



PREMIUM SPIRITS WITH AN AUSTRALIAN ACCENT

Extraordinary General Meeting – CEO Presentation

7 July 2023

TOP SHELF
INTERNATIONAL

CEO REPORT



STRATEGIC REVIEW UPDATE

Executive Summary

The analysis and interrogation of the strategic review has been a thorough and intensive process. The overall findings show an array of opportunities, many of which we can enact on immediately, and others that will require more thoughtful construction. Most importantly, the identified areas provide Top Shelf with a clear path to profitability. Among the key areas addressed:

- Urgent streamlining of business activities and cost base
 - Focus on core business activities, leaner labour force, vendor rationalisation
- Optimisation of whisky and agave maturation programs & supply chain processes
 - Reduced current cash investment in long term asset creation and holdings (ie. new make whisky, immature agave plants)
- Brand business model pivot
 - Focus on improved channel mix, product mix, margin & profitability (less revenue chasing)
- Establish realistic and sustainable reinvestment model
 - Redeploy brand spend to tactical sales support and media, reduce sponsorship concentration
- Strategic distribution partner
 - Identification of partner to accelerate Brands in new channels and markets
- Evaluation of asset realisation opportunities
 - Review of asset base and opportunities relating to distillery utilisation, copacking capability, bulk whisky sales, maturation oak sales, and agave spirit offtake



OFFER KEY HIGHLIGHTS

\$30m – \$40m equity capital raising to reduce debt and provide for a fully funded business model

1. FULLY FUNDED OPERATING RUNWAY

- Equity raising of \$30.0m-\$40.0m provides funding to execute operational plan that creates long term value.
- Provides capital through to profitable financial performance.

2. REDUCE EXISTING DEBT

- Funds from equity raising used to retire debt of a minimum of \$10.0m up to \$20.0m, allowing for refinancing of the balance of the existing facility.
- Interest cost saving of approx. \$1.0m - \$2.0m p.a.

3. RETAIN OWNERSHIP OF AGAVE ASSETS

- Equity raising removes the proposed sale & leaseback of the agave farm at Eden Lassie, thus retaining ownership of a strategic long-term asset.

4. FURTHER UPSIDE OPPORTUNITIES RETAINED

- Further opportunities exist to realise value (and improve operational profitability) for shareholders including:
 1. Strategic review of TSI's asset base
 2. Seek distribution partner to accelerate and expand brand distribution both locally and international
 3. Third party distilling opportunities

5. SUPPORT OF MAJOR SHAREHOLDERS

- Proposed recapitalisation of TSI has received strong support from major shareholders.

6. RATIONALE

The TSI Board considers that the proposed capital raising is a superior outcome for shareholders than the sale and leaseback alternative, as it:

- significantly reduces the Company's debt and associated interest expense;
- provides the Company a fully funded runway to establish a profitable business model; and
- retains ownership of its the Australian Agave Spirit Farm and Distillery in Queensland, which the Board believes will provide the company an improved competitive position over the medium to longer terms.

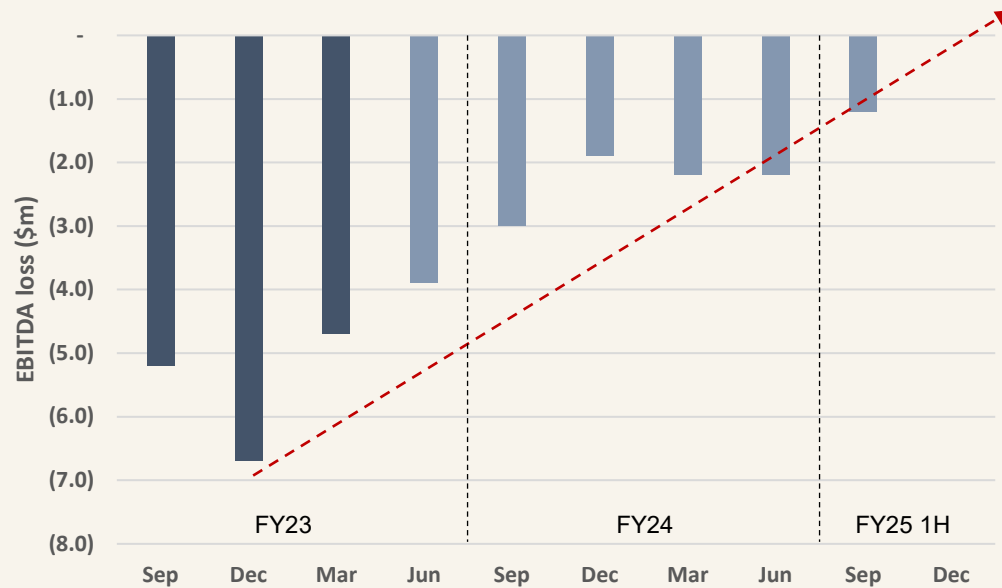
APPENDIX



PATHWAY TO PROFITABILITY

Projected gross margin improvement and a reduction in the cost base in FY24 is anticipated to accelerate the pathway towards EBITDA breakeven. A 30% reduction in controllable costs (\$7.5m – \$8.5m) includes \$5m already actioned.

Projected quarterly EBITDA trajectory | Sep-22 – Dec-24



Focus on gross margin growth and disciplined management of the controllable cost base.

Margin growth – FY24 target: **Minimum gross margin % of 30%**

- New and expanded retail ranging
- Product and channel mix prioritisation
- Act of Treason market entry in November 2023
- COGS improvements via automation, efficiency, quality
- Improved contract packing margin

Controllable cost base contraction – FY24 target: Minimum of 30% of FY23 cost base (approx. \$25m) or **\$7.5m – \$8.5m**. As of June 2023, **\$5.0m** assumed in the FY24 target had been implemented.

- Labour resource right sizing across Brands, Operations, and Corporate business areas
- Brand launch investment expiry inclusive of discontinued sponsorship arrangements
- Disciplined and focused deployment of selling and marketing activities
- Operational improvements and focus on cost efficiencies
- Other discretionary and non-core expenditure removed

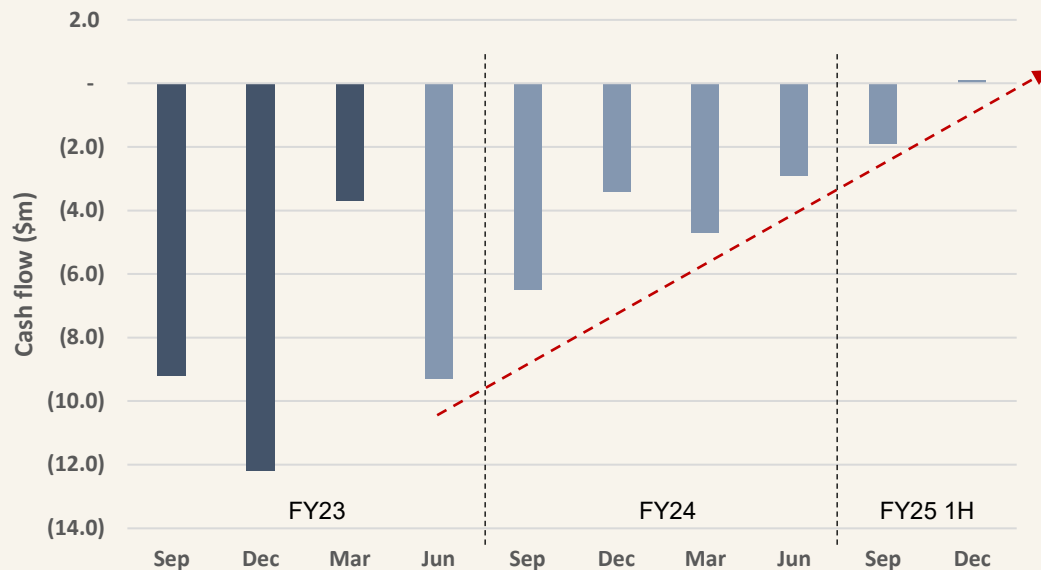
Note 1: EBITDA disclosed on a normalised basis excluding non recurring and one off costs and non-cash fair value gain / loss of agave plant biological assets.

Note 2: Projected improvement does not reflect business model changes inclusive of asset divestments or go-to-market strategy changes.

CASH FLOW BREAK EVEN IN 2025

The finalisation of the capital build program, reduction in controllable cost base (30% or \$7.5m – \$8.5m) and gross margin improvement, is anticipated to result in a \$12.0m – \$15.0m improvement to cash flows in FY24 relative to FY23.

Projected quarterly cash flow trajectory ¹ | Sep-22 – Dec-24



Prioritisation on cash preservation to ensure business model is fully funded from the Offer through to profitability.

Capital platform build expected to be complete in 2023 with commissioning of the agave distillery.

Prudent management of new make whisky, maturation oak and agave plants with demand catalysts to inform future investment.

Ongoing evaluation of opportunities to realise cash generation from Top Shelf’s asset base inclusive of distillery utilisation, copacking capability, bulk whisky sales, maturation oak sales, and agave spirit offtake ².

Funds from the Offer are planned to reduce Top Shelf’s borrowings by approx. \$15m. Management has commenced a process with debt adviser, Findex Corporate Finance, to refinance the balance of the Longreach Credit facility.

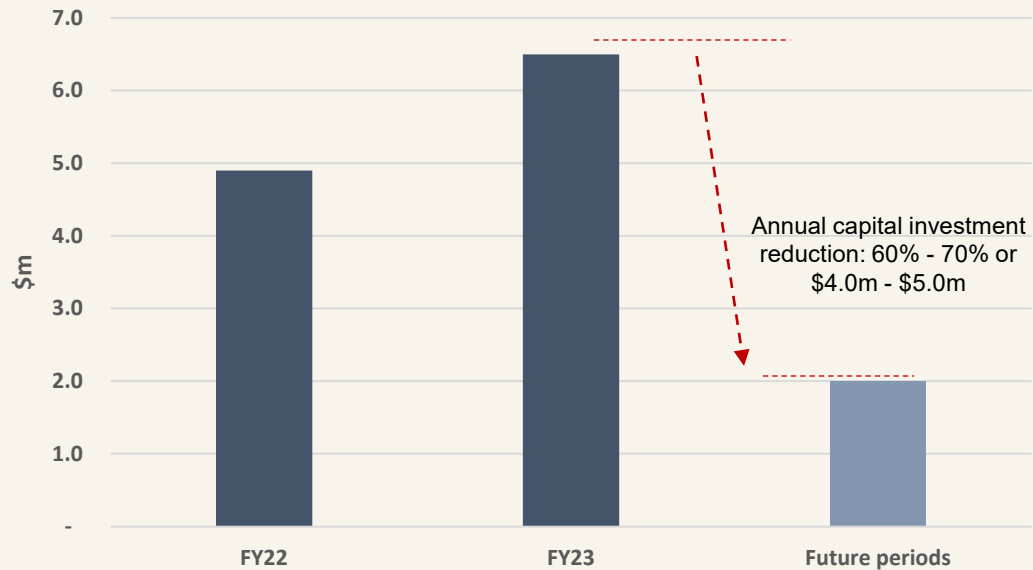
Cash flows representing operating cash flows (EBITDA and working capital investment), capital expenditure inclusive of agave biological assets, and lease and debt interest costs.

Note 1: Cash flows excludes equity and debt funding activities.

Note 2: Asset realisation opportunities not reflected in chart above.

CAPITAL INVESTMENT PHASE COMPLETE

Capital investment | Projected transition to steady state



Top Shelf is close to completing the intensive phase of capital investment to build a platform inclusive of:

- End to end production facility
- Whisky maturation capability in excess of 2.0m litres
- Agave distillery

This capital building phase is expected to be complete by August 2023.

Transition to asset utilisation and execution phase is anticipated to result in a **60% - 70% reduction** in the ongoing capital expenditure requirement.

Sustaining capital expenditure is expected to normalise at c. \$1.5m-\$2.5m per annum.

OFFER SUMMARY

Equity raising to be completed into two parts: 1) Conditional Placement and 2) Entitlement Offer

OFFER DETAILS	
Shares On Issue ¹	84,169,533
Last Close Price	\$0.265 per share before trading halt and announcement (as at 19 May 2023)
Market Capitalisation	\$22,304,926 as at date above
Offer Price	\$0.25 per share <ul style="list-style-type: none">• 6.0% discount to last close price• 16.8% discount to 5-day VWAP• 19.0% discount to 10-day VWAP
Offer Size	Approximately A\$30.0-40.0 million (or approximately 150 million New Shares equivalent to approximately 180% of Top Shelf's existing Shares on issue). Following completion of the Offer, the Offeror will have approximately 235 million Shares on issue
Ranking	New Shares issued under the Offer will rank equally with existing shares of the Company from the date of issue.
Information Materials	As specified in paragraphs (a) – (g) in the definition of “Information Materials” in Section 2.1 of the Master ECM Terms available at https://afma.com.au/standards/standard-documentation (“Master ECM Terms” or “Terms”).

1. Does not include any New Shares issued as a result of the Offer or shares or options issued as consideration to Salter Brothers Capital Pty Ltd for acting as lead manager and arranger, and options or performance rights issued in accordance with the Company's long term incentive plan.



SOURCE AND USE OF FUNDS

Source of Funds	A\$m
Placement	\$19.0m
Entitlement Offer	\$11.0m - \$21.0m
Total	\$30.0m-40.0m

Use of Funds	A\$m
Repayment of debt principal	\$10.0m - \$20.0m
Capex (incl. agave distillery project and recurring maintenance)	\$6.5m
Debt costs & leases	\$3.5m
Restructuring costs	\$1.0m
Working capital	\$6.3m
Transaction costs	\$2.7m
Total	\$30.0m-\$40.0m

TIMETABLE

Indicative Timetable ¹	Date
Proxy voting closes (9.00am)	Wednesday, 5 July 2023
Trading halt (before market open) EGM to approve placement (9.00am) Announcement of EGM results and ANREO Lodgement of s708AA(2)(f) cleansing notice and Appendix 3B (prior to 12.00pm) Institutional offer opens (10.00am)	Friday, 7 July 2023
Institutional offer closes (7.00am) Announcement of results of institutional offer (before market open) Trading resumes on an ex-entitlement basis	Monday, 10 July 2023
Record Date	Tuesday, 11 July 2023
Settlement of institutional offer and conditional placement on a DvP basis. Lodgement of Appendix 2A prior to 12.00pm.	Wednesday, 12 July 2023
Shares issued to institutional investors in entitlement offer and conditional placement commence trading Lodgement of s708A(5)(e) cleansing notice (prior to market open)	Thursday, 13 July 2023
Announcement of despatch of offer booklet Retail offer opens	Friday, 14 July 2023
Retail offer closes	Tuesday, 25 July 2023
Settlement of retail shortfall and related applications on a DvP basis	Monday, 31 July 2023
Announcement of results of retail offer (before market open) Lodgement of Appendix 2A (prior to 12.00pm)	Tuesday, 1 August 2023

1. All dates and times are indicative only and references to time refer to Australian Eastern Standard Time (AEST). The Lead Manager and the Company reserve the right to vary these dates and times without notice.

