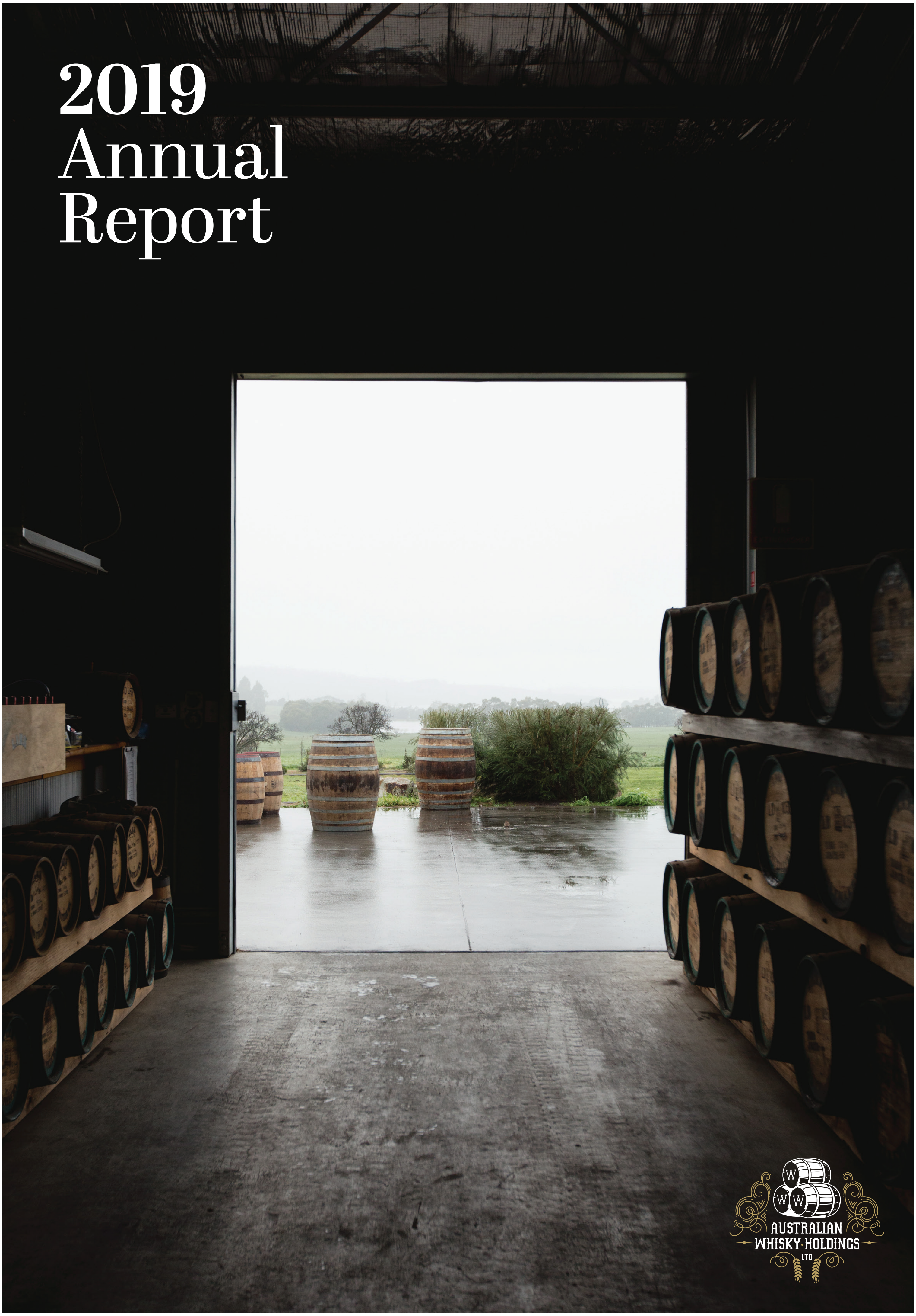
2019 Annual Report



AUSTRALIAN WHISKY HOLDINGS LTD

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Letter from the Chairman

Dear Shareholder,

It has been four months since the shareholders voted for a new direction including the change in composition of the board of Australian Whisky Holdings Ltd ('AWY'), appointing David Dearie as Chairman, as well as Geoff Bainbridge (Audit and Remuneration committees Chair) and Warren Randall as Non-Executive Directors. In September, Laurent Ly joined the board as a Non-Executive Director. Laurent, who represents Ace Cosmo Development Limited, a 'significant' shareholder in AWY, is well connected to Asia from his base in Hong Kong.

I am also pleased to inform you that Bill Lark has re-joined AWY in his role as Brand Ambassador and has been a great source of knowledge and insight to the incoming board. We are delighted to welcome Bill back to the company and Laurent to the Board.

The new board has significant experience and expertise in the global beverage alcohol sectors, bringing entrepreneurial flair, international relationships and reach that will create longer term value-creation for shareholders.

Non-Executive Director Geoff Bainbridge has been providing assistance, as required, to the management team and will continue to make himself available while we seek the appointment of a CEO. The recruitment of the CEO is an ongoing process — Heidrick and Struggles have been retained to assist the Board — and we anticipate providing a more detailed update at the Annual General Meeting.

In the past four-month period the priority for the Board was to work with the management on finalising the 2020 budgets, improved corporate governance and setting the framework for future growth.

The key priority centred around corporate governance improvements, including a forensic accounting report; the appointment of Deloitte as auditors; the appointment of Gadens as legal counsel; the appointment of Leydin Freyer to fulfil the company secretary function; and improving governance in all facets of the business, both financial and non-financial.

Despite the corporate disruption, the Company has continued to lay down spirit across all brands, increasing investment in inventory by in excess of 40%. This is in line with our sales and marketing plan, which focusses on building a successful, sustainable longer-term business while constantly improving near-term results. Time, patience and investment will be required to realise this vision, but the process of maturing whisky remains our major investment priority.

It is worth noting here that we have significantly increased production of Lark spirit — through the addition of a second daily shift at a very nominal cost — and we would like to acknowledge the distillery staff for their flexibility and zeal for making this possible. This expansion of Lark production is a step towards meeting the increasing consumer demand for this award-winning luxury whisky.

The Board and Management have closely reviewed the Group accounts at 30 June 2019 and have considered it prudent that a $1.3m impairment charge be taken against the carrying value of the Nant investment. In addition to this, the Board is working to provide further certainty around Nant for barrel investors, the first step of which is finishing an audit of all barrels, with any subsequent offers to investors being made before the end of this calendar year.

The last four months have also seen operational changes, with the Sydney Head office closing and its functions being relocated to Hobart. The savings generated from this closure will be reinvested in brand building activities to position the brands for future growth. This reinvestment brings us up to best-in-class industry standards for emerging whisky brands and will involve — but not be limited to — above the line communications and messaging (the first significant investment of the kind in the history of the Company); the development of a dedicated Forty Spotted Gin space in the heart of Hobart, where consumers can directly interact with the brand in a unique and intimate environment; and increased targeted distribution in lighthouse accounts. We have also taken the necessary steps to protect and secure future geographical expansion.

We have strengthened our position in our home market of Tasmania with the appointment of a dedicated sales executive which has resulted in a 96%

increase in points of distribution. The key learnings from this will now be applied to the mainland as we work with our distribution partners to drive growth across the portfolio.

At a strategic level, the Board has appointed Advancy Consultants to assist with a complete review of the AWY brand portfolio. Once completed, we will have a roadmap of the size of the accessible market(s), the ongoing role and investment requirements for each individual brand, and the activation and execution requirements to ensure that AWY can compete — and win — in the global luxury whisky/gin market. Global demand for premium and luxury whisky brands continues to grow, and it is encouraging to note that the global whisky market achieved CAGR of 4% between 2010-2019, with the premium plus category — where AWY competes — achieving 8% growth during the same period. New consumers, markets and channels are resulting in increasing consumption as consumers enjoy whisky on more of their consumption occasions.

The Board's collective enthusiasm for AWY is based on the underlying belief and commitment to the Tasmanian whisky sector and the leadership position our brands command. Global investment in the spirits category continues with significant capital expansion programs and brand acquisitions under way from both the major companies and the smaller local distillers.

The outcome of the Advancy review and any subsequent update to the strategic portfolio plan will be further explained when finalised and approved by the Board, however, maturing whisky inventory forms the backbone of future revenue growth, and as a result AWY will continue to consider investment facilities to ensure sufficient whisky is available to meet global consumer demand.

I am also pleased to report that the executive team continue to manage the business in a professional manner and are responding positively to the increased energy and enthusiasm from the Board. The whole team at AWY are actively and directly involved in reducing complexity in the business, improving and simplifying processes, and they have a real bias for action. At a recent staff function, Bill Lark commented that the morale and enthusiasm from the team has never been higher. It is encouraging to work with such a dedicated, focussed and determined team.

We are also excited to announce the launch of the AWY Ambassador Club, our exclusive VIP club which all shareholders will be invited to join in order to receive access to limited releases, VIP pricing and other exclusive offers.

Finally, we appreciate your support and look forward to sharing the longer-term vision and value creation plans in the not too distant future.

Sincerely yours,

David C M Dearie, Chairman

CONSOLIDATED ENTITY
ABN 62 104 600 544

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2019

DIRECTORS' REPORT

The directors present their report on Australian Whisky Holdings Limited ("Company") (ASX: AWY) consolidated entity ("Group") for the financial year ended 30 June 2019 and the auditor's report thereon.

Directors

The names of directors in office at any time during or since the end of the year are:

Name
Mr David Dearie (appointed a director on 20 May 2019)
Mr Geoff Bainbridge (appointed a director on 21 May 2019)
Mr Warren Randall (appointed a director on 21 May 2019)
Mr Terry Cuthbertson (ceased to be a director on 20 May 2019)
Mr Peter Herd (ceased to be a director on 20 May 2019)
Mr Gary Mares (ceased to be a director on 20 May 2019)
Mr Bill Lark (appointed a director on 1 February 2019 and ceased to be a director on 21 May 2019)
Mr Stuart Grant (appointed a director on 1 February 2019 and ceased to be a director on 21 May 2019)
Mr Rohan Boman (ceased to be a director on 27 November 2018)

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated. All director positions were in a non-executive capacity.

Operating Results

The consolidated entity's comprehensive loss for the year ended 30 June 2019 was $4,327,069 compared to a loss of $3,388,235 in the prior year.

Principal Activities and Significant Change in Nature of Activities

The principal activities of the Group during the year ended 30 June 2019 were in the further development of investment opportunities in the Australian craft distilling industry, management of current equity investments in this industry, including the operations of the Lark, Nant, Overeem and Forty Spotted Gin Distilleries.

During the year ended 30 June 2019, the group raised additional capital of $11,946,049 through the issuance of 291,367,057 ordinary shares in the Company.

On 18 December 2018, the Group repaid $4,810,000 of secured loans to Bananacoast Community Credit Union Ltd and Dowd Corporate Finance Pty Ltd. Following repayment of the loans the security granted for the loans was discharged. During the year the Group has continued to pay down the remaining loan and finance leases.

The Group has expanded its strategic business partners with the appointment of the following distributors during the year:

- Sa'pere Drinks Pty Ltd trading as Proof and Company to distribute Lark Whisky, Overeem Whisky and Forty Spotted Gin in mainland Australia (excluding Tasmania);
- Spirits Platform Pty Ltd to distribute Nant Single Malt Highland Whisky in mainland Australia (excluding Tasmania); and
- Ace Cosmo Developments Limited and related entities for the marketing and distribution of the Group's brands in Hong Kong.

DIRECTORS' REPORT (CONTINUED)

Principal Activities and Significant Change in Nature of Activities (continued)

The Directors have reviewed the carrying value of assets of the Group as at 30 June 2019. A number of assets were impaired, as outlined below:

$837,586	Goodwill impairment, relating to the Nant business acquisition **
$529,683	Bothwell real estate asset writedown to reflect an independent valuation
$1,367,269	Total asset impairment as at 30 June 2019

** The directors have reviewed the carrying value of goodwill in relation to the Nant Distillery and have formed a view that the current assessment of the intangible asset should be impaired to reflect amended timing and assumptions of the net present value of future inventory cashflows, consistent with a longer than expected entry into international markets and local product absorption.

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

Objectives

The Group's objective is to further develop opportunities through the Lark, Nant, Overeem and Forty Spotted Gin Distilleries with a focus on increased production, leveraging efficiencies in both process and procurement and expanding our product reach into international markets through our distribution partners.

Review of Operations

During the year ended 30 June 2019 the group successfully completed a capital raising of $11,946,049. These additional funds enabled the repayment of $4,810,000 of secured maturing debt and strengthened the balance sheet to support the future growth plans of the business.

The Group has made further progress in the implementation of the longer-term strategy of the investment phase, which is aimed at achieving a major position in the premium quality craft whisky industry in Australia. Through the acquisition of the Lark, Overeem and Forty Spotted Gin distilleries on 28 June 2018, in conjunction with a focus on efficiency and production methods, there has been a significant increase in litres produced by the Group, equating to a 450% increase from prior year.

Sales and marketing strategies have been implemented through the appointment of two key distributors in Australia and Hong Kong. The Group are continuing to further develop international expansion opportunities in a number of key geographical locations.

The acquisition of Lark Distillery Pty Ltd and its subsidiary (Lark Group) was effected on 28 June 2018 of the previous financial year, resulting in a 99.6% ownership. During the year ended 30 June 2019 the remaining shares were acquired resulting in a 100% ownership in the Lark Group. The Company maintained a 12% equity interest in Old Kempton Distillery Pty Limited (formally Redlands Estate Distillery).

DIRECTORS' REPORT (CONTINUED)

Financial Position

The net assets of the Group have increased by $7.1 million from 30 June 2018 to net assets of $38 million as at 30 June 2019. This increase is largely due to the following factors:

- Shares issued, net of issue costs, of $11.4 million;

Offset by:

- Net loss for year of $4.3 million, which included;
  a) Interest expense of $0.4 million;
  b) Impairment of Nant assets of $1.4 million; and
  c) Legal fees from prior periods of $0.2 million.

The Group's working capital, being current assets less current liabilities, has increased by $1.2 million to $11.7 million at 30 June 2019 (2018: $10.5 million).

Net cash outflows utilised in funding operating activities during the year was $4.6 million. However, this included $4.9 million in inventory costs paid to lay down new make spirit and bottle matured whisky for future sale. The inventory payments represent a significant investment in the Group's inventory to underpin future revenue streams.

Significant Changes in State of Affairs

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

Future Developments, Prospects and Business Strategies

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

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

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 2019 (2018: $nil).

Events Subsequent to Reporting Date

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

DIRECTORS' REPORT (CONTINUED)

Information on current Directors

Mr David Dearie	—	Director (Non-executive), Chairman; appointed 20 May 2019.
Qualifications	—	MHCIMA, Glasgow College of Food and Technology, Institute of Marketing Diploma, University of Hull
Experience	—	A global beverage industry leader with over 30 years experience in alcohol retailing, distribution and brand building. Founding CEO of Treasury Wines estates Ltd (TWE), and senior executive positions with Fosters Group Ltd and Brown-Forman
Interest in Shares and Options	—	No current shareholding in AWY
Special Responsibilities	—	Member of the Audit Committee and Remuneration Committee.
Directorships held in other listed entities	—	No other listed company directorships

Mr Geoff Bainbridge	—	Director (Non-executive); appointed 21 May 2019.
Qualifications	—	Bachelor of Business from RMIT with a major in Accounting and ASIC Graduate Certificate in Applied Finance
Experience	—	Over 10 years at Fosters Group Pty Ltd with experience in group strategy and business development in Australia, China, India and Vietnam; and Managing Director for the domestic Continental Sprits business. Sales and marketing specialist across a portfolio of brands including founding partner of Grill'd Burgers, Bounce Trampolines, Happy Socks and Studio Ongarato and extensive experience in business and people strategy across multiple sectors and geographies.
Interest in Shares and Options	—	11,656,667 (shares are all held by G & J Bainbridge Pty Ltd ATF Bainbridge Super No. 1) as at 30 June 2019.
Special Responsibilities	—	Chair of the Audit Committee and Member of the Remuneration Committee.
Directorships held in other listed entities	—	None.

Mr Warren Randall	—	Director (Non-Executive) appointed 21 May 2019.
Qualifications	—	Bachelor of Agricultural Science & Wine Science
Experience	—	42 years in the Australian Wine Industry
Interest in Shares and Options	—	71,678,850 (shares are all held by Seppeltsfield Pty Ltd <Seppeltsfield Estate A/C>) as at 30 June 2019.
Special Responsibilities	—	None
Directorships held in other listed entities	—	None

DIRECTORS' REPORT (CONTINUED)

Information on former Directors that held office at any time during the year

Mr Terry Cuthbertson	—	Director (Non-Executive); appointed Non-Executive Chairman from 5 July 2004 to 20 May 2019.
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	—	Mr Cuthbertson resigned as a Director of the Group during the year. His shareholding as at 30 June 2019 is therefore not disclosed.
Special Responsibilities	—	Mr Cuthbertson was formerly the Company's Chairman and member of the Audit Committee 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.

Mr Gary Mares	—	Director (Non-executive); appointed 29 September 2014 to 20 May 2019.
Qualifications	—	Bachelor of Commerce, Fellow of Chartered Accountants Australia and New Zealand.
Experience	—	Mr Mares has extensive public accounting, corporate governance and corporate services experience.
Interest in Shares and Options	—	Mr Mares resigned as a Director of the Group during the year. His shareholding as at 30 June 2019 is therefore not disclosed.
Special Responsibilities	—	Mr Mares was formerly a Member of the Audit Committee and Remuneration Committee.
Directorships held in other listed entities	—	None.

Mr Peter Herd	—	Director (Non-executive), appointed from 19 September 2003 to 20 May 2019.
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	—	Mr Herd resigned as a Director of the Group during the year. His shareholding as at 30 June 2019 is therefore not disclosed.
Special Responsibilities	—	Mr Herd was a former member of the Audit Committee and Remuneration Committee.
Directorships held in other listed entities	—	None.

DIRECTORS' REPORT (CONTINUED)

Information on former Directors that held office at any time during the year (continued)

Mr Rohan Boman	—	Director (Non-executive), appointed from 1 February 2016 to 27 November 2018.
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 ceased as a Director of the Group during the year. His shareholding as at 30 June 2019 is therefore not disclosed.
Special Responsibilities	—	Mr Boman was formerly a key relationship holder with local business in Tasmania, including whisky industry and enhance the Company growth strategy in the Australian craft whisky industry.
Directorships held in other listed entities	—	None

Bill Lark	—	Director (Non-executive), appointed from 1 February 2019 to 21 May 2019.
Qualifications	—	Bachelor of Applied Science Surveying
Experience	—	Mr Lark has over 27 years of Whisky related industry experience, having established Lark Distillery in 1992 and since co-founded a number of other successful distilleries. Mr Lark is a founding member of both The Australian Distillers Association (ADA) and Tasmanian Producers Association (TWSA).
Interest in Shares and Options	—	Mr Lark ceased as a Director of the Group during the year. His shareholding as at 30 June 2019 is therefore not disclosed.
Special Responsibilities	—	Mr Lark is currently Brand Ambassador for the Group.
Directorships held in other listed entities	—	None

Stuart Grant	—	Director (Non-executive) appointed from 1 February 2019 to 21 May 2019.
Qualifications	—	Degree in Economics with distinction and Law
Experience	—	Extensive relationships in Alcohol Distribution in the USA
Interest in Shares and Options	—	Mr Grant ceased as a Director of the Group during the year. His shareholding as at 30 June 2019 is therefore not disclosed.
Special Responsibilities	—	None
Directorships held in other listed entities	—	None

DIRECTORS' REPORT (CONTINUED)

Company Secretary

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

Meetings of Directors

During the financial year, 15 meetings of directors were held. Attendances by each director during the year were as follows:

			COMMITTEE MEETINGS			
	DIRECTORS' MEETINGS		AUDIT COMMITTEE		REMUNERATION COMMITTEE *	
	Number eligible to attend	Number Attended	Number eligible to attend	Number Attended	Number eligible to attend	Number Attended
Mr David Dearie	1	1	-	-	-	-
Mr Geoff Bainbridge	1	1	-	-	-	-
Mr Warren Randall	1	-	-	-	-	-
Mr Terry Cuthbertson	15	15	2	2	-	-
Mr Peter Herd	15	15	2	2	-	-
Mr Gary Mares	15	15	2	2	-	-
Mr Bill Lark	6	6	-	-	-	-
Mr Stuart Grant	6	6	-	-	-	-
Mr Rohan Boman	5	4	-	-	-	-

* Due to the Group's size, matters required to be discussed at a 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.

Current directors and executives
Mr David Dearie
Mr Geoff Bainbridge
Mr Warren Randall
Mr Gary Stewart
Mr Brendan Waights

DIRECTORS' REPORT (CONTINUED)

Indemnifying Officers (continued)

Former directors
Mr Terry Cuthbertson
Mr Peter Herd
Mr Gary Mares
Mr Rohan Boman
Mr Stuart Grant
Mr Bill Lark

Options

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

Grant Date	Date of Expiry	Exercise Price	Number under Option
31 December 2017	30 November 2019	$0.06054	14,983,337
31 December 2017	17 October 2019	$0.0375841	3,724,975
22 May 2018	30 May 2021	$0.03	4,141,380
22 May 2018	30 May 2021	$0.0375	4,141,380
22 May 2018	30 May 2021	$0.045	4,141,380
22 October 2018	1 November 2020	$0.0321	3,115,265
28 November 2017	31 July 2021	$0.075	4,250,000
			38,497,717

During the year ended 30 June 2019 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. On the 22 October 2018, 3,115,265 options were issued to Mr Christopher Malcolm in relation to prior financial year performance contractual obligations. No further options were issued during the year.

All unissued shares are ordinary shares of the company.

Proceedings on Behalf of the 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

Details of amounts paid or payable to the auditor for non-audit services provided during the year by the auditor are outlined in note 8 to the financial statements.

DIRECTORS' REPORT (CONTINUED)

Non-audit Services (Continued)

The board has considered the non-audit services provided during the year by the auditor and is satisfied that the provision of those non-audit services during the year by the auditor is compatible with, and did not compromise, the auditor independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services were subject to the corporate governance procedures adopted by the Group and have been reviewed by the audit committee to ensure they do not impact the integrity and objectivity of the auditor; and
- the non-audit services provided do not undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants, as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision making capacity for the Group, acting as an advocate for the Group or jointly sharing risks and rewards.

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 15 and forms part of this Director's Report.

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 remuneration committee and approved by the board after seeking professional advice from independent external consultants.
- All key management personnel receive a base salary (which is based on factors such as length of service and experience), superannuation, fringe benefits, with the potential for options and other incentives. Options to be issued at the discretion of the Board.
- The 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 key management 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.

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:

Name	Position
Mr David Dearie	Chairman, Non-Executive Director
Mr Geoff Bainbridge	Non-Executive Director
Mr Warren Randall	Non-Executive Director
Mr Gary Stewart	Company Secretary
Mr Brendan Waights	Chief Financial Officer
Mr Terry Cuthbertson	Chairman, Non-Executive Director (former)
Mr Peter Herd	Non-Executive Director (former)
Mr Gary Mares	Non-Executive Director (former)
Mr Rohan Boman	Non-Executive Director (former)
Mr Christopher Malcolm	Chief Executive Officer (former)

b) Options and Rights Holdings

Number of options held by Key Management Personnel

2019 - Number of options	Balance 1 July 18	Received as compensation	Options exercised	Net change Other	Balance 30 June 19
Mr Terry Cuthbertson (i)	5,208,333	-	-	-	**N/A**
Mr Peter Herd (i)	2,183,333	-	-	-	**N/A**
Mr Gary Mares (i)	2,183,333	-	-	-	**N/A**
Mr Rohan Boman (i)	2,183,333	-	-	-	**N/A**
Mr Christopher Malcolm (ii)	5,587,462	-	-	-	**N/A**
Mr Gary Stewart (iii)	2,000,000	-	-	-	**2,000,000**
Total options of key management	**19,345,794**	**-**	**-**	**-**	**2,000,000**

(i) Options held by former Directors of the Group as at 30 June 2019 are not disclosed.
(ii) Mr Christopher Malcolm was no longer employed by the Group as at 30 June 2019. His options are therefore not disclosed.
(iii) Options expire on 31 July 2021 with an exercise price of $0.075, issued under the employee option plan.

DIRECTORS' REPORT (CONTINUED)

Remuneration Report (Audited) (continued)

c) Shareholdings

Number of shares held by Key Management Personnel:

2019 - Number of shares	Balance 1 July 18	Received as compensation	Options exercised	Net change Other	**Balance 30 June 19**
Mr Terry Cuthbertson (i)	54,547,119	-	-	-	**N/A**
Mr Peter Herd (i)	1,073,576	-	-	-	**N/A**
Mr Gary Mares (i)	2,952,293	-	-	-	**N/A**
Mr Rohan Boman (i)	9,666,667	-	-	-	**N/A**
Mr Geoff Bainbridge (ii)	N/A	-	-	11,656,667	**11,656,667**
Mr Warren Randall (iii)	N/A	-	-	71,678,850	**71,678,850**
Mr Stuart Grant (v)	N/A	-	-	-	**N/A**
Mr Bill Lark (v)	N/A	-	-	-	**N/A**
Mr Christopher Malcolm (iv)	95,078,192	-	-	-	**N/A**
Total shares held by key management	**163,317,847**	**-**	**-**	**83,335,517**	**83,335,517**

(i) Shares held by former Directors of the Group, no longer holding office as at 30 June 2019, are not disclosed.
(ii) Mr Geoff Bainbridge indirectly held 11,656,667 shares in the name GJ Bainbridge Superfund Pty Ltd. Movement related to the purchase of shares during the year.
(iii) Mr Warren Randall indirectly held 71,678,850 shares in the name Seppeltsfield Pty Ltd. Movement related to the purchase of shares during the year.
(iv) Mr Christopher Malcolm was no longer employed by the Group as at 30 June 2019. His shareholding is therefore not disclosed.
(v) Mr Bill Lark and Mr Stuart Grant were not Directors as at 30 June 2018 or 30 June 2019. Their shareholdings have therefore not been disclosed.

DIRECTORS' REPORT (CONTINUED)

Remuneration Report (Audited) (continued)

Details of Key Personnel Remuneration for the year ended 30 June 2019
The remuneration for the key personnel during the financial year was as follows:

2019	Salary & Fees	Pension Contribution	Other benefits	Total	Performance Related
	$	$	$	$	%
Mr Terry Cuthbertson (iii)	66,734	-	-	**66,734**	-
Mr Peter Herd (iii)	40,040	-	-	**40,040**	-
Mr Gary Mares (iii)	40,040	-	-	**40,040**	-
Mr Rohan Boman (ii)	18,375	-	-	**18,375**	-
Mr Christopher Malcolm (v)	107,813	-	166,667	**274,480**	-
Mr Brendan Waights (vi)	197,489	18,761	-	**216,250**	-
Mr Gary Stewart	56,600	-	-	**56,600**	-
Mr David Dearie (i)	9,369	-	-	**9,369**	-
Mr Geoff Bainbridge (iv)	8,817	-	-	**8,817**	-
Mr Warren Randall (iv)	5,511	-	-	**5,511**	-
Mr Stuart Grant (vii)	13,790	-	-	**13,790**	-
Mr Bill Lark (vii)	80,044	7,499	-	**87,543**	-
Total remuneration of key personnel	**644,622**	**26,260**	**166,667**	**837,549**	

(i) Appointed as a Director on 20 May 2019.
(ii) Ceased being a Director on 27 November 2018.
(iii) Ceased being a Director on 20 May 2019.
(iv) Appointed as a Director on 21 May 2019.
(v) Mr Malcolm's contract as Chief Executive Officer was terminated on 11 February 2019. The other benefit disclosed is a 12 month termination payment.
(vi) Appointed as Chief Financial Officer on 15 October 2018.
(vii) Appointed as a Director on 1 February 2019, ceased as a Director on 21 May 2019.

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

2018	Salary & Fees	Pension Contribution	Other benefits	Total	Performance Related
	$	$	$	$	%
Mr Terry Cuthbertson	75,000	-	-	**75,000**	-
Mr Peter Herd	45,000	-	-	**45,000**	-
Mr Gary Mares	45,000	-	-	**45,000**	-
Mr Rohan Boman	45,000	-	-	**45,000**	-
Mr Christopher Malcolm	175,000	-	-	**175,000**	-
Mr Kenneth Lee	21,000	-	-	**21,000**	-
Mr Gary Stewart	19,000	-	-	**19,000**	-
Total remuneration of key personnel	**425,000**	**-**	**-**	**425,000**	

DIRECTORS' REPORT (CONTINUED)

Remuneration Report (Audited) (continued)

Options issued as Part of Remuneration for the year ended 30 June 2019
The following options were issued/cancelled during the year as part of employees/contractors remuneration:

Employment options on issue	30 June 2019	30 June 2018
Employment options at the beginning of the year	7,000,000	-
Employment options issued	-	7,000,000
Employment options cancelled (i)	(2,750,000)	-
Employment options at the end of the year	4,250,000	7,000,000

(i) Employment options are cancelled upon ceasing employment with the Group.

End of Audited Remuneration Report

This director's report is signed in accordance with a resolution of directors made pursuant to s.298(2) of the *Corporations Act 2001*.

On behalf of the Directors

David Dearie
Chairperson
Melbourne
Dated this 28th August 2019

MNSA

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

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

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2019 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 28th day of August 2019

MNSA Pty Ltd
ABN 59 133 605 400

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Sydney NSW 2000
GPO Box 2943 Sydney 2001

Tel (02) 9299 0901
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CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2019

	Note	Consolidated 30 June 2019 $	30 June 2018 $
Revenue	2	5,523,207	428,476
Less discounts and excise duty		(924,794)	(23,431)
Net Revenue		4,598,413	405,045
Cost of sales	3	(1,714,946)	(140,970)
Gross profit		**2,883,467**	**264,075**
Other income		30,681	11,947
Selling and distribution expenses	3	(371,091)	(24,601)
Administration and operating expenses		(3,129,769)	(2,067,701)
Employee benefits expense		(2,070,493)	(239,007)
Depreciation and amortisation expenses	5	(57,428)	(136,316)
Impairment expense	3	(1,367,269)	(158,649)
Operating Profit		**(4,081,902)**	**(2,350,252)**
Finance income	6	116,908	18,913
Finance costs	7	(362,075)	(1,068,051)
Net finance costs		**(245,167)**	**(1,049,138)**
Share of profit of equity-accounted investees, net of tax		-	11,155
Loss before tax		**(4,327,069)**	**(3,388,235)**
Income tax expense	4	-	-
Loss from continuing operations		**(4,327,069)**	**(3,388,235)**
Other comprehensive income			
Items that are or may be reclassified subsequently to profit or loss			
Exchange differences on translating foreign operations		(172)	(94,530)
Other comprehensive income for the year, net of tax		**(172)**	**(94,530)**
Total comprehensive income/(loss) for the year		**(4,327,241)**	**(3,482,765)**
Loss attributed to:			
Owners of the Company		(4,327,069)	(3,388,235)
Non-controlling interest	24	-	-
		(4,327,069)	**(3,388,235)**
Total comprehensive income/(loss) attributed to:			
Owners of the Company		(4,327,241)	(3,482,765)
Non-controlling interests		-	-
		(4,327,241)	**(3,482,765)**
Earnings per Share			
Basic earnings per share (cents per share)	9	**(0.2845)**	**(0.6873)**
Diluted earnings per share (cents per share)	9	**(0.2817)**	**(0.6873)**

The consolidated financial statements should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2019

		Consolidated	
	Note	30 June 2019 $	30 June 2018 $
Current Assets			
Cash and cash equivalents	11	6,731,306	6,860,819
Trade and other receivables	12	525,868	754,210
Inventories	14	6,306,572	4,698,801
Other current assets	13	39,368	317,203
Current assets		**13,603,114**	**12,631,033**
Non-current Assets			
Trade and other receivables	12	185,705	223,228
Inventories	14	8,469,516	5,526,016
Financial assets	15	300,000	554,232
Property, plant and equipment	16	6,802,476	12,933,635
Intangible assets	17	11,031,472	7,172,746
Other non-current assets	13	-	4,534
Non-current assets		**26,789,169**	**26,414,391**
Total assets		**40,392,283**	**39,045,424**
Current Liabilities			
Trade and other payables	18	1,277,015	728,674
Provisions	19	161,337	81,528
Financial liabilities	20	474,024	1,315,694
Current liabilities		**1,912,376**	**2,125,896**
Non-current Liabilities			
Trade and other payables	18	5,017	102,618
Provisions	19	58,347	173,161
Financial liabilities	20	377,236	5,674,598
Non-current liabilities		**440,600**	**5,950,377**
Total liabilities		**2,352,976**	**8,076,273**
Net assets		**38,039,307**	**30,969,151**
Equity			
Share capital	21	49,361,969	37,964,572
Reserves	22	47,641	47,813
Accumulated losses	23	(11,370,303)	(7,047,849)
Equity attributed to owners of the Company		38,039,307	30,964,536
Non-controlling interest	24	-	4,615
Total equity		**38,039,307**	**30,969,151**

The consolidated financial statements should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2019

Consolidated Group	Issued Capital	Accumulated Losses	Foreign Exchange Reserve	Non-Controlling Interest	Total
	$	$	$	$	$
Balance at 30 June 2017	30,932,437	(24,889,805)	142,343	-	6,184,975
Section 258F Capital Reduction	(21,246,675)	21,246,675	-	-	-
Total comprehensive income/(loss) for the period	-	(3,388,235)	(94,530)	-	(3,482,765)
FX arising from translating	-	(11,869)	-	-	(11,869)
Recognition of non-controlling interest of Lark Distillery Pty Ltd	-	(4,615)	-	4,615	-
Shares issued during the year	29,290,102	-	-	-	29,290,102
Shares issue cost	(1,011,292)	-	-	-	(1,011,292)
Balance at 30 June 2018	**37,964,572**	**(7,047,849)**	**47,813**	**4,615**	**30,969,151**
Total comprehensive income/(loss) for the year		(4,327,069)			(4,327,069)
FX arising from translating	-	-	(172)	-	(172)
Recognition of non-controlling interest of Lark Distillery Pty Ltd	-	4,615	-	(4,615)	-
Shares issued during the year	11,946,049	-	-	-	11,946,049
Shares issue cost	(548,652)	-	-	-	(548,652)
Balance at 30 June 2019	**49,361,969**	**(11,370,303)**	**47,641**	**-**	**38,039,307**

The consolidated financial statements should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2019

		Consolidated	
	Note	30 June 2019 $	30 June 2018 $
Cashflows from operating activities			
Cash receipts from operations		5,770,539	451,687
Payments to suppliers and employees		(4,262,808)	(4,348,807)
Purchase of inventory		(4,866,234)	(685,138)
Excise paid		(887,780)	(23,431)
Interest paid		(424,355)	(521,798)
Interest received		116,908	18,913
Net cash used in operating activities	28	**(4,553,730)**	**(5,108,574)**
Cashflows from investing activities			
Payment for investments		(8,801)	(2,452,892)
Payment for property, plant and equipment		(647,669)	(3,284,222)
Payment for Intangibles		(52,007)	-
Cash acquired from acquisition of Lark Distillery		-	656,421
Net cash used in investing activities		**(708,477)**	**(5,080,693)**
Cashflows From financing activities			
Proceeds from issue of share capital		11,946,049	12,391,724
Proceeds from issue of convertible notes		-	3,310,000
Proceeds from borrowings		262,301	3,491,758
Repayment of borrowings		(6,387,994)	(2,241,060)
Share issue costs		(687,662)	(763,312)
Net cash provided by financing activities		**5,132,694**	**16,189,110**
Net increase / (decrease) in cash and cash equivalents		**(129,513)**	**5,999,843**
Cash and cash equivalents, beginning of the year		6,860,819	860,976
Movement in foreign exchange rate		-	-
Cash and cash equivalents at end of the year	11	**6,731,306**	**6,860,819**

The consolidated financial statements should be read in conjunction with the accompanying notes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2019

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

These financial statements are general purpose financial statements which have been prepared in accordance with the *Corporations Act 2001*, Accounting Standards and other authoritative pronouncements issued by the Australian Accounting Standards Board (AASB) and comply with other requirements of the law.

The financial statements cover Australian Whisky Holdings Limited ("Company") 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 authorized for issue by the directors on 28th August 2019.

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.

All amounts are presented in Australian Dollars, unless otherwise noted.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of AASB 2, leasing transactions that are within the scope of AASB 117, and measurements that have some similarities to fair value but are not fair value, such as net realizable value in AASB 102 or value in use in AASB 136.

In addition, for financial reporting purposes, fair value measurements are categorized into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 inputs are inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (ie. as prices) or indirectly (ie. derived from prices); and
- Level 3 inputs for the asset or liability that are not based on observable market data (unobservable inputs).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2019

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Judgements and Estimates

In preparing these consolidated financial statements, management has made judgements and estimates that affect the application of the Group's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

Information about assumptions and estimation uncertainties at 30 June 2019 that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities in the next financial year is included in the following notes:

- Note 16: carrying value of property, plant and equipment through the use of external valuations;
- Note 17: carrying value of goodwill reviewed by the Directors on an annual basis.

Adoption of New and Revised Accounting Standards

During the 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 the current period or future periods arising from the first-time application of these standards in respect of presentation, recognition and measurement of accounts. The new and revised accounting standards include those detailed below:

AASB 9: Financial Instruments and associated amending standards

The Standard 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 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 allows greater flexibility in the ability to hedge risk, particularly with respect to hedges of non-financial items.

There are no material changes that are required to the consolidated financial report to recognize the revised requirements of AASB 9. The Group will continue to measure derivatives at fair value through other comprehensive income.

AASB 15: Revenue from contracts with customers

In the current year, the Group has applied AASB 15 Revenue from Contracts with Customers (as amended) which is effective for an annual period that begins on or after 1 July 2018. AASB 15 introduced a 5-step approach to revenue recognition. Far more prescriptive guidance has been added in AASB 15 to deal with specific scenarios. Details of the new requirements as well as their impact on the Group's consolidated financial statements are described below.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2019

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Group's accounting policies for its revenue streams are disclosed in detail in note 1(m) below. Apart from providing more extensive disclosures for the Group's revenue transactions, the application of AASB 15 has not had a significant impact on the financial position and/or financial performance of the Group. There are no material changes that are required to the consolidated financial report to recognize the revised requirements of AASB 15.

New and Revised Australian Accounting Standards and Interpretations on Issue But Not Yet Effective

At the date of authorisation of the financial statements, the Group has not applied the following new and revised Australian Accounting Standards, Interpretations and amendments that have been issued but are not yet effective:

Standard/Amendment	**Effective for annual reporting periods beginning on or after**
AASB 16 *Leases*	1 January 2019
AASB 17 *Insurance Contracts*	1 January 2021
AASB 2014-10 *Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* [AASB 10 & AASB 128], AASB 2015-10 *Amendments to Australian Accounting Standards – Effective Date of Amendments to* AASB 10 and AASB 128 and AASB 2017-5 *Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128 and Editorial Corrections*	1 January 2022 (Editorial corrections in AASB 2017-5 apply from 1 January 2018)
AASB 2017-6 *Amendments to Australian Accounting Standards – Prepayment Features with Negative Compensation*	1 January 2019
AASB 2017-7 *Amendments to Australian Accounting Standards – Long-term Interests in Associates and Joint Ventures*	1 January 2019
AASB 2018-1 *Amendments to Australian Accounting Standards – Annual Improvements 2015-2017 Cycle*	1 January 2019
AASB 2018-2 *Amendments to Australian Accounting Standards – Plan Amendment, Curtailment or Settlement*	1 January 2019
AASB 2018-3 *Amendments to Australian Accounting Standards – Reduced Disclosure Requirements*	1 January 2019
AASB 2018-6 *Amendments to Australian Accounting Standards - Definition of a Business*	1 January 2020
AASB 2018-7 *Amendments to Australian Accounting Standards – Definition of Material*	1 January 2020
AASB 2019-1 *Amendments to Australian Accounting Standards – References to the Conceptual Framework*	1 January 2020
Interpretation 23 *Uncertainty over Income Tax Treatments*	1 January 2019

The directors do not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the Group in future periods.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2019

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

AASB 16: Leases

AASB 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements for both lessors and lessees. AASB 16 will supersede the current lease guidance including AASB 117 Leases and the related Interpretations when it becomes effective for accounting periods beginning on or after 1 January 2019. The date of initial application of AASB 16 for the Group will be 1 July 2019.

The Group will make use of the practical expedient available on transition to AASB 16 not to reassess whether a contract is or contains a lease. Accordingly, the definition of a lease in accordance with AASB 117 and Interpretation 4 will continue to apply to those leases entered or modified before 1 July 2019.

The change in definition of a lease mainly relates to the concept of control. AASB 16 distinguishes between leases and service contracts on the basis of whether the use of an identified asset is controlled by the customer. Control is considered to exist if the customer has:

- The right to obtain substantially all of the economic benefits from the use of an identified asset, and
- The right to direct the use of that asset.

The Group will apply the definition of a lease and related guidance set out in AASB 16 to all lease contracts entered into or modified on or after 1 July 2019 (whether it is a lessor or a lessee in the lease contract). In preparation for the first-time application of AASB 16, the Group has carried out an assessment of its leases. This assessment has shown that the new definition in AASB 16 will not change significantly the scope of contracts that meet the definition of a lease for the Group.

AASB 16 will change how the Group accounts for leases previously classified as operating leases under AASB 117, which were off-balance sheet.

On initial application of AASB 16, for all leases (except as noted below), the Group will:

- Recognise right-of-use assets and lease liabilities in the consolidated statement of financial position, initially measured at the present value of the future lease payments;
- Recognise depreciation of right-of-use assets and interest on lease liabilities in the consolidated statement of profit or loss;
- Separate the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within operating activities) in the consolidated cash flow statement.

Lease incentives (e.g. rent-free period) will be recognised as part of the measurement of the right-of-use assets and lease liabilities whereas under AASB 117 they resulted in the recognition of a lease liability incentive, amortised as a reduction of rental expenses on a straight-line basis.

Under AASB 16, right-of-use assets will be tested for impairment in accordance with AASB 136 Impairment of Assets. This will replace the previous requirement to recognise a provision for onerous lease contracts.

For short-term leases (lease term of 12 months or less) and leases of low-value assets (such as personal computers and office furniture), the Group will opt to recognise a lease expense on a straight-line basis as permitted by AASB 16.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2019

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The main differences between AASB 16 and AASB 117 with respect to assets formerly held under a finance lease is the measurement of the residual value guarantees provided by the lessee to the lessor. AASB 16 requires that the Group recognises as part of its lease liability only the amount expected to be payable under a residual value guarantee, rather than the maximum amount guaranteed as required by AASB 117. On initial application the Group will present equipment previously included in property, plant and equipment within the line item for right-of use assets and the lease liability, previously presented within borrowing, will be presented in a separate line for lease liabilities.

The Group, after its initial assessment of the impact arising from AASB 16 anticipates that upon adoption of this standard, the Group's consolidated statement of financial position will be grossed up to reflect the rights and obligations and present value the payments relating to the Group's leases.

The directors of the Company do not anticipate that the application of this Standard will have a material impact on the Group's consolidated financial statements.

Significant Accounting Policies

a) Principles of Consolidation

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

A list of controlled entities is contained in Note 29 to the consolidated financial statements. All controlled entities have a June financial year-end, except for Aowei Liquor Industries Beijing Limited (former name Beijing Montec Commercial Limited), which has a December year end; and Australian Whisky Holdings (HK) Limited (former name Montec International (HK) Limited), which has a March 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.

Business Combinations

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2019

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

Goodwill

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

(i) the consideration transferred;

(ii) any non-controlling interest (determined under either the full goodwill or proportionate interest method); and

(iii) the acquisition date fair value of any previously held equity interest;

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

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

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

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

Under the full goodwill method, the fair value of the non-controlling interest is determined using valuation techniques which make the maximum use of market information where available.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2019

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

b) Income Tax

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

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

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

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

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

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

c) Property, Plant and Equipment

Items of property, plant and equipment are measured at cost, less accumulated depreciation and any accumulated impairment losses.

If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separate items (major components) of property, plant and equipment.

Freehold land is not depreciated.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are recognised in profit and loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2019

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Depreciation

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

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

Class of Fixed Asset	*Depreciation Rate*
Plant and equipment	10% - *37.5%*
Buildings	0 - 2.5%

The assets residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

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

d) Leases

Assets held under finance leases are recognised as assets of the Group at their fair value or, if lower, at the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

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 assets and financial liabilities are recognised in the Group's statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2019

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Classification of financial assets

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.

Non-current investments are measured on the cost basis to the extent 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.

Impairment of financial assets

The Group recognises lifetime expected credit losses for trade receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Group recognises lifetime expected credit losses ("ECL") when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2019

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial liabilities that are not (i) contingent consideration of an acquirer in a business combination, (ii) held-for-trading, or (iii) designated as at fair value through profit or loss ("FVTPL"), are measured subsequently at amortised cost using the effective interest method. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

Derecognition

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.

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.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

g) Investment in Associates

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2019

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

h) Intangibles

Recognition and measurement

Goodwill	Goodwill arising on the acquisition of subsidiaries is measured at cost less accumulated impairment losses.
Research and development	Expenditure on research activities is recognised in profit or loss as incurred. Development expenditure is capitalised only if the expenditure can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the Group intends to and has sufficient resources to complete development and to use or sell the asset. Otherwise, it is recognised in profit or loss as incurred. Subsequent to initial recognition, development expenditure is measured at cost less accumulated amortisation and any accumulated impairment losses.
Other intangible assets	Other intangible assets including patents and trademarks and the whisky barrel fund, that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortisation and any accumulated impairment losses.

Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

Amortisation

Amortisation is calculated to write off the cost of intangible assets less their estimated residual values using the straight-line method over their estimated useful lives, and is generally recognised in profit or loss. Goodwill is not amortised. The estimated useful lives for current and comparative periods are as follows:

Research and Development	5 years
Whisky Barrel Fund	5 years
Other Intangible Assets	7-8 years

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2019

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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 CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2019

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 derived from the sale of inventories to customers is recognised at the time of delivery.

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

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) Inventories

Inventories are measured at the lower of cost and net realisable value. Costs are assigned on the basis of actual costs. In the case of manufactured inventories, cost includes an appropriate share of production overheads based on normal operating capacity using the standard costing method to attribute costs to inventory. As at balance date, inventories produced during the financial year have been revalued to fully absorb actual cost.

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.

p) Comparative Figures

Where required by Accounting Standards or where disclosure items have been reallocated in the current financial year, comparative figures have been adjusted to conform to changes in presentation for the current financial year. Where material these have been disclosed below:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2019

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

p) Comparative Figures (continued)

- In the Consolidated Statement of Financial Position and Notes 12 and 14 to the consolidated financial statements, the Group has changed the classification of investor barrels and un-coopered wood from Trade and other receivables to Inventories. This has resulted in a change to comparative figures of $654,111. In Note 12 this reflects a decrease in the current other receivables balance. The corresponding increase in Note 14 is an increase in inventory in casks of $108,629 and raw materials of $545,482.

- In the Consolidated Statement of Financial Position and Note 14 to the consolidated financial statements, the Group has changed the classification of Inventories between current and non-current, increasing the balance of the non-current comparative figure by $5,526,016. This is reflected in Note 14 as an increase in non-current Inventory in casks and a corresponding decrease in current inventory in casks.

- In the Consolidated Statement of Financial Position and Note 20 to the consolidated financial statements, the Group has changed the classification of Financial liabilities between current and non-current, increasing the balance in current Financial liabilities in the comparative figures by $1,005,893. These are reflected in Note 20 as an increase in current barrel finance and logistics balance of $473,136, current motor vehicles of $24,038 and eclipx of $508,719.

- In the Consolidated Statement of Cashflows the group has changed the classification of those cashflows relating to payment for barrels buy back deposits in cash flows from investing activities to Inventory related cash flows from operating activities. The resulting change in classification was $108,654.

- In Note 16 to the financial statements, the Group has changed the classification of assets previously classified as land and buildings to plant, machinery and production assets; due to their identification as production assets during the year. The change to comparative figures resulting from this re-classification was $2,503,949.

- In note 34 to the consolidated financial statements the Group has changed the presentation of the comparative figures to reflect pre-elimination balances to align with the presentation in the current year. The net impact of these changes in presentation was an increase of $52,245 in total equity and a $957,990 decrease in the line item; Loss for the year.

q) Trade and Other Payables

Trade payables and other accounts payable are recognized when the consolidated entity becomes obliged to make future payments resulting from the purchase of goods and services.

r) Going Concern

The financial report has been prepared on the basis of a going concern notwithstanding, the consolidated group incurred a loss of $4,327,069 (of which $1,367,269 was from impairment of assets) and had net cash (used in) by operating activities of $4,553,730 during the year ended 30 June 2019, and had net working capital of $11,690,738 as at 30 June 2019. The cash flow projections of the consolidated entity evidence that the consolidated entity has sufficient funding to continue operations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2019

r) Going Concern (continued)

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 for the 2020 financial year and $6.7m in available cash reserves at 30 June 2019, 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, under normal operating conditions.

NOTE 2: REVENUE

	Consolidated	
	30 June 2019 $	30 June 2018 $
Operating activities		
Whisky revenue	3,219,020	301,021
Gin revenue	1,439,085	-
Other revenue	865,102	127,455
Total Revenue	5,523,207	428,476

NOTE 3: LOSS BEFORE INCOME TAX EXPENSE

	Consolidated	
	30 June 2019 $	30 June 2018 $
Loss before income tax determined after:		
Impairment expense - Group assets **(3a)**	(1,367,269)	(158,649)
Cost of goods sold	(1,714,946)	(140,970)
Directors and consulting expenses	(919,708)	(566,382)
Selling and marketing expenses	(371,091)	(24,601)
Legal Fees **(3b)**	(593,761)	(716,355)
Occupancy costs	(237,483)	(84,735)
Transport, travel and entertainment	(318,160)	(128,001)
3a Impairment of group assets		
Write-off of legal fees incurred in 2017	-	(158,649)
Goodwill impaired - relating to Nant acquisition	(837,586)	-
Bothwell real estate asset writedown	(529,683)	-
Total impairment of group assets	(1,367,269)	(158,649)

3b Legal fees
During the year, the Group expensed $254,232 of legal fees that related to the acquisition of the Nant Distillery in prior periods.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2019

NOTE 4: INCOME TAX EXPENSE

	Consolidated	
	30 June 2019 $	30 June 2018 $
The prima facie tax on loss before income tax is reconciled to income tax as follows:		
a) Prima facie tax receivable on loss at 27.5% (2018: 27.5%)	(1,189,944)	(931,765)
Add tax effect of:		
- asset impairment	375,999	-
- legal fees	163,285	-
Less tax effect of:		
- other allowable items	-	(18,375)
Tax effect of deferred tax assets not brought to account	(650,660)	(950,140)
Income tax expense attributed to entity	-	-
The applicable weighted average effective tax rates	-%	-%
Carried forward income tax losses	23,527,985	21,161,950

The directors estimate that the Group has carry-forward income tax losses of $23,527,985 (2018: $21,161,950). 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 realized.

(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 realizing the benefit from the deductions for the losses.

NOTE 5: DEPRECIATION AND AMORTISATION

	Consolidated	
	30 June 2019 $	30 June 2018 $
Depreciation	(23,282)	(128,354)
Amortisation	(34,146)	(7,962)
Depreciation and amortisation expensed	(57,428)	(136,316)
Depreciation capitalised into inventory	(162,818)	(342,117)
Total Depreciation and amortisation	(220,246)	(478,433)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2019

NOTE 6: FINANCE INCOME

	Consolidated	
	30 June 2019 $	30 June 2018 $
Interest income	116,908	18,913
Finance income	116,908	18,913

NOTE 7: FINANCE COSTS

	Consolidated	
	30 June 2019 $	30 June 2018 $
Interest expense	(318,101)	(1,068,051)
Bank and other fees	(43,974)	-
Finance costs	(362,075)	(1,068,051)

NOTE 8: AUDITORS' REMUNERATION

	Consolidated	
	30 June 2019 $	30 June 2018 $
Remuneration of the auditor of the parent entity (MNSA Pty Ltd) for:		
(i) auditing the financial statements - current year	135,544	55,218
(ii) auditing the financial statements - prior year adjustment	80,123	-
Auditing the financial statements - total expensed	215,667	55,218
Remuneration for non-audit services of the parent entity (MNSA Financial Services Pty Ltd – paid to a related practice)		
(i) tax	3,468	2,080
Rent paid to Mark Schiliro and Associates (MNSA) Pty Ltd (being a related company to MNSA Pty Ltd) on a sub-lease of premises on the same terms as the primary lease between MNSA and an independent third party		
(i) rent	43,771	29,744

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2019

NOTE 9: EARNINGS PER SHARE

	Consolidated	
	30 June 2019 $	30 June 2018 $
a. Reconciliation of earnings to net loss		
Net loss for the year, attributed to owners of the Company	(4,327,069)	(3,388,235)
Loss used in the calculation of basic and diluted EPS	(4,327,069)	(3,388,235)
b. Applying AASB133:		
Weighted average number of ordinary shares outstanding during the year used in calculation of basic EPS	1,520,942,511	492,960,683
Weighted average number of options outstanding treated as dilutive	15,123,000	-
Weighted average number of ordinary shares outstanding during the year used in calculation of dilutive EPS	1,536,065,511	492,960,683

NOTE 10: 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 11: CASH AND CASH EQUIVALENTS

	Consolidated	
	30 June 2019 $	30 June 2018 $
Petty Cash	4,253	3,059
Cash at Bank	666,850	1,044,209
Cash Management Account	1,670	5,813,551
Term Deposits	6,058,533	-
Cash and cash equivalent	6,731,306	6,860,819

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2019

NOTE 12: TRADE AND OTHER RECEIVABLES

	Consolidated	
	30 June 2019 $	30 June 2018 $
CURRENT		
Trade Receivables	397,017	448,907
Provision for doubtful debts	(5,442)	(1,000)
Deposits paid (i)	44,461	80,396
Other receivables	89,832	225,907
Trade and other receivables	525,868	754,210
NON CURRENT		
Deposit paid (ii)	184,621	221,447
Other receivables	1,084	1,781
Trade and other receivables	185,705	223,228

(i) Deposit paid are in respect to the purchase of raw materials.
(ii) Deposit paid to acquire whisky from investors under a barrel buy-back program.

NOTE 13: OTHER ASSETS

	Consolidated	
	30 June 2019 $	30 June 2018 $
CURRENT		
Prepayments	39,368	234,733
Current tax asset	-	82,470
Other current assets	39,368	317,203
NON-CURRENT		
Deferred tax asset	-	4,534
Other non-current assets	-	4,534

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2019

NOTE 14: INVENTORIES

	Consolidated	
	30 June 2019 $	30 June 2018 $
CURRENT		
Inventory in casks	3,956,520	3,175,636
Raw materials	1,831,490	972,647
Finished goods	518,562	550,518
Inventory	6,306,572	4,698,801
NON-CURRENT		
Inventory in casks	8,469,516	5,526,016
Inventory	8,469,516	5,526,016

NOTE 15: FINANCIAL ASSETS

	Consolidated	
	30 June 2019 $	30 June 2018 $
NON-CURRENT		
Investment in Nant (i)	-	254,232
Investment in Old Kempton (ii)	300,000	300,000
Financial assets	300,000	554,232

(i) Legal and other fees incurred in acquiring distillery assets at Bothwell. These costs have been written off through the profit and loss as legal fees in 2019. Refer to note 3b.

(ii) The Group has maintained 12% ownership interest for $300,000 in Old Kempton Distillery (formerly Redlands Estate Distillery (Redlands)) based in Tasmania.

At 30 June 2019, the investment in Old Kempton Distillery is recorded at cost, with no impairment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2019

NOTE 16: PROPERTY, PLANT AND EQUIPMENT

	Consolidated	
	30 June 2019 $	30 June 2018 $
Cost	8,038,739	13,645,362
Accumulated depreciation	(706,580)	(711,727)
Impairment of value (i)	(529,683)	-
Carrying Value	6,802,476	12,933,635

(i) An independent valuation was completed by Saunders and Pitt on both real estate assets owned by the Group as at 30 June 2019:

a) 254 Nant Land, Bothwell, Tasmania 7030 ("Bothwell")

b) 40 Denholms Road, Cambridge, Tasmania, 7170 ("Cambridge")

	Bothwell	Cambridge
Carrying value before the independent valuation	3,889,683	775,000
Independent valuation	3,360,000	810,000
Impairment as at 30 June 2019	529,683	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2019

NOTE 16: PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Consolidated	
LAND AND BUILDINGS	30 June 2019 $	30 June 2018 $
254 Nant Lane, Bothwell		
Land and buildings at cost	3,789,644	6,289,644
Buildings improvements	102,654	102,654
Accumulated depreciation	(2,615)	-
Book value	3,889,683	6,392,298
Revaluation	(529,683)	-
Carrying value - Bothwell	3,360,000	6,392,298
40 Denholm Road, Cambridge		
Land and buildings at cost	775,000	524,758
Buildings improvements	-	7,547
Accumulated depreciation	-	-
Book value	775,000	532,305
Revaluation	-	-
Carrying value - Cambridge	775,000	532,305
Total Land and Buildings	4,135,000	6,924,603
PLANT AND EQUIPMENT		
Plant, machinery & production assets		
At cost	3,181,780	6,526,056
Accumulated depreciation	(628,247)	(648,015)
Total plant, machinery & production assets	2,553,533	5,878,041
Office and computer equipment		
At cost	35,617	40,658
Accumulated depreciation	(4,282)	(5,100)
Total office and computer equipment	31,335	35,558
Motor vehicles		
At cost	154,044	154,045
Accumulated depreciation	(71,436)	(58,612)
Total motor vehicles	82,608	95,433
Total Property, Plant and Equipment	6,802,476	12,933,635

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2019

NOTE 16: PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Cost	Land and buildings $	Building improvement $	Plant, machinery & production assets $	Total $
Opening balance as at 30 June 2017	6,289,644	147,116	9,706	6,446,466
Additions	524,759	2,381,475	4,292,662	7,198,896
Closing balance as at 30 June 2018	6,814,403	2,528,591	4,302,368	13,645,362
Opening balance as at 1 July 2018	6,814,403	2,528,591	4,302,368	13,645,362
Additions	1,278,025	(7,547)	(622,809)	647,669
Lark fair value adjustment at acquisition (i)	(1,321,529)	-	-	(1,321,529)
Reallocation to inventory (ii)	(600,477)	-	(957,979)	(1,558,456)
Reallocation to intangibles (ii)	-	-	(6,000)	(6,000)
Reallocation to profit and loss (cost of sales) (ii)	(30,321)	-	(399)	(30,720)
Reallocation to goodwill (ii)	(1,869,202)	-	(1,468,385)	(3,337,587)
Reclassification of assets within PP&E (ii)	293,745	(2,418,390)	2,124,645	-
Revaluation of Bothwell (impairment)	(529,683)	-	-	(529,683)
Disposals	-	-	-	-
Closing balance as at 30 June 2019	4,034,961	102,654	3,371,441	7,509,056

(i) This represents the reallocation of Land and Buildings to Goodwill based on the purchase price allocation performed by the Group, on the acquisition of Lark Distillery Pty Ltd.

(ii) This reflects the reallocation of items capitalised to property, plant and equipment upon the purchase of the Nant entities in the 2018 financial year. In the current year the Group has reallocated these costs where appropriate.

Accumulated Depreciation	Land and buildings $	Building improvement $	Plant, machinery & production assets $	Total $
Opening balance as at 30 June 2017	-	(74,556)	(636,708)	(711,264)
Additions	-	74,556	(75,019)	(463)
Closing balance as at 30 June 2018	-	-	(711,727)	(711,727)
Opening balance as at 1 July 2018	-	-	(711,727)	(711,727)
Transfers to inventory (i)	-	-	191,247	191,247
Depreciation	-	(2,615)	(183,485)	(186,100)
Disposals	-	-	-	-
Closing balance as at 30 June 2019	-	(2,615)	(703,965)	(706,580)
Carrying Value as at 30 June 2018	**6,814,403**	**2,528,591**	**3,590,641**	**12,933,635**
Carrying Value as at 30 June 2019	**4,034,961**	**100,039**	**2,667,476**	**6,802,476**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2019

NOTE 17: INTANGIBLE ASSETS

	Consolidated	
	30 June 2019	30 June 2018
	$	$
Cost	11,151,612	7,258,740
Accumulated amortisation	(120,140)	(85,994)
Carrying Value	11,031,472	7,172,746

Cost	**Goodwill**	**Whisky Barrel Fund**	**Other intangibles**	**Total**
	$	**$**	**$**	**$**
Opening balance as at 30 June 2017	-	39,812	950	40,762
Additions	7,217,978	-	-	7,217,978
Closing balance as at 30 June 2018	7,217,978	39,812	950	7,258,740
Opening balance as at 1 July 2018	7,217,978	39,812	950	7,258,740
Additions	8,801	-	52,007	60,808
Lark fair value adjustment at acquisition	1,326,063	-	-	1,326,063
Transfer from property, plant and equipment	3,337,587	-	6,000	3,343,587
Impairment of goodwill	(837,586)	-	-	(837,586)
Reallocation	(118,004)	-	118,004	-
Disposals	-	-	-	-
Closing balance as at 30 June 2019	10,934,839	39,812	176,961	11,151,612

Accumulated Amortisation	**Goodwill**	**Whisky Barrel Fund**	**Other intangibles**	**Total**
	$	**$**	**$**	**$**
Opening balance as at 30 June 2017	(67,599)	(10,433)	-	(78,032)
Additions	-	(7,962)	-	(7,962)
Closing balance as at 30 June 2018	(67,599)	(18,395)	-	(85,994)
Opening balance as at 1 July 2018	(67,599)	(18,395)	-	(85,994)
Amortisation	-	(7,962)	(26,184)	(34,146)
Reclassification from prior year	67,599	-	(67,599)	-
Disposals	-	-	-	-
Closing balance as at 30 June 2019	-	(26,357)	(93,783)	(120,140)
Carrying Value as at 30 June 2018	**7,150,379**	**21,417**	**950**	**7,172,746**
Carrying Value as at 30 June 2019	**10,934,839**	**13,455**	**83,178**	**11,031,472**

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2019

NOTE 18: TRADE AND OTHER PAYABLES

	Consolidated	
	30 June 2019 $	30 June 2018 $
CURRENT		
Unsecured liabilities		
Trade Creditors	482,201	482,246
Sundry creditors and accrued expenses	484,312	246,428
Other payable	310,502	-
Trade and other payables	1,277,015	728,674
NON-CURRENT		
Unsecured liabilities		
Sundry creditors and accrued expenses	5,017	102,618
Trade and other payables	5,017	102,618

NOTE 19: PROVISIONS

	Consolidated	
	30 June 2019 $	30 June 2018 $
CURRENT		
Employee entitlements	161,337	81,528
Current provisions	161,337	81,528
NON-CURRENT		
Employee entitlements	35,492	37,338
Provision for investor barrels	22,855	135,823
Non-current provisions	58,347	173,161

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2019

NOTE 20: FINANCIAL LIABILITIES

	Consolidated	
	30 June 2019 $	30 June 2018 $
CURRENT		
Short term financing		
Insurance Premium Funding (ii)	-	241,205
Loan - Tasmanian Irrigation Pty Ltd (i)	-	68,596
Barrel Finance and Logistics	366,634	473,136
Motor vehicles	18,336	24,038
Eclipx (v)	89,054	508,719
Current financial liabilities	474,024	1,315,694
NON-CURRENT		
Finance lease		
Barrel Finance and Logistics	329,573	696,206
Motor vehicles	47,663	66,586
Finance leases	377,236	762,792
Secured loans		
Dowd Corporate Finance (iii)	-	2,500,000
Bananacoast Community Credit Union Ltd (iv)	-	2,322,752
Eclipx (v)	-	89,054
Secured loans	-	4,911,806
Non-current financial liabilities	377,236	5,674,598

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

(ii) Payment instalments with interest rate at 2.96% with Attvest Finance, insurance funding.

(iii) The loan was advanced by Dowd Corporate Finance with interest rate at 7.99% per annum payable quarterly in arrears. The loan was repaid in full on 17 December 2018.

(iv) The loan was advanced by Bananacoast Community Credit Union Ltd (BCU) with interest rate at 6.5% per annum, interest payable monthly in arrears. The loan was repaid in full on 17 December 2018.

(v) Payment instalments with interest rate at 8.5% per annum with Eclipx Commerical for the purchase of business assets of Nant Distillery. The loan is secured over the assets of Australian Whisky Holdings Management Pty Ltd.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2019

NOTE 21: ISSUED CAPITAL

	Consolidated	
	30 June 2019	30 June 2018
	$	$
1,630,579,441 (30 June 2018: 1,339,212,384) fully paid ordinary shares (ii)	53,374,501	41,428,452
Share issue costs	(4,012,532)	(3,463,880)
Share capital (i)	49,361,969	37,964,572

(i) Ordinary shares ($)	Consolidated	
	30 June 2019	30 June 2018
	$	$
Balance as at 1 July	37,964,572	30,932,437
Share movements during the year:		
- Shares issue of 33,955,520 ordinary shares on 15/09/2017	-	805,948
- Shares issue of 6,666,666 ordinary shares on 22/12/2017	-	200,000
- Shares issue of 106,573,568 ordinary shares on 14/03/2018	-	3,195,834
- Shares issue of 133,710,086 ordinary shares on 24/5/2018	-	4,247,157
- Shares issue of 100,000,000 ordinary shares on 30/5/2018	-	3,000,000
- Shares issue of 264,709,074 ordinary shares on 31/5/2018	-	7,987,563
- Shares issue of 307,925,000 ordinary shares on 28/6/2018	-	9,853,600
- Capital reduction on 28/6/2018	-	(21,246,675)
- Shares issue of 242,586,570 ordinary shares on 12 Nov 2018	9,946,049	-
- Shares issue of 48,780,487 ordinary shares on 26 Nov 2018	2,000,000	-
- Share issue costs	(548,652)	(1,011,292)
Share capital at the end of the year	49,361,969	37,964,572

(ii) Number of Ordinary shares	Consolidated	
	30 June 2019	30 June 2018
Balance as at 1 July	1,339,212,384	385,672,470
Shares issued during the financial year ended 30 June 2019:		
- 12 November 2018	242,586,570	-
- 26 November 2018	48,780,487	-
Shares issued during the financial year ended 30 June 2018:		
- 15 September 2017	-	33,955,520
- 22 December 2017	-	6,666,666
- 14 March 2018	-	106,573,568
- 24 May 2018	-	133,710,086
- 30 May 2018	-	100,000,000
- 31 May 2018	-	264,709,074
- 28 June 2018	-	307,925,000
Number of shares on issue at the end of the year	1,630,579,441	1,339,212,384

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2019

NOTE 21: 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.

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 22: RESERVES

	Consolidated	
	30 June 2019 $	30 June 2018 $
Foreign Currency Translation Reserve	47,641	47,813

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

NOTE 23: ACCUMULATED LOSSES

	Consolidated	
	30 June 2019 $	30 June 2018 $
At 1 July	(7,047,849)	(24,889,805)
Capital reduction on 28/6/2018 as per Section 258F of the Corporations Act	-	21,246,675
Loss from operations	(4,327,069)	(3,388,235)
FX arising from translation	-	(11,869)
Movement in non-controlling interest	4,615	(4,615)
Balance at the end of the year	(11,370,303)	(7,047,849)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2019

NOTE 24: NON-CONTROLLING INTEREST

	Consolidated	
	30 June 2019 $	30 June 2018 $
Opening balance as at 1 July	4,615	-
Acquisition of Lark net assets	-	4,615
Allocation of profit/(loss) of minority interest	(137)	-
Reallocation of remaining minority interest	137	-
Purchase of remaining minority interest	(4,615)	-
Balance as at the end of the year	-	4,615

During the year, the Company acquired the remaining 0.04% of Lark Distillery Pty Ltd shares from a minority shareholder. As at 30 June 2019, the Company owned 100% of Lark Distillery Pty Ltd.

NOTE 25: CAPITAL AND LEASING COMMITMENTS

a. Finance Lease Commitments

The Group has lease payment obligations to fund various assets including barrel purchases, plant and equipment and motor vehicles. These have been disclosed in Note 20: Financial Liabilities. The payments to barrel finance and logistics is in the form of an Operating Lease, however, the Group may buy the barrel asset at the end of the lease for $1. The characterization of the lease in substance, is a finance lease, and has been recorded on balance sheet both as an asset, and a liability. The leases have various terms between two to five years, with monthly payments in advance.

b. Operating Lease Commitments

There are no operating lease commitments as at reporting date to be disclosed.

c. Capital Expenditure Commitments

The Group is exploring possible distillery expansion including further barrel storage options, but no decisions have been made in relation to these capital costs as at the date of this report.

NOTE 26: CONTINGENT ASSETS AND LIABILITIES

The Group have identified a Bentley motor vehicle that is owned by a Company in receivership that the Group holds a security interest against, relating to the acquisition of the Nant business. The motor vehicle is being sold by the receiver, and the Group believes that the estimated proceeds of $100,000 will be paid to the Group, from a Deed of assignment of security interests entered into at the time of acquiring the Nant business assets. These proceeds have not been recorded in the financial statements as at 30 June 2019.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2019

NOTE 27: SEGMENT REPORTING

Identification of reportable segments

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

The operations of the Group in management of current equity investments is consistent with the Group's strategy to pursue investment in the craft whisky industry in Australia and the marketing of Australian premium whisky in Australia and overseas. 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 CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2019

NOTE 27: SEGMENT REPORTING (CONTINUED)

Year ended 30 June 2019	Australia	China	Eliminations	Consolidated Group
REVENUE	$	$	$	$
Sales	5,697,503	-	(174,296)	5,523,207
Other income	30,681	-	-	30,681
Interest income	116,908	-	-	116,908
Total segment revenue	5,845,092	-	(174,296)	5,670,796
SEGMENT RESULT				
Expenses	(10,987,240)	137,970	851,405	(9,997,865)
Loss before income tax expense	**(5,142,148)**	**137,970**	**677,109**	**(4,327,069)**
Income tax expense/(benefit)				-
Loss after income tax expense				**(4,327,069)**
ASSETS				
Segment assets	50,863,496	(390,872)	(10,080,341)	40,392,283
Total assets	50,863,496	(390,872)	(10,080,341)	40,392,283
LIABILITIES				
Segment liabilities	(2,273,414)	(21,103)	(58,459)	2,352,976
Total liabilities	(2,273,414)	(21,103)	(58,459)	2,352,976
OTHER				
Depreciation and amortisation of segment assets	220,246	-	-	220,246

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2019

NOTE 27: SEGMENT REPORTING (CONTINUED)

Year ended 30 June 2018	Australia	China	Eliminations	Consolidated Group
REVENUE	$	$	$	$
Sales	428,476	-	-	428,476
Other income	11,947	-	-	11,947
Interest income	18,913	-	-	18,913
Share of net profits from associates	11,155	-	-	11,155
Total segment revenue	470,491	-	-	470,491
SEGMENT RESULT				
Expenses	(3,854,888)	(3,838)	-	(3,858,726)
Loss before income tax expense	-	-	-	**(3,388,235)**
Income tax expense				-
Loss after income tax expense				**(3,388,235)**
ASSETS				
Segment assets	40,303,423	13	(1,258,013)	39,045,423
Total assets	40,303,423	13	(1,258,013)	39,045,423
LIABILITIES				
Segment liabilities	7,912,889	532,511	(369,128)	8,076,272
Total liabilities	7,912,889	532,511	(369,128)	8,076,272
OTHER				
Depreciation and amortisation of segment assets	478,433	-	-	478,433

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2019

NOTE 28: CASHFLOW INFORMATION

	Consolidated	
	30 June 2019 $	30 June 2018 $
Reconciliation of Cash Flow from Operations with loss after Income Tax		
Loss after income tax	(4,327,069)	(3,388,235)
Non-cash flows in loss		
Depreciation and amortisation	57,428	136,316
Impairment charges	1,367,269	158,649
Cost of sales	1,714,946	140,970
Other non cash items	308,002	302,971
Changes in assets and liabilities, net of the effects of purchase and disposal of subsidiaries		
(Increase)/Decrease in trade and other receivables	265,865	(298,222)
(Increase)/Decrease in prepayments	195,365	(141,571)
(Increase)/Decrease in inventories	(4,551,271)	(1,098,209)
Increase/(Decrease) in trade creditors and accruals	415,735	(921,243)
Cash flow used in operations	(4,553,730)	(5,108,574)

NOTE 29: CONTROLLED ENTITIES

	Country of Incorporation	Percentage Owned 2019	Percentage Owned 2018
Parent Entity:			
Australian Whisky Holdings Limited			
Subsidiaries of Australian Whisky Holdings Limited:			
Aowei Liquor Industries Beijing Limited (former name: Beijing Montec Commercial Limited)	China	100%	100%
Australian Whisky Holdings (HK) Limited (former name: Montec International (HK) Limited)	Hong Kong	100%	100%
Australian Whisky Holdings Management Pty Ltd	Australia	100%	100%
Australian Whisky Holdings Bothwell Pty Ltd	Australia	100%	100%
Australian Whisky Holdings Services Pty Ltd	Australia	100%	100%
Lark Distillery Pty Ltd	Australia	100%	99.96%
Overeem Whisky Pty Ltd	Australia	100%	99.96%

NOTE 30: EVENTS SUBSEQUENT TO REPORTING DATE

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2019

NOTE 31: RELATED PARTY TRANSACTIONS

	Consolidated	
	30 June 2019 $	30 June 2018 $
Transactions between related parties are on normal commercial terms and conditions no more favorable than those available to other parties unless otherwise stated.		
i. Controlled entities		
The outstanding receivables/(payables) between the inter-companies have been eliminated on consolidation.	(677,110)	730,725
ii. Director-related Entities		
During the year ended 30 June 2018, the Company paid rent to South American Iron and Steel Limited (SAY) in which Mr Terry Cuthbertson also held the position of non-executive chairman.	-	12,000
iii. Key Management Personnel		
Transactions with Christopher Malcolm or his related parties:		
a) Sale of finished goods	1,666	46,200
b) Payments for cooperage services	280,845	-
c) Purchase of casks	70,798	-
Total transactions with key management personnel	353,309	46,200
iv. Share Transactions of Key Management Personnel		
30 June 2019		
a) Mr Stuart Grant received 18,292,682 shares through a share placement in November 2018	750,000	-
b) Mr Chris Malcolm (or related entity) received 67,073,169 shares through a share placement in November 2018	2,750,000	-
30 June 2018		
a) Mr Terry Cuthbertson received 3,926,136 shares for repayment of loan and interest in the name of Kore Management Services Pty Ltd	-	117,784
b) Mr Rohan Boman subscribed 7,500,000 shares through the Tranche 2 Placement.	-	225,000
c) Mr Gary Mares received 1,692,532 shares for repayment of loan and interest in the name of La Herencia Pty Ltd ATF Fingal Super Fund	-	50,776
d) Mr Christopher Malcolm subscribed 27,220,780 shares through the Tranche 1 and 2 Placement in the name of Malcolm Property Trust.	-	816,623

NOTE 32: 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's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions. It is noted that the group has $89,054 contracted loan with Eclipx Commercial with interest rate at 8.5% per annum. The loan is secured over the assets of Australian Whisky Holdings Management Pty Ltd and by filled barrels owned by the Company. The loan has been fully repaid on 1 August 2019.

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 2019.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2019

NOTE 32: FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

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:

Financial Assets	Weighted Average Effective Interest Rate		Floating Interest Rate		Non-interest Bearing		Total	
			$		$		$	
	2019	2018	2019	2018	2019	2018	2019	2018
Cash	1.71%	0.05%	6,731,306	6,860,819	-	-	6,731,306	6,860,819
Trade and other receivables	-	-	-	-	711,573	977,438	711,573	977,438

Financial Liabilities	Fixed Interest Rate		Total	
			$	
	2019	2018	2019	2018
Loan-Dowd Corporate Finance	-	7.99%	-	2,500,000
Loan- Bananacoast Community Credit Union Ltd	-	6.5%	-	2,322,752
Loan–Eclipx Commerical	8.5%	8.5%	89,054	597,773

Finance Lease	Implicit interest Rate		Total	
			$	
	2019	2018	2019	2018
Lease – BOQ	10.3%	10.3%	61,503	77,181
Lease – Barrel Finance Logistics	12.3%	12.3%	696,207	1,169,342
Lease – Motor vehicle ute	6.375%	6.375%	4,496	8,885
Lease – Motor vehicle bus	5.89%	5.89%	-	4,558

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

	Consolidated	
	30 June 2019	30 June 2018
	$	$
Less than 6 months	1,277,015	728,674
Over 6 months	5,017	102,618
	1,282,032	831,292

NOTE 32: FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

iii. Sensitivity Analysis

Interest Rate Risk and Foreign Currency Risk

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

Interest Rate Sensitivity Analysis

At 30 June 2019, 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	
	30 June 2019	30 June 2018
	$	$
Change in profit		
- Increase in interest rate by 2%	(4,903)	(21,361)
- Decrease in interest rate by 2%	4,903	21,361
Change in equity		
- Increase in interest rate by 2%	(4,903)	(21,361)
- Decrease in interest rate by 2%	4,903	21,361

Foreign Currency Risk Sensitivity Analysis

At 30 June 2019, 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	
	30 June 2019	30 June 2018
Change in profit		
- Improvement in AUD to RMB by 5%	(7,054)	(192)
- Decline in AUD to RMB by 5%	7,054	192
Change in equity		
- Improvement in AUD to RMB by 5%	(20,015)	(192)
- Decline in AUD to RMB by 5%	20,015	192

NOTE 33: ECONOMIC DEPENDENCY

The Company is dependent on revenue generated from sales of whisky and gin from subsidiaries.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2019

NOTE 34: AUSTRALIAN WHISKY HOLDINGS LIMITED PARENT COMPANY INFORMATION

	Consolidated	
	30 June 2019	30 June 2018
	$	$
Parent entity		
ASSETS		
Current Assets	6,273,581	7,390,962
Non-current assets	36,042,205	25,713,681
TOTAL ASSETS	42,315,786	33,104,643
LIABILITIES		
Current liabilities	393,715	297,882
Non-current liabilities	28,084	52,209
TOTAL LIABILITES	421,799	350,091
EQUITY		
Issued capital	49,361,970	37,964,572
Retained earnings	(7,484,380)	(5,220,812)
Foreign currency revaluation reserve	16,397	10,792
TOTAL EQUITY	41,893,987	32,754,552
FINANCIAL PERFORMANCE		
Loss for the year	(2,263,568)	(1,076,730)
Other comprehensive income	-	-
TOTAL COMPREHENSIVE INCOME	(2,263,568)	(1,076,730)

GUARANTEES IN RELATION TO THE DEBTS OF SUBSIDIARIES

During the year, the parent company released its guarantee and indemnity of subsidiaries' loan with Dowd Corporate Finance and Bananacoast Community Credit Union Ltd.

CONTINGENT LIABILITIES

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

CONTRACTUAL COMMITMENTS

The Company is committed to incurring costs relating to the leasing of the wood from Barrel Finance and Logistics of $28,083.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2019

NOTE 35: COMPANY DETAILS

The registered office of the Company is:

Australian Whisky Holdings Limited
5B Morrison Street,
Hobart TAS 7000 Australia

The principal places of business are:

Australian Whisky Holdings Limited
Australian Whisky Holdings Bothwell Pty Ltd
Australian Whisky Holdings Services Pty Ltd
5B Morrison Street,
Hobart TAS 7000

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

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

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

Lark Distillery Pty Ltd (including Overeem Whisky Pty Ltd)
20 Denholms Road, Cambridge, TAS 7170

DIRECTORS' DECLARATION

In accordance with a resolution of Australian Whisky Holdings Limited, the directors of the Company declare that:

1. The consolidated financial statements and notes, as set out on pages 16 to 58 are in accordance with the *Corporations Act 2001 and*:

   a. comply with Australian Accounting Standards, which, as stated in the accounting policy Note 1 to the consolidated financial statements, constitutes compliance with International Financial Reporting Standards (IFRS); and

   b. give a true and fair view of the consolidated financial position as at 30 June 2019 and of the performance for the year ended on that date of the Group.

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

3. The directors have been given a declaration required by S295A of the *Corporations Act 2001* from the Chief Financial Officer.

On behalf of the Board

D***avid Dearie***
Chairman
Dated this 28th August 2019

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

Report on the Audit of the Financial Report

Opinion

We have audited the accompanying financial report of Australian Whisky Holdings Limited (the company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2019, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.
In our opinion:

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

i. giving a true and fair view of the Group's financial position as at 30 June 2019 and of its performance for the year ended on that date; and

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

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

Basis for Opinion

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

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

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

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MNSA

Key Audit Matters

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

Key Audit Matter	How Our Audit Addressed the Key Audit Matter
Inventory	
The company holds significant inventory at year end. We considered the existence and ownership of the casks of whisky, raw materials and finished goods at balance date.	We have test counted and proven the existence of finished goods and cask inventory, the condition of inventory and agreed ownership to agreements or production records, and where held at outside locations, we agreed the inventory on hand to confirmation from a third party.
Acquisition accounting	
During the previous financial year, the Company acquired a majority interest in Lark Distillery Pty Ltd ("Lark") and in the current year, the remaining 0.04% of Lark. As at 30 June 2019, the Company owned 100%. In the prior financial year, the company assessed the purchase price allocation on a provisional basis. Under AASB 3 "Business Combinations" the company has a period of one year to complete the Acquisition accounting and finalise the fair value of the assets (including Goodwill and other intangibles) and liabilities acquired. The Purchase Price Allocation was completed during the year and as a result, final fair value of Goodwill was determined, after allocating the purchase price to the assets and liabilities identified as acquired at the date of purchase. The provisional goodwill in the 2018 year was $7,217,978 The accounting treatment for the acquisition gives rise to significant judgement around the fair value adjustments, including the valuation of any identifiable intangible assets recognised and determining appropriate inputs and assumptions used in the underlying valuations of identified assets and liabilities.	We have considered management's assessment that the acquired assets represent a business combination under AASB 3 and challenged management's inputs and assumptions used in determining the fair values and completeness of the acquired assets and liabilities of Lark: • The Directors established the final fair values of the identified assets and liabilities based on the assessments and values provided by an independent valuer. MNSA reviewed the Purchase Price Allocation, costs assignments to assets, and the values attributed to liabilities. Specifically, we challenged the valuation methodologies and forecast cash flows expected to be generated by the acquired assets; • We verified the adjustments to the fair values by reference to the independent valuer's report and the Directors final assessment of the fair values. The adjustments were made to inventory, land & buildings and goodwill; • We checked the notes and disclosures in the financial report. We agreed with the Directors' final values, including Goodwill.

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Impairment of Goodwill and Intangible Assets

The impairment of goodwill is a key audit matter as:

- Goodwill of $10,934,839 which represents 27% of the Group's total assets:

- The market, sector and geographic areas in which the company operates ("CGU") is subject to strong competition, changing market conditions and habits and trends of consumers;

- There is a significant level of judgement when considering management's assessment of impairment.

We focused on the valuation methodology and the key inputs such as forecast cash flows, discount rates applied, forecast growth rates and risks.

- The directors based the impairment assessment on the CGU's recoverable amount, being "fair value less costs of disposal".

- We assessed managements determination of the Group's CGU based on our understanding of the nature of the CGU business. We also referred to internal reporting of the Group to assess how results are monitored and reported.

- We compared the forecasts used to determine the recoverable amount to Board approved forecasts. We also evaluated the forecasting process undertaken by the Group assessing the precision of prior year forecast cash flows by comparing actual outcomes. We used knowledge from this evaluation to form our approach.

- We challenged managements forecast cash flows based on our understanding of general geographic and market trends, growth rates and various risks. This included investigating market growth through enquiry with management and external sources.

We agreed the value adopted by the Board of Directors, is reasonable, and that based on the valuation, Goodwill is currently impaired by $837,586.

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Going Concern

Following operating losses and cash flow deficits, there is a heightened degree of judgement as to the group's ability to continue as a going concern through the assessment period. Accordingly, we considered the appropriateness of the going concern assumption, the question as to whether there is a material uncertainty and the adequacy of management's disclosure to be a key risk.

We have challenged the key assumptions in management's forecast cash flows for the next 12 months (base case and downside possibilities) by:

- comparing the cash flow forecasts with the Board approved budget, and obtaining explanations for any significant differences;
- assessing the accuracy of forecasts prepared by management;
- testing the mathematical accuracy of the model used;
- performing stress tests for a range of reasonably possible scenarios on management's cash flow for the going concern period;
- challenged management's plans for mitigating any identified exposures, to obtain additional sources of financing; and
- considering whether the disclosures in Note 1(r) relating to going concern referred to in the basis of preparation section of the accounting policies are balanced, proportionate and clear.

We have determined that there are no material uncertainties that may cast significant doubt on the group's ability to continue as a going concern.

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Other Information

The directors of Australian Whisky Holdings Limited are responsible for the other information. The other information comprises the information in the annual report for the year ended 30 June 2019, but does not include the financial report and the auditor's report thereon.

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

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

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

Responsibilities of the Directors for the Financial Report

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

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

Auditor's Responsibilities for the Audit of the Financial Report

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

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

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Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included on pages 9 to 14 of the directors' report for the year ended 30 June 2019.

In our opinion the remuneration report of Australian Whisky Holdings Limited for the year ended 30 June 2019, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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

MNSA Pty Ltd

MNSA Pty Ltd

Mark Schiliro

Sydney
28th August 2019

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SHAREHOLDER INFORMATION

The shareholder information set out below was applicable as at 16 September 2019, unless otherwise noted.

1. **Holders of equity securities**

a. Distribution of holders in each class of equity securities:

Category (size of Holding)	Fully Paid Ordinary Shares	Unlisted Options \$0.075 expiring 31.07.2021	Unlisted options \$0.0321 expiring 27.11.2020	Unlisted options \$0.03758 expiring 17.10.2019	Unlisted options \$0.06054 expiring 13.11.2019	Unlisted options \$0.03, \$0.0375, \$0.045 expiring 30.05.2021
1-1,000	363					
1,001-5,000	143					
5,001-10,000	63					
10,001-100,000	323					
100,001 - and over	300	5	1	1	6	3
Totals	1,192	5	1	1	6	3
Number of securities on issue	1,630,579,441	4,250,000	3,115,265	3,724,975	14,983,337	12,424,140

b. The number of shareholdings held in less than marketable parcels is 625.

c. 20 Largest Shareholders of quoted equity securities – Ordinary Shares

	Name	Number of Ordinary Fully Paid Shares	% of total shares issued
1	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED-GSCO ECA	160,723,576	9.86%
2	QUALITY LIFE PTY LTD <THE NEILL FAMILY A/C>	154,020,335	9.45%
3	ACE COSMO DEVELOPMENTS LIMITED	121,951,219	7.48%
4	MALCOLM PROPERTY PTY LTD <MALCOLM PROPERTY A/C>	102,536,928	6.29%
5	SEPPELTSFIELD PTY LTD <SEPPLESFIELD ESTATE A/C>	71,678,850	4.40%
6	ELVINGTON INVESTMENTS PTY LTD	71,414,380	4.38%
7	J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	61,655,189	3.78%
8	C H MALCOLM SUPER PTY LTD <MALCOLM SUPER FUND A/C>	59,614,433	3.66%
9	MR TIMOTHY TULLOCH BROCK LEWIS & MRS CATHERINE ANNE LEWIS <JG LEWIS NO2 WILL A/C>	46,325,000	2.84%
10	SUETONE PTY LTD <THE A K SHADFORTH FAMILY A/C>	40,863,882	2.51%
11	MARK MURTON PTY LTD <MARK MURTON P/L S/F A/C>	38,450,000	2.36%
12	FAIRISLE HOLDINGS PTY LIMITED <THE TILANBI A/C>	35,137,500	2.15%
13	KORE MANAGEMENT SERVICES PTY LTD <CUTHBERTSON PENSION FUND A/C>	30,000,000	1.84%
14	CONTEC PROPERTIES PTY LIMITED	26,888,249	1.65%
15	REX FAMILY PENSION PLAN PTY LTD <REX FAMILY PENSION PLAN A/C>	25,250,000	1.55%
16	STEELE INVESTMENTS SUPERANNUATION FUND PTY LTD <STEELE SUPER FUND A/C>	24,300,000	1.49%
17	KORE MANAGEMENT SERVICES PTY LTD <CUTHBERTSON SUPER FUND A/C>	23,173,759	1.42%
18	GAEA GROUP PTY LTD	23,068,543	1.41%
19	JON BIRCH AUSTRALIA PTY LTD <THE BIRCH SUPER FUND A/C>	22,960,279	1.41%
20	ACE COSMO DEVELOPEMENTS LIMITED	20,500,000	1.26%
	TOTAL	1,160,512,122	71.17%

d. 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.

e. The names of the substantial shareholders, as disclosed in substantial holding notices given to the Company are:

Shareholder	Number of Shares
Christopher Malcolm	154,930,581
Quality Life Pty Ltd <ATF The Neill Family Trust>	146,052,322
Ace Cosmo Developments Limited	142,451,219
AW FIV Holdings, L.P. and associated entities as advised	100,000,000

2. The name of the Company Secretary is Melanie Leydin (appointed 12 September 2019).

3. The address of the registered office in Australia and the principal administrative office:

   5B Morrison Street
   Hobart Tasmania 7000
   Telephone: +61 (0)3 6231 9088

4. Registers of securities are held at the following address

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

5. Holders of unquoted securities

   The following person(s) hold 20% or more of unquoted equity securities in an unquoted class:

Name	**Class**	**Number held**
Bell Potter Securities Limited	Options over ordinary shares issued	12,424,140

6. There is no current on-market buy-back.

7. Company website: **www.australianwhiskyholdings.com**

CORPORATE GOVERNANCE STATEMENT FOR THE YEAR ENDED 30 JUNE, 2019

1.1 Introduction

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

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

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

1.2 Compliance with ASX Listing Rule 4.10.3

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

1.3 The Company's approach

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

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

Recommendation		**Australian Whisky Holdings Limited current position**
1.1	Establish and disclose the functions reserved to the Board and those delegated to management	Given the present size of the Company, the Board takes an active role in overseeing management functions and responsibilities. The Board is responsible for: ▪ overseeing the performance and activities of the Company through agreed goals and strategy; ▪ assessing performance against Board approved budgets, targets and strategies; ▪ overseeing the management of the Company's business; ▪ overseeing appropriate controls, systems and procedures within the Company to manage the risks of its businesses and compliance with all regulatory and prudential requirements including, without limitation, occupational health and environmental issues; ▪ reviewing matters of general corporate governance; ▪ appointing and removing the Managing Director;

		▪ ratifying the appointment and, where appropriate, the removal of the Company Secretary; ▪ the Company Secretary is accountable directly to the board, through the chair, on all matters to do with the proper functioning of the board ▪ monitoring senior Management's performance and implementation of the Board approved strategies, and ensuring appropriate succession planning is in place; ▪ approving and monitoring the progress of major capital expenditure, capital management, and acquisitions and divestitures; ▪ approving and monitoring material financial and other reporting; and ▪ setting delegated spending limits. The day to day management is delegated to the Company's management team.
1.2	Disclose the process for evaluating performance of senior executives.	The performance of senior executives is reviewed annually by the Board.
1.3	Report on recommendation 1	Please refer to the Corporate Governance Statements, Policies and Procedures adopted by the Company, details of which are set out in the Company's website.
2.1	A majority of the Board should be independent Directors	The Board consisted of Six independent and Non-Executive Directors for the period 1 July 2018 to 20 May 2019. On that day Mr Cuthbertson, Mr Herd and Mr Mares resigned. On 20 May, 2019 Mr Dearie was appointed to the Board. On 21 May, 2019 Mr Bainbridge was elected to the Board, Mr Grant ceased as a Director, Mr Lark ceased as a Director and Mr Randall was appointed as a Director. All Directors are Independent Directors.
2.2	The chair should be an independent Director	The Company's Chairperson was Mr Terry Cuthbertson an Independent Director until 20 May, 2019. On 21 May, 2019 Mr David Dearie was appointed Chairman and he is an Independent Director.
2.3	The roles of the chair and chief executive officer should not be exercised by the same individual	The Company's Chief Executive Officer was Mr Christopher Malcolm until 11 February, 2019. Mr Brendan Waights has acted as Chief Operations Officer and Mr Giouzelis has assisted in the day to day management of the Company. A search is currently underway for a new Chief Executive Officer.

2.4	The Board should establish a nomination committee	The Board has not established a nomination committee as, due to the Company's size and its operations, the Board considers a separately established committee is not warranted and its functions and responsibilities can be adequately and efficiently discharged by the Board as a whole.
2.5	Disclose the process for evaluating the performance of the Board, its committees and individual Directors.	The Board has process of review in relation to its performance, the committees and the Individual Directors. This is done with the assistance of independent consultants.
2.6	Program for inducting new directors and provide appropriate professional development opportunities for directors to develop and maintain the skills and knowledge needed to perform their role as directors effectively	The Board has not established and at this stage, due to the Company's current size and its operations.
2.7	Report on recommendation 2	The details of the Directors, their experience, qualifications, term of office, and independent status are set out in the Company's Annual Report. There is a procedure agreed by the Board for Directors to take independent professional advice at the expense of the Company. Other reporting requirements pertaining to recommendation 2 can be found in the Corporate Governance Statements, Policies and Procedures adopted by the Company, details of which are set out in the Company's website.

3.1 Establish a code of conduct and disclose the code or a summary of the code as to: ▪ practices necessary to maintain confidence in the Company's integrity ▪ practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders ▪ the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.	The Board recognises there is a need for a "code of conduct" and expects that the actions of its staff reflect the ethical standards of the Company. Accordingly, the Board has established an appropriate policy. In summary, staff members are under an obligation to the Company not to place themselves or allow themselves to be placed directly or indirectly in a position where their private interests conflict or could conflict with their responsibilities to the Company. They may not use their positions, the Company's assets or confidential information gained in connection with their employment for personal gain or for the benefit of a family member or any outside party.
3.2 Companies should establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include requirements for the board to establish measurable objectives for achieving gender diversity for the board to assess annually both the objectives and progress in achieving them.	The Company intends to make each staff appointment after consideration of each candidate's qualifications, experience and proven competence, whilst conscientiously avoiding any discrimination on the basis of, but not limited to, race, creed, colour, gender, age, marital status, religion or physical impairment. The Board reviews this policy on an annual basis to ensure that the objectives are being meet.
3.3 Companies should disclose in each annual report the measurable objectives for achieving gender diversity set by the board in accordance with the diversity policy and progress towards achieving them.	The Company does not have a formal policy concerning diversity. Given the small size of the Company's workforce, the Board has determined that it is not currently practicable to implement a policy concerning diversity. The Board will further consider the establishment of a diversity policy as the Company grows.

3.4	Companies should disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the board.	The Company has 19 woman employees. There are no women in senior executive positions or on the board. The Company is seeking to increase the number of women in senior positions.
3.5	Reporting on Recommendations 3	Details of the code of conduct and trading policy are set out in the Company's website.
4.1	The Board should establish an audit committee	The Board has established an Audit Committee.
4.2	Structure the audit committee so that it consists of only non-executive Directors, a majority of independent Directors, an independent chairperson who is not chairperson of the Board and at least three members	The Audit Committee has two members all of whom are Non-Executive Directors. The Chairman of the Committee is a Non-Executive Director.
4.3	Audit Committee to have a formal Charter	At present, the Audit Committee does not have a formal charter and this will be reviewed in the future.
4.4	Reporting on recommendation 4	The names and qualifications of each of the members of the Audit Committee, and details of attendance at Audit Committee meetings, are set out in the Company's annual report.

5.1	Establish written policies and procedures designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies	The Company is committed to fulfilling all legal, statutory and listing disclosure requirements. Written policies and procedures designed to ensure compliance with ASX Listing Rule disclosure requirements and the ASX Corporate Governance Council Principles of Good Corporate Governance and Best Practice Recommendations, as well as to ensure accountability at a senior management level for that compliance have been established. In respect of its disclosure policy, at each of its meetings, the Board discusses continuous disclosure issues as a standing item and a list of all recent Company announcements is presented. The procedure adopted by the Company is essentially that any information which may need to be disclosed must be brought to the attention of the Chairman, who in consultation with the Board (where practicable) and any other appropriate personnel will consider the information and whether disclosure is required and prepare an appropriate announcement.
5.2	Reporting on recommendation 5	Please refer to the Corporate Governance Statements, Policies and Procedures adopted by the Company, details of which are set out in the Company's website.
6.1	Design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy	In so far as the Company is required to comply with ASX continuous disclosure requirements, the Chairman has been nominated as the responsible person. The Board reviews and approves all announcements to the ASX.
6.2	Reporting on recommendation 6	Please refer to the Corporate Governance Statements, Policies and Procedures adopted by the Company, details of which are set out in the Company's website.

7.1	Establish policies for the oversight and management of material business risks and disclose a summary of those policies.	The Board has not established and at this stage, does not intend to establish a Risk Management Committee, due to the Company's size and its operations. At present, the Board regularly reviews the Company's risk management systems and control frameworks, and the effectiveness of their implementation and is in the process of formally establishing a policy for adoption. The Company's reports in writing to the Board that the Company's financial reports present a true and fair view, in all material respects, of the Company's financial condition and operational results and are in accordance with relevant accounting standards.
7.2	The Board should require management to design and implement the risk management and internal control system to manage the Company's material business risks and report to it on whether those risks are being managed effectively. The Board should disclose that management has reported to it as to the effectiveness of the Company's management of its material business risks.	Management have implemented a sound system of risk management and internal compliance and control which implements the policies adopted by the Board and that the Company's risk management and internal compliance and control system is operating efficiently and effectively in all material respects. Management reports to the Board on a regular basis in relation to the management of its material business risks.

7.3	The Board should disclose whether it has received assurance from the CEO (or equivalent) and the CFO (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.	The Board has received assurance from management that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.
7.4	Reporting on recommendation 7	The Company has provided relevant information in this Statement upon recognising and managing risk.
8.1	The Board should establish a remuneration committee	The Company has a Remuneration Committee which consists of Two Independent Directors who meet when required.
8.2	The remuneration committee should be structured so that it: ▪ consists of a majority of independent directors ▪ is chaired by an independent director ▪ has at least three members.	Please refer to the above comments.
8.3	Clearly distinguish the structure of non-executive Directors' remuneration from that of executive Directors and senior executives	Non-executive Directors will be remunerated by cash benefits alone, except where approved by a general meeting of shareholders and will not be provided with retirement benefits (except in exceptional circumstances) and aggregate remuneration will not exceed the amount approved by shareholders (currently $300,000). Executive Directors may be remunerated by both fixed remuneration and equity performance based remuneration.

8.4	Report on recommendation 8	Relevant information can be found in the Corporate Governance Statements, Policies and Procedures adopted by the Company, details of which are set out in the Company's website.


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