no capital lease commitments during the financial year ended 30 June 2016 and previous financial year ended 30 June 2015.

NOTE 21: 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 2016

NOTE 22: 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 investing in Lark and Redlands, forms part of 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.

Segment liabilities

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2016

NOTE 22: SEGMENT REPORTING (CONTINUED)

	Australia	China	Eliminations	Consolidated Group
	$	$	$	$
2016				
REVENUE				
Interest income	6,283	-	-	6,283
Total segment revenue	6,283	-	-	6,283
Total revenue				6,283
SEGMENT RESULT				
Expenses	(575,339)	(4,977)	-	(580,316)
Loss before income tax expense	**(569,056)**	**(4,977)**		**(574,033)**
Income tax expense				-
Loss after income tax expense				**(574,033)**
ASSETS				
Segment assets	3,793,991	69,910	-	3,863,901
Total assets	3,793,991	69,910	-	3,863,901
LIABILITIES				
Segment liabilities	1,859,964	599,882	(518,775)	1,941,071
Total liabilities	1,859,964	599,882	(518,775)	1,941,071
OTHER				
Depreciation and amortisation of segment assets	3,198	-	-	3,198
OTHER NON-CASH SEGMENT EXPENSES				
Loss on investments	5,500	-	-	5,500

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2016

NOTE 22: SEGMENT REPORTING (CONTINUED)

	Australia	China	Eliminations	Consolidated Group
	$	$	$	$
2015				
REVENUE				
Interest income	1,634	-	-	1,634
Total segment revenue	1,634	-	-	1,634
Total revenue				1,634
SEGMENT RESULT				
Expenses	(238,921)	(3,683)	-	(242,604)
Loss before income tax expense	**(237,287)**	**(3,683)**		**(240,970)**
Income tax expense				-
Loss after income tax expense				**(240,970)**
ASSETS				
Segment assets	2,744,945	1,016	-	2,745,961
Total assets	2,744,945	1,016	-	2,745,961
LIABILITIES				
Segment liabilities	447,084	547,120	(460,266)	533,938
Total liabilities	447,084	547,120	(460,266)	533,938
OTHER				
Depreciation and amortisation of segment assets	-	-	-	-
OTHER NON-CASH SEGMENT EXPENSES				
Loss on investments	4,500	-	-	4,500

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2016

NOTE 23: CASH FLOW INFORMATION

	Consolidated Group	
	2016	2015
	$	$
a. Reconciliation of Cash Flow from Operations with loss after Income Tax		
Loss after income tax	(574,033)	(240,970)
Non-cash flows in loss		
Foreign exchange	18,460	(98,228)
Depreciation	3,198	-
Impairment of investments	-	-
Other non cash items	-	-
Changes in assets and liabilities, net of the effects of purchase and disposal of subsidiaries		
(Increase)/Decrease in trade and other receivables	(45,809)	28,305
Decrease in prepayments	975	323
(Increase)/Decrease in inventories	(320,809)	-
Increase/(Decrease) in trade creditors and accruals	122,345	(33,694)
Cash flow used in operations	**(795,673)**	**(344,264)**

NOTE 24: EVENTS SUBSEQUENT TO REPORTING DATE

During August 2016, the Group maintained its investment in Lark Distillery Pty Ltd (Lark) by taking up its 143 entitlement to a new issue and paid $1,070,550 for 3,510 shares. The revised Lark holding will be 13,070 shares of 41,281 shares or 31.66% of the Lark expanded capital post 30 June 2016, 9,560 shares held or 31.97% in Lark as at 30 June 2016.

During August 2016, the Group has issued 200 convertible notes with face value $10,000 to raise $2,000,000 to fund the additional investment in Lark and working capital for the Group. The convertible notes are issued for 6 months with interest rate at 10% per annum and may be extended for another 6 months. The conversion price to ordinary shares is at $0.001 per share.

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 2016

NOTE 25: RELATED PARTY TRANSACTIONS

	Consolidated Group	
	2016	2015
	$	$
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.		
ii. Director-related Entities		
During the year ended 30 June 2016, the Company had terminated the month to month rental lease to South American Iron and Steel Limited (SAY) in which Mr Terry Cuthbertson also holds the position of non-executive chairman. (2015: $12,000)	-	12,000
iii. Key Management Personnel		
No other related party transactions with directors or executives of Australian Whisky Holdings Limited or controlled entities occurred during the financial year ended 30 June 2016.		
iv. Share Transactions of Key Management Personnel		
Share transactions of directors during the financial year ended 30 June 2016 were:		
- Mr Peter Herd subscribed 5,555,556 shares through the Shares Purchase Plan in the name of Byre Pty Ltd	5,000	-
- Mr Terry Cuthbertson subscribed 5,555,556 shares through the Shares Purchase Plan in the name of Kore Management Services Pty Ltd	5,000	-
- Mr Gary David Mares subscribed 5,555,556 shares through the Shares Purchase Plan in the name of La Herencia Pty Limited	5,000	-
Share transactions of directors during the financial year ended 30 June 2015 were:		
- Mr Peter Herd received 801,096 shares for interest on convertible notes in the name of Byre Pty Ltd	-	801
- Mr Terry Cuthbertson received 282,997,733 shares for repayment of loan and interest in the name of Kore Management Services Pty Ltd	-	282,998
- Mr Gary David Mares received 1,637,260 shares for interest on convertible notes in the name of La Herencia Pty Limited	-	1,637

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2016

NOTE 26: 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 2016.

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 2016

NOTE 26: FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

	Weighted Average Effective Interest Rate		Floating Interest Rate		Non-interest Bearing		Total	
			$		$		$	
	2016	2015	2016	2015	2016	2015	2016	2015
Financial Assets:								
Cash	1.25%	1.50%	409,326	43,334	-	-	409,326	43,334
Trade and other receivables	-	-	-	-	62,853	15,111	62,853	15,111

	Fixed Interest Rate		Total	
			$	
	2016	2015	2016	2015
Financial Assets:				
Loan – Ellsar Investments Pty Ltd	8%	8%	-	-
Financial Liabilities:				
Loan – Quality Life Pty Ltd	12%	-	1,000,000	-
Loan – Kore Management Services Pty Ltd	12%	12%	322,600	250,000
Loan – JB Trust	9%	-	200,000	-

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

	Consolidated Group	
	2016	2015
	$	$
Less than 6 months	182,644	58,935
Over 6 months	219,634	208,810
	402,278	**267,745**

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2016

NOTE 26: FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

Interest Rate Sensitivity Analysis

At 30 June 2016, 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	
	2016	2015
	$	$
Change in profit		
- Increase in interest rate by 2%	126	33
- Decrease in interest rate by 2%	(126)	(33)
Change in equity		
- Increase in interest rate by 2%	126	33
- Decrease in interest rate by 2%	(126)	(33)

Foreign Currency Risk Sensitivity Analysis

At 30 June 2016, 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:

	Consolidated Group	
	2016	2015
	$	$
Change in profit		
- Improvement in AUD to RMB by 5%	(249)	(184)
- Decline in AUD to RMB by 5%	249	184
Change in equity		
- Improvement in AUD to RMB by 5%	(249)	(184)
- Decline in AUD to RMB by 5%	249	184

NOTE 27: ECONOMIC DEPENDENCY

Australian Whisky Holdings Limited is dependent on dividend revenue being generated from its investment in Lark Distillery Pty Limited & other related business investments.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2016

NOTE 28: AUSTRALIAN WHISKY HOLDINGS LIMITED PARENT COMPANY INFORMATION

	2016 $	2015 $
Parent entity		
ASSETS		
Current Assets	727,207	59,885
Non-current assets	3,134,825	2,684,452
TOTAL ASSETS	**3,862,032**	**2,744,337**
LIABILITIES		
Current liabilities	337,365	447,084
Non-current liabilities	1,522,600	-
TOTAL LIABILITIES	**1,859,965**	**447,084**
EQUITY		
Issued capital	24,061,258	23,787,388
Retained earnings	(22,069,983)	(21,500,927)
Share options reserves	-	-
Foreign currency revaluation reserves	10,792	10,792
TOTAL EQUITY	**2,002,067**	**2,297,253**
FINANCIAL PERFORMANCE		
Loss for the year	(569,056)	(237,287)
Other comprehensive income	-	-
TOTAL COMPREHENSIVE INCOME	**(569,056)**	**(237,287)**

GUARANTEES IN RELATION TO THE DEBTS OF SUBSIDIARIES

No guarantees provided under the deed of cross guarantee.

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 2016.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2016

NOTE 29: COMPANY DETAILS

The registered office of the Company is:

Australian Whisky Holdings Limited
Level 10, 8-10 Loftus Street
Sydney NSW 2000 Australia

The principal places of business are:

Australian Whisky Holdings Limited
Level 10, 8-10 Loftus Street,
Sydney NSW 2000

Beijing Montec Commercial Limited
Beijing China
Room 320, Ju An Office Building,
18 Bai Zi Wan Road,
Chaoyang District
Beijing PRC 100022

Montec International (HK) Limited
C/O Sky Trend Accounting Services Centre
Office H, 12/F King Palace Plaza,
No. 55 King Yip Street,
Kwun Tong, Kowloon, Hong Kong

DIRECTORS' DECLARATION

The directors of the Company declare that:

1. The financial statements and notes, as set out on pages 11 to 43 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 2016 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 31st August 2016

Sydney | Melbourne | Canberra

AUSTRALIAN 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 2016 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 31st day of August 2016

MNSA Pty Ltd
ABN 59 133 605 400

Level 1, 283 George St
Sydney NSW 2000
GPO Box 2943 Sydney 2001

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Email admin@mnsa.com.au

Sydney | Melbourne | Canberra

MNSA

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

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

Report on the Financial Report

We have audited the accompanying financial report of Australian Whisky Holdings Limited, which comprises the consolidated statement of financial position as at 30 June 2016, 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 of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the 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*, that the financial statements comply with International Financial Reporting Standards (IFRS).

Auditor's Responsibility

Our responsibility 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 judgment, 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 control relevant to the entity's preparation and fair presentation of the financial report 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 control. 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.

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

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

MNSA Pty Ltd
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MNSA

Auditor's Opinion

In our opinion:

a) the financial report of Australian Whisky Holdings Limited is in accordance with the *Corporations Act 2001*, including:

   i. giving a true and fair view of the consolidated entity's financial position as at 30 June 2016 and of its performance for the year ended on that date; and

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

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

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1(q) in the financial report which indicates that the consolidated entity incurred a net loss of $574,033; net cash used in operating activities of $795,673 and a net current asset deficiency of $945,994 for the year ended 30 June 2016. These conditions, along with other matters as set forth in Note 1(q), indicate the existence of a material uncertainty which may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore, the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business, and at the amounts stated in the financial report.

Report on the Remuneration Report

We have audited the remuneration report included in the directors' report for the year ended 30 June 2016. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with s 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.

Auditor's Opinion

In our opinion the remuneration report of Australian Whisky Holdings Limited for the year ended 30 June 2016 complies with s 300A of the *Corporations Act 2001*.

MNSA Pty Ltd

MNSA Pty Ltd

Mark Schiliro
Sydney

Dated this 31st day of August 2016

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ABN 59 133 605 400

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CORPORATE GOVERNANCE STATEMENT

The Board has reviewed its compliance with the Second Edition of the Australian Securities Exchange (ASX) Corporate Governance Council's Principles and Recommendations. All the good practice recommendations of the ASX Corporate Governance Council have been applied for the entire financial year ended 30 June 2016. Each of the eight principles are listed below.

Recently ASX Corporate Governance Council released amendments on 30 June 2010 to the Second Edition of the Corporate Governance Principles and Recommendations in relation to diversity, remuneration, trading policies and briefings. As the Company's activities develop in size, nature and scope, the changes will be given further consideration.

Principle 1 – Lay solid foundations for management and oversight by the Board

Board Roles and Responsibilities

The Board is first and foremost accountable to provide value to its shareholders through delivery of timely and balanced disclosures.

The roles and responsibilities of the Board include:

- defining and monitoring the strategic direction of the Company;
- reviewing and ratifying systems of risk management and internal compliance and control, codes of conduct and legal compliance;
- reviewing and approving business plans, operating plans (including the annual budget) and funding plans;
- appointment or removal of the company's auditors, evaluation of auditor performance and independence;
- appointment and performance assessment of the chair, executive directors, non-executive directors, managing director, chief financial officer and company secretary;
- reviewing and approving financial and other reporting; and
- ensuring appropriate reporting to shareholders.

Principle 2 – Structure of the Board to add value

Board Composition

The skills, experience and expertise relevant to the position of each director who is in office at the date of the annual report and their term of office are detailed in the directors' report.

The Board is currently comprised of four independent non-executive directors and one non-executive director.

When determining whether a non-executive director is independent the director must not fail any of the following materiality thresholds:

- less than 10% of company shares are held by the director and any entity or individual directly or indirectly associated with the director;

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

- no sales are made to or purchases made from any entity or individual directly or indirectly associated with the director; and
- none of the directors' income or the income of an individual or entity directly or indirectly associated with the director is derived from a contract with any member of the economic entity other than income derived as a director of the entity.

Independent directors have the right to seek independent professional advice in the furtherance of their duties as directors at the company's expense. Written approval must be obtained from the chair prior to incurring any expense on behalf of the company.

The Board has established two committees to assist in the execution of its duties. Audit Committee and Nomination and Remuneration Committee. The names of the members of the committees and their attendance at meetings of committee are detailed in the Directors' Report.

Audit Committee

The audit committee consists of three independent non-executive directors. The chief financial officer attends audit committee meetings as an invitee.

Nomination and Remuneration Committee

The nomination and remuneration committee consists of three independent non-executive directors. The names of the members of the remuneration committee and their attendance at meetings of the committee are detailed in the directors' report.

There are no schemes for retirement benefits other than statutory superannuation for non-executive directors.

Principle 3 – Promote ethical and responsible decision-making

Ethical Standards

The Board acknowledges and emphasizes the importance of all directors and employees maintaining the highest standards of corporate governance practice and ethical conduct.

A code of conduct has been established requiring directors and employees to:

- act honestly and in good faith;
- exercise due care and diligence in fulfilling the functions of office;
- avoid conflicts and make full disclosure of any possible conflict of interest;
- comply with the law;
- encourage the reporting and investigating of unlawful and unethical behaviour; and
- comply with the share trading policy outlined in the Code of Conduct.

Directors are obliged to be independent in judgment and ensure all reasonable steps are taken to ensure due care is taken by the Board in making sound decisions.

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

Diversity Policy

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.

Trading Policy

The company's policy regarding directors and employees trading in its securities is set by the board of directors. The policy restricts directors and senior management to trading in the Company's shares during the one month periods followings the annual and half yearly results announcements and the Annual General Meeting. At all other times the Chairman must be approached, prior to trading, to determine whether trading at that particular time is appropriate.

Principle 4 – Safeguard integrity in financial reporting

Reporting standards

The financial statements of the Company are produced in accordance with Australian International Financial Reporting Standards, other authoritative pronouncements of the Australian Accounting Interpretations, Australian Accountings Standards Board and the *Corporations Act 2001*. The financial statements and reports are subject to review every half year and the auditor issues an audit opinion accompanying the full year results for each financial year.

External auditors

The Company policy is to appoint external auditors who clearly demonstrate quality and independence. The performance of the external auditor is reviewed annually, taking into consideration assessment of performance, existing value and tender costs. MNSA Pty Ltd have been appointed as the external auditors.

Fees paid to external auditors, including a breakdown of fees for non-audit services, is provided in Note 5 to the financial statements.

Management Representation to Board

Prior to the Directors approving these financial statements, the Group Chief Executive Officer and the Group Chief Financial Officer have provided a formal written representation stating to the Board that:

- the financial records of Australian Whisky Holdings Limited have been properly maintained;
- the Financial Statement complies with all relevant accounting standards; and
- the Financial Statement give a true and fair view.
- Operating efficiency, effectiveness of the Company's risk management and internal compliance and control system are being maintained.

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

Principle 5 – Make timely and balanced disclosure

Continuous Disclosure

The Corporations Act 2001 and the ASX Listing Rules require that a Company discloses to the market matters which could be expected to have a material effect on the price or value of the Company's securities. Management procedures are in place throughout the Company to ensure that all material matters which may potentially require disclosure are promptly reported to the Chief Executive Officer, through established reporting lines. Matters reported are assessed and, where required by the Listing Rules, advised to the market. Advice will be sought from the Board on the requirements for disclosure of information to the market. The Company Secretary is responsible for communications with the ASX and for ensuring that such information is not released to any person until the ASX has confirmed its release to the market.

Principle 6 – Respect the rights of shareholders

Shareholder Rights

Shareholders are entitled to vote on significant matters impacting on the business, which include the election and remuneration of directors, changes to the constitution and receipt of annual and interim financial statements. Shareholders are strongly encouraged to attend and participate in the Annual General Meetings of Australian Whisky Holdings Limited, to lodge questions to be responded by the Board and/or the Managing Director, and are able to appoint proxies.

Communications

In order to properly carry out its responsibility to govern on behalf of the Shareholders, the Board recognizes the importance of Shareholders receiving relevant information in a timely manner. Shareholders receive information from the Company through distribution of the Annual Report, the Notice of Annual General Meeting, and through the release of business updates and other relevant significant announcements to the ASX and on the Company's website. Copies of all public releases are posted on the Company's website together with the Company's Annual Report.

Principle 7 – Recognise and manage risk

Risk Management

The entire board and Audit Committee oversees credit, market (traded and non-traded), funding and liquidity, operational and strategic business, business continuity, compliance and security risks assumed by the Company in the course of carrying on its business. In performing its oversight functions, the Board and Audit Committee has access to such internal and external advisers as it deems appropriate to assist it in performing those functions.

The Company has in place an integrated risk management framework to identify, assess, manage and report risks and risk adjusted returns on a consistent and reliable basis.

A full description of the functions of the framework and the nature of the risks is set out in Note 26 to the Financial Statements.

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

Principle 8 – Remunerate fairly and responsibly

Remuneration Policies

The remuneration policy, which sets the terms and conditions for the key management personnel has been reviewed by the remuneration committee and approved by the board. Executives receive a base salary, superannuation and fringe benefits. The remuneration committee reviews executive packages annually by reference to Company performance, executive performance, comparable information from industry sectors and other listed companies and independent advice. The policy is designed to attract the highest caliber executives and reward them for performance which results in long-term growth in shareholder value.

Executives may also be invited to participate in the employee option arrangements.

The amount of remuneration for all directors and other key management personnel, including all monetary and non-monetary components, are detailed in Directors' Report. All remuneration paid to executives is valued at the cost to the Company and expensed. Options are valued using the Black-Scholes Option Pricing Model.

The board expects that the remuneration structure implemented will result in the Company being able to attract and retain the best executives to run the economic entity. It will also provide executives with the necessary incentives to work to grow long-term shareholder value.

The payment of share options and other incentive payments are reviewed by the remuneration committee annually as part of the review of executive remuneration and a recommendation is put to the board for approval. All options and incentives are linked to predetermined performance criteria. The board can exercise its discretion in relation to approving incentives and options and can recommend changes to the committee's recommendations. Any change to the terms of issue must be justified by reference to measurable performance criteria.

Performance Evaluation

The Company did not undertake a performance evaluation for its executives and Directors during the financial year. As a consequence of the level of the Company's operations during the financial year, the Company did not undertake a formal evaluation of the performance of the Board, individual Directors and key executives.

ADDITIONAL INFORMATION

1. Shareholding

a. Distribution of Shareholders Number as at 26 October 2016

Category (size of Holding)	Number of Holders
1,001 – 5,000	136
5,001 – 10,000	104
10,001 – 100,000	266
100,001 – and over	440

b. The number of shareholdings held in less than marketable parcels is 576.

c. The names of the substantial shareholders listed in the Company’s register as at 26 October 2016 are:

Shareholder	Number of Shares
Kore Management Services Pty Ltd <Cuthbertson Super Fund A/C>	1,026,732,520
RACS SMSF PTY LIMITED <RACS SUPER FUND A/C>	321,000,000

d. 20 Largest Shareholders as at 26 October 2016 – Ordinary Shares

	Name	Number of Ordinary Fully Paid Shares Held	% Held of Issued Ordinary Capital
1	KORE MANAGEMENT SERVICES PTY LTD <CUTHBERTSON SUPER FUND A/C>	1,026,732,520	19.68
2	RACS SMSF PTY LIMITED <RACS SUPER FUND A/C>	321,000,000	6.15
3	NEBRAL PTY LTD	198,428,266	3.80
4	TRANDARA PTY LTD	198,229,680	3.80
5	MR KEN FLEMING & MRS DIANNE FLEMING <ROTTCODD SUPER FUND	186,519,786	3.58
6	ODYSSEY CAPITAL PTY LTD	164,550,000	3.15
7	MR TIMOTHY JOHN MONGER & MRS MARGARET EMELDA MONGER <ACORN PERSONAL SUPER A/C>	135,017,833	2.59
8	NEBRAL PTY LTD	125,229,680	2.40
9	STEELE INVESTMENTS SUPERANNUATION FUND PTY LTD <STEELE SUPER FUND A/C>	114,728,575	2.20
10	QUALITY LIFE PTY LTD <THE NEILL FAMILY A/C>	102,736,210	1.97
11	STEBRIM PTY LTD <SMAB SUPER FUND A/C>	102,000,000	1.96
12	MS SIMONE SELKIRK	100,389,041	1.92
13	KRISAMI INVESTMENTS PTY LTD	100,000,000	1.92
14	DALBOW SUPERANNUATION PTY LIMITED <EXECUTIVES SUPER FUND A/C>	93,202,775	1.79
15	LKC TECHNOLOGY PTY LTD <LKC TECHNOLOGY P/L S/F A/C>	84,664,110	1.62
16	MR RICHARD FREDERICK LUND & MRS MARIE-ROSE LUND <RF LUND SUPER FUND A/C>	74,775,377	1.43
17	MR ROBERT PETER SAVILLE & MISS MELISSA KATE SAVILLE <BOB SAVILLE SUPER FUND A/C>	67,961,630	1.30
18	BOMAN ASSET PTY LTD	65,000,000	1.25
19	MRKAT PTY LTD <R G WOOLLEY SUPER FUND A/C>	65,000,000	1.25
20	ELLSAR PTY LIMITED	55,227,184	1.06
	TOTAL	3,382,664,092	64.82

e. Voting Rights

The voting rights attached to the ordinary shares are that on a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

2. The name of the Company Secretary is Mr Kenneth Lee. Mr Lee qualifications are:

Fellow – The Institute of Chartered Accountants in England and Wales

3. The address of the registered office in Australia is:

Level 10, 8-10 Loftus Street
Sydney NSW 2000
Telephone: 02 9252 1933

4. Registers of securities are held at the following address

New South Wales	BoardRoom Pty Limited Grosvenor Place, Level 12, 225 George Street Sydney NSW 2000

5. Stock Exchange Listing

Quotation has been granted for all the ordinary shares of the Company on all Member Exchanges of the Australian Stock Exchange Limited.

6. Restricted Securities

Ordinary Shares
Of the 4,596,798,575 ordinary shares on issue as at 30 June 2016, all were quoted on the Australian Stock Exchange. No ordinary shares are subject to escrow restrictions.

Options
No options are subject to escrow restrictions.

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

CORPORATE DIRECTORY

Principal Registered Office
Level 10, 8-10 Loftus Street,
Sydney NSW 2000
Phone: 02 8188 1491

Investor Relations
Phone 02 8188 1491

Company Website
www.australianwhiskyholdings.com

Auditors
MNSA Pty Ltd
Level 1, 283 George Street
Sydney NSW 2000
Phone: 02 9299 0901
Facsimile: 02 9299 8104

Solicitors
GrilloHiggins Lawyers
Level 20, 31 Queen Street,
Melbourne VIC 3000
Phone: 03 8621 8888

Share Registry
BoardRoom Pty Limited
Grosvenor Place,
Level 12, 225 George Street
Sydney NSW 2000
Phone: 1300 737 760