

June 2023 Quarterly Activities Report & 4C Market Update

Lark Distilling Co. Ltd (ASX: LRK) ("LARK" or the "Company") is pleased to provide a business update for the quarter ended 30 June 2023 (Q4FY23 or Q4) and Appendix 4C.

Q4FY23 Highlights:

- **Q4 net sales revenue was \$4.0m, in line with the corresponding period after adjusting for the previously disclosed one-off and opportunistic sales in Q4FY22. This is despite a more challenging trading environment and general consumer confidence in Q4FY23.**
- **Lark's core Signature and Symphony product ranges continue to perform strongly, growing net sales revenue respectively by 49% and 42% in Q4 vs pcpc, and 53% and 49% vs FY22.**
- **Looking through the impact of one-off sales in the prior year, Lark achieved organic net sales growth of +15% in FY23, supported by expanded sales into Export and Travel Retail channels.**
- **Reported FY23 net sales of \$17.0 million were down \$3.3m or 16% vs FY22**
- **Cash balance of \$7.2 million at 30 June 2023, with \$15 million undrawn committed bank facility available**
- **Whisky under maturation at 30 June 2023 increased to 2.38 million litres**
- **Continued global and domestic recognition for Lark at the International Wine & Spirits Awards in London, and the recent Dan Murphy's Decoded Award, solidifying Lark's position as Australia's No.1 Luxury Single Malt Whisky**
- **FY23 full year results to be released on 29 August 2023**

Lark CEO Sash Sharma added:

"This update is consistent with our pre-30 June announcements regarding our sales revenue and the one-off costs recognised this quarter. Our cash position at 30 June of \$7.2 million, was also in line with our recent announcements.

Pleasingly, the underlying organic performance of our core Signature and Symphony product ranges continued to perform strongly in Q4, with combined net sales growth of 48% versus the prior corresponding period, supported by both domestic and export sales.

Our unique core whisky products and Lark's reputation for quality and craftsmanship were further strengthened in this quarter, as evidenced by our continued success in domestic and international awards; this included the Lark brand receiving 11 awards at the International Wine & Spirits Awards in London, and the Lark Classic Cask being recognized as the Best Australian Whisky with Dan Murphy's Decoded Award, solidifying Lark's position as Australia's No.1 Luxury Single Malt Whisky.

We remain committed to building our brands, underpinned by our high-quality Whisky Bank, and setting up Lark to deliver sustainable long-term success, one that creates and enhances shareholder value. The actions we took during Q4 on costs, including some internal reorganisation actions, were necessary to better position Lark to deliver long term growth, and the future of the business and our brands.

We remain excited by the opportunity for Lark both domestically and internationally and look forward to sharing our road map, initial progress, and strategic priorities for medium- and longer-term success at our upcoming Investor Day in October, with the actual date to be confirmed shortly."

June 2023 Quarter Cashflow Highlights

Net operating activity cash inflows were \$0.8 million for Q4FY23, down from \$1.5 million in the pcq. Operating activity inflows through customer receipts totalled \$5.3 million, representing a \$3.1 million decrease attributable to one-off and opportunistic sales in the pcq. Underlying organic receipts from customers for Q4 were in line with the pcq.

Payments for product manufacturing and operating costs for Q4 of \$2.3 million were \$0.4 million lower than Q3. Total payments from operating activities in the quarter were broadly in line with Q3. The H2 one-off costs of \$1.4 million detailed in the 26 June 2023 announcement, comprise both cash and non-cash items (provisions), with a cash impact relating to restructuring costs of \$0.3 million to flow in Q1FY24, which will be fully offset by ongoing P&L and cashflow run rate savings.

Additional Government Grants of \$1.875 million were received during the quarter, with \$1.575 million representing the second tranche of the Federal Government Modern Manufacturing Grant, with the balance relating to a Tasmanian Government Tourism Innovation Grant.

Payments disclosed in section 6.1 included \$51K spend for purchases of casks from Seppeltsfield 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.

Cash at bank at 30 June 2023 of \$7.2 million, up from \$6.5 million last quarter, with a \$15 million undrawn committed bank facility available.

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 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.

For more information contact:

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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")

30 June 2023

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	5,332	23,969
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(2,262)	(11,255)
(c) advertising and marketing	(733)	(2,935)
(d) leased assets	(44)	(219)
(e) staff costs	(1,885)	(8,428)
(f) administration and corporate costs	(966)	(5,387)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	14	41
1.5 Interest and other costs of finance paid	(53)	(269)
1.6 Income taxes/GST paid	(434)	(1,146)
1.7 Government grants and tax incentives	1,875	3,675
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	844	(1,954)
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	(1,120)
(b) businesses	-	-
(c) property, plant and equipment	(78)	(610)
(d) investments	-	-
(e) intellectual property	(15)	(108)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 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	Net cash from / (used in) investing activities	(93)	(1,838)

3.	Cash flows from financing activities		
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)	(180)
3.10	Net cash from / (used in) financing activities	(45)	(5,142)

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	6,454	16,094
4.2	Net cash from / (used in) operating activities (item 1.9 above)	844	(1,954)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(93)	(1,838)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(45)	(5,142)
4.5	Effect of movement in exchange rates on cash held		
4.6	Cash and cash equivalents at end of period	7,160	7,160

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	7,160	6,454
5.2	Call deposits		
5.3	Bank overdrafts		
5.4	Other (provide details)		
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	7,160	6,454

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>		

7.	Financing facilities <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>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
7.1	Loan facilities	15,000	-
7.2	Credit standby arrangements		
7.3	Other (please specify)		
7.4	Total financing facilities	15,000	-
7.5	Unused financing facilities available at quarter end		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 24th November 2021).</p>		

8.	Estimated cash available for future operating activities	\$A'000
8.1	Net cash from / (used in) operating activities (item 1.9)	844
8.2	Cash and cash equivalents at quarter end (item 4.6)	7,160
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)	22,160
8.5	Estimated quarters of funding available (item 8.4 divided by item 8.1)	N/A
	<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: 31 July 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.