LARK
Distilling
Co. LTD
ABN: 62 104 600 544

ANNUAL REPORT

twenty twenty two

DIRECTORS

Mr David Dearie (Non-Executive Chairman)
Mr Warren Randall (Non-Executive Director)
Ms Laura McBain (Non-Executive Director) - appointed interim Managing Director on 16 February 2022
Mr Domenic Panaccio (Non-Executive Director) - appointed on 1 March 2022

COMPANY SECRETARY

Ms Melanie Leydin

REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS

Level 1, 91-93 Macquarie Street
Hobart TAS 7000

AUDITOR

Deloitte Touche Tohmatsu
Level 8, 22 Elizabeth Street
Hobart TAS 7000

STOCK EXCHANGE LISTING

Lark Distilling Co. Ltd shares are listed on the Australian Securities Exchange (ASX code: LRK)

CORPORATE GOVERNANCE STATEMENT

The Company's 2022 Corporate Governance Statement has been released to ASX on this day and is available on the Company's website at: https://larkdistillery.com/investor-centre/

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THE FIRST CERTIFIED CARBON NEUTRAL DISTILLERY IN AUSTRALIA

THE COMPANY HAS CONTINUED TO DEVELOP ITS WHISKY BANK AS A KEY PILLAR FOR ITS STRATEGIC GROWTH OBJECTIVES.

- DAVID DEARIE, CHAIRMAN

CHAIRMAN & MANAGING DIRECTOR REPORT

DAVID DEARIE
CHAIRMAN

LAURA MCBAIN
MANAGING DIRECTOR

Highlights for the year ended 30 June 2022 included:

2.1m LITRES OF WHISKY UNDER MATURATION

Revenue 57% ↑ to $24.3 million	Net revenue (after excise) $20.3m
Normalised Operating EBITDA of $1.4m	Solid cash position of $16.1m + undrawn bank facility of $10.0m as at 30 June 2022

DEAR FELLOW SHAREHOLDERS,

ON BEHALF OF THE BOARD OF DIRECTORS OF LARK DISTILLING CO. LTD, WE ARE PLEASED TO PRESENT OUR 2022 ANNUAL REPORT. THE COMPANY HAS BEEN ABLE TO INCREASE ITS REVENUE FROM $16.5 MILLION IN 2021 TO $24.3 MILLION IN 2022, CONTINUING ITS GROWTH JOURNEY.

The COVID-19 pandemic continued to present varied and unusual trading conditions through FY22 and the company demonstrated flexibility, agility and innovation during this time. Despite the uncertainty of these unprecedented economic impacts that we are still experiencing, the Company has performed very well during this period.

The company has continued to develop its whisky bank as a key pillar for its strategic growth objectives. LARK achieved 2.1 million litres of whisky under maturation (at 43% ABV) as at 30 June 2022, including approx. 450,000 litres on the acquisition of the Shene Estate. The company is actively focused on continuing to develop a robust whisky bank with a diverse cask program to provide depth in its long-term whisky program.

The volume and diversity of our whisky bank, allows us to deliver a broad range of classic and limited release products, which this year included 20 year old Legacy together with innovative products such as Chinotto Cask and Dark Lark. These have contributed to continued growth of our net sales value per during the year with a 25% increase year on year on our net sales value per litre to $269 per litre. Moving forward we will continue to explore product range and mix that optimise the use of the whisky that we have under maturation.

CHAIRMAN & MANAGING DIRECTOR REPORT, CONT'D

The quality of the whisky produced by Lark is not only recognised by our consumers but also by the international community. During FY22 Lark received a slew of awards including;

WORLD WHISKY MASTERS

MASTERS MEDAL FOR CHINOTTO CASK STRENGTH

GOLD FOR CLASSIC CASK, PARA 1992, DARK LARK, EVOLVED WHISKY BAR SERIES, SYMPHONY NO 1

SYMPHONY NO1 - BEST BLENDED MALT IN 2022

AUSTRALIAN WHISKY AWARDS

WHISKY DISTILLERY OF THE YEAR

WHISKY OF THE YEAR – CHRISTMAS CASK II

One of the highlights for Lark during FY22 was the acquisition of the Pontville distillery otherwise known as Shene Estate. The distillery itself contains significant heritage listed buildings and enables us to develop a true luxury tourism destination for new and existing customers.

The site is also the intended home of our new distillery where we will be able to produce around 1,000,000 litres of new make spirit annually which will grow the whisky bank and is critical to the future success of Lark.

This year the company reached an important milestone, the first licensed distillery in Tasmania, celebrating 30 years of LARK. There have been several activities to celebrate this important achievement, including the celebration at Pontville in May 2022 with 200 plus retailers, partners, and media. This event built on the traditions of Lark as an inclusive community-oriented business and cemented its position as the leading Australian luxury whisky brand.

During that 30 year anniversary celebration, Lark Rare Cask by Glenfarclas was launched celebrating the special connection that Lark has with the Scottish whisky industry, through our founder Bill Lark and John Grant. We want to extend our special thanks to both of these captains of industry for their vision and continued support of Lark as we continue the quite pursuit of the extraordinary.

We have further extended the capabilities of our Board through the appointment of Domenic Panaccio, an experienced financial and corporate director with strong knowledge of the liquor industry combined with governance and financial insights.

On behalf of the Board, I would like to thank our Lark team for their continued efforts and commitment to outstanding whisky and gin; our customers who are passionate and committed to the Lark and Forty Spotted Gin brand and our trade partners and suppliers who have navigated with us the challenges of FY22. I would also like to thank my fellow Board members for their contribution to the Company.

Finally, I thank you, the shareholders of Lark Distilling, for your continued support of the Company.

DAVID DEARIE
CHAIRMAN

LAURA MCBAIN
MANAGING DIRECTOR


DARK
LARK

“WE’VE BEEN CRAFTING SOME OF THE FINEST AUSTRALIAN SPIRITS FOR 30 YEARS.”

FINANCIAL HIGHLIGHTS.

Record net sales[1] of
$20.3 million
+57% ↑
Year on Year
in line with guidance

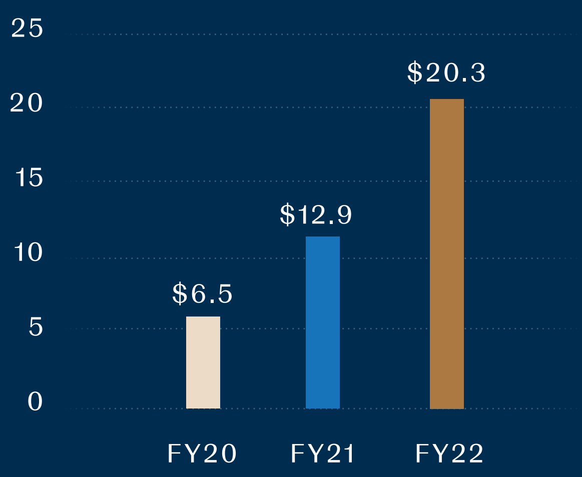
Normalised EBITDA of
$1.4 million[2]
+31% ↑
Year on Year
in line with guidance

1. Net sales = sales after excise.

2. Normalised for: (i) costs relating to the acquisition of Pontville Distillery & Estate, and associate equity raise (FY22); and (ii) JobKeeper cashflow boost (FY21).

$269/L
Whisky net sales value
+25% ↑
Year on Year
achieved during FY22

NET SALES ($ MILLION)



Balance sheet flexibility

Solid cash position of $16.1 million

+ undrawn bank facility of $10.0 million, as at 30 June 2022

Successful aquisition of Pontville Distillery

reflecting a strategic turning point

Strengthening whisky bank of 2.1 million litres*

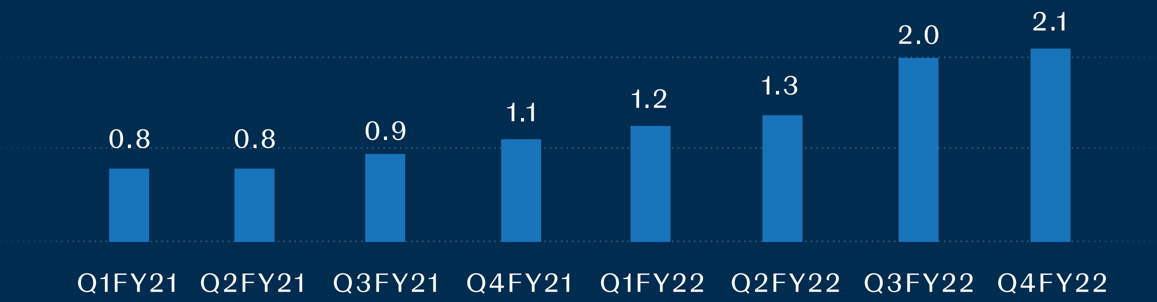
+88% ↑

Year on Year, underwriting future sales growth

* (at 43% ABV) as at 30 June 2022

Strengthening whisky bank underwriting future sales growth

LITRES (M) OF WHISKY UNDER MATURATION (AT 43% ABV)



CELEBRATING 30 YEARS OF TASMANIAN WHISKY


CELEBRATING 30 YEARS
LARK DISTILLING CO.
19 30 92
HOBART TASMANIA AUS.
OF TASMANIAN WHISKY

It’s been a year for cheer

As we continued to add to our trophy cabinet this financial year, Lark Distilling’s passion for creating the finest Tasmanian whisky and gin grew stronger than ever. We’re humbled and honoured to have been nominated and awarded a variety of accolades both at home and around the world.

FORTY SPOTTED GIN AWARDS PORTFOLIO

AUSTRALIAN DISTILLED SPIRITS AWARDS

GOLD

Tassie Bush Honey

SILVER

Classic + Wild Rose

BRONZE

Citrus & Pepperberry

HONG KONG IWSC

GOLD

Classic + Wild Rose

SILVER

Citrus & Pepperberry

TASTING AUSTRALIA SPIRITS AWARDS

SILVER

Wild Rose

BRONZE

Classic

AUSTRALIAN GIN AWARDS

GOLD

Classic Label - Packaging Award

BRONZE

Classic + Tassie Bush Honey + Pinot Noir
+ Raspberry & Rose

GIN MASTERS

MASTERS

Pinot Noir

GOLD

Classic + Wild Rose

WORLD GIN DESIGN AWARDS

GOLD

Classic + Citrus & Pepperberry + Tassie Bush Honey

SILVER

Bottle Design

2022 LARK DISTILLERY AWARDS PORTFOLIO

INTERNATIONAL WINE & SPIRIT COMPETITION

IWSC SILVER

RUM & PX SHERRY	92 points
TOKAY FINISHED	92 points
WHISKY CLUB 30TH ANNIVERSARY	92 points
CLASSIC CASK DOUBLE TAWNY	91 points
BRANDY & PX CASK	91 points
CLASSIC CASK: CASK STRENGTH	91 points
DARK LARK 2021	90 points
WBS: DEATH & TAXES	90 points
WBS: COBBLER	90 points
WBS: BOILERMAKER HOUSE	90 points
SYMPHONY NO. 1	90 points
SHERRY AGED & SHERRY FINISHED II	90 points
PARA 50	90 points
PARA 1992	90 points

IWSC BRONZE

FROGMORE CUVEE CASK	89 points
MIZUNARA CASK	89 points
PARA 100	89 points
WOLF OF THE WILLOW IV	88 points
WBS: NOLA	88 points
CLASSIC CASK	88 points
BROKENWOOD GRAVEYARD SHIRAZ	87 points
THE TASMAN DOCKS RELEASE	85 points

ICONS OF WHISKY

SUSTAINABLE DISTILLERY OF THE YEAR

CAMPAIGN INNOVATOR OF THE YEAR
FOR WHISKY BAR SERIES

DISTILLER OF THE YEAR
HIGHLY COMMENDED

WORLD WHISKY AWARDS

WORLD WHISKIES AWARDS CATEGORY WINNER: SYMPHONY NO.1

WORLD WHISKIES AWARDS SILVER: MONTY CASK RELEASE

WORLD WHISKIES AWARDS BRONZE:
WBS: DEATH & TAXES
WBS: COBBLER
BROKENWOOD GRAVEYARD SHIRAZ CASK

2021 LARK DISTILLERY AWARDS PORTFOLIO

AUSTRALIAN WHISKY AWARDS

WHISKY DISTILLERY OF THE YEAR

WHISKY OF THE YEAR
CHRISTMAS CASK RELEASE III

WHISKY PERSONALITY OF THE YEAR
BILL LARK

INTERNATIONAL WINE & SPIRIT COMPETITION

CHINOTTO CASK 49%	95 POINTS
PARA 100	92 POINTS
CLASSIC CASK: CASK STRENGTH	92 POINTS
PARA 50	91 POINTS
CLASSIC CASK	91 POINTS
WOLF OF THE WILLOWS III	91 POINTS
SYMPHONY NO. 1	91 POINTS
CLASSIC CASK: DOUBLE TAWNY	90 POINTS
RUBY PINOT CASK FINISH	89 POINTS
CHRISTMAS CASK II	86 POINTS

AUSTRALIAN DISTILLED SPIRITS AWARDS

SYMPHONY NO.1

CLASSIC CASK
CLASSIC CASK: CASK STRENGTH
WOLF OF THE WILLOWS IV

HONG KONG INTERNATIONAL WINE & SPIRITS COMPETITION

GOLD

Classic Cask: Cask Strength

SILVER

Classic Cask
Chinotto Cask I

BRONZE

Ruby Pinot Release

TASTING AUSTRALIA SPIRITS AWARDS

SILVER

Wolf of the Willows IV

BRONZE

Classic Cask: Cask Strength
Amaro Cask: Cask Strength

DIRECTORS' REPORT

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'Group') consisting of Lark Distilling Co. Ltd (referred to hereafter as the 'company' or 'parent entity') and the entities it controlled at the end of, or during, the year ended 30 June 2022.

DIRECTORS

The following persons were directors of Lark Distilling Co. Ltd during the whole of the financial year and up to the date of this report, unless otherwise stated:

Mr David Dearie - Non-Executive Chairman

Ms Laura McBain - Managing Director (appointed as interim Managing Director on 16 February 2022, resigned as Non-Executive Director on 16 February 2022)

Mr Geoff Bainbridge - Managing Director (resigned on 16 February 2022)

Mr Warren Randall - Non-Executive Director

Mr Domenic Panaccio - Non-Executive Director (appointed on 1 March 2022)

PRINCIPAL ACTIVITIES

The principal activities of the Group during the year ended 30 June 2022 were in the production, marketing, sale, and distribution of Australian craft spirits.

DIVIDENDS

There were no dividends paid, recommended or declared during the current or previous financial year.

REVIEW OF OPERATIONS

The loss for the Group after providing for income tax amounted to $470,398 (30 June 2021: profit of $3,441,475).

KEY HIGHLIGHTS

- Lark delivered record sales with revenue from ordinary activities for the year ended 30 June 2022 of $24.3 million, up 47% compared to last year
- Net Sales (revenue after excise) for the year was $20.3 million, up 57% compared to last year
- Lark achieved an average Whisky Net Sales Revenue per Litre of $269, up 25% year on year from $216 per litre
- Gross profit came in at $13.5 million, reflecting gross margins of 66.5% (% of net sales), broadly in line with FY21 despite lingering COVID impacts during H1
- Encouragingly, all sales channels observed considerable growth during FY22 and while the strength across eCommerce moderated somewhat during H2, Lark-owned hospitality venues and business-to-business both grew in excess of 60% year on year. H2 margins also strengthened as a result
- Normalised FY22 EBITDA was $1.4 million, adjusting for: (i) costs relating to the acquisition of Pontville Distillery & Estate and the associated equity raise (FY22); and (ii) JobKeeper & cashflow boost (FY21).

OPERATING EXPENSES INCREASED DURING THE YEAR DUE TO:

- Lark's brand remains core to the Company's ongoing strategy, and efforts to showcase the brand at Lark-owned hospitality venues continued during the year, positively driving new customers and leveraging the retail sales opportunity. This includes the new Tasmanian Whisky Bar "The Still", which successfully opened during the December quarter, and the newly acquired site at Pontville, which opened its freshly branded Lark Cellar Door during the June quarter; and
- Critical in enabling the Company to expand channels and markets both domestically and overseas, Lark expanded its headcount and capabilities meaningfully enough to support future strategy and sales growth. Beyond solidifying Lark's executive team, considerable progress was also made across key functions, including expanding the sales team.

FINANCIAL POSITION

- In February 2022, the Group completed the acquisition of Kernke Family Shene Estate Pty Ltd, the owner of the Pontville Distillery and Estate. The acquisition expanded the Group's Whisky holdings, and increased production capacity to underpin future sales growth
- The acquisition was funded through the successful capital raise of $56.6m completed during the year; and
- Balance sheet flexibility remains solid with a cash position of $16.1 million, in addition to an undrawn bank facility of $10.0 million, as at 30 June 2022.

BUSINESS RISKS

CATEGORY	DESCRIPTION	RISK MITIGATION
Product/ Sales	Changes in consumer demand adversely impacting on sales	· Monitoring of consumer insights and trends and tailoring our product offering to the customer · Brand portfolio and product strategy including portfolio rationalisation · Review of product mix and focus on premium products · Entering new export markets
Brand	Brand or reputational damage	· Code of Conduct, Responsible Marketing Guidelines, Responsible Consumption program, Responsible Procurement Code, Environment Policy and Standard, Media Policy and Social Media Policy and incident management procedures · Brand and intellectual property protection strategies · Monitoring of brand health and consumer trends
People & Culture	Failure to attract and retain key roles	· Ongoing commitment to training and developing our team · Talent review and succession planning for key roles · Market competitive remuneration and benefits · Incentive and reward programs aligned to the achievement of Lark's financial and business goals
Whisky holdings	Loss of whisky inventory through damage or theft	· Adequate level of insurance cover · Multiple bond stores across Tasmania, constructed with security measures to minimise risk of loss · Preventative maintenance
Supply Chain	Interruption to Lark supply chain	· Investment in strong and multifaced key partner relationships · Joint business planning processes to support and align internal and partner incentives · Multi-regional and diversified supplier base
IT & Cyber	Loss of information through cyber security or fraud thread	· Information Security Policy, supporting framework and specialised resources · Restricted and segregated management of sensitive business/supplier/ customer data · Periodic employee training and alerts to ensure secure handling of sensitive data · Crisis, business continuity and disaster recovery plans · Defined cyber security strategy and governance
Laws & Regulations	Changes to laws or regulations resulting in Lark not complying	· Compliance framework · Specialised and experienced resources and teams · Company-wide policies, standards and procedures · Relationships and engagements with key government, industry advocacy and regulatory bodies
Operational Risk	Failure to comply with safety and quality standards and other legal and regulatory requirements	· Ongoing mandatory operational & safety training · Company-wide Code of conduct, policies, standards and procedures · Crisis management and business continuity plans · Regular risk reviews including hazard identification & resolution
COVID 19	The COVID-19 pandemic may adversely impact Lark's operations and performance	· COVID-19 safe work practices, business continuity plans
Climate Change	Adverse financial impact due to transition to lower a carbon economy	· Lark is certified carbon neutral under the Federal Government's Climate Active Program. The Group is committed to minimising its environmental footprint and maintaining its carbon neutrality. This is expected to minimise any financial impacts from legislative changes going forward

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

No matter or circumstance has arisen since 30 June 2022 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

DIRECTORS' REPORT, CONT'D

LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

The Group expects to continue to grow its present level of operations, in Australia and intends to continue driving its growth and expansion as a distillery business in the Australian and International Market.

ENVIRONMENTAL REGULATION

The Group is certified carbon neutral, under the Federal Government's Climate Active Program, one of the most widely recognised carbon neutral programs of its kind. This renowned certification is only awarded to businesses that have credibly reached a state of achieving zero net emissions.

The Group's operations are not subject to significant environmental regulation under a law of the Commonwealth or of a state or territory of Australia or China. The Group's management regularly and routinely monitor compliance with relevant environmental regulations and has established procedures to monitor and manage compliance with existing regulations and new regulations that may be established. During the financial year, the Directors have not been notified or are aware to be in breach of any environmental regulations.

The Group is committed to minimising its environmental footprint and maintaining its carbon neutrality. This is expected to minimise any financial impacts from legislative changes going forward.

INFORMATION ON DIRECTORS

NAME: MR DAVID DEARIE

Title: Non-Executive Chairman

Qualifications: MHCIMA, Glasgow College of Food and Technology, Institute of Marketing Diploma, University of Hull

Experience and expertise: 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.

Other current directorships: None

Former directorships (last 3 years): None

Special responsibilities: Member of the Audit and Risk Committee, and member of the Remuneration and Nomination Committee.

Interests in shares: 327,265 fully paid ordinary shares

Interests in rights: 620,000 performance rights

NAME: MR WARREN RANDALL

Title: Non-Executive Director

Qualifications: Bachelor of Agricultural Science & Wine Science(Adelaide), Bachelor of Oenology (Wine Science) (Charles Sturt)

Experience and expertise: 43 years in the Australian Wine Industry graduating from Adelaide University in Agricultural Science and Charles Sturt University in Wine Science, with experience working for Seppelt Great Western Winery, Andrew Garrett Wines, Tinlins Wines, Wynns Winegrowers, Seaview Champagne Cellars and Lindemans Wines. Warren was also appointed a Director of the board at the Adelaide Football Club.

Other current directorships: None

Former directorships (last 3 years): None

Special responsibilities: Chair of Remuneration and Nomination Committee, member of the Audit and Risk Committee

Interests in shares: 2,889,295 (shares are all held by Seppeltsfield Pty Ltd (Seppeltsfield Estate A/C))

Interests in rights: 300,000 performance rights

NAME: MS. LAURA MCBAIN

Title: Interim Managing Director

Experience and expertise: Brand, marketing and strategy leader for Asia-Pacific FMCG businesses with accounting background. MD/CEO of Bellamy's Australia from 2007 to 2017 pioneering Australia's infant formula brands in Asia. MD of Maggie Beer Holdings Ltd 2017 to 2019, leading several acquisitions and integrations of premium food businesses into public company. Former director of Export Finance Australia (Australia's government export credit agency). Currently, Non-executive director and Chair of the Audit and Risk Committee of Tasmanian Irrigation Pty Ltd (state owned infrastructure entity) and Non-executive director and member of the Audit and Risk Committee of Capitol Health Ltd (ASX:CAJ). 2013 Telstra Australian Business Woman of the Year (Private and Corporate) and Telstra Tasmanian Business Woman of the year. Holds a Bachelor of Commerce and completed IMD Leadership Challenge 2013 and IESE/Wharton/CEIBS Global CEO program 2017.

Other current directorships: Capitol Health Limited (ASX:CAJ) (appointed 1 July 2021)

Former directorships (last 3 years): Maggie Beer Holdings Limited (ASX:MBH) (resigned 27 November 2019)

Interests in shares: 81,000 (shares all held by Vermilion 21 Pty Ltd (McNelhaus Super Fund A/C))

Interests in rights: 90,000 performance rights

NAME: MR DOMENIC PANACCIO

Title: Non-Executive Director - appointed on 1 March 2022

Qualifications: Certified Public Accountant and member of the Australian Institute of Company Directors

Experience and expertise: Domenic has had a long and distinguished career in senior management of large public companies including 20 years at Fosters Group and 10 years at Westfield. From 2010 to 2014, Domenic was Chief Executive Officer of Westfield Retail Trust, one of the largest ASX listed property trusts in Australian at that time. Domenic previously held a number of senior positions including Deputy Chief Financial Officer of Westfield Group, Chief Financial Officer of Westfield America and Chief Financial Officer for the Foster's Group Wine Division, Beringer Blass Wine Estates.

Other current directorships: None

Former directorships (last 3 years): None

Interests in shares: 12,000

'Other current directorships' quoted above are current directorships for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

'Former directorships (last 3 years)' quoted above are directorships held in the last 3 years for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

DIRECTORS' REPORT, CONT'D

INFORMATION ON DIRECTORS, CONT'D

CHIEF FINANCIAL OFFICER

Mr. Alex Aleksic, CPA

Alex Aleksic is a senior business strategist and advisor with more than 20 years' experience in commercial, operational and financial roles within multinationals, ASX Top 50 organisations, Private Equity and high net worth ownership structures. He was Chief Financial Officer at Accent Group, which owns a variety of brands including Platypus, HYPE DC, Skechers & VANS and Shaver Shop. Alex has also held numerous senior multi-discipline roles within Goodyear Dunlop (Beaurepaires), Telstra, Coles and Kodak Australasia.

COMPANY SECRETARY

Ms Melanie Leydin – BBus (Acc. Corp Law) CA FGIA

Ms Leydin holds a Bachelor of Business majoring in Accounting and Corporate Law. Ms Leydin is a member of the Institute of Chartered Accountants, Fellow of the Governance Institute of Australia and is a Registered Company Auditor. Ms Leydin graduated from Swinburne University in 1997, became a Chartered Accountant in 1999 and since February 2000 had been the principal of chartered accounting firm, Leydin Freyer. Upon the merger of Leydin Freyer with Vistra in November 2021, Ms Leydin is the country head of Vistra Australia. Vistra is a prominent provider of specialised consulting and administrative services to clients in the Fund, Corporate, Capital Markets, and Private Wealth sectors.

Ms Leydin has over 25 years' experience in the accounting profession and has extensive experience holding Board positions including Company Secretary of ASX listed entities. She has extensive experience in relation to public company responsibilities, including ASX and ASIC compliance, control and implementation of corporate governance, statutory financial reporting, reorganisation of companies, initial public offerings, secondary raisings and shareholder relations.

MEETINGS OF DIRECTORS

The number of meetings of the company's Board of Directors ('the Board') held during the year ended 30 June 2022, and the number of meetings attended by each director were:

	Directors' Meetings		Audit and Risk Committee	
	Attended	**Held**	**Attended**	**Held**
Mr David Dearie	9	9	1	1
Mr Geoff Bainbridge	6	6	-	-
Mr Warren Randall	8	9	1	1
Ms Laura McBain	9	9	1	1
Mr Domenic Panaccio	2	2	-	-

Held: represents the number of meetings held during the time the director held office.

REMUNERATION REPORT (AUDITED)

The remuneration report details the key management personnel remuneration arrangements for the Group, in accordance with the requirements of the *Corporations Act 2001* and its Regulations.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including all directors.

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.

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 Monte-Carlo or 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, CONT'D

REMUNERATION REPORT (AUDITED), CONT'D

DETAILS OF REMUNERATION

Amounts of remuneration

Details of the remuneration of key management personnel of the Group are set out in the following tables.

The key management personnel of the Group consisted of the following directors of Lark Distilling Co. Ltd:

- Mr David Dearie - Non-Executive Chairman
- Ms Laura McBain - Managing Director
  (appointed as interim Managing Director on
  16 February 2022, resigned as Non-Executive Director on 16 February 2022)
- Mr Geoff Bainbridge - Managing Director
  (resigned on 16 February 2022)
- Mr Warren Randall - Non-Executive Director
- Mr Domenic Panaccio - Non-Executive Director (appointed on 1 March 2022)

And the following person:

- Mr Alex Aleksic - Chief Financial Officer

	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments	
2022	**Cash salary and fees $**	**Cash bonus $**	**Non-monetary $**	**Super-annuation $**	**Long service leave $**	**Equity-settled $**	**Total $**
Non-Executive Directors:							
Mr David Dearie	85,000	-	-	-	-	125,044	210,044
Mr Warren Randall (a)	50,000	-	-	-	-	46,693	96,693
Mr Domenic Panaccio	16,667	-	-	-	-	-	16,667
	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
Executive Directors							
Ms Laura McBain (b)	220,417	-	-	-	-	115,870	336,287
Mr Geoff Bainbridge (b)	288,630	-	-	-	-	12,813	301,443
Other KMP							
Mr Alex Aleksic	378,352	-	-	-	-	52,421	430,773
	1,039,066	-	-	-	-	352,841	1,391,907

(a) During the period ended 30 June 2022, the Group made purchases amounting to $353,100 (June 2021: $288,217) from an entity associated with Warren Randall (Non-Executive Director). These transactions were for the purchase of wooden barrels from Seppeltsfield Wines Pty Ltd (ABN: 97 127 078 282) for the Group to use in its' production process of Lark. These transactions are considered to be arms-length transactions.

(b) Mr Geoff Bainbridge resigned as Managing Director on 16 February 2022 and Ms Laura McBain (previously a Non-Executive Director) was appointed interim Managing Director on 16 February 2022.

	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments	
2021	**Cash salary and fees $**	**Cash bonus $**	**Non-monetary $**	**Super-annuation $**	**Long service leave $**	**Equity-settled $**	**Total $**
Non-Executive Directors:							
Mr David Dearie	85,000	-	-	-	-	155,207	240,207
Mr Warren Randall (b)	50,000	-	-	-	-	49,769	99,769
Mr Laurent Ly (a)	40,556	-	-	-	-	-	40,556
Ms Laura McBain	50,000	-	-	-	-	8,129	58,129
Executive Directors							
Mr Geoff Bainbridge	350,000	-	-	-	-	232,170	582,170
Other KMP							
Mr Alex Aleksic	399,984	-	-	-	-	12,592	412,576
	975,540	-	-	-	-	457,867	1,433,407

(a) Mr Laurent Ly resigned as the Non-Executive Director on 22 April 2021.

(b) The Group made purchases amounting to $288,217 (June 2020: $73,084) from an entity associated with Mr Warren Randall (Non-Executive Director). These transactions were for the purchase of wooden barrels from Seppeltsfield Wines Pty Ltd (ABN: 97 127 078 282) for the Group to use in its' production process of Lark. These transactions are considered to be arms-length transactions.

Service agreements

Remuneration and other terms of employment for key management personnel are formalised in service agreements. Details of these agreements are as follows:

Name:	Mr David Dearie
Title:	Non-Executive Chairman
Agreement commenced:	1 May 2020
Term of agreement:	No fixed term
Details:	Remuneration: $85,000 per annum Mr David Dearie's appointment as a Non-Executive Chairman is subject to retirement by rotation under the Company's constitution. Mr David Dearie can resign from office subject to written notice or in accordance with the law or the Company's constitution with a notice period acceptable to both parties. As at 30 June 2022, the following Performance Rights remained on issue, with terms and conditions as noted, and with an expiry of 31 December 2026:

Tranche no.	Target market share price	and continuous service to:	Performance rights to vest
Tranche 3	$1.950	31 December 2022	70,000
Tranche 4	$2.250	31 December 2022	200,000
Tranche 5	$2.550	31 December 2023	350,000

DIRECTORS' REPORT, CONT'D

Name:	Mr Warren Randall
Title:	Non-Executive Director
Agreement commenced:	21 May 2019
Term of agreement:	No fixed term
Details:	Remuneration: $50,000 annual directors fee (excluding GST) Mr Warren Randall's appointment as a Non-Executive Director is subject to retirement by rotation under the Company's constitution. Mr Warren Randall can resign from office subject to written notice or in accordance with the law or the Company's constitution with a notice period acceptable to both parties. As at 30 June 2022, the following Performance Rights remained on issue, with terms and conditions as detailed and with an expiry date of 31 December 2026:

Tranche no.	Target market share price	and continuous service to:	Performance rights to vest
Tranche 4	$2.250	31 December 2022	100,000
Tranche 5	$2.550	31 December 2023	200,000

Name:	Mr Domenic Panaccio
Title:	Non-Executive Director
Agreement commenced:	1 March 2022
Term of agreement:	No fixed term
Details:	Remuneration: $50,000 annual directors fee (excluding GST) Mr Domenic Panaccio's appointment as a Non-Executive Director is subject to retirement by rotation under the Company's constitution. Mr Domenic Panaccio can resign from office subject to written notice or in accordance with the law or the Company's constitution with a notice period acceptable to both parties. As at 30 June 2022, Domenic did not have any Performance Rights on issue.

Name:	Ms Laura McBain
Title:	Managing Director
Agreement commenced:	16 February 2022
Term of agreement:	12 months, until 15 February 2023
Details:	Remuneration: $500,000 annual directors fee (excluding GST) The notice period for termination by both parties is 30 days. Employment may be ended immediately by either party if at any time the other party is, or becomes, in breach of any terms of the agreement and that breach is incapable of remedy or, if capable of remedy, continue for a period of 14 days after the party not in breach gives the other party a notice in writing requiring the breach to be remedied. As at 30 June 2022, the following Performance Rights remained on issue, with terms and conditions as detailed and with an expiry date of 31 December 2026:

Tranche no.	Target market share price	and continuous service to:	Performance rights to vest
Tranche 4	$2.250	December 2023	45,000
Tranche 5	$2.550	December 2024	45,000

Name:	Mr Alex Aleksic
Title:	Chief Financial Officer
Agreement commenced:	29 June 2020
Term of agreement:	No fixed term
Details:	Mr Alex Aleksic's remuneration is paid through Right Size Advisory on a base agreement of $378,352 per annum. Mr Alex Aleksic's agreement can be terminated subject to written notice with a notice period acceptable to both parties. Employment may be ended immediately by either party if at any time the other party is, or becomes, in breach of any terms of the agreement and that breach is incapable of remedy or, if capable of remedy, continue for a period of 14 days after the party not in breach gives the other party a notice in writing requiring the breach to be remedied. As at 30 June 2022, the following Performance Rights remained on issue, with terms and conditions as detailed and with an expiry date of 31 December 2026:

Tranche no.	Target market share price	and continuous service to:	Performance rights to vest
Tranche 3	$1.950	December 2022	20,000
Tranche 4	$2.250	December 2023	50,000
Tranche 5	$2.550	December 2024	65,000

Key management personnel have no entitlement to termination payments in the event of removal for misconduct.

Share-based compensation

Issue of shares

There were no shares issued to directors and other key management personnel as part of compensation during the year ended 30 June 2022.

Options

There were no options issued to directors and other key management personnel as part of compensation that were outstanding as at 30 June 2022.

Performance rights

Details of performance rights over ordinary shares granted, vested and lapsed for directors and other key management personnel as part of compensation during the year ended 30 June 2022 are set out below:

Name	Grant date	Expiry date	Number granted	Number vested	Number lapsed / disposed
Geoff Bainbridge	29 November 2021	31 December 2026	75,000	-	-
Geoff Bainbridge	25 November 2019	31 December 2026	-	50,000	-
Geoff Bainbridge	29 November 2021	31 December 2026	-	50,000	-
Geoff Bainbridge*	25 November 2019	31 December 2026	-	-	(910,000)
Geoff Bainbridge*	29 November 2021	31 December 2026	-	-	(25,000)
David Dearie	25 November 2019	31 December 2026	-	60,000	-

* Mr Geoff Bainbridge resigned as Managing Director on 16 February 2022. 935,000 performance rights held at that time lapsed on resignation.

DIRECTORS' REPORT, CONT'D

The terms and conditions of each grant of performance rights over ordinary shares affecting remuneration of directors and other key management personnel in this financial year or future reporting years are as follows:

Grant date	Vesting date and exercisable date	Expiry date	Share price hurdle for vesting	Fair value per right at grant date
25 November 2019	31 December 2022	31 December 2026	$1.950	$1.00200
25 November 2019	31 December 2023	31 December 2026	$2.250	$0.96300
25 November 2019	31 December 2024	31 December 2026	$2.550	$0.95100
1 July 2021	31 December 2022	31 December 2026	$1.950	$3.27000
1 July 2021	31 December 2023	31 December 2026	$2.250	$3.27000
1 July 2021	31 December 2024	31 December 2026	$2.550	$3.27000
29 November 2021	31 December 2023	31 December 2026	$2.250	$4.84000
29 November 2021	31 December 2024	31 December 2026	$2.550	$4.84000

Performance rights granted carry no dividend or voting rights.

Additional information

The earnings of the Group for the five years to 30 June 2022 are summarised below:

	2022 $	2021 $	2020 $	2019 $	2018 $
Sales revenue	24,337,904	16,542,984	7,426,459	5,523,207	428,476
Profit / (loss) after income tax	(470,398)	3,441,475	(1,272,296)	(4,327,069)	(3,388,235)

Additional disclosures relating to key management personnel

Shareholding

The number of shares in the company held during the financial year by each director and other members of key management personnel of the Group, including their personally related parties, is set out below:

	Balance at the start of the year	Received as part of remuneration	Additions*	Disposals/ other	Balance at the end of the year
Ordinary shares					
Mr David Dearie	50,000	-	277,265	-	327,265
Mr Geoff Bainbridge**	3,474,033	-	672,000	(4,146,033)	-
Mr Warren Randall	2,389,295	-	500,000	-	2,889,295
Ms Laura McBain	29,000	-	52,000	-	81,000
Mr Alex Aleksic	-	-	10,000	-	10,000
Mr Domenic Panaccio***	-	-	12,000	-	12,000
	5,942,328	-	1,523,265	(4,146,033)	3,319,560

* Additions during the year for Mr David Dearie and Mr Geoff Bainbridge includes shares issued on exercise of performance rights, 50,000 and 100,000, respectively. Remainder of the additions are shares acquired through share placement and on-market acquisitions during the year.

** Mr Geoff Bainbridge resigned as Managing Director on 16 February 2022.

*** Mr Domenic Panaccio was appointed as a Non-Executive Director on 1 March 2022 and the holding represent the number of shares held at the date of appointment

Performance rights holding

The number of performance rights over ordinary shares in the company held during the financial year by each director and other members of key management personnel of the Group, including their personally related parties, is set out below:

	Balance at the start of the year	Granted	Vested	Expired/ forfeited/ other	Balance at the end of the year
Performance rights over ordinary shares					
Mr David Dearie	680,000	-	(60,000)	-	620,000
Mr Geoff Bainbridge*	960,000	75,000	(100,000)	(935,000)	-
Mr Warren Randall	300,000	-	-	-	300,000
Ms Laura McBain	90,000	-	-	-	90,000
Mr Alex Aleksic	135,000	-	-	-	135,000
Mr Domenic Panaccio	-	-	-	-	-
	2,165,000	75,000	(160,000)	(935,000)	1,145,000

* Mr Geoff Bainbridge resigned as Managing Director on 16 February 2022. 935,000 performance rights held at that time lapsed on resignation.

This concludes the remuneration report, which has been audited.

SHARES UNDER OPTION

Unissued ordinary shares of Lark Distilling Co. Ltd under option at the date of this report are as follows:

Grant date	Expiry date	Exercise price	Number under option
2 November 2020	31 December 2022	$2.250	124,999

No person entitled to exercise the options had or has any right by virtue of the option to participate in any share issue of the company or of any other body corporate.

SHARES UNDER PERFORMANCE RIGHTS

Unissued ordinary shares of Lark Distilling Co. Ltd under performance rights at the date of this report are as follows:

Grant date	Expiry date	Number
25/11/2019	31/12/2026	895,000
16/03/2020	31/12/2026	160,000
01/07/2021	31/12/2026	665,000
18/10/2021	17/10/2022	60,500
29/11/2021	31/12/2026	115,000
		1,895,500

No person entitled to exercise the performance rights had or has any right by virtue of the performance right to participate in any share issue of the company or of any other body corporate.

DIRECTORS' REPORT, CONT'D

INDEMNITY AND INSURANCE OF OFFICERS

The company has indemnified the directors and executives of the company for costs incurred, in their capacity as a director or executive, for which they may be held personally liable, except where there is a lack of good faith.

During the financial year, the company paid a premium in respect of a contract to insure the directors and executives of the company against a liability to the extent permitted by the *Corporations Act 2001*. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

INDEMNITY AND INSURANCE OF AUDITOR

The company has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the company or any related entity against a liability incurred by the auditor.

During the financial year, the company has not paid a premium in respect of a contract to insure the auditor of the company or any related entity.

PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the company, or to 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 part of those proceedings.

NON-AUDIT SERVICES

There were no non-audit services provided during the financial year by the auditor.

OFFICERS OF THE COMPANY WHO ARE FORMER PARTNERS OF DELOITTE TOUCHE TOHMATSU

There are no officers of the company who are former partners of Deloitte Touche Tohmatsu.

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 immediately after this directors' report.

AUDITOR

Deloitte Touche Tohmatsu continues in office in accordance with section 327 of the *Corporations Act 2001*.

ROUNDING OF AMOUNTS

Lark Distilling Co. Ltd is a type of Company that is referred to in ASIC Corporations (Rounding in Financial/ Directors' Reports) Instrument 2016/191 and therefore the amounts contained in this report and in the financial report have been rounded to the nearest dollar.

This report is made in accordance with a resolution of directors, pursuant to section 298(2)(a) of the *Corporations Act 2001*.

On behalf of the directors

David Dearie
Non-Executive Chairman

30 September 2022

AUDITOR'S INDEPENDENCE DECLARATION

Deloitte.

Deloitte Touche Tohmatsu
ABN 74 490 121 060
Level 8, 22 Elizabeth Street
Hobart, TAS, 7000
Australia

Phone: +61 3 6237 7000
www.deloitte.com.au

Lark Distilling Co. Ltd
Level 1
30 Argyle Street
Hobart TAS 7000

30 September 2022

Dear Board Members

Lark Distilling Co. Ltd

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Lark Distilling Co. Ltd.

As lead audit partner for the audit of the financial statements of Lark Distilling Co. Ltd for the financial year ended 30 June 2022, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

(ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

S Dare
Partner
Chartered Accountant

FINANCIAL STATEMENTS

Statement of profit or loss and other comprehensive income

FOR THE YEAR ENDED 30 JUNE 2022

		Consolidated	
	Note	2022 $	2021 $
Revenue			
Revenue	5	**24,337,904**	16,542,984
Cost of sales		**(10,856,197)**	(7,888,608)
Gross profit		**13,481,707**	8,654,376
Other income	6	**633,147**	723,022
Expenses			
Selling and distribution expenses		**(3,122,808)**	(1,889,273)
Administration expenses	7	**(5,067,103)**	(2,981,975)
Employee benefit expense	8	**(4,525,751)**	(2,985,221)
Depreciation and amortisation	9	**(466,274)**	(205,798)
Costs relating to acquisition and equity raise		**(598,706)**	-
Operating profit		**334,212**	1,315,131
Finance costs	10	**(326,473)**	(271,343)
Finance income		**3,378**	2,167
Profit before income tax (expense) / benefit		**11,117**	1,045,955
Income tax (expense) / benefit	11	**(481,515)**	2,395,520
Profit / (loss) after income tax (expense) / benefit for the year attributable to the owners of Lark Distilling Co. Ltd		**(470,398)**	3,441,475
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation		**2**	376
Other comprehensive income for the year, net of tax		**2**	376
Total comprehensive income / (loss) for the year attributable to the owners of Lark Distilling Co. Ltd		**(470,396)**	3,441,851
		Cents	Cents
Basic earnings per share	36	**(0.66)**	5.66
Diluted earnings per share	36	**(0.66)**	5.35

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

Statement of financial position

AS AT 30 JUNE 2022

		Consolidated	
	Note	2022 $	2021 $
Assets			
Current assets			
Cash and cash equivalents	12	**16,096,404**	7,645,874
Trade and other receivables	13	**4,110,428**	2,394,945
Inventories	14	**20,430,247**	7,840,235
Prepaid assets	16	**180,591**	708,089
Total current assets		**40,817,670**	18,589,143
Non-current assets			
Inventories	14	**39,741,486**	17,981,665
Property, plant and equipment	17	**15,271,786**	8,434,320
Right-of-use assets	15	**1,631,574**	1,643,857
Intangibles	18	**21,602,426**	11,224,514
Deferred tax	19	**2,525,040**	2,501,104
Total non-current assets		**80,772,312**	41,785,460
Total assets		**121,589,982**	60,374,603
Liabilities			
Current liabilities			
Trade and other payables	20	**5,676,914**	2,927,061
Financial liabilities	22	**420,191**	214,427
Employee benefits	23	**448,789**	262,594
Total current liabilities		**6,545,894**	3,404,082
Non-current liabilities			
Borrowings	21	**5,000,000**	5,000,000
Financial liabilities	22	**1,255,513**	1,534,163
Employee benefits	23	**34,647**	38,092
Total non-current liabilities		**6,290,160**	6,572,255
Total liabilities		**12,836,054**	9,976,337
Net assets		**108,753,928**	50,398,266
Equity			
Issued capital	24	**116,448,720**	58,498,886
Reserves	25	**1,976,730**	1,100,504
Accumulated losses		**(9,671,522)**	(9,201,124)
Total equity		**108,753,928**	50,398,266

The above statement of financial position should be read in conjunction with the accompanying notes

Statement of changes in equity

FOR THE YEAR ENDED 30 JUNE 2022

Consolidated	Issued capital $	Reserves $	Retained profits $	Total equity $
Balance at 1 July 2020	49,475,985	543,712	(12,642,599)	37,377,098
Profit after income tax benefit for the year	-	-	3,441,475	3,441,475
Other comprehensive income for the year, net of tax	-	376	-	376
Total comprehensive income for the year	-	376	3,441,475	3,441,851
Transactions with owners in their capacity as owners:				
Contributions of equity, net of transaction costs and tax (note 24)	8,556,996	-	-	8,556,996
Share-based payments	-	556,416	-	556,416
Issue of shares on exercise of unlisted options	465,905	-	-	465,905
Balance at 30 June 2021	58,498,886	1,100,504	(9,201,124)	50,398,266

Consolidated	Issued capital $	Reserves $	Retained profits $	Total equity $
Balance at 1 July 2021	58,498,886	1,100,504	(9,201,124)	50,398,266
Loss after income tax benefit for the year	-	-	(470,398)	(470,398)
Other comprehensive income for the year, net of tax	-	2		2
Total comprehensive income / (loss) for the year	-	2	(470,398)	(470,396)
Transactions with owners in their capacity as owners:				
Contributions of equity, net of transaction costs (note 24)	56,571,214	-	-	56,571,214
Share-based payments	-	876,224		876,224
Shares issued as Consideration for business acquisition (note 24)	1,378,620	-	-	1,378,620
Balance at 30 June 2022	**116,448,720**	**1,976,730**	**(9,671,522)**	**108,753,928**

The above statement of changes in equity should be read in conjunction with the accompanying notes

Statement of cash flows

FOR THE YEAR ENDED 30 JUNE 2022

		Consolidated	
	Note	2022 $	2021 $
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		**25,087,220**	17,589,777
Payments to suppliers and employees (inclusive of GST)		**(17,344,696)**	(8,669,289)
Purchase of inventory		**(15,835,380)**	(15,778,286)
Interest paid		**(260,715)**	(271,343)
Interest received		**3,378**	2,167
Government grants and tax incentives received		**634,861**	751,878
Net cash used in operating activities	35	**(7,715,332)**	(6,375,096)
Cash flows from investing activities			
Payment for purchase of business, net of cash acquired	32	**(37,251,965)**	-
Payments for property, plant and equipment		**(2,175,370)**	(774,007)
Payments for intangibles		**(76,105)**	(13,094)
Proceeds from sale of property, plant and equipment		**5,000**	150,000
Net cash used in investing activities		**(39,498,440)**	(637,101)
Cash flows from financing activities			
Proceeds from issue of shares		**57,860,000**	8,857,503
Proceeds from the exercise of options		**55,053**	465,905
Proceeds from borrowings		**5,000,000**	-
Repayment of borrowings		**(5,000,000)**	-
Repayment of financial liabilities		**(81,892)**	(296,915)
Payment of lease liabilities under AASB 16		**(264,339)**	(81,693)
Share issue transaction costs		**(1,904,520)**	(406,091)
Net cash from financing activities		**55,664,302**	8,538,709
Net increase in cash and cash equivalents		**8,450,530**	1,526,512
Cash and cash equivalents at the beginning of the financial year		**7,645,874**	6,119,362
Cash and cash equivalents at the end of the financial year	12	**16,096,404**	7,645,874

The above statement of cash flows should be read in conjunction with the accompanying notes

NOTE 1. GENERAL INFORMATION

The financial statements cover Lark Distilling Co. Ltd as a Group consisting of Lark Distilling Co. Ltd and the entities it controlled at the end of, or during, the year. The financial statements are presented in Australian dollars, which is Lark Distilling Co. Ltd's functional and presentation currency.

Lark Distilling Co. Ltd is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Level 1
91-93 Macquarie Street
Hobart TAS 7000

A description of the nature of the Group's operations and its principal activities are included in the directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 30 September 2022. The directors have the power to amend and reissue the financial statements.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PREPARATION

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the *Corporations Act 2001*, as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

The financial statements cover Lark Distilling Co. Limited ("Company") and its controlled entities as a consolidated entity ("Group"). Lark Distilling Co. 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 Lark Distilling Co Ltd and its controlled entities comply with International Financial Reporting Standards (IFRS). Lark Distilling Co Ltd is a for profit entity for the purpose of preparing the financial statements.

Historical cost convention

The financial statements have been prepared under the historical cost convention, except for, where applicable, the revaluation of financial assets and liabilities at fair value through profit or loss, financial assets at fair value through other comprehensive income, investment properties, certain classes of property, plant and equipment and derivative financial instruments.

Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3.

NEW OR AMENDED ACCOUNTING STANDARDS AND INTERPRETATIONS ADOPTED

The group has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

FINANCIAL INSTRUMENTS
FINANCIAL ASSETS

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.

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.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES, CONT'D

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.

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.

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 recognised in profit or loss.

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.

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 33 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.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES, CONT'D

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.

FOREIGN CURRENCY TRANSLATION

The financial statements are presented in Australian dollars, which is Lark Distilling Co. Ltd's functional and presentation currency.

Foreign currency transactions

Foreign currency transactions are translated into Australian dollars using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at financial year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

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.

Other revenue is recognised when it is received or when the right to receive payment is established.

INCOME TAX

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed at each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

Lark Distilling Co. Ltd (the 'head entity') and its wholly-owned Australian subsidiaries have formed an income tax consolidated group under the tax consolidation regime. The head entity and each subsidiary in the tax consolidated group continue to account for their own current and deferred tax amounts. The tax consolidated group has applied the 'separate taxpayer within group' approach in determining the appropriate amount of taxes to allocate to members of the tax consolidated group.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES, CONT'D

CURRENT AND NON-CURRENT CLASSIFICATION

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the Group's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the Group's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

GOODS AND SERVICES TAX ('GST') AND OTHER SIMILAR TAXES

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

NOTE 3. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Coronavirus (COVID-19) pandemic

Judgement has been exercised in considering the impacts that the Coronavirus (COVID-19) pandemic has had, or may have, on the Group based on known information. This consideration extends to the nature of the products and services offered, customers, supply chain, staffing and geographic regions in which the Group operates. Other than as addressed in specific notes, there does not currently appear to be either any significant impact upon the financial statements or any significant uncertainties with respect to events or conditions which may impact the Group unfavourably as at the reporting date or subsequently as a result of the Coronavirus (COVID-19) pandemic.

Share-based payment transactions

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using either the Monte Carlo or Black-Scholes model taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity.

Goodwill and other indefinite life intangible assets

The Group tests annually, or more frequently if events or changes in circumstances indicate impairment, whether goodwill and other indefinite life intangible assets have suffered any impairment, in accordance with the accounting policy stated in note 18. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions, including:

- the forecasting of future cash flows (driven by litres available for sale, price achieved per litre and costs to sell),
- expected growth rates and market share gains,
- overhead costs based on current and anticipated market conditions; and
- the discount rates applicable to the future cash flows.

The above inputs have been considered and approved by the Board for the value-in-use calculations. While the Group have a level of control over the staff and overheads cost, revenue forecasts inherently subject to uncertainty due to macro-economic factors. Further information on the goodwill impairment are included in note 18 to the financial statements.

Ukraine conflict

The current evolving conflict between Ukraine and Russia (Ukraine Conflict) is impacting global economic markets. The nature and extent of the effect of the Ukraine Conflict on the performance of the Group remains unknown.

Recovery of deferred tax assets

Deferred tax assets are recognised for deductible temporary differences and carried forward losses only if the Group considers it is probable that future taxable amounts will be available to utilise those temporary differences and carried forward losses. To the extent possible, management's expectation is to utilise the available carried forward losses in the future.

Environmental, Social and Governance

The Group is certified carbon neutral, under the Federal Government's Climate Active Program, one of the most widely recognised carbon neutral programs of its kind. This renowned certification is only awarded to businesses that have credibly reached a state of achieving zero net emissions. The Group is committed to minimising its environmental footprint and maintaining its carbon neutrality. This is expected to minimise any financial impacts from legislative changes going forward.

Business combination

Significant judgement is applied to the acquisition of an asset or a group of assets to conclude if the asset or group of assets acquired represents a business combination. The Group follows a 4-step process:

- Identification of the 'acquirer'
- Determination of the 'acquisition date'
- Recognition and measurement of the identifiable assets acquired, the liabilities assumed:
  - Inventory was measured at fair value on a discounted cash flow basis. Key assumptions for the valuation included the estimated cash inflows from whisky liquid acquired, and timings for when the liquid was sold. Cash outflow assumptions included bottling and selling costs, which were based on the Group's current costs. A pre- tax discount rate of 15% has been used for the valuation; and
  - Fair value of Land and buildings were determined utilising external valuation experts with valuation prepared in accordance with International Valuation Standards Committee (IVSC) definition of market value endorsed by Australian Property Institute and AASB13 Fair Value Measurement.
- Recognition and measurement of goodwill or a gain from a bargain purchase.

NOTE 4. OPERATING SEGMENTS

Identification of reportable operating segments

The Group is organised into three operating segments: whisky, gin, and other. These operating segments are based on the internal reports that are reviewed and used by the Board of Directors (who are identified as the Chief Operating Decision Makers ('CODM')) in assessing performance and in determining the allocation of resources.

The operations of the Group in management of equity investments is consistent with the Groups' strategy to continue its investment and growth in both whisky ("Lark" as the hero brand) and gin ("Forty Spotted Gin"). Whisky and gin are assessed as separate segments by the CODM due to the differences in production processes, inventory life cycle, market categories, working capital requirements and financial contribution to the Group. The "other" segment is representative of function's that attribute to Group results but are not directly attributable to whisky or gin segments, and include hand sanitiser sales. Operating segments are therefore split into the three segments; Whisky, Gin and other.

The CODM reviews EBITDA (earnings before interest, tax, depreciation and amortisation). The accounting policies adopted for internal reporting to the CODM are consistent with those adopted in the financial statements.

The information reported to the CODM is on a monthly basis.

Intersegment receivables, payables and loans

Intersegment loans are initially recognised at the consideration received. Intersegment loans receivable and loans payable that earn or incur non-market interest are not adjusted to fair value based on market interest rates. Intersegment loans are eliminated on consolidation.

Major customers

During the year ended 30 June 2022, approximately 13.9% of the Group's external revenue was derived from sales to one customer (FY21: 23%).

NOTE 4. OPERATING SEGMENTS, CONT'D

Operating segment information

Consolidated - 2022	Whisky $	Gin $	Other $	Total $
Revenue				
Sales to external customers	19,567,444	3,716,413	1,054,047	24,337,904
Other revenue	506,518	126,629	-	633,147
Interest income	2,702	507	169	3,378
Total revenue	20,076,664	3,843,549	1,054,216	24,974,429
EBITDA	1,435,863	(724,028)	92,029	803,864
Depreciation and amortisation	(373,019)	(69,941)	(23,314)	(466,274)
Finance costs	(261,178)	(48,971)	(16,324)	(326,473)
Profit / (loss) before income tax expense	801,666	(842,940)	52,391	11,117
Income tax expense				(481,515)
Loss after income tax expense				(470,398)

Consolidated - 2021	Whisky $	Gin $	Other $	Total $
Revenue				
Sales to external customers	11,705,953	3,764,285	1,072,745	16,542,983
Other revenue	723,022	-	-	723,022
Interest income	2,167	-	-	2,167
Total revenue	12,431,142	3,764,285	1,072,745	17,268,172
EBITDA	1,151,315	50,584	321,197	1,523,096
Depreciation and amortisation	(164,638)	(30,870)	(10,290)	(205,798)
Finance costs	(217,074)	(40,701)	(13,568)	(271,343)
Profit / (loss) before income tax benefit	769,603	(20,987)	297,339	1,045,955
Income tax benefit				2,395,520
Profit after income tax benefit				3,441,475

NOTE 5. REVENUE

	Consolidated	
	2022 $	2021 $
Whisky revenue	**19,567,444**	11,705,953
Gin revenue	**3,716,413**	3,764,285
Other revenue	**1,054,047**	1,072,746
	24,337,904	16,542,984

REVENUE RECOGNITION

The Group recognises revenue as follows:

Revenue from contracts with customers

Revenue is recognised at an amount that reflects the consideration to which the Group is expected to be entitled in exchange for transferring goods to a customer. For each contract with a customer, the Group: identifies the contract with a customer; identifies the performance obligations in the contract; determines the transaction price which takes into account estimates of variable consideration and the time value of money; allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct goods to be dispatch; and recognises revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods promised.

Variable consideration within the transaction price, if any, reflects concessions provided to the customer such as discounts, rebates and returns, any potential bonuses receivable from the customer and any other contingent events. Such estimates are determined and consistently applied using either the 'expected value' or 'most likely amount' method. The measurement of variable consideration is subject to a constraining principle whereby revenue will only be recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. The measurement constraint continues until the uncertainty associated with the variable consideration is subsequently resolved. Amounts received that are subject to the constraining principle are recognised as a refund liability.

Sale of goods

Revenue derived from all sale of inventories to customers are recognised at the time of dispatch of goods. All revenue is stated net of the amount of goods and services tax (GST).

Other revenue

Other revenue is a combination of Hospitality sales of Non-Lark products, as well as Slainte, Brandy, Rum & Sanitiser and is recognised at the time of dispatch of goods.

NOTE 6. OTHER INCOME

	Consolidated	
	2022 $	2021 $
Other income	**118,203**	79,144
R&D grant income	**164,938**	92,878
Government grant income	**-**	451,000
Excise rebates	**350,006**	100,000
Other income	**633,147**	723,022

NOTE 6. OTHER INCOME, CONT'D

Government grant income

Government grant income in 2021 was related to $351,000 of JobKeeper and $100,000 of Cashflow Boost payments received in response to COVID-19.

Interest Income

Interest income is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

NOTE 7. ADMINISTRATION EXPENSES

	Consolidated	
	2022 $	**2021 $**
Consulting fees	**1,045,776**	440,558
Legal fees	**279,128**	120,634
Directors' fees	**653,334**	575,885
Insurance costs	**244,486**	356,908
Inventory losses	**506,123**	578,910
Occupancy costs	**713,686**	337,428
IT and communications	**41,324**	42,388
Travel, transport and entertainment	**373,793**	132,967
Other administration and corporate costs	**1,209,453**	396,297
	5,067,103	2,981,975

NOTE 8. EMPLOYEE BENEFIT EXPENSE

	Consolidated	
	2022 $	**2021 $**
Salaries and wages	**3,033,290**	2,236,849
Superannuation	**231,408**	109,817
Movement in employee benefit provisions	**132,316**	51,281
Share based payments expense	**876,224**	556,416
Other employee expenses	**252,513**	30,858
	4,525,751	2,985,221

NOTE 9. DEPRECIATION AND AMORTISATION

	Consolidated	
	2022 $	**2021 $**
Depreciation of property, plant and equipment	**268,695**	97,304
Depreciation of right-of-use assets	**178,924**	90,599
Amortisation of intangibles	**18,655**	17,895
	466,274	205,798
Depreciation capitalised into inventory	**379,307**	235,785

NOTE 10. FINANCE COSTS

	Consolidated	
	2022 $	**2021 $**
Interest expense	**193,538**	259,563
Bank and other fees	**132,935**	11,780
	326,473	271,343

NOTE 11. INCOME TAX EXPENSE/(BENEFIT)

	Consolidated	
	2022 $	**2021 $**
Income tax benefit		
Deferred tax - origination and reversal of temporary differences	**388,694**	(2,395,520)
Adjustment in respect of prior year	**92,821**	-
Aggregate income tax expense/(benefit)	**481,515**	(2,395,520)
Numerical reconciliation of income tax expense/(benefit) and tax at the statutory rate		
Profit before income tax (expense) / benefit	**11,117**	1,045,955
Tax at the statutory tax rate of 25% (2021: 26%)	**2,779**	271,948
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Share-based payments	**219,056**	144,668
R&D offset income	**(41,235)**	(23,684)
Cashflow boost	**-**	(26,000)
Other	**24,087**	38,317
Acquisition related costs	**91,380**	-
	296,067	405,249
Prior period tax losses now recognised	**-**	(2,321,500)
Year 1 deferred tax assets and liabilities now recognised	**-**	(479,269)
Restate tax effect balances to reflect change in tax rate	**92,627**	-
Prior year under/over	**92,821**	-
Income tax expense/(benefit)	**481,515**	(2,395,520)

The Group qualifies as a base rate entity as defined from the *Treasury Laws Amendment (Enterprise Tax Plan Base Rate Entities)* Act 2018. Accordingly at 30 June 2022, the Group's tax rate reduced to 25% in 2021/22 financial year (2020/21: 26%) as per the requirements of the *Treasury Laws Amendment Act 2018.*

NOTE 11. INCOME TAX EXPENSE/(BENEFIT), CONT'D

	Consolidated	
	2022 $	**2021 $**
Amounts credited directly to equity		
Deferred tax assets (note 19)	**(476,130)**	(105,584)
Tax losses not recognised		
Unused tax losses for which no deferred tax asset has been recognised	**18,362,305**	18,177,860
Potential tax benefit @ 25% (2021:26%)	**4,590,576**	4,726,244

The above potential tax benefit for tax losses has not been recognised in the statement of financial position. These tax losses can only be utilised in the future if the continuity of ownership test is passed, or failing that, the same business test is passed and future taxable profits are available to offset against the carry forward tax losses.

The franking account balance as at 30 June 2022 was Nil (June 2021: Nil).

NOTE 12. CASH AND CASH EQUIVALENTS

	Consolidated	
	2022 $	**2021 $**
Current assets		
Cash on hand	**2,313**	2,410
Cash at bank	**16,094,091**	7,643,464
	16,096,404	7,645,874

Accounting policy for 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.

NOTE 13. TRADE AND OTHER RECEIVABLES

	Consolidated	
	2022 $	**2021 $**
Current assets		
Trade receivables	**3,998,130**	2,306,857
Other receivables	**36,978**	40,609
Expected future credit losses	-	(8,082)
Deposits paid	**75,320**	55,561
	4,110,428	2,394,945

NOTE 13. TRADE AND OTHER RECEIVABLES, CONT'D

Accounting policy for trade and other receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. Trade receivables are generally due for settlement within 30 days.

NOTE 14. INVENTORIES

	Consolidated	
	2022 $	**2021 $**
Current assets		
Raw materials - at cost	**3,843,114**	1,736,215
Work in progress - at cost	**1,737,390**	2,299,983
Finished goods - at cost	**3,793,620**	1,163,852
Inventory in casks	**11,222,598**	2,801,691
Provision for obsolescence	**(166,475)**	(161,506)
	20,430,247	7,840,235
Non-current assets		
Inventory in casks	**39,519,561**	17,981,665
Finished Goods - at cost	**221,925**	-
	39,741,486	17,981,665

Accounting policy for inventories

Raw materials, work in progress and finished goods are stated at the lower of cost and net realisable value. Cost is determined using the weighted average cost basis of all inventory items based on the individual costs and the quantity of each item held in stock.

Cost comprises of direct materials and delivery costs, direct labour, import duties and other taxes, an appropriate proportion of variable and fixed overhead expenditure based on normal operating capacity, and, where applicable, transfers from cash flow hedging reserves in equity. Costs of purchased inventory are determined after deducting rebates and discounts received or receivable.

Work in progress inventory reflects whisky and gin currently in production but not yet bottled or barrelled.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

NOTE 15. RIGHT-OF-USE ASSETS

	Consolidated	
	2022 $	**2021 $**
Non-current assets		
Land and buildings - right-of-use	**1,933,250**	1,766,452
Less: Accumulated depreciation	**(301,676)**	(122,595)
	1,631,574	1,643,857

NOTE 15. RIGHT-OF-USE ASSETS, CONT'D

Reconciliations

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out following:

Consolidated	Land and building right-of-use $	Total $
Balance at 1 July 2020	206,930	206,930
Additions	1,527,526	1,527,526
Depreciation expense	(90,599)	(90,599)
Balance at 30 June 2021	1,643,857	1,643,857
Additions	166,641	166,641
Depreciation expense	(178,924)	(178,924)
Balance at 30 June 2022	**1,631,574**	**1,631,574**

Accounting policy for right-of-use assets

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the Group expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

The Group has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

NOTE 16. PREPAID ASSETS

	Consolidated	
	2022 $	**2021 $**
Current assets		
Prepaid wood	**176,451**	98,716
Prepaid packaging and other	**4,140**	609,373
	180,591	708,089

NOTE 17. PROPERTY, PLANT AND EQUIPMENT

	Consolidated	
	2022 $	**2021 $**
Non-current assets		
Freehold land - at cost	**9,364,644**	4,564,644
Impairment	**(529,683)**	(529,683)
	8,834,961	4,034,961
Building improvements - at cost	**1,514,502**	515,743
Less: Accumulated depreciation	**(261,109)**	(66,265)
	1,253,393	449,478
Plant, equipment & production assets - at cost	**5,819,243**	4,345,421
Less: Accumulated depreciation	**(1,553,472)**	(1,097,433)
	4,265,771	3,247,988
Motor vehicles - at cost	**154,044**	154,044
Less: Accumulated depreciation	**(102,525)**	(92,800)
	51,519	61,244
Capital work in progress	**866,142**	640,649
	15,271,786	8,434,320

NOTE 17. PROPERTY, PLANT AND EQUIPMENT, CONT'D

Reconciliations

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

Consolidated	Land and building $	Building improvement $	Plant, equipment and production assets $	Motor vehicle $	Capital WIP $	Total $
Balance at 1 July 2020	4,034,961	155,464	2,800,537	71,405	845,250	7,907,617
Additions	-	2,360	241,089	-	616,343	859,792
Capitalised to inventory	-	-	(229,401)	(6,384)	-	(235,785)
Transfers in/(out)	-	346,142	474,802	-	(820,944)	-
Depreciation expense	-	(54,488)	(39,039)	(3,777)	-	(97,304)
Balance at 30 June 2021	4,034,961	449,478	3,247,988	61,244	640,649	8,434,320
Additions	-	18,998	483,178	-	1,612,128	2,114,304
Additions through business combinations (note 32)	4,800,000	-	574,267	-	-	5,374,267
Disposals	-	-	(3,113)	-	-	(3,113)
Depreciation capitalised to inventory	-	-	(371,541)	(7,766)	-	(379,307)
Transfers in/(out)	-	972,485	414,150	-	(1,386,635)	-
Depreciation expense	-	(187,568)	(79,158)	(1,959)	-	(268,685)
Balance at 30 June 2022	**8,834,961**	**1,253,393**	**4,265,771**	**51,519**	**866,142**	**15,271,786**

Accounting policy for 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.

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:

Building improvements	2.5%
Plant, machinery & production assets	5% - 33%
Motor vehicles	10% - 20%

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

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

NOTE 18. INTANGIBLES

	Consolidated	
	2022 $	2021 $
Non-current assets		
Goodwill - at cost	**21,231,628**	10,934,839
Intangible assets - at cost	**534,810**	474,845
Less: Accumulated amortisation	**(164,012)**	(185,170)
	370,798	289,675
	21,602,426	11,224,514

Reconciliations

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

Consolidated	Goodwill $	Other intangibles $	Total $
Balance at 1 July 2020	10,934,839	294,476	11,229,315
Additions	-	30,000	30,000
Disposals	-	(15,957)	(15,957)
Amortisation expense	-	(18,844)	(18,844)
Balance at 30 June 2021	10,934,839	289,675	11,224,514
Additions	-	78,506	78,506
Additions through business combinations (note 32)	10,296,789	21,272	10,318,061
Amortisation expense	-	(18,655)	(18,655)
Balance at 30 June 2022	**21,231,628**	**370,798**	**21,602,426**

Goodwill is attributable to business acquisitions and has been allocated to the Whisky segment (cash generating unit or CGU). Goodwill is considered to have an indefinite useful life due to the on-going cash generation attributable to the respective CGU and its recoverable value is assessed annually on a value-in-use (VIU) discounted cash flows basis. The key bases and assumptions on which VIU is determined includes most recent budget or forecast for the CGU, projections of financial performance over the future 6-year period which include revenue growth rates, profit margin, changes in working capital and capital expenditure based on historical and expected future trends (referenced against industry projections).

The discount rate of 15% pre-tax reflects management's estimate of the time value of money and the Group's weighted average cost of capital, the risk free rate and the volatility of the share price relative to market movements.

Management believes the projected revenue growth rate is prudent and justified, based on the past 24 months revenue actual and current trends in the market.

Management believes that other reasonable changes in the key assumptions on which the recoverable amount of the goodwill is based would not cause the cash-generating unit's carrying amount to exceed its recoverable amount.

NOTE 18. INTANGIBLES, CONT'D

Accounting policy for intangible assets

Intangible assets acquired as part of a business combination, other than goodwill, are initially measured at their fair value at the date of the acquisition. Intangible assets acquired separately are initially recognised at cost. Indefinite life intangible assets are not amortised and are subsequently measured at cost less any impairment. Finite life intangible assets are subsequently measured at cost less amortisation and any impairment. The gains or losses recognised in profit or loss arising from the derecognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The method and useful lives of finite life intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

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.

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.

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.

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:

Intangible asset	Useful life
Other intangible assets	5-8 years

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

NOTE 19. DEFERRED TAX

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes.

	Consolidated	
	2022 $	**2021 $**
Deferred tax liabilities comprises taxable temporary differences attributable to:		
Amounts recognised in profit or loss:		
Tax losses	**1,799,906**	2,122,071
Inventories	**214,364**	-
Provisions and accruals	**232,333**	148,970
Other liabilities	**418,926**	443,389
Capital raising costs	**76,168**	226,543
Foreign exchange	**12,117**	12,601
Fixed assets and right of use assets	**(703,868)**	(530,099)
Prepayments	**(1,036)**	(27,955)
Total deferred tax asset recognised in profit or loss	**2,048,910**	2,395,520
Amounts recognised in equity:		
Transaction costs on share issue	**476,130**	105,584
Net deferred tax asset	**2,525,040**	2,501,104
Movements:		
Opening balance	**2,501,104**	-
Credited/(charged) to profit or loss (note 11)	**(481,515)**	2,395,520
Credited to equity (note 11)	**476,130**	105,584
Additions through business combinations	**29,321**	-
Closing balance	**2,525,040**	2,501,104

NOTE 20. TRADE AND OTHER PAYABLES

	Consolidated	
	2022 $	**2021 $**
Current liabilities		
Trade payables	**2,161,743**	1,825,198
Sundry creditors and accrued expenses	**210,784**	488,299
Deferred consideration payable on business combination	**1,000,000**	-
Other payables	**2,304,387**	613,564
	5,676,914	2,927,061

Refer to note 26 for further information on financial instruments.

NOTE 21. BORROWINGS

	Consolidated	
	2022 $	**2021 $**
Non-current liabilities		
Loan- National Australia Bank	**5,000,000**	-
Loan - Quality Life Pty Ltd	**-**	5,000,000
	5,000,000	5,000,000

During the period, the Company secured a $15 million debt facility from National Australia Bank. Out of this facility, $5m has been used to settle $5m loan from Quality Life Pty Ltd in full. The key terms of the debt facility from National Australia Bank are as follows:

- Facility amount up to $15,000,000 ($5m drawn as at 30 June 2022);
- Interest rate based on BBSY+ 1.97% per annum;
- Interest only loan with principal due at the end of the term
- Maturity on 31 January 2024;
- Key covenant - Minimum Interest Cover Ratio of 2.5 times, measured as 12-month period EBITDA divided by total interest payments ending on June 30th and thereafter yearly

Assets pledged as security

The loan is secured by a registered security interest in real property and whisky held by the Group.

Accounting policy for borrowings

Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

NOTE 22. FINANCIAL LIABILITIES

	Consolidated	
	2022 $	**2021 $**
Current liabilities		
Lease liability	**420,191**	134,756
Other financial liabilities	**-**	79,671
	420,191	214,427
Non-current liabilities		
Lease liability	**1,255,513**	1,534,163

The carrying value of lease liabilities is determined based on cash cost and term of leases, with future lease payments discounted to present value using the Group's assessed incremental borrowing rate.

Refer note 26 for further information lease maturity and interest rates.

Accounting policy for financial liabilities

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the consolidated entity's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

NOTE 23. EMPLOYEE BENEFITS

Current liabilities:

	Consolidated	
	2022 $	**2021 $**
Current liabilities		
Employee benefits - current	**448,789**	262,594
Non-current liabilities		
Employee benefits	**34,647**	38,092

Refer to note 26 for further information on financial instruments.

NOTE 23. EMPLOYEE BENEFITS, CONT'D

Accounting policy for employee benefits

Short-term 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.

Other long-term employee benefits

The liability for annual leave and long service leave not expected to be settled within 12 months of the reporting date are measured at the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on high quality corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

NOTE 24. ISSUED CAPITAL

	Consolidated			
	2022 Shares	2021 Shares	2022 $	2021 $
Ordinary shares - fully paid	75,306,377	63,069,350	116,448,720	58,498,886

NOTE 24. ISSUED CAPITAL, CONT'D

Movements in ordinary share capital

Details	Date	Shares	Issue price	$
Balance	1 July 2020	54,452,878		49,475,985
Issue of shares	23 September 2020	8,052,334	$1.100	8,857,567
Issue of shares on conversion of Performance Rights	7 January 2021	150,000	$0.000	-
Issue of shares on exercise of unlisted options	12 March 2021	138,046	$0.900	124,241
Issue of shares on exercise of unlisted options	26 March 2021	138,046	$1.125	155,302
Issue of shares on exercise of unlisted options	15 April 2021	138,046	$1.350	186,362
Transactions costs for period		-	$0.000	(300,571)
Balance	30 June 2021	63,069,350		58,498,886
Issue of shares	12 July 2021	20,000	$3.230	64,600
Exercise of options	12 July 2021	8,334	$2.250	18,752
Exercise of options	1 September 2021	8,334	$2.250	18,752
Placement of shares	22 October 2021	9,300,000	$5.000	46,500,000
Share purchase plan	22 November 2021	1,000,000	$5.000	5,000,000
Placement of shares to the Directors	23 December 2021	1,272,000	$5.000	6,360,000
Conversion of vested performance rights	6 January 2022	293,332	$0.000	-
Consideration shares in relation to the acquisition of the Pontville Distillery	1 February 2022	306,360	$4.896	1,378,620
Issue of shares	18 March 2022	12,000	$3.590	19,950
Exercise of options	25 March 2022	16,667	$0.000	17,549
Transactions costs for period		-	$0.000	(1,428,389)
Balance	30 June 2022	**75,306,377**		**116,448,720**

Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the company does not have a limited amount of authorised capital.

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.

Share buy-back

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

NOTE 25. RESERVES

	Consolidated	
	2022 $	**2021 $**
Foreign currency reserve	**48,466**	48,464
Share-based payments reserve	**1,928,264**	1,052,040
	1,976,730	1,100,504

Foreign currency reserve

The reserve is used to recognise exchange differences arising from the translation of the financial statements of foreign operations to Australian dollars. It is also used to recognise gains and losses on hedges of the net investments in foreign operations.

Share-based payments reserve

The reserve is used to recognise the value of equity benefits provided to employees and directors as part of their remuneration, and other parties as part of their compensation for services.

NOTE 26. FINANCIAL INSTRUMENTS

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.

Foreign currency risk

The Group does not have any material foreign currency risk exposure.

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 2022.

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.

NOTE 26. FINANCIAL INSTRUMENTS, CONT'D

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:

	Non-interest Bearing 2022 $	Non-interest Bearing 2021 $	Total 2022 $	Total 2021 $
Cash	16,096,404	7,645,874	16,096,404	7,645,874
Trade and other receivables	4,110,428	2,394,945	4,110,428	2,394,945

Financial liabilities	Interest Rate 2022 %	Interest Rate 2021 %	Total 2022 $	Total 2021 $
Trade payables	-	-	4,676,914	2,927,061
Loan – Quality Life (Fixed interest rate)	-	4.00%	-	5,000,000
Loan- National Australia Bank (Floating interest rate)	2.38%	-	5,000,000	-

Leases	Implicit interest rate 2022 %	Implicit interest rate 2021 %	Total 2022 $	Total 2021 $
Lease – BOQ	-	10.30%	-	31,400
Logistics	-	12.30%	-	48,877
Operating leases	2.70%	2.70%	1,675,704	1,668,919

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

	30 June 2022 $	30 June 2021 $
Less than 6 months	4,676,914	2,924,979
Over 6 months	-	2,082
	4,676,914	2,927,061

	Consolidated	
	2022 $	2021 $
Maturity analysis of total borrowings as at the reporting date are as follows:		
Payable within 12 months	-	-
Payable after 12 months	5,000,000	5,000,000
	5,000,000	5,000,000

NOTE 26. FINANCIAL INSTRUMENTS, CONT'D

	Consolidated	
	2022 $	**2021 $**
Maturity analysis of total un-discounted lease liabilities as at the reporting date are as follows:		
1 year or less	**420,191**	134,756
Between 1 and 2 years	**189,768**	139,802
Between 2 and 5 years	**355,653**	350,228
Over 5 years	**710,092**	1,044,133
	1,675,704	1,668,919

On 15 October 2021, the Group secured a $15 million secured loan facility.

	Consolidated	
	2022 $	**2021 $**
Drawn	**5,000,000**	-
Undrawn	**10,000,000**	-
	15,000,000	-

Interest Rate Risk and Foreign Currency Risk

The Group has not performed a sensitivity analysis relating to its exposure to interest rate risk and foreign currency risk at balance date as this risk is not material.

Remaining contractual maturities

The amounts disclosed in the above tables are the maximum amounts allocated to the earliest period in which the guarantee could be called upon. The Group does not expect these payments to eventuate earlier.

NOTE 27. KEY MANAGEMENT PERSONNEL DISCLOSURES

Directors

The following persons were directors of Lark Distilling Co. Ltd during the financial year:

Mr David Dearie	Non-Executive Chairman
Ms Laura McBain	Managing Director (appointed as interim Managing Director on 16 February 2022, resigned as Non-Executive Director on 16 February 2022)
Mr Geoff Bainbridge	Managing Director (resigned on 16 February 2022)
Mr Warren Randall	Non-Executive Director
Mr Domenic Panaccio	Non-Executive Director (appointed on 1 March 2022)

Other key management personnel

The following person also had the authority and responsibility for planning, directing and controlling the major activities of the Group, directly or indirectly, during the financial year:

Mr Alex Aleksic	Chief Financial Officer

NOTE 27. KEY MANAGEMENT PERSONNEL DISCLOSURES, CONT'D

Compensation

The aggregate compensation made to directors and other members of key management personnel of the Group is set out below:

	Consolidated	
	2022 $	**2021 $**
Short-term benefits to employee / consultants	**1,039,066**	975,540
Share-based payments	**352,841**	457,867
	1,391,907	1,433,407

NOTE 28. REMUNERATION OF AUDITORS

During the financial year the following fees were paid or payable for services provided by Deloitte Touche Tohmatsu, the auditor of the company:

	Consolidated	
	2022 $	**2021 $**
Audit services - Deloitte Touche Tohmatsu		
Audit or review of the financial statements	**142,800**	106,500

NOTE 29. COMMITMENTS

The Group is in planning phase for 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.

There are no other commitments for the Group for the period ended 30 June 2022.

NOTE 30. RELATED PARTY TRANSACTIONS

During the period ended 30 June 2022, the Group made purchases amounting to $353,100 (June 2021: $288,217) from an entity associated with Warren Randall (Non-Executive Director). These transactions were for the purchase of wooden barrels from Seppeltsfield Wines Pty Ltd (ABN: 97 127 078 282) for the Group to use in its' production process of Lark. There was no balance payable or receivable as at the period ended 30 June 2022.

Subsidiaries

Interests in subsidiaries are set out in note 33.

Key management personnel

Disclosures relating to key management personnel are set out in note 27 and the remuneration report included in the directors' report.

NOTE 31. PARENT ENTITY INFORMATION

Statement of financial position

	Parent	
	2022 $	**2021 $**
Total current assets	**12,628,686**	6,363,381
Total assets	**110,831,267**	55,145,455
Total current liabilities	**713,083**	197,908
Total liabilities	**6,417,986**	5,197,908
Equity		
Issued capital	**116,448,720**	58,498,887
Foreign currency reserve	**16,397**	16,397
Share-based payments reserve	**1,928,264**	1,052,040
Accumulated losses	**(13,980,100)**	(9,619,777)
Total equity	**104,413 ,281**	49,947,547

Guarantees entered into by the parent entity in relation to the debts of its subsidiaries

The parent entity had no guarantees in relation to the debts of its subsidiaries as at 30 June 2022 and 30 June 2021.

Contingent liabilities

The parent entity had no contingent liabilities as at 30 June 2022 and 30 June 2021.

Capital commitments - Property, plant and equipment

The parent entity had no capital commitments for property, plant and equipment as at 30 June 2022 and 30 June 2021.

Significant accounting policies

The accounting policies of the parent entity are consistent with those of the Group, as disclosed in note 2, except for the following:

- Investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity.
- Dividends received from subsidiaries are recognised as other income by the parent entity and its receipt may be an indicator of an impairment of the investment.

NOTE 32. BUSINESS COMBINATIONS

On 2 February 2022, the Group acquired 100% of the ordinary shares of Kernke Family Shene Estate Pty Ltd, the owner of the Pontville Distillery and Estate, for the total consideration of $39,998,469. The business is a whisky producer business and was acquired to increase the whisky production capacity of the Group. The goodwill of $10.3 million is the fair value of consideration paid in excess of the fair value of acquired assets and liabilities, and represents the residual value of the inputs, processes and outputs acquired as part of the business combination.

Details of the acquisition are as follows:

	Fair value $
Cash and cash equivalents	248,035
Trade receivables	111,437
Inventories	23,948,174
Raw materials	45,993
Finished goods	100,001
Land and buildings	4,800,000
Property, Plant and equipment	574,267
Patents and trademarks	21,272
Trade and other payables	(176,821)
Deferred tax asset	29,322
Net assets acquired	29,701,680
Goodwill	10,296,789
Acquisition-date fair value of the total consideration transferred	39,998,469
Representing:	
Cash paid to vendor	37,500,000
Lark Distilling Co. Ltd shares issued to vendor	1,378,620
Cash payable to vendor (deferred consideration)	1,000,000
Working capital adjustment payable	119,849
	39,998,469

	Consolidated
	2022 $
Cash acquired on business combination	**248,035**
Purchase consideration paid to vendor	**(37,500,000)**
Net cash used in business combination	**(37,251,965)**

As part of the acquisition outlined above, the Group agreed to pay $1,000,000 on a deferred consideration basis for cooperage assets. The accounting for the business combination is final, except for the final determination of the fair value of these cooperage assets and the recognition of deferred taxes thereon. The deferred consideration has been recognised as a current liability and is expected

NOTE 32. BUSINESS COMBINATIONS, CONT'D

to be settled on 01/02/2023, at which time the Group will take possession of the cooperage assets. This element of the business combination has been accounted for on a provisional basis and the fair value of the cooperage assets acquired will be finalised upon possession. Any adjustment as a result of the determination of the fair value of the cooperage assets is expected to result in a corresponding adjustment to goodwill recognised.

Accounting policy for business combinations

The acquisition method of accounting is used to account for business combinations regardless of whether equity instruments or other assets are acquired.

The consideration transferred is the sum of the acquisition-date fair values of the assets transferred, equity instruments issued or liabilities incurred by the acquirer to former owners of the acquiree and the amount of any non-controlling interest in the acquiree. For each business combination, the non-controlling interest in the acquiree is measured at either fair value or at the proportionate share of the acquiree's identifiable net assets. All acquisition costs are expensed as incurred to profit or loss.

On the acquisition of a business, the Group assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the Group's operating or accounting policies and other pertinent conditions in existence at the acquisition-date.

Contingent consideration to be transferred by the acquirer is recognised at the acquisition-date fair value. Subsequent changes in the fair value of the contingent consideration classified as an asset or liability is recognised in profit or loss. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity.

The difference between the acquisition-date fair value of assets acquired, liabilities assumed and any non-controlling interest in the acquiree and the fair value of the consideration transferred and the fair value of any pre-existing investment in the acquiree is recognised as goodwill. If the consideration transferred and the pre-existing fair value is less than the fair value of the identifiable net assets acquired, being a bargain purchase to the acquirer, the difference is recognised as a gain directly in profit or loss by the acquirer on the acquisition-date, but only after a reassessment of the identification and measurement of the net assets acquired, the non-controlling interest in the acquiree, if any, the consideration transferred and the acquirer's previously held equity interest in the acquirer.

Business combinations are initially accounted for on a provisional basis. The acquirer retrospectively adjusts the provisional amounts recognised and also recognises additional assets or liabilities during the measurement period, based on new information obtained about the facts and circumstances that existed at the acquisition-date. The measurement period ends on either the earlier of (i) 12 months from the date of the acquisition or (ii) when the acquirer receives all the information possible to determine fair value.

NOTE 33. INTERESTS IN SUBSIDIARIES

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy:

		Ownership interest	
Name	**Principal place of business / Country of incorporation**	**2022 %**	**2021 %**
Australian Whisky Holdings Bothwell Pty Ltd	Level 1, 91-93 Macquarie Street 7000	100.00%	100.00%
Australian Whisky Holdings Services Pty Ltd	Level 1, 91-93 Macquarie Street 7000	100.00%	100.00%
Australian Whisky Holdings Management Pty Ltd	Level 1, 91-93 Macquarie Street 7000	100.00%	100.00%
Aowei Liquor Industries Beijing Limited	Beijing PRC 100022	100.00%	100.00%
Australian Whisky Holdings (HK) Limited	Kowloon, Hong Kong	100.00%	100.00%
Lark Distillery Pty Ltd	40 Denholms Road, Cambridge, TAS 7170	100.00%	100.00%
Kernke Family Shene Estate Pty Ltd	76 Shene Rd, Pontville TAS 7030	100.00%	-
Shene Distillery Pty Ltd	76 Shene Rd, Pontville TAS 7030	100.00%	-

NOTE 34. EVENTS AFTER THE REPORTING PERIOD

No matter or circumstance has arisen since 30 June 2022 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

NOTE 35. RECONCILIATION OF PROFIT / (LOSS) AFTER INCOME TAX TO NET CASH USED IN OPERATING ACTIVITIES

	Consolidated	
	2022 $	**2021 $**
Profit / (loss) after income tax (expense) / benefit for the year	**(470,398)**	3,441,475
Adjustments for:		
Depreciation and amortisation	**466,274**	205,798
Movement in deferred taxes recognised to equity	**476,129**	105,584
Non-cash share based payments	**1,015,830**	556,792
Change in operating assets and liabilities:		
Increase in trade and other receivables	**(1,473,324)**	(862,008)
Increase in inventories	**(9,876,356)**	(6,542,439)
Decrease/(increase) in deferred tax assets	**5,386**	(2,501,104)
Decrease/(increase) in prepayments	**527,498**	(686,845)
Increase in other provisions	**182,750**	51,892
Decrease/Increase in trade creditors and accruals	**1,430,879**	(144,241)
Net cash used in operating activities	**(7,715,332)**	(6,375,096)

NOTE 36. EARNINGS PER SHARE

	Consolidated	
	2022 $	**2021 $**
Profit / (loss) after income tax attributable to the owners of Lark Distilling Co. Ltd	**(470,398)**	3,441,475

	Number	**Number**
Weighted average number of ordinary shares used in calculating basic earnings per share	**71,033,931**	60,808,172
Adjustments for calculation of diluted earnings per share:		
Options over ordinary shares	-	336,111
Performance rights over shares	-	3,203,334
Weighted average number of ordinary shares used in calculating diluted earnings per share	**71,033,931**	64,347,617

NOTE 36. EARNINGS PER SHARE, CONT'D

	Cents	Cents
Basic earnings per share	**(0.66)**	5.66
Diluted earnings per share	**(0.66)**	5.35

As at 30 June 2022, the Group had 191,667 Options and 1,935,500 Performance Rights over ordinary shares, which are excluded from the calculation of basic and diluted earnings per share. These equity instruments are considered to be anti-dilutive, as their inclusion would not decrease earnings per shar nor increase the loss per share, from continuing operations.

NOTE 37. SHARE-BASED PAYMENTS

A share option plan has been established by the Group and approved by shareholders at a general meeting, whereby the Group may, at the discretion of the Nomination and Remuneration Committee, grant options over ordinary shares in the company to certain key management personnel of the Group. The options are issued for nil consideration and are granted in accordance with performance guidelines established by the Nomination and Remuneration Committee.

Options

Set out below are summaries of options granted under the plan:

2022

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
28/11/2017	31/07/2021	$2.250	102,776	-	-	(102,776)	**-**
02/11/2020	31/12/2022	$2.250	233,335	-	(33,335)	(58,334)	**141,666**
			336,111	-	(33,335)	(161,110)	**141,666**

2021

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
22/05/2018	30/05/2021	$0.900	138,046	-	(138,046)	-	-
22/05/2018	30/05/2021	$1.125	138,046	-	(138,046)	-	-
22/05/2018	30/05/2021	$1.350	138,046	-	(138,046)	-	-
22/10/2018	01/11/2020	$0.960	103,842	-	-	(103,842)	-
28/11/2017	31/07/2021	$2.250	141,667	-	-	(38,891)	102,776
02/11/2020	31/12/2022	$2.250	-	233,335	-	-	233,335
			659,647	233,335	(414,138)	(142,733)	336,111

The weighted average remaining contractual life of options outstanding at the end of the financial year was 0.5 years (June 2021: 1.07 years).

NOTE 37. SHARE-BASED PAYMENTS, CONT'D

Performance rights

Set out below are summaries of performance rights granted under the plan:

2022

Grant date	Expiry date	Vesting hurdle	Balance at the start of the year	Granted*	Shares Issued/ Exercised**	Expired/ forfeited/ other changes***	Balance at the end of the year
25/11/2019	31/12/2026	$1.650	110,000	-	(110,000)	-	**-**
25/11/2019	31/12/2026	$1.950	130,000	-	-	(60,000)	**70,000**
25/11/2019	31/12/2026	$2.250	650,000	-	-	(350,000)	**300,000**
25/11/2019	31/12/2026	$2.550	1,050,000	-	-	(500,000)	**550,000**
16/03/2020	31/12/2026	$1.650	133,333	-	(133,333)	-	**-**
16/03/2020	31/12/2026	$1.950	70,000	-	-	(10,000)	**60,000**
16/03/2020	31/12/2026	$2.250	63,334	-	-	(10,000)	**53,334**
16/03/2020	31/12/2026	$2.550	56,666	-	-	(10,000)	**46,666**
12/02/2021	31/12/2026	$1.950	80,000	-	-	(30,000)	**50,000**
12/02/2021	31/12/2026	$2.250	248,332	-	-	(85,000)	**168,332**
12/02/2021	31/12/2026	$2.550	256,668	-	-	(80,000)	**171,668**
25/06/2021	31/12/2026	$2.250	98,334	-	-	-	**98,334**
25/06/2021	31/12/2026	$2.550	176,666	-	-	-	**176,666**
18/10/2021	17/10/2022	$0.000	-	85,750	-	(25,250)	**60,500**
29/11/2021	31/12/2026	$1.650	-	50,000	(50,000)	-	**-**
29/11/2021	31/12/2026	$1.950	-	25,000	-	(25,000)	**-**
29/11/2021	31/12/2026	$2.250	-	-	-	45,000	**45,000**
29/11/2021	31/12/2026	$2.550	-	-	-	45,000	**45,000**
			3,123,333	160,750	(293,333)	(1,095,250)	**1,895,500**

* For the 85,750 Performance Rights granted on 18 October 2021, the Rights will vest if the holder is continually employed by the Company, or continually serves as a Director of the Company, or both, to 17 October 2022. Upon vesting, the Rights will convert to ordinary shares automatically.

The Company also issued 50,000 and 25,000 additional rights as approved by Shareholders at the Annual General Meeting on 29 November 2021.

** A total of 293,333 performance rights were exercised during the year. These include 110,000 performance rights issued in November 2019, 133,333 performance rights issued in March 2020 and 50,000 performance rights issued in November 2021.

*** The Company issued 90,000 performance rights to a director (in two tranches of 45,000 with vesting hurdle of $2.25 and $2.55, respectively) in February 2021. These performance rights were approved by Shareholders at the 2021 Annual General Meeting of the Company held on 29 November 2021. Under IG4, which is set out in the Appendix to AASB 2 Share Based Payments, these performance rights were re-measured at the approval date.

NOTE 37. SHARE-BASED PAYMENTS, CONT'D

2021

Grant date	Expiry date	Vesting hurdle	Balance at the start of the year	Granted*	Converted	Expired/ forfeited other changes	Balance at the end of the year
25/11/2019	31/12/2026	$1.350	150,000	-	(150,000)	-	-
25/11/2019	31/12/2026	$1.650	110,000	-	-	-	110,000
25/11/2019	31/12/2026	$1.950	130,000	-	-	-	130,000
25/11/2019	31/12/2026	$2.250	950,000	-	-	(300,000)	650,000
25/11/2019	31/12/2026	$2.550	1,500,000	-	-	(450,000)	1,050,000
16/03/2020	31/12/2026	$1.650	200,000	-	-	(66,667)	133,333
16/03/2020	31/12/2026	$1.950	180,000	-	-	(110,000)	70,000
16/03/2020	31/12/2026	$2.250	160,000	-	-	(96,666)	63,334
16/03/2020	31/12/2026	$2.550	140,000	-	-	(83,334)	56,666
12/02/2021	31/12/2026	$1.950	-	80,000	-	-	80,000
12/02/2021	31/12/2026	$2.250	-	248,332	-	-	248,332
12/02/2021	31/12/2026	$2.550	-	256,668	-	-	256,668
25/06/2021	31/12/2026	$2.250	-	98,334	-	-	98,334
25/06/2021	31/12/2026	$2.550	-	176,666	-	-	176,666
			3,520,000	860,000	(150,000)	(1,106,667)	3,123,333

* Performance rights granted during the year 2021 was recognised based on offer acceptance date. 770,000 of these rights were on 1 July 2021, with the remainder 90,000 rights were issued on 29 November 2021 upon shareholder approval.

The weighted average remaining contractual life of performance rights outstanding at the end of the financial year was 4.37 years (June 2021: 5.5 years).

For the performance rights granted during the current financial year, the valuation model inputs used to determine the fair value at the grant date, are as follows

Grant date	Expiry date	Share price at grant date	Vesting hurdle	Expected volatility	Dividend yield	Risk-free interest rate	Fair value at grant date
18/10/2021	17/10/2022	$5.060	$0.000	55.00%	-	0.14%	$5.06000
19/11/2021	31/12/2026	$5.060	$0.000	55.00%	-	0.78%	$4.84000

LARK DISTILLING CO. LTD
DIRECTORS' DECLARATION

LARK
MADE OF TASMANIA

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 2 to the financial statements;
- the attached financial statements and notes give a true and fair view of the Group's financial position as at 30 June 2022 and of its performance for the financial year ended on that date; and
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

The directors have been given the declarations required by section 295A of the *Corporations Act 2001*.

Signed in accordance with a resolution of directors made pursuant to section 295(5)(a) of the *Corporations Act 2001*.

On behalf of the directors

David Dearie
Non-Executive Chairman

30 September 2022


LARK
MADE OF TASMANIA
LARK
SINGLE MALT WHISKY
FINISHED IN
SEPPELTSFIELD
PARA 100
OAK CASKS
24/410
BOTTLE No.
61% ABV
RARE CASK
SERIES
700mL

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Independent Auditor's Report to the Members of Lark Distilling Co Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Lark Distilling Co. Limited (the "Company") and its subsidiaries (the "Group") which comprises the consolidated statement of financial position as at 30 June 2022, 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, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

- Giving a true and fair view of the Group's financial position as at 30 June 2022 and of its financial performance for the year then ended; and
- Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

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 the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (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 the Company, 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.

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 for 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.

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Key Audit Matter	How the scope of our audit responded to the Key Audit Matter
Valuation of whisky inventory At 30 June 2022 the Group has total inventories of $60,171,733 (2021: $25,821,900) of which $20,430,247 (2021: $7,840,235) is current and $39,741,486 (2021: $17,981,665) is non-current. The accounting policy for inventory is disclosed in note 14. Inventory is classified as either current or non-current based on its stage in the maturation life-cycle, with inventory classified as current being ready for bottling and sale within 12 months of year end and inventory requiring maturing for a period greater than 12 months of year end being classified as non-current. *AASB 102: Inventories* requires the cost of inventories to comprise all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. During the current year there was significant inventory acquired as part of a business combination. The fair value of inventory acquired at acquisition date amounted to $23,948,174. The long life cycle of whisky means costs are required to be capitalized to whisky under maturation over a number of financial years.	Our procedures included, but were not limited to: • Obtaining an understanding of the inventory production process, lifecycle and cost allocation processes, including understanding key controls • Assessing manufacturing overhead capitalisation against the requirements of *AASB 102: Inventories* • Detailed testing of direct costs capitalised to maturing whisky in the cask during the period • Evaluating the determination of the fair value of inventory acquired as part of the business combination (refer further details in separate key audit matter below); and • Evaluating whether inventory is appropriately recognised at the lower of cost and net realisable value. We have also assessed the adequacy of the disclosures made in the financial statements.

Acquisition of Kernke Family Shene Estate Pty Ltd and Shene Distillery Pty Ltd ("Shene")
 	
During the current year the Group acquired 100% of Shene. The effective date for the acquisition was 2 February 2022 and the fair value of the total consideration transferred or transferrable to complete the acquisition was $39,998,469. Details of the business combination and
	Our procedures included, but were not limited to:
	
	• evaluating management's identification of the identifiable assets acquired and the liabilities assumed
	• assessing management's determination of the fair value of these assets and liabilities
	• assessing, in conjunction with our valuation specialists,
	    ○ the determination of the fair value of the whiskey acquired; and,
	    ○ the external valuation obtained relating to land and buildings acquired.

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associated accounting policy is disclosed in Note 32. The business combination is accounted for in accordance with AASB 3 Business Combinations. The assets and liabilities acquired were measured at their fair values, which were determined at the acquisition date as part of the purchase price allocation exercise which was performed. This resulted in net assets acquired measured at fair value amounting to $29,701,680 and goodwill recognised amounting to $10,296,789. The purchase price allocation performed requires Management and the Board to exercise judgement and make assumptions in determining the fair value of the assets and liabilities acquired. Changes in these assumptions may have a material impact on the fair values determined.	We have also assessed the adequacy of the disclosures made in the financial statements.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Group's Annual Report for the year ended 30 June 2022, but does not include the financial report and our 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 the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group 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 Group or to cease operations, or has no realistic alternative but to do so.

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Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group's audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 22 to 29 of the Directors' Report for the year ended 30 June 2022.

In our opinion, the Remuneration Report of Lark Distilling Co. Limited, for the year ended 30 June 2022, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company 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.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

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S Dare
Partner
Chartered Accountants

Hobart, 30 September 2022

Lark Distilling Co. Ltd
Shareholder information

30 JUNE 2022

The shareholder information set out below was applicable as at 20 September 2022.

DISTRIBUTION OF EQUITABLE SECURITIES

Analysis of number of equitable security holders by size of holding:

	Number of holders of ordinary shares	Number of ordinary shares held	Percentage of ordinary shares held
1 to 1,000	2,523	1,096,940	1.460
1,001 to 5,000	1,575	3,828,820	5.080
5,001 to 10,000	374	2,726,874	3.620
10,001 to 100,000	374	9,965,091	13.230
100,001 and over	66	57,705,319	76.610
	4,912	75,323,044	100.00
Holding less than a marketable parcel	551	64,635	0.085

EQUITY SECURITY HOLDERS

Twenty largest quoted equity security holders

The names of the twenty largest security holders of quoted equity securities are listed below:

	Ordinary shares	
	Number held	% of total shares issued
CITICORP NOMINEES PTY LIMITED	8,096,666	10.749
NATIONAL NOMINEES LIMITED	7,582,829	10.067
QUALITY LIFE PTY LTD <THE NEILL FAMILY A/C>	6,304,513	8.370
BAINBRIDGE FAMILY PTY LTD <BAINBRIDGE FAMILY A/C>	3,372,605	4.478
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED-GSCO ECA	3,333,333	4.425
J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	2,950,522	3.917
SEPPELTSFIELD PTY LTD <SEPPLESFIELD ESTATE A/C>	2,889,295	3.836
MR TIMOTHY TULLOCH BROCK LEWIS & MRS CATHERINE ANNE LEWIS <JG LEWIS NO2 WILL A/C>	1,544,166	2.050
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	1,534,849	2.038
QUALITY LIFE PTY LTD <THE NEILL FAMILY A/C>	1,334,571	1.772
RHODIUM CAPITAL PTY LTD <RHODIUM INVESTMENT A/C>	1,166,666	1.549
FAIRISLE HOLDINGS PTY LIMITED <THE TILANBI A/C>	1,068,450	1.418
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 2	1,022,764	1.358
MARK MURTON PTY LTD <MARK MURTON P/L S/F A/C>	1,001,666	1.330
SUETONE PTY LTD <THE AK SHADFORTH FAMILY A/C>	968,093	1.285
REX FAMILY PENSION PLAN PTY LTD <REX FAMILY PENSION PLAN A/C>	850,000	1.128
PJ & KE O'DWYER SUPER PTY LTD <PJ & KE O'DWYER S/F A/C>	750,000	0.996
GLENLORE SUPER PTY LTD <GLENLORE SUPER SCHEME A/C>	727,378	0.966
GJ BAINBRIDGE SUPER FUND PTY LTD <BAINBRIDGE S/F NO 1 A/C>	638,928	0.848
CONTEC PROPERTIES PTY LIMITED <NO 2 A/C>	559,417	0.743
	47,696,711	63.323

Lark Distilling Co. Ltd
Shareholder information

30 JUNE 2022

Unquoted equity securities

	Number on issue	Number of holders
Options over ordinary shares issued	124,999	6
Performance Rights over ordinary shares issued	1,760,500	47

SUBSTANTIAL HOLDERS

Substantial holders in the company are set out below:

	Ordinary shares	
	Number held	% of total shares issued
CITICORP NOMINEES PTY LIMITED	8,096,666	10.749
QUALITY LIFE PTY LTD <THE NEILL FAMILY A/C>	7,639,084	10.151
NATIONAL NOMINEES LIMITED	7,582,829	10.067

VOTING RIGHTS

The voting rights attached to ordinary shares are set out below:

Ordinary shares

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.

There are no other classes of equity securities.

CORPORATE GOVERNANCE STATEMENT

The Company's 2022 Corporate Governance Statement has been released to ASX on this day and is available on the Company's website at: https://larkdistillery.com/investor-centre/

ANNUAL GENERAL MEETING AND DIRECTOR NOMINATION

Lark Distilling Co. Ltd advises that its Annual General Meeting will be held on or about Tuesday, 22 November 2022. The time and other details relating to the meeting will be advised in the Notice of Meeting to be sent to all Shareholders and released to ASX immediately upon despatch.

The Closing date for receipt of nomination for the position of Director is Tuesday, 18 October 2022. Any nominations must be received in writing no later than 5.00pm (Melbourne time) on Tuesday, 18 October 2022 at the Company's Registered Office. The Company notes that the deadline for nominations for the position of Director is separate to voting on Director elections. Details of the Director's to be elected will be provided in the Company's Notice of Annual General Meeting in due course.

CELEBRATING 30 YEARS OF TASMANIAN WHISKY