

## March 2023 Quarterly Activities Report & 4C Market Update

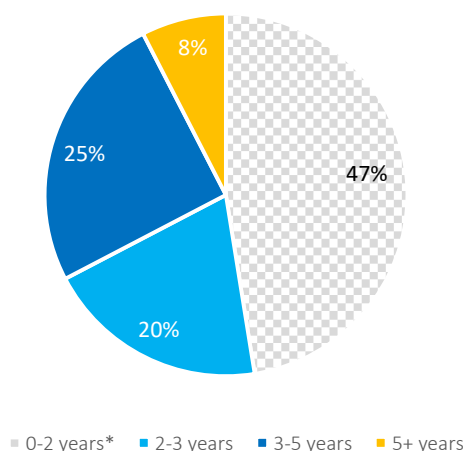
### Key Highlights:

- Whisky under maturation increased to 2.35 million litres, underwriting future sales
- Cash balance of \$6.4 million with \$15 million undrawn bank facility available
- \$13.1 million Net Sales YTD (flat vs pcp) and Q3 sales of \$3.4 million (+9% vs pcp) with sales momentum in export offsetting challenging domestic economic conditions
- Lark core range of Classic Cask and Symphony No. 1 continued sales momentum in the quarter reflecting 54% growth and +51 % respectively for the year to date vs pcp
- Pontville Distillery receives planning approval
- Awarded \$1 million Tasmanian Government Tourism Innovation Grant, with the first instalment expected to be received in June 2023
- Continued global recognition at 2023 World Whiskies Awards

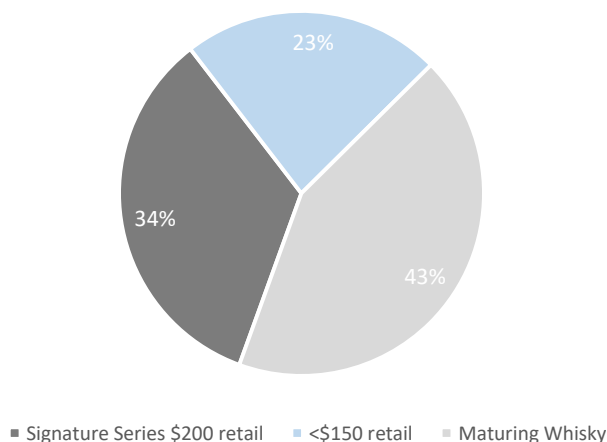
### Whisky under maturation increased to 2.35 million litres, underwriting future sales

Lark's whisky under maturation continued to strengthen during Q3 to 2.35 million litres at 43% ABV as at 31 March 2023, +6% from 31 December 2022, supporting its long term growth ambition. The Company maintains flexibility with respect to deployment of whisky across age bands and building an ageing profile to meet market demand for aged Tasmanian whisky.

Litres under maturation by age



Litres under maturation by portfolio tier



The litres under maturation by product tier and age provide Lark with the necessary flexibility to meet existing demand and future New Product Development "NPD" programs linked to consumer needs and trends.

### \$13.1 million Net Sales YTD (flat vs pcp) and Q3 sales of \$3.4 million (+9% vs pcp)

Net sales of \$3.4 million for Q3 is up 9% compared to last year.

Whilst net sales for YTD FY23 were flat vs YTD FY22, Lark delivered organic net sales growth of +20% YTD vs pcp when normalising for non-organic and opportunistic transactions. This reflects:

- investment in the Core Lark portfolio with Classic Cask and Symphony delivering strong results growing by 54% and 51% YTD vs pcp and 88% and 140% for Q3 vs pcp respectively.
- the effects of wider economic and category trends in Australia, with Q3 organic domestic sales -8% vs pcp. B2B channels experiencing a slowdown following the Christmas trading period as Australian's

tighten discretionary spend leading to softer demand for premium spirits. Year to date organic domestic net sales are +3% vs pcp

- Lark owned Hospitality venues +6% vs pcp for Q3 and +71% YTD vs pcp
- lower post pandemic e-commerce sales
- sales from limited releases -49% for Q3 vs pcp and -14% YTD vs pcp. The limited release program has been scaled to better reflect current consumer appetite for scarce and innovative whisky
- Strong sales performance of exports to customers in China, Thailand and Vietnam, in particular Lark's core range

In late March, LARK unveiled the new Signature collection featuring **Classic Cask Single Malt**, **Classic Cask Strength Single Malt**, the new Chinotto-kissed **Rebellion Single Malt Whisky**, and lightly smoked **Tasmanian Peated Single Malt Whisky**. These products started being sold to independent and wholesale customers in late March and are scheduled for release to major retailers in June/July, subject to into store dates. The business has confirmed ranging with National Accounts, along with incremental distribution with our export partners.



Beyond the core range, the limited release program continues to perform well in its scaled form to better reflect consumer demand post-pandemic and to create genuinely unique and scarce limited releases. LARK's collaboration with Garage Project has performed well in both sales and brand awareness improvement, while the latest Whisky Bar Series release, Savile Row, sold out on LARK's Ecommerce platform within 24 hours of release.

The Lark owned hospitality venues remain an important recruitment tool for the brand, with tourists and visitors to Tasmania representing a significant proportion of traffic and spend. The venues continue to innovate and improve the offerings at each site, however soft tourism numbers through winter are possible in current economic conditions. Flexibility of cost structure has been a key element of the hospitality business strategy and the business will respond to mixed trading conditions as required.

Lark's focus for Q4 will be to continue its growth focus through establishing its new signature collection, and continuing to build growth organically, both domestically and with exports. Domestic macroeconomic conditions may impact revenue in the near term. However, ongoing export sales growth remains a focus of the business as we continue to build an iconic Luxury Australian brand.

Lark is cycling a particularly strong quarter in Q4 with \$3.3 million opportunistic sales from transactions with a whisky subscription business, private cask collectors, & other opportunistic sales included in Q4 FY 22 revenue.

#### **New Distillery at Pontville receives council planning approval**

On 12 April 2023 Lark received council planning approval for the Pontville distillery development, with the development now in the final design phase and expected to commence building works prior to the end of the calendar year.

### **Awarded Tasmanian Government Tourism Innovation Grant (\$1 million)**

Lark was awarded a \$1 million grant in relation to the Tasmanian Government Tourism innovation Grant. Funds will be directed towards developing the tourism experience at the new Pontville Distillery. The first instalment is expected to be received in June.

### **Continued global recognition**

At the 2023 World Whiskies Awards in February, LARK Chinotto Cask II Cask Strength 60% was awarded Best Single Malt in Australia, and Symphony No1., best Blended Malt in Australia.

In March LARK saw success at Australian Whisky Awards taking home four of the five awards: LARK 'Distillery of the Year', Bill Lark 'Personality of the Year', Chris Thomson 'Distiller of the Year', and DARK LARK 'Single Malt of the Year'.

### **March quarter cashflow highlights**

Net operating activity cash outflows were \$1.5 million for the quarter. Operating activity inflows through customer receipts totalled \$4.9 million representing a (\$0.2m) decrease on the corresponding period last year. Payments for product manufacturing and operating costs decreased from the prior quarter due to timing of purchases while advertising and marketing costs returned to normalised levels following Q2 uplift with Christmas advertising.

Decrease in payments for staff costs compared to prior quarter was driven by \$0.5 million signing bonus paid in the previous quarter. Other operating cash movements were in line with prior quarters and expectations.

As outlined in the prior quarter, payments for investing activities included a \$1.0 million payment for the acquisition of cooerage assets at Pontville to complete the Shene acquisition.

Payments disclosed in section 6.1 included \$56K spend for purchases of casks from Seppeltsfeld Wines Pty Ltd, an associated entity related to Warren Randall (Non-Executive Director). The remaining payments disclosed relate to Non-Executive Director fees and Executive Director Remuneration.

### **About Lark Distilling Co:**

Founded by pioneers Bill and Lyn Lark in 1992, LARK Distilling Co. has been crafting world-class, award-winning Tasmanian whisky for more than 30 years. From humble beginnings on a kitchen table, curiosity and courage bore Tasmania's very first licensed whisky. LARK, the leading luxury Australian Whisky brand, houses a range of spirits headlined by its single malts; Classic Cask 43% and Cask Strength 58%, and its unique blended-malt whisky, SYMPHONY No. 1.

The distillery also produces a range of Forty Spotted Gins and handcrafted Tasmanian liqueurs. For the second consecutive year, LARK Distilling Co. was shortlisted for the World Whisky Producer of the Year in the coveted International Wine & Spirits Competition, and in August 2022 received the Master Medal Award, in the World Whisky Masters, for its innovative Chinotto Cask II Cask Strength release, alongside a further seven gold medals across the portfolio.

In April 2021, LARK Distillery was named Australia's first carbon-neutral distillery under the Federal Government's Climate Active Program, meaning the activities associated with running Tasmania's first distillery have no net negative impact on the climate. One of the most rigorous and widely recognised carbon-neutral programs in the world, Climate Active certification is only awarded to businesses and organisations that have credibly reached a state of achieving zero net emissions.

Bill Lark was recognised and honoured for his life-long dedication to the advancement of Tasmanian whisky with the prestigious 'Lifetime Achievement Award' at the 2022 Spirits Business Awards in London. Bill's love for whisky and his and Lyn's trailblazing innovation more than 30 years ago has helped build the LARK brand into what it is today.

At the Australian Whisky Awards in March 2023, LARK was awarded "Distillery of the Year", Bill Lark was named "Personality of the Year", Master Distiller Chris Thomson was named "Distiller of the Year" and DARK LARK was crowned "Single Malt of the Year". LARK Cellar Door in Hobart took home silver in the "Best Whisky Venue" category.

LARK produces all of its award-winning whisky and spirits using only the purest, natural elements from Tasmania across three dedicated sites including the recently-acquired Pontville Estate just outside Hobart.

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This announcement has been approved for release by the Board of Directors.

## Appendix 4C

### Quarterly cash flow report for entities subject to Listing Rule 4.7B

**Name of entity**

Lark Distilling Co. Ltd

**ABN**

62 104 600 544

**Quarter ended ("current quarter")**

31 March 2023

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (9 months) \$A'000</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	4,943	18,637
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(2,726)	(8,993)
(c) advertising and marketing	(507)	(2,202)
(d) leased assets	(37)	(175)
(e) staff costs	(2,081)	(6,543)
(f) administration and corporate costs	(900)	(4,421)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	10	27
1.5 Interest and other costs of finance paid	(53)	(216)
1.6 Income taxes/GST paid	(197)	(712)
1.7 Government grants and tax incentives	-	1,800
1.8 Other (provide details if material)	-	-
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(1,548)</b>	<b>(2,798)</b>
<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire or for:		
(a) entities	(1,000)	(1,120)
(b) businesses	-	-
(c) property, plant and equipment	(29)	(532)
(d) investments	-	-
(e) intellectual property	-	(93)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
	(f) other non-current assets	-	-
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	<b>Net cash from / (used in) investing activities</b>	<b>(1,029)</b>	<b>(1,745)</b>

<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	-
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	38
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	-
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	(5,000)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (payment of lease liabilities)	(45)	(135)
3.10	<b>Net cash from / (used in) financing activities</b>	<b>(45)</b>	<b>(5,097)</b>

<b>4.</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of period	9,076	16,094
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,548)	(2,798)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(1,029)	(1,745)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(45)	(5,097)
4.5	Effect of movement in exchange rates on cash held		
4.6	<b>Cash and cash equivalents at end of period</b>	<b>6,454</b>	<b>6,454</b>

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	6,454	9,076
5.2	Call deposits		
5.3	Bank overdrafts		
5.4	Other (provide details)		
5.5	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>6,454</b>	<b>9,076</b>

6.	Payments to related parties of the entity and their associates	Current quarter \$A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	107
6.2	Aggregate amount of payments to related parties and their associates included in item 2	
<i>Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.</i>		

<b>7.</b>	<b>Financing facilities</b> <i>Note: the term "facility" includes all forms of financing arrangements available to the entity. Add notes as necessary for an understanding of the sources of finance available to the entity.</i>	<b>Total facility amount at quarter end \$A'000</b>	<b>Amount drawn at quarter end \$A'000</b>
7.1	Loan facilities	15,000	-
7.2	Credit standby arrangements		
7.3	Other (please specify)		
7.4	<b>Total financing facilities</b>	15,000	-
7.5	<b>Unused financing facilities available at quarter end</b>		15,000
7.6	<p>Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.</p> <p>The company secured a \$15million debt facility from National Australia Bank (as announced by the company on 24<sup>th</sup> November 2021).</p>		

<b>8.</b>	<b>Estimated cash available for future operating activities</b>	<b>\$A'000</b>
8.1	Net cash from / (used in) operating activities (item 1.9)	(1,458)
8.2	Cash and cash equivalents at quarter end (item 4.6)	6,454
8.3	Unused finance facilities available at quarter end (item 7.5)	15,000
8.4	Total available funding (item 8.2 + item 8.3)	21,454
8.5	<b>Estimated quarters of funding available (item 8.4 divided by item 8.1)</b>	14.7
	<i>Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.</i>	
8.6	If item 8.5 is less than 2 quarters, please provide answers to the following questions:	
8.6.1	Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?	
	Answer: N/A	
8.6.2	Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?	
	Answer: N/A	
8.6.3	Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?	
	Answer: N/A	
	<i>Note: where item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered.</i>	



## Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Date: 28 April 2023

Authorised by: By the Board  
(Name of body or officer authorising release – see note 4)

## Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.