ASX ANNOUNCEMENT ASX: LRK
29 August 2023

2023 Annual Report

Lark Distilling Co. Ltd (**ASX: LRK**) ("**LARK**" or the "**Company**") is pleased to present its Annual report for the year ended 30 June 2023, which includes the Company's full year financial statements and Appendix 4E.

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For more information contact:

Lark Investor Relations
Peter Kopanidis
+61 412 171 673
investors@larkdistilling.com

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

LARK

SINGLE MALT WHISKY

LARK DISTILLING CO. LTD

Appendix 4E

PRELIMINARY FINAL REPORT

1. COMPANY DETAILS

Name of entity:	Lark Distilling Co. Ltd
ABN:	62 104 600 544
Reporting period:	For the year ended 30 June 2023
Previous period:	For the year ended 30 June 2022

2. RESULTS FOR ANNOUNCEMENT TO THE MARKET

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

			$
Revenues from ordinary activities	down	18.3% to	19,877,457
Loss from ordinary activities after tax attributable to the owners of Lark Distilling Co. Ltd	up	943.4% to	(4,908,029)
Loss for the year attributable to the owners of Lark Distilling Co. Ltd	up	943.4% to	(4,908,029)

Dividends

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

Comments

Refer to attached review of operations for commentary over the results for the period.

3. NET TANGIBLE ASSETS

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	104.62	113.56

Net tangible assets excludes intangible assets, and right-of-use assets recognised under AASB 16 Leases.

4. CONTROL GAINED/LOST OVER ENTITIES

Not applicable.

5. DIVIDENDS

Current period

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

Previous period

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

LARK

SINGLE MALT WHISKY

6. DIVIDEND REINVESTMENT PLANS

Not applicable.

7. DETAILS OF ASSOCIATES AND JOINT VENTURE ENTITIES

Not applicable.

8. FOREIGN ENTITIES

Details of origin of accounting standards used in compiling the report:

Not applicable.

9. AUDIT QUALIFICATION OR REVIEW

Details of audit/review dispute or qualification (if any):

The financial statements were subject to an audit and the audit report is attached as part of the Annual Report.

10. ATTACHMENTS

Details of attachments (if any):

The Annual Report of Lark Distilling Co. Ltd for the year ended 30 June 2023 is attached.

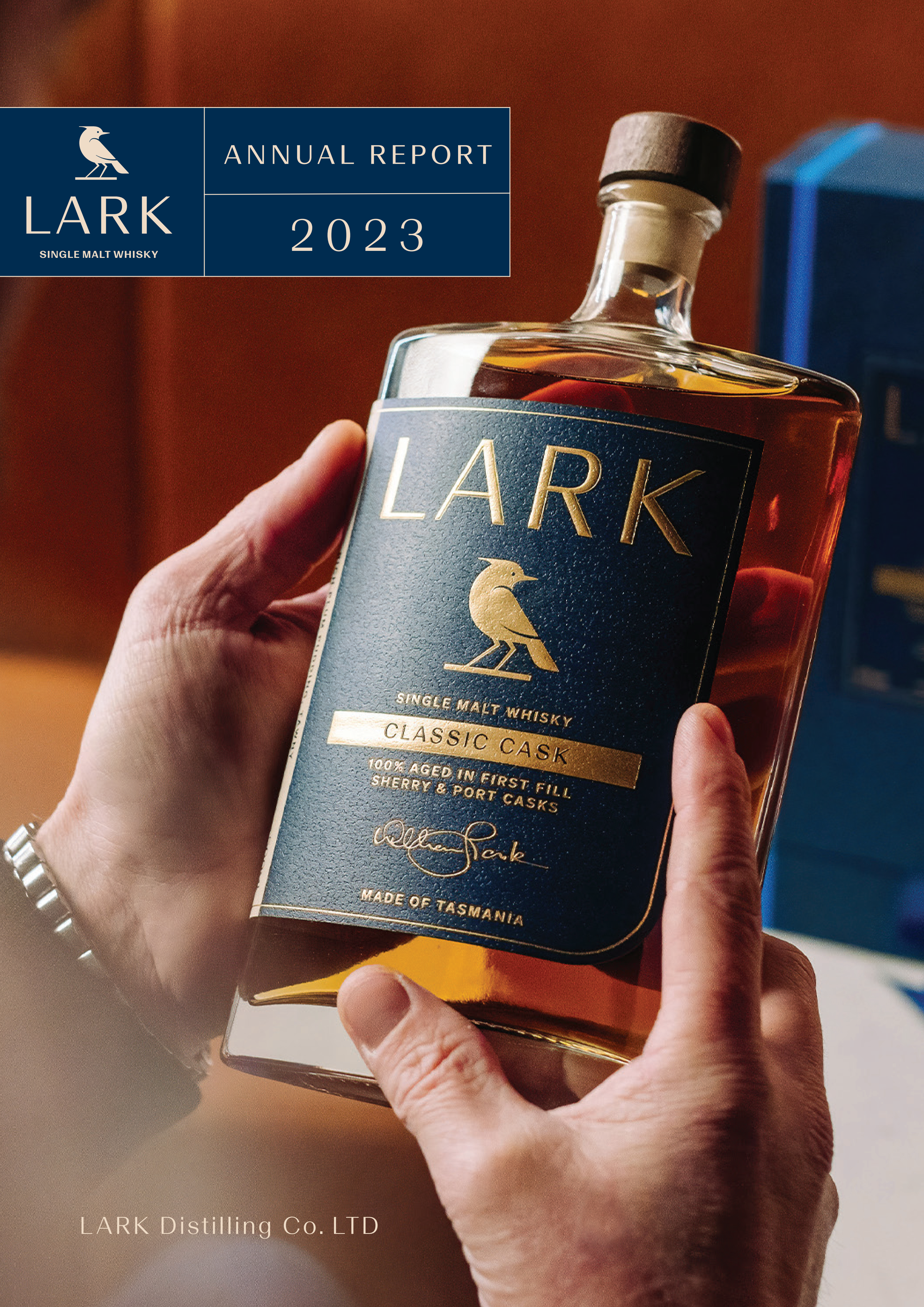
11. SIGNED

David Dearie
Non-Executive Chairman

Date: 28 August 2023

LARK
SINGLE MALT WHISKY

ANNUAL REPORT 2023



LARK Distilling Co. LTD

LARK Distillery, Cambridge, Tasmania

CORPORATE DIRECTORY

DIRECTORS

Mr David Dearie
(Non-Executive Chairman)
Ms Laura McBain
(Resigned as Interim Managing Director and appointed as Non-Executive Director on 1 May 2023)
Mr Warren Randall
(Non-Executive Director)
Mr Domenic Panaccio
(Non-Executive Director)

CHIEF EXECUTIVE OFFICER

Mr Satya Sharma
(Appointed on 1 May 2023)

COMPANY SECRETARY

Ms Melanie Leydin

REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS

Level 1, 91-93 Macquarie Street, Hobart TAS 7000

AUDITOR

RSM Australia Partners
Level 21, 55 Collins Street
Melbourne, VIC 3000

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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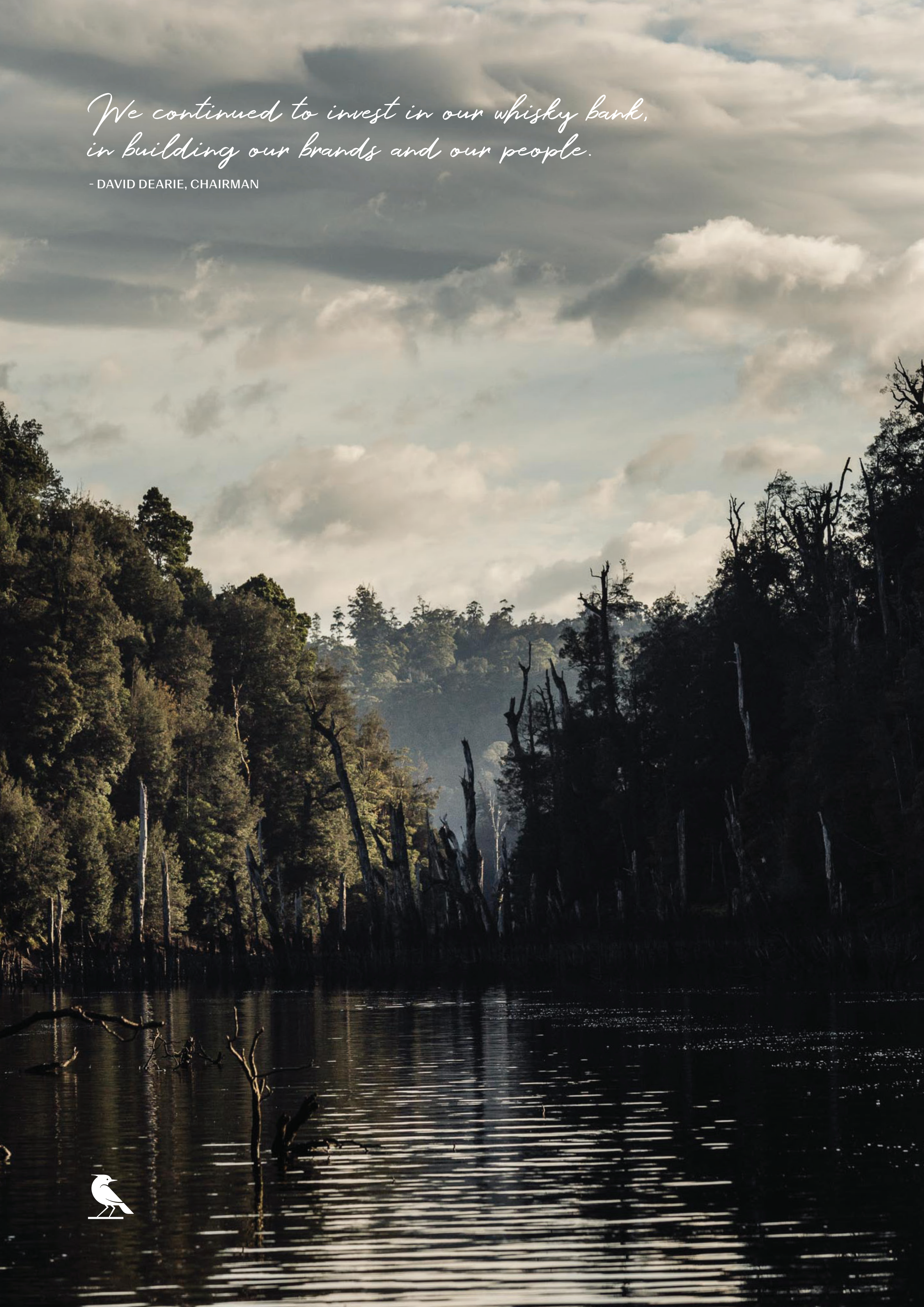
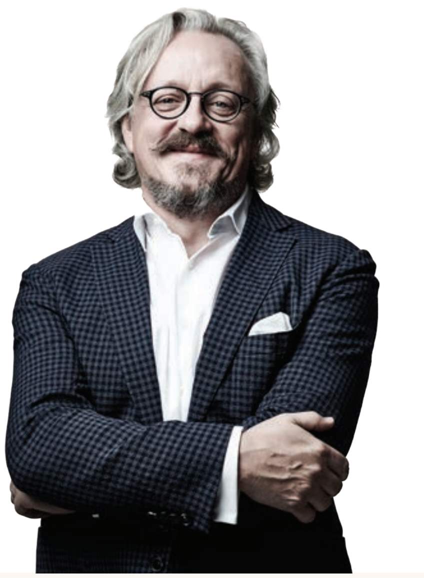
We continued to invest in our whisky bank, in building our brands and our people.

- DAVID DEARIE, CHAIRMAN



MESSAGE FROM THE CHAIRMAN



DAVID DEARIE
CHAIRMAN

DEAR FELLOW SHAREHOLDERS,

ON BEHALF OF YOUR BOARD OF DIRECTORS OF LARK DISTILLING COMPANY, WE ARE DELIGHTED TO PRESENT OUR 2023 ANNUAL REPORT. THE GLOBAL ECONOMIC CHALLENGES AND REDUCED CONSUMER CONFIDENCE DID NOT MATERIALLY INFLUENCE OUR RESULTS ALTHOUGH WE DID EXPERIENCE, LIKE MANY OTHERS IN THE LUXURY SECTOR, A REDUCTION IN DIRECT E-COMMERCE SALES AS THIS CHANNEL NORMALISED AFTER COVID. THE MORE SIGNIFICANT IMPACT TO OUR HEADLINE FY23 PERFORMANCE WAS CYCLING ONE-OFF AND OPPORTUNISTIC TRANSACTIONS IN THE PRIOR YEAR.

LARK generated $17.0 million Net Sales (revenue after excise) in FY23 down on the previous year, however organic Net Sales generated some 15% growth, suggesting that retailers and consumers continue to engage with and enjoy the whisky and gin so meticulously crafted by all our distillers.

Our whisky and our company are constantly recognised and awarded for our amazing product quality both domestically and by the international community. LARK had a record year in FY23, recognised with 56 medals across product, people and innovation. However, it is not only our whisky and gin that is being recognised. We also received awards and recognition for our brand building and our hospitality with the LARK Cellar Door being awarded a Silver medal for Venue of the Year by the Australian Whisky Awards, and The Still receiving a High Commendation for Contribution to Spirits Tourism by the Spirits Business Awards.

While this recognition is exciting and encouraging, what is also exciting about the future is the resilience of the spirits category. Many of the global leaders in our sector have continued to invest in major infrastructure projects to support growing consumer demand.

At LARK we are no different, we continued to invest in our Whisky Bank, in building our brands and our people. We are also finalising plans for the redevelopment of Pontville, where, in addition to increasing capacity of production, we are confident of crafting our New Make Spirit more efficiently and effectively. All this investment is being carried out with financial and capital expenditure discipline.

Much of the Board's attention this year was in recruiting a new Chief Executive Officer and a new Chief Financial Officer. I am delighted that we secured Satya who started with LARK in May and that we also secured Iain to our Executive Team. Both are highly experienced and respected professionals in the spirits sector, and I am excited that they made the choice to further their careers and professional reputations at LARK Distilling

MESSAGE FROM THE CHAIRMAN, CONT'D

Company. Their collective almost 25 years of Global spirits experience will complement and enhance the skills, experience, and professionalism of the existing executive team.

What is particularly exciting is that they chose to further their careers at LARK because of the potential of building a global luxury brand, as well as the stage of development requiring international expertise to drive growth. It is exciting that LARK Distilling Company, with our history, heritage, quality credentials, luxury positioning, leadership positioning and international growth potential is capable of attracting talented industry professionals like Satya and Iain.

Your Board is confident that with Satya leading our company we have a bright future ahead. Already we are seeing a new disciplined approached across every aspect of the Company, and an inclusive approach to problem solving with a bias towards fact-based decision making. All with the sole purpose of building the foundation for sustainable, profitable growth, particularly from the exciting and dynamic international markets and consumers.

Satya has made an immediate impact at LARK in his short time with our Company. He has, for example, introduced an integrated operating model, progressed international expansion partnership discussions, segmented the Whisky Bank, right sized the company, reallocated investments to drive the priority issues, while ensuring shareholders are engaged and informed. All designed to create a solid foundation to further our growth aspirations.

The Board, Satya and the Executive Team's immediate priorities are executing our annual plan, implementing the culture and values required to win in this competitive sector, developing our people and in communicating the long-term vision for our Company and the Investor Day planned for October 17th 2023 in Hobart.

On behalf of the Board, I would like to express our thanks to our LARK team for their tireless efforts during a challenging year, for their passion and dedication to LARK and for their unwavering belief in the wonderful whisky that we craft, market, and sell every day.

The Board would also place on record our thanks and appreciation to Laura McBain who stepped up to take on the interim CEO role and to lead our company during a period of significant challenge.

Finally, I would like to thank you, the shareholders of LARK Distilling, for your continued support of the Company.

DAVID DEARIE
CHAIRMAN

CHIEF EXECUTIVE OFFICER'S REPORT

SATYA SHARMA
CEO

WE ARE PLEASED TO PRESENT OUR 2023 ANNUAL REPORT. THE YEAR HAS BEEN A CHALLENGING ONE, HOWEVER I AM PROUD OF THE DECISIONS TAKEN IN FY23 TO SET THE BUSINESS UP FOR SUSTAINABLE AND CONSISTENT GROWTH GOING FORWARD.

FINANCIALS

The Company has seen a decrease in its Net Sales (revenue after excise) from $20.3 million in 2022 to $17.0 million in FY23. Net Sales in FY22 included a number of one-off and opportunistic sales, which meant cycling strong year-on-year comparatives. E-commerce channels were lower as consumer behaviour regulated post Covid, while the resumption of international travel reduced domestic tourism and footfall through our owned hospitality venues.

BUILDING FOUNDATIONS FOR FUTURE GROWTH

In late FY23 we created and introduced an integrated operating model within the business to build agility through having clear ways of working, roles and responsibilities and appropriate decision-making autonomy. We are confident that these changes will provide the foundations for future growth for LARK.

Highlights for the year ended 30 June 2023 included:

2.4m
LITRES OF WHISKY UNDER MATURATION

Underlying Net Sales Increase[1]
15% ↑

Cash position of
$7.1m
+ undrawn bank facility of $15.0 million, as at 30 June 2023

Normalised Operating EBITDA loss of[2]
$2.0m

Net Sales
$17.0m

Organisational restructure completed
Q4 2023

1. After adjusting for one-off and opportunistic transactions.
2. After adjusting for one-off non-recurring costs, and non-cash Share based payments expense.

CHIEF EXECUTIVE OFFICER'S REPORT, CONT'D

WHISKY BANK AND PRODUCTION

The Company has continued to develop its Whisky Bank as a key pillar of its strategic growth objectives. LARK achieved 2.4 million litres of whisky under maturation (at 43% ABV) as at 30 June 2023.

There is a significant current focus on segmenting the Whisky Bank by age, profile, and finish to align with long term product architecture. The existing Whisky Bank allows us to optimise production in the short to medium term.

With a focus on capital discipline and in preparation for the Pontville build, we made the decision to focus distilling operations at Cambridge from May 2023. The new Pontville distillery will be able to produce approximately 1,000,000 litres of new make spirit annually which will grow the whisky bank more efficiently into the future.

The Pontville site contains heritage listed buildings and enables LARK to develop a true luxury tourism destination for new and existing customers.

QUALITY CREDENTIALS

The quality of the whisky produced by LARK has not gone unnoticed, winning accolades both domestically and by the international community. LARK had a record year in FY23, recognised with 56 medals across product, people and innovation. My personal highlights were:

- The Global World Whisky Masters Medal for Chinotto Cask Strength;
- Dan Murphy's Decoded Spirits Awards for Winner of Australian Whisky which went to Classic Cask; and
- Being named Australia's best Blended Malt at the World Whisky Awards for Symphony No 1.

LARK EXPORT OPPORTUNITY – STRUCTURED ASIAN EXPANSION

The importance of international expansion has been well documented as LARK progresses into a global luxury brand. We have started making actual progress in unlocking this important building block of growth for LARK, with the appointment of an Asia Sales Director and ongoing progress being made on the appointment of distributors within the region. This is only the beginning, with the expansion of the export opportunities and the launch into new Global Travel Retail locations both critical focus areas for FY24 and beyond.

2024 PERSPECTIVES

We have emerged from a year of significant change in a better position to capitalise on growth opportunities, as well as deliver more consistent results.

We are aware challenges remain, as we expect inflation, particularly rising supply chain, energy and labour costs to pressure the cost base. However, supported by decisions taken in FY23, we will look to manage these costs through increased sales and disciplined cost management.

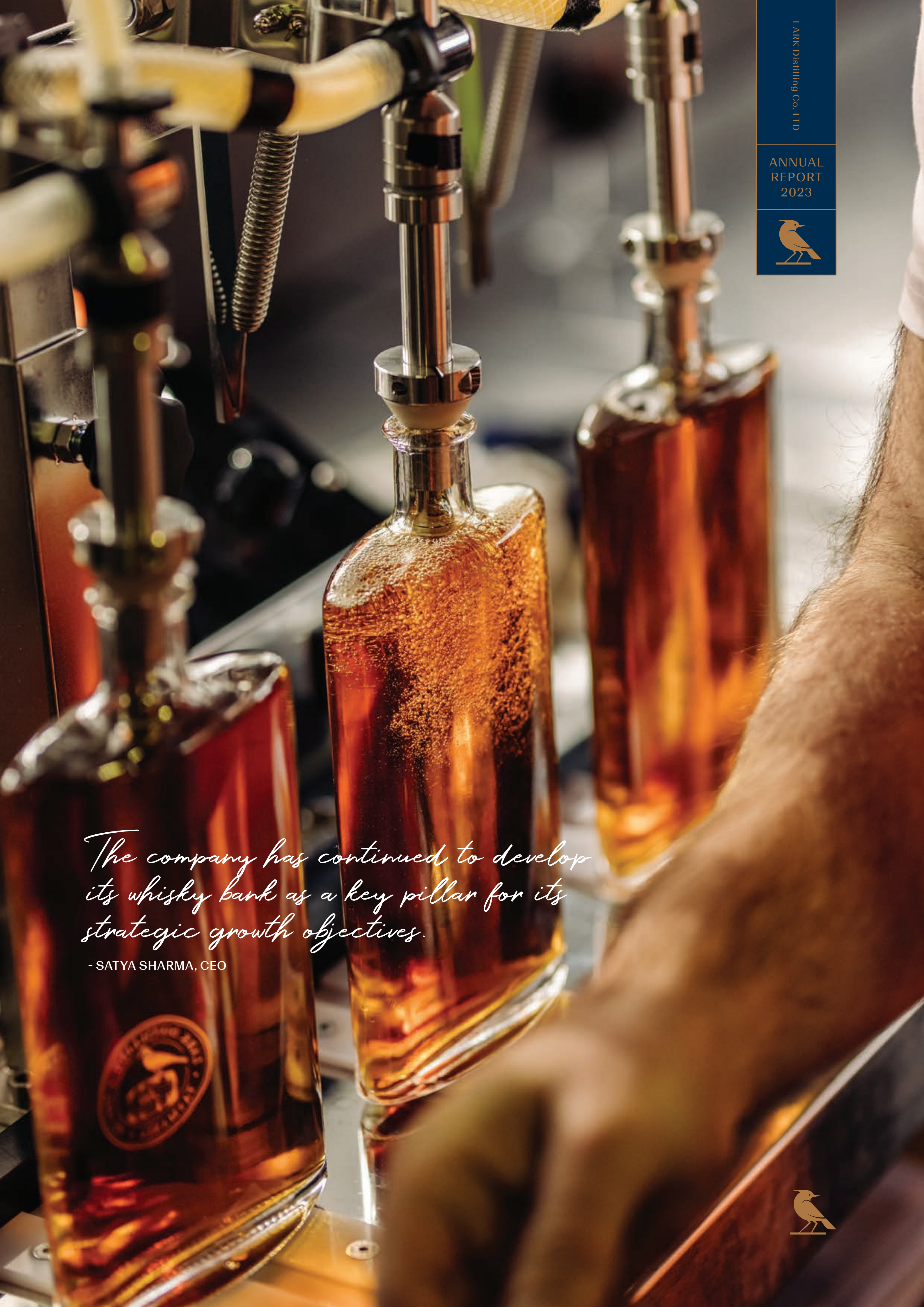
In FY24, our focus will be on growing brand equity, investing in seeding international markets and building positive, repeatable, and consistent sales momentum. We will continue our disciplined approach to capital management while ensuring we optimise our Whisky Bank for the long term. We have a passionate and energised team who wear their hearts on their sleeves and are committed to continuing to build Australia's Number 1 Luxury Single Malt.

I look forward to sharing our long-term vision, strategic road map, priorities and scorecard with you at the Investor Day on 17th October 2023 to be held in Hobart.

The success of LARK relies strongly on our consumers, customers and community and we thank them for their ongoing belief. I also thank our team members for their continued dedication and contribution. Finally, I thank you, our shareholders, for your trust, ongoing investment and support.

Satya

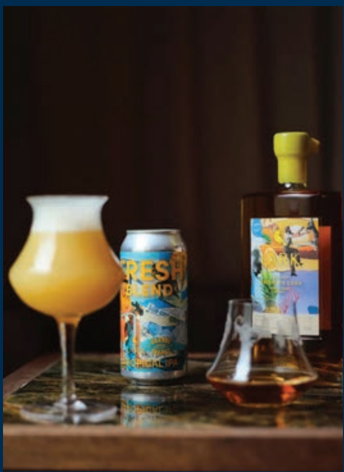
SATYA SHARMA
CEO

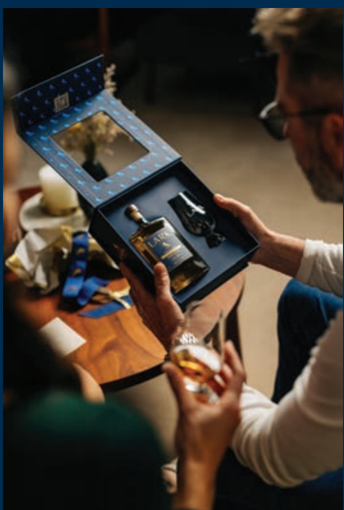


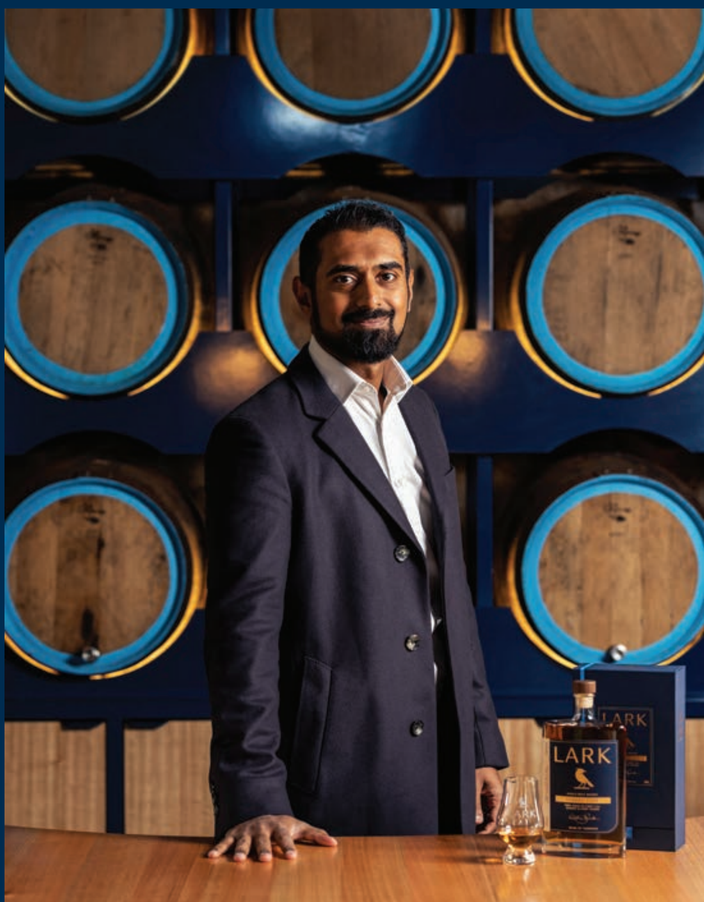
The company has continued to develop its whisky bank as a key pillar for its strategic growth objectives.

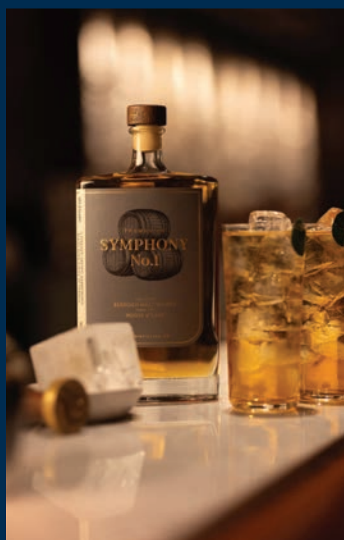
- SATYA SHARMA, CEO

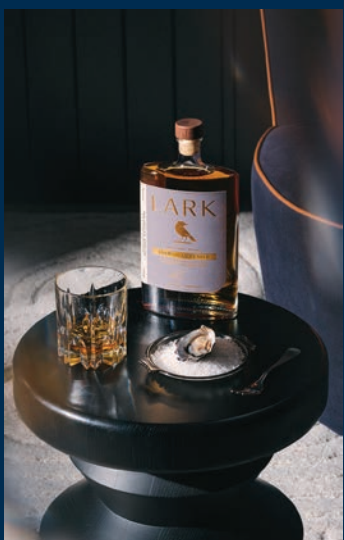
A YEAR IN REVIEW

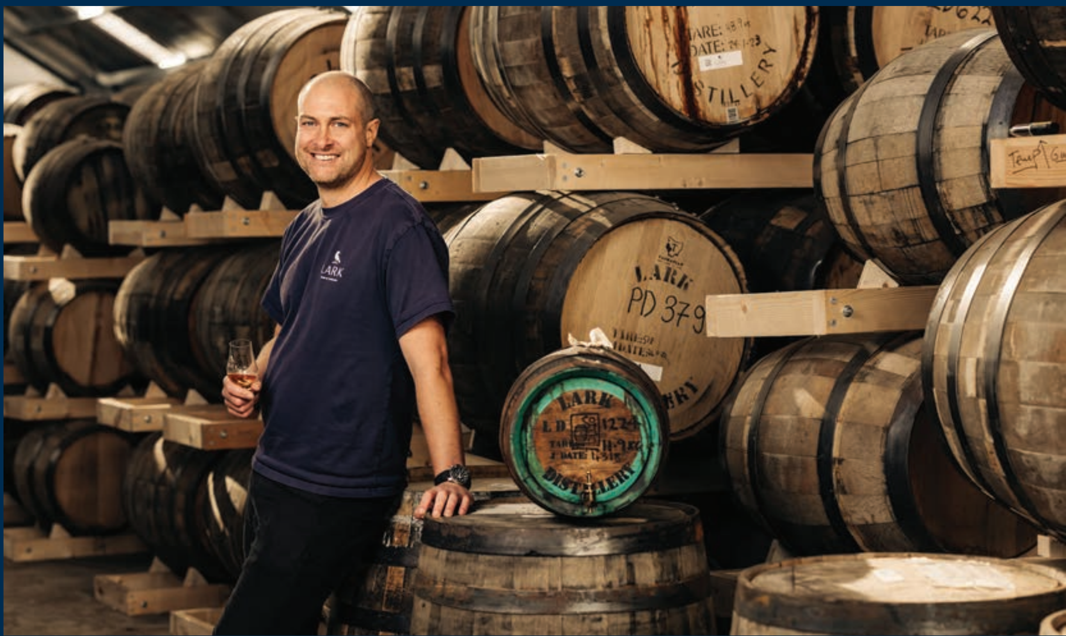


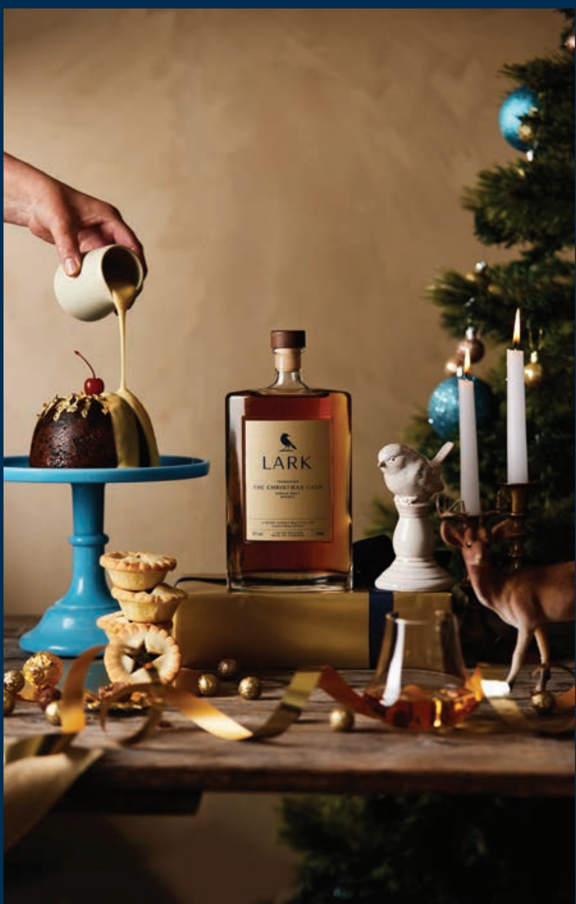


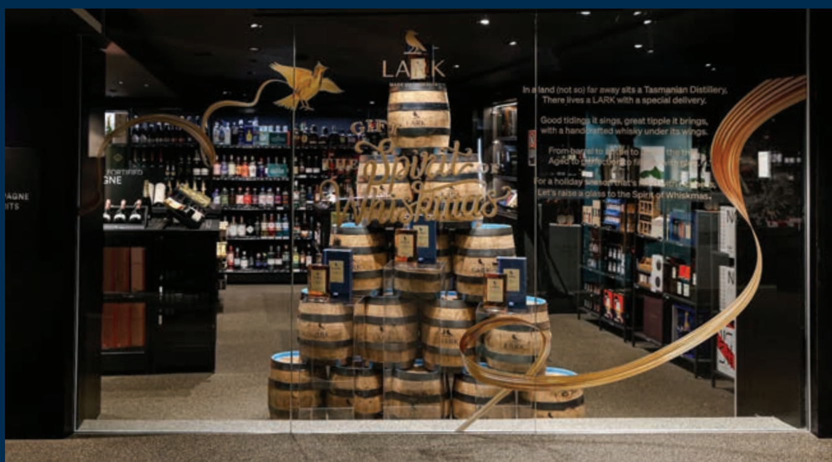


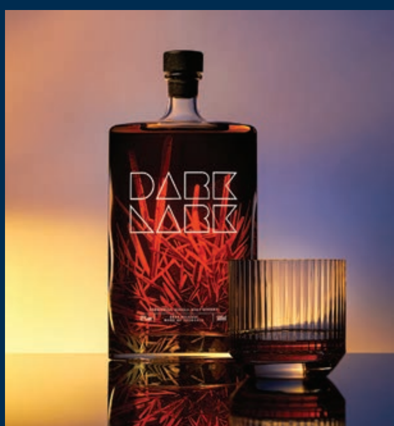


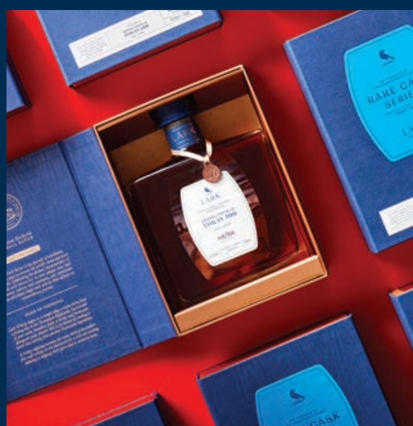



LARK
PD 379
DISTILLERY


LARK
THE CHRISTMAS CASK


LARK


DARK
LARK


RARE CASK
SERIES

2022/2023 LARK AWARDS PORTFOLIO

INTERNATIONAL WINE & SPIRITS COMPETITION

THE CHRISTMAS CASK	91 points
GARAGE PROJECT	90 points
THE RISING TIDE	90 points
REBELLION	90 points

- SYMPHONY NO. 1
- CLASSIC CASK
- CLASSIC CASK STRENGTH
- TASMANIAN PEATED
- SLAINTE LIQUEUR
- DARK LARK 2023
- WHISKY BAR SERIES: SAVILLE ROW

HONG KONG INTERNATIONAL WINE & SPIRITS COMPETITION

DARK LARK 2022
WOLF OF THE WILLOWS V
PARA 50 II RARE CASK SERIES
PARA 100 II RARE CASK SERIES
PARA 1992
LARK X GLENFARCLAS

CLASSIC CASK
CLASSIC CASK STRENGTH
SYMPHONY NO. 1
CHINOTTO CASK II 60%

CHINA WINE & SPIRITS AWARDS

CLASSIC CASK
SHERRY SHERRY II
CHINOTTO II 60%
PARA 100 II RARE CASK SERIES
PARA 1992

MAZUNA RARE CASK SERIES
CHRISTMAS CASK III

CLASSIC CASK STRENGTH

SPIRITS BUSINESS AWARDS

BEST NEW MARKETING CAMPAIGN
DARK LARK 2022

LIFETIME ACHIEVEMENT
BILL LARK

BEST EVENT
HIGH COMMENDATION
30TH ANNIVERSARY GALA

CONTRIBUTION TO SPIRITS TOURISM
HIGH COMMENDATION
THE STILL

BLENDER OF THE YEAR
HIGH COMMENDATION
CHRIS THOMSON

2022/2023 LARK AWARDS PORTFOLIO

GLOBAL WHISKY MASTERS

CHINOTTO CASK STRENGTH II 60%

CLASSIC CASK
SYMPHONY NO.1
CLASSIC DOUBLE TAWNY
DARK LARK 2022
PARA 100 II RARE CASK SERIES
PARA 1992

CHINOTTO II
MUSCAT II

WORLD WHISKY AWARDS

SYMPHONY NO. 1

CHINOTTO CASK STRENGTH II 60%

WOLF OF THE WILLOWS V
PARA 100 II RARE CASK SERIES

CLASSIC CASK
DARK LARK 2022
LARK X GLENFARCLAS RARE CASK SERIES

AUSTRALIAN WHISKY AWARDS

WHISKY OF THE YEAR
DARK LARK 2022

DISTILLERY OF THE YEAR
LARK DISTILLERY

PERSONALITY OF THE YEAR
BILL LARK

DISTILLER OF THE YEAR
CHRIS THOMSON

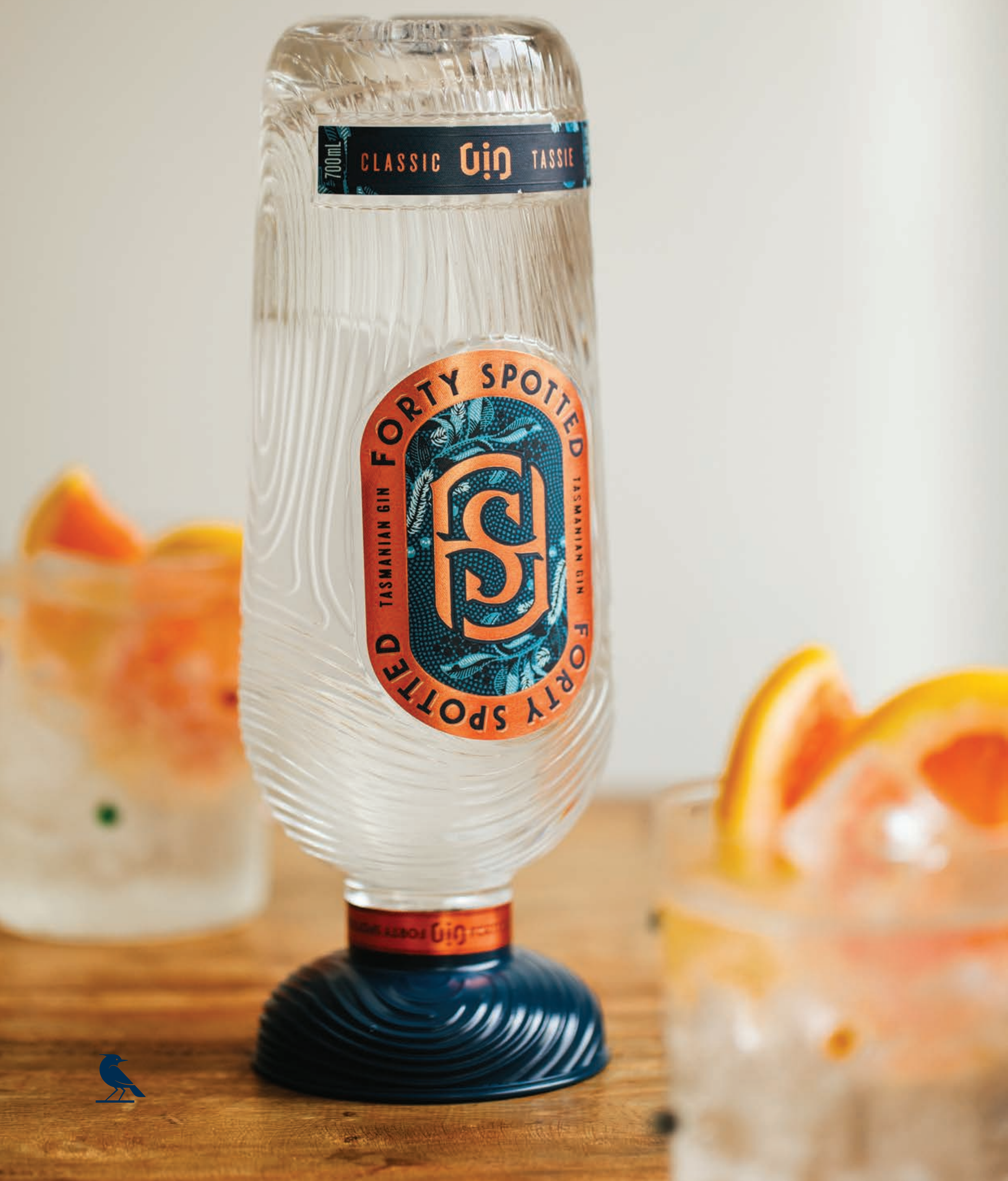
VENUE OF THE YEAR
LARK CELLAR DOOR

DAN MURPHY'S DECODED SPIRITS AWARDS

WINNER OF AUSTRALIAN WHISKY
CLASSIC CASK

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

GLOBAL GIN MASTERS

MASTERS

Citrus & Pepperberry

Wild Rose

GOLD

Classic Tassie Gin

Pinot Noir

CHINA WINE & SPIRITS AWARDS

DOUBLE GOLD

Bush Honey

SILVER

Classic Tassie Gin

Citrus & Pepperberry

Wild Rose

WORLD GIN AWARDS

GOLD

Wild Rose

SILVER

Classic Tassie Gin

Bush Honey

DAN'S DECODED SPIRITS AWARDS

FINALIST IN AUSTRALIAN GIN

Classic Tassie Gin

INTERNATIONAL WINE & SPIRITS AWARDS

SILVER

Bush Honey

Pinot Noir

BRONZE

Classic Tassie Gin

Citrus & Pepperberry

BRONZE
(ALTERNATIVE DRINKS AWARDS)

Raspberry & Rose

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 2023.

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 - Non-Executive Director (Resigned as Interim Managing Director and appointed as Non-Executive Director on 1 May 2023)

Mr Warren Randall - Non-Executive Director

Mr Domenic Panaccio - Non-Executive Director

PRINCIPAL ACTIVITIES

The principal activities of the Group during the year ended 30 June 2023 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 $4,908,029 (30 June 2022: $470,398).

KEY HIGHLIGHTS

- Lark delivered revenue from ordinary activities for the year ended 30 June 2023 of $19.9 million, down 18.3% compared to last year.
- Net Sales (revenue after excise) for the year was $17.0 million, down $3.3 million compared to last year. Sales last year included sales from transactions with a whisky subscription business, private cask collectors, and other opportunistic sales which were not repeated in the current year. When normalising for non-organic and opportunistic transactions Lark delivered underlying organic net sales growth of +15%. Lark's core Signature and Symphony product ranges performed strongly growing 53% and 49% vs last year
- Gross profit came in at $11.7 million, reflecting gross margins of 68.9% (% of net sales). Gross margins were up from 66.5% last year supported by favourable product and channel mix.

OPERATING EXPENSES INCREASED DURING THE YEAR DUE TO:

- Maintaining marketing investment year on year as the Company continues to build long term brand equity to support both domestic sales and provide a strong platform for international market expansion. Marketing spend as a % of Net Sales increased 3ppts from last year to 18.3%.
- Other operating costs increased compared to last year driven by:
  - Annualisation of costs associated with both domestic sales team expansion and two hospitality venues opened in the prior year
  - Costs associated with ongoing work to expand into export channels, and additional headcount in marketing
- The result included $2.3 million non-recurring and one-off items made up of the following:
  - $1.1 million – one-off staff & CEO recruitment costs, as well as and restructuring costs incurred to allow future reallocation of resources
  - $0.9 million - Obsolete stock costs relating to dry and liquid goods relating to a number of non-whisky products, obsolete gift packs, old branded packaging, and the termination of some R&D trials
  - $0.3 million – costs relating to the acquisition of Kernke Family Shene Estate

FINANCIAL POSITION

- Lark's whisky under maturation continued to strengthen during the year to 2.38 million litres at 43% ABV, as at 30 June 2023 with maturing inventory balance at cost increasing to $55.6 million, up $4.9 million from last year. Finished goods balance decreased by $1.7 million as limited releases on hand at the end of last year were sold through.
- Lark ended the year with a cash balance of $7.2 million, after repaying $5m of debt during the year. A $15 million undrawn bank facility remains available.
- $3.7 million of Government grants were received during the year consisting of a Federal Government Modern Manufacturing Grant, in relation to the new distillery build at Pontville, and a Tasmanian Government Tourism Innovation grant. The balance of these grants have been recorded within Deferred Government Grants.
- During the year, the group finalised both the acquisition and acquisition accounting of Kernke Family Shene Estate, the owner of Pontville Distillery and Estate, with the remaining $1.1 million balance outstanding paid.

BUSINESS RISKS

RISK	DESCRIPTION	MITIGATION STRATEGIES
Changes in consumer preferences and market may have an adverse impact on sales	Unanticipated changes to consumer preferences from factors including health, economic conditions, and market trends could have a material adverse impact on operating and financial performance.	• Lark maintains a diversified product portfolio, channel and customer mix. Lark is selectively targeting export markets to suit our portfolio, while also diversifying across multiple markets to mitigate changes in preferences. • Ongoing monitoring of consumer insights and consumer trends inform brand strategy and product portfolio and product strategy that includes both portfolio rationalisation & innovation. • Our award-winning Whisky is flexible so that it can be adapted to changing consumer preferences.
Incident leading to reputational and or brand damage	Lark has built its reputation based on the award-winning quality of the whisky. The reputation of the Lark brand is key to the success of the business. Risks to Lark's reputation include both internal and external activity including quality incident, counterfeited product, black market trade, inaccurate media coverage, unsatisfactory supplier performance. A material adverse incident could have a material adverse effect on financial and operating performance.	• General quality controls and checks • 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 (trademarks).
Failure to attract and retain talent	The company is heavily reliant on key personnel. Loss of key personnel could cause significant disruptions to operational and financial performance.	• Talent review and succession planning processes. • Market competitive remuneration and benefits offering. • Incentive and reward programs aligned to the achievement of Lark's financial and business goals. • Initiatives targeting improved culture including training & development, Wellness committee, & engagement surveys.

DIRECTORS' REPORT, CONT'D

RISK	DESCRIPTION	MITIGATION STRATEGIES
Storage of whisky	Lark has a significant amount of maturing whisky stored in a number of facilities. Lark's storage facilities may be impacted by a fire or major weather event (such as a storm) or subject to malicious attack, which may result in the loss, damage, contamination or destruction of all or some of its stored product inventory.	· Use of multiple storage sites that are separated geographically. · Regular site security and safety checks. · Regular sampling of spirit quality. · Utilisation of technologies including Radio Frequency Identification on each cask. · Insurance coverage. · Preventative repair and maintenance program.
Interruption to supply chain	Loss of suppliers may restrict or disrupt Lark's new make whisky production impacting future sales or bottling & finished goods production of spirits impacting current sales.	· Risk assessments for key suppliers. · Broad range of potential suppliers. · Long Term Agreements with key partner suppliers in progress. · Joint business planning processes to support and align internal and partner incentives. · Multi-regional and diversified supplier base.
Loss of information through cyber security or fraud thread	The business relies on IT infrastructure, systems and processes to support ongoing business growth. The use of these systems poses risk in error, which includes increased costs and processing times or damage to business reputation, or decision making based on inaccurate information. The storage of information increases risk of theft which may impact Lark's ability to trade, and or reputational risk.	· Information User 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. · Outsourced IT experts bringing best practice processes to supplement Internal Resource on specialist areas.
Compliance with laws & regulations	Lark operates in a highly regulated industry in the production of spirts and selling in various overseas markets. Each of these markets have differing regulations that govern many aspects of Lark, including privacy, taxation, production, manufacturing, pricing, marketing, advertising and distribution, & ASX reporting requirements. Remaining compliant with regulations, including changes to existing, or new regulations, requires ongoing monitoring by the business.	· 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.
Failure to maintain appropriate quality standards	Sale of defective products due to non-compliance with Lark operational quality processes could result in damage to Lark's corporate and brand reputation. This could also lead to additional costs from product recall, penalties and litigation.	· Maintenance of appropriate policies, standards and procedures relating to Production & Operations. · HACCP Accreditation. · Regular auditing program.
Changing Geopolitical environment	Government actions may influence or restrict international trade, including increasing duties and tariffs could significantly impact the nature of operations and reduce the demand for products in these markets.	· Relationships and engagement (where relevant) with key government, industry advocacy and regulatory bodies. · Selectively targeting entry to export markets and diversifying across multiple markets.

RISK	DESCRIPTION	MITIGATION STRATEGIES
Ability to access funding	Insufficient funding may restrict Lark's ability to trade, including brand investment with entry to new markets, or volume of whisky production, restricting future sales growth. Lark is currently loss making and is not cash flow positive which may adversely impact Lark's access to funding.	• Lark maintains flexibility with spending requirements due to having a significant whisky bank enabling flexible approach to levels of whisky production. In addition, Lark have minimal contractual obligations on capital expenditure. • While Lark has no debt balance, the company also maintains optionality with access to different sourcing options and a close relationship with our current borrowing facility provider.
Health Safety & Wellbeing	The health, safety, and wellbeing of the Lark team remains our highest priority. The production and sale of spirts, and operation of hospitality venues, involves the use of complex equipment and processes that pose a risk that could result in death, injury or illness leading to a financial, operational, and reputational impact to Lark. Lark recognises the importance of managing existing risks, and monitoring emerging risks that have potential to cause harm to employees, contractors or visitors.	• Formally defined, and periodically reviewed, Health, safety, and well-being policies, standards, procedures and tools. • Induction and ongoing training programs • Regular cleaning of sites and equipment. Regular inspections and preventative repairs and maintenance of equipment. • Monitoring of safety performance including regular risk assessments, incident reporting and corrective action plans. • Promotion of a healthy workplace culture.
Climate Change	Climate change may adversely impact the maturation time and or quality of spirits produced through disruptions to supply chain. In addition, consumer awareness and retailer requirements regarding Climate change action may adversely impact financial performance.	• Assessment of impact of climate on maturation. • Climate focused business strategy including consideration to ongoing sourcing availability and carbon footprint. • Regular risk assessments to identify and address potential climate-related impacts, such as floods or droughts, on production and distribution. • Maintenance of accreditation of certified carbon neutral under the Federal Government's Climate Active Program.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

There were no significant changes in the state of affairs of the Group during the financial year.

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

No matter or circumstance has arisen since 30 June 2023 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.

LIKELY DEVELOPMENTS AND RESULTS OF OPERATIONS

The Group expects to drive sales growth through expansion to international markets. Additional information on the operations and financial position of Lark is set out in the OFR accompanying this Director's report.

DIRECTORS' REPORT, CONT'D

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 international markets that Lark export to. 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

MR DAVID DEARIE

Title: Non-Executive Chairman

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

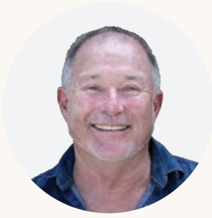
Experience and expertise: A global beverage industry leader with over 30 years' experience in alcohol retailing, distribution and brand building. Founding CEO of Treasury Wines estates Ltd (TWE), and senior executive positions with Fosters Group Ltd and Brown-Forman.

Other current directorships: None

Former directorships (last 3 years): None

Interests in shares: 374,986 fully paid ordinary shares

Interests in rights: 620,000 performance rights



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: Over 40 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: 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

DIRECTORS' REPORT, CONT'D

MS. LAURA MCBAIN

Title: Non-Executive Director (Resigned as Interim Managing Director and appointed as Non-Executive Director on 1 May 2023)

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 China. MD of Maggie Beer Holdings Ltd 2017 to 2019, leading several acquisitions and integrations of premium food businesses into public company. Strategic advisor to nutrition businesses and former director of Export Finance Australia (Australia's government export credit agency). 2013 Telstra Australian Businesswoman of the Year (Private and Corporate) and Telstra Tasmanian Businesswoman 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)

Special responsibilities: Member of Audit and Risk Committee

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

MR DOMENIC PANACCIO

Title: Non-Executive Director

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: 109,954

Special responsibilities: Chair of Audit and Risk Committee

'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

CHIEF EXECUTIVE OFFICER

Mr Satya Sharma
(Appointed on 1 May 2023)

Mr Sharma joined Lark from William Grant & Sons Ltd, where he was the Regional Managing Director for Southeast Asia and Australasia. Mr Sharma also had a complementary role as member of the board for that company's Branded Business Unit, which is responsible for the business's brands globally. In this role, Mr Sharma had been instrumental in driving the momentum of William Grant & Sons portfolio across Southeast Asia and the broader Asia Pacific region, developing strong distributor relationships, growing brand equity, and accelerating the contribution of luxury to the group through the launch of the world's first "The Distiller's Library" concept.

Over his 10-year career with William Grant & Sons across Singapore, China, and UK, Mr Sharma held roles including Head of Business Strategy & Development, Interim Finance Director APAC, and Head of Commercial. Prior to his time with William Grant & Sons Ltd, Mr Sharma was based in Australia and held various roles with Campbell Arnott's, and was a Senior Manager in Corporate Finance at Pitcher Partners (previously Moore Stephens).

Mr Sharma holds a degree in Business and Law from the University of Technology Sydney and is a member of the Institute of Chartered Accountants Australia and New Zealand.

CHIEF FINANCIAL OFFICER

Mr Iain Short, CA
(Appointed on 12 June 2023)

Mr Short joined Lark from William Grant & Sons Ltd, where he was the Finance Director - Asia Pacific and Global Travel Retail. In this role Mr Short was a key member of the development and implementation of the strategy in the APAC region which has seen significant distribution growth and brand portfolio development for William Grant & Sons.

Mr Short had an extensive career with William Grant & Sons, where he worked in numerous senior finance and strategy roles including Finance and Operations Director for Australia and New Zealand, and Finance Director for UK and Ireland. Mr Short previously worked at PwC in London, holds an Economics degree from The University of Edinburgh and is a Chartered Accountant.

Mr. Alex Aleksic, CPA
(Resigned on 31 December 2022)

Mr 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.

DIRECTORS' REPORT, CONT'D

MEETINGS OF DIRECTORS

The number of meetings of the Company's Board of Directors ('the Board') held during the year ended 30 June 2023, and the number of meetings attended by each director were:

	Directors' Meetings	
	Attended	**Held**
Mr David Dearie	10	10
Ms Laura McBain	10	10
Mr Warren Randall	9	10
Mr Domenic Panaccio	10	10

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

The Company has previously established an Audit and Risk Committee, however, due to the size of the Board and there not being a majority of independent directors on the Board, the Board fulfilled the roles and responsibilities in relation to the Audit and Risk Committee for the year ended 30 June 2023. The Audit and Risk Committee has reconvened from financial year 2024.

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 remuneration report is set out under the following main headings:

- Details of remuneration
- Service agreements
- Share-based compensation
- Additional information
- Additional disclosures relating to key management personnel

The board's policy for determining the nature and amount of remuneration for key management personnel of the consolidated group is as follows:

- The remuneration policy, setting the terms and conditions for the key management personnel, was developed by the remuneration committee and approved by the board after seeking professional advice from independent external consultants.
- All key management personnel receive a base salary (which is based on factors such as length of service and experience), superannuation, fringe benefits, with the potential for options and other incentives. Options to be issued at the discretion of the Board.
- The remuneration committee reviews key management personnel packages annually by reference to the consolidated group's performance and executive performance.

The performance of key management personnel is reviewed annually and is based predominantly on the forecast growth of the consolidated group's profits and shareholders' value. All bonuses and option incentives are issued at the discretion of the Board. Any incentives or bonuses must be justified by reference to measurable performance criteria. The policy is designed to attract the highest calibre of other key management personnel executives and reward them for performance that results in long-term growth in shareholder wealth.

Key management personnel are also entitled to participate in the employee share and option arrangements.

DIRECTORS' REPORT, CONT'D

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.

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 -Non-Executive Director (Resigned as Interim Managing Director and appointed as Non-Executive Director on 1 May 2023)
- Mr Warren Randall - Non-Executive Director
- Mr Domenic Panaccio - Non-Executive Director

And the following persons:

Mr Satya Sharma – Chief Executive Officer (Appointed on 1 May 2023)

Mr Iain Short - Chief Financial Officer (Appointed on 12 June 2023)

Mr Alex Aleksic - Chief Financial Officer (Resigned on 31 December 2022)

DIRECTORS' REPORT, CONT'D

2023	Short-term benefits Cash salary and fees $	Cash bonus $	Non-monetary $	Post-employment benefits Super-annuation $	Long-term benefits Long service leave $	Share-based payments Equity-settled $	Total $
Non-Executive Directors:							
Mr David Dearie	85,000	-	-	-	-	115,099	200,099
Mr Warren Randall (a)	50,000	-	-	-	-	50,309	100,309
Mr Domenic Panaccio	50,000	-	-	-	-	-	50,000
Ms Laura McBain (b)	425,000	-	-	-	-	144,376	569,376
Other KMP							
Mr Satya Sharma (c)	112,449	500,000	-	6,323	-	115,908	734,680
Mr Iain Short (d)	56,154	-	-	2,211	-	-	58,365
Mr Alex Aleksic (e)	196,452	20,000	-	-	-	(24,587)	191,865
	975,055	520,000	-	8,534	-	401,105	1,904,694

(a) During the period ended 30 June 2023, the Group made purchases amounting to $144,558 (June 2022: $341,052) 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) Ms Laura McBain resigned as Interim Managing Director and appointed as Non-Executive Director on 1 May 2023.

(c) Mr Satya Sharma appointed as Chief Executive Officer 1 May 2023. Performance rights were issued to Mr Sharma in two tranches of 197,280 and 343,357 on 1 May 2023 and 19 June 2023, respectively. As per *AASB 2 Share-based Payment*, the fair value of these equity instruments were measured at grant date, which is 1 May 2023.

(d) Mr Iain Short appointed as Chief Financial Officer on 12 June 2023. Salaries and fees included $35,096 fees for allowance paid for onboarding while offshore from 8 May 2023 to 11 June 2023.

(e) Mr Alex Aleksic resigned as Chief Financial Officer 31 December 2022.

2022	Short-term benefits Cash salary and fees $	Cash bonus $	Non-monetary $	Post-employment benefits Super-annuation $	Long-term benefits Long service leave $	Share-based payments 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 $341,052 (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) 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.

The proportion of remuneration linked to performance and the fixed proportion are as follows:

	Fixed remuneration		At risk - STI		At risk - LTI	
Name	**2023**	**2022**	**2023**	**2022**	**2023**	**2022**
Non-Executive Directors:						
Mr David Dearie	42%	40%	-	-	58%	60%
Mr Warren Randall	50%	52%	-	-	50%	48%
Mr Domenic Panaccio	100%	100%	-	-	-	-
Ms Laura McBain	75%	66%	-	-	25%	34%
Other Key Management Personnel:						
Mr Satya Sharma	16%	-	68%	-	16%	-
Mr Iain Short	100%	-	-	-	-	-
Mr Alex Aleksic	102%	88%	10%	-	(12%)	12%
Mr Geoff Bainbridge	-	96%	-	-	-	4%

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 can terminate the agreement with 3 months' notice. The Company can terminate the agreement with 3 months' notice, or payment in lieu thereof. 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, continues 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 2023, 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 2023	200,000
Tranche 5	$2.550	31 December 2024	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 2023, 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 2023	100,000
Tranche 5	$2.550	31 December 2024	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 2023, Mr Domenic did not have any Performance Rights on issue.

Name:	Ms Laura McBain
Title:	Non-Executive Director (Resigned as Interim Managing Director and appointed as Non-Executive Director on 1 May 2023)
Agreement commenced:	1 May 2023 (Continued service from 1 June 2020)
Term of agreement:	No fixed term
Details:	Remuneration: $50,000 annual directors fee from 1 May 2023 (excluding GST). $500,000 annual Interim Managing Director fee from 1 July 2022 to 1 May 2023 Ms Laura McBain appointment as a Non-Executive Director is subject to retirement by rotation under the Company's constitution. Ms Laura McBain 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 2023, 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	$2.25	December 2023	45,000
Tranche 5	$2.55	December 2024	45,000

DIRECTORS' REPORT, CONT'D

Name:	Mr Satya Sharma
Title:	Chief Executive Officer (Appointed on 1 May 2023)
Agreement commenced:	1 May 2023
Term of agreement:	No fixed term
Details:	Remuneration: $675,000 per annum (inclusive of superannuation) Mr Sharma can terminate the agreement with 6 months' notice. The Company can terminate the agreement with 6 months' notice, or payment in lieu thereof. The Company may terminate the contract at any time without notice if a serious misconduct or breach of contract has occurred. As at 30 June 2023, the following Performance Rights remained on issue, with terms and conditions as detailed and with an expiry date of 31 May 2025:

Tranche no.	Target market share price	and continuous service to:	Performance rights to vest
Sign-on Share Rights	$0.00	1 May 2024	343,357
Long Term Incentive (LTI)*	$4.00	1 May 2026	197,280

Long Term Incentive (LTI)

Mr Sharma's long-term incentives are intended to be in the form of Share Rights to acquire Shares in the Company valued at up to $975,000. The performance rights will vest and be exercisable upon the satisfaction of service condition and performance conditions, which were agreed as part of the LTI.

Service condition

The time-based Vesting Condition is based on Mr Sharma remaining employed by the Group at an executive level for the period from the Grant Date up to and including the 1 May 2026.

Performance condition

The performance based Vesting Condition is based on the Company's Shares sustaining a certain 10-day volume weighted average price for at least 20 consecutive days. If at any point during the Relevant Period the Company achieves the target market share price specified in the table below, then Mr Sharma's Share Rights will entitle him to Shares equal to the value specified in the adjacent column, upon satisfaction of the service condition. The notes to the table provide further detail of how Mr Sharma's entitlement is to be determined.

Target market share price	Value of entitlement (AUD)	Notes
$4.00	$195,000	-
>$4.00 to $5.00	>$195,000 to $650,000	Entitlement is $195,000 plus additional entitlement determined on a pro-rata, straight line basis from $4.00 to $5.00.
>$5.00 to $6.00	>$650,000 to $975,000	Entitlement is $650,000 plus additional entitlement determined on a pro-rata, straight line basis from $5.00 to $6.00.

* 197,280 performance rights noted in Mr Sharma's performance rights table and their fair value for accounting purposes have been determined based on estimated grant date, probability of achieving the vesting conditions and the Company's closing share price at 30 June 2023. Actual number of performance rights may be different at the grant date and are subject to shareholder approval.

DIRECTORS' REPORT, CONT'D

Name:	Mr Iain Short
Title:	Chief Financial Officer
Agreement commenced:	12 June 2023
Term of agreement:	No fixed term
Details:	Remuneration: $390,292 per annum (inclusive of superannuation) Mr Short can terminate the agreement with 3 months' notice. The Company can terminate the agreement with 3 months' notice, or payment in lieu thereof. The Company may terminate the contract at any time without notice if a serious misconduct or breach of contract has occurred.

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 2023.

Options

There were no options issued to directors and other key management personnel as part of compensation that were outstanding as at 30 June 2023.

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 2023 are set out below:

Name	Grant date	Expiry date	Number granted	Value of granted $	Number vested	Value of vested $	Number lapsed / disposed $
Mr David Dearie	25/11/2019	31/12/2026	-	-	70,000	70,140	-
Mr Satya Sharma*	1/05/2023	1/05/2026	197,280	260,410	-	-	-
Mr Satya Sharma*	1/05/2023	1/05/2026	343,357	500,000	-	-	-

* Mr Satya Sharma appointed as chief executive officer on 1 May 2023. Performance rights were issued to Mr Sharma in two tranches of 197,280 and 343,357 on 1 May 2023 and 19 June 2023, respectively. As per *AASB 2 Share-based Payment*, the fair value of these equity instruments were measured at grant date, which is 1 May 2023.

Fair value of share options have been determined based on estimated grant date, the numbers of which are subject to shareholder approval. The option numbers have been estimated and related expenses have been recognised for the current year, based on the expected number or LRK shares on issue at 30 June 2023.

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
25/11/2019	31/12/2022	31/12/2026	$1.950	$1.00200
25/11/2019	31/12/2023	31/12/2026	$2.250	$0.96300
25/11/2019	31/12/2024	31/12/2026	$2.550	$0.95100
1/07/2021	31/12/2022	31/12/2026	$1.950	$3.27000
1/07/2021	31/12/2023	31/12/2026	$2.550	$3.27000
1/07/2021	31/12/2024	31/12/2026	$2.550	$3.27000
29/11/2021	31/12/2023	31/12/2026	$2.550	$4.84000
29/11/2021	31/12/2024	31/12/2026	$2.250	$4.84000
1/05/2023	1/05/2024	1/05/2026	$4.000	$1.32000
1/05/2023	1/05/2024	1/05/2026	$0.000	$1.45600

Performance rights granted carry no dividend or voting rights.

Additional information

The earnings of the Group for the five years to 30 June 2023 are summarised below:

	2023 $	2022 $	2021 $	2020 $	2019 $
Sales revenue	19,877,457	24,337,904	16,542,984	7,426,459	5,523,207
Profit / (loss) after income tax	(4,908,029)	(470,398)	3,441,475	(1,272,296)	(4,327,069)

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	327,265	-	47,721	-	374,986
Mr Warren Randall	2,889,295	-	-	-	2,889,295
Ms Laura McBain	81,000	-	-	-	81,000
Mr Domenic Panaccio	12,000	-	97,954	-	109,954
Mr Alex Aleksic*	10,000	20,000	-	(30,000)	-
Mr Satya Sharma**	-	-	15,166	-	15,166
Mr Iain Short***	-	-	-	-	-
	3,319,560	20,000	160,841	(30,000)	3,470,401

* Mr Alex Aleksic resigned as Chief Financial Officer on 31 December 2022.

** Mr Satya Sharma appointed as Chief Executive Officer on 1 May 2023.

*** Mr Iain Short appointed as Chief Financial Officer on 12 June 2023.

DIRECTORS' REPORT, CONT'D

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	Exercised	Expired/ forfeited/ other	Balance at the end of the year
Performance rights over ordinary shares					
Mr David Dearie	620,000	-	-	-	620,000
Mr Warren Randall	300,000	-	-	-	300,000
Ms Laura McBain	90,000	-	-	-	90,000
Mr Domenic Panaccio	-	-	-	-	-
Mr Satya Sharma*	-	540,637	-	-	540,637
Mr Iain Short**	-	-	-	-	-
Mr Alex Aleksic***	135,000	-	-	(135,000)	-
	1,145,000	540,637	-	(135,000)	1,550,637

* Mr Satya Sharma was appointed as Chief Executive Officer on 1 May 2023. Performance rights were issued to Mr Sharma in two tranches of 197,280 and 343,357 on 1 May 2023 and 19 June 2023, respectively. As per *AASB 2 Share-based Payment*, the fair value of these equity instruments were measured at grant date, which is 1 May 2023.

Fair value of performance rights have been determined based on estimated grant date, the numbers of which are subject to shareholder approval. The option numbers have been estimated and related expenses have been recognised for the current year, based on the expected number or LRK shares on issue at 30 June 2023.

** Mr Iain Short appointed as Chief Financial Officer on 12 June 2023.

*** Mr Alex Aleksic resigned as Chief Financial Officer on 31 December 2022.

This concludes the remuneration report, which has been audited.

SHARES UNDER OPTION

There were no outstanding Options over unissued ordinary shares of Lark Distilling Co. Ltd at the date of this report.

SHARES ISSUED ON THE EXERCISE OF OPTIONS

The following ordinary shares of Lark Distilling Co. Ltd were issued during the year ended 30 June 2023 and up to the date of this report on the exercise of options granted:

Date options granted	Exercise price	Number of shares issued
02/11/2020	$2.250	16,667

DIRECTORS' REPORT, CONT'D

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	920,000
16/03/2020	31/12/2026	130,000
01/07/2021	31/12/2026	395,000
29/11/2021	31/12/2026	90,000
01/03/2023	01/06/2025	15,734
03/01/2023	01/06/2025	3,252
03/03/2023	01/06/2025	13,006
08/03/2023	01/06/2025	16,783
14/03/2023	01/06/2025	78,671
15/03/2023	01/06/2025	49,825
16/03/2023	01/06/2025	20,979
01/05/2023	01/05/2026	*197,280
01/05/2023	01/05/2026	343,357
		2,273,887

* 197,280 performance rights were part of Mr Satya Sharma's Long Term Incentive plan. Number of Performance Rights and their fair value for accounting purposes have been determined based on estimated grant date, probability of achieving the vesting conditions and the Company's closing share price at 30 June 2023. Actual number of Performance Rights may be different at the grant date and are subject to shareholder approval.

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.

SHARES ISSUED ON THE EXERCISE OF PERFORMANCE RIGHTS

The following ordinary shares of Lark Distilling Co. Ltd were issued during the year ended 30 June 2023 and up to the date of this report on the exercise of performance rights granted:

Date performance rights granted	Exercise price	Number of shares issued
16/03/2020	$0.000	30,000
18/10/2021	$0.000	57,000
		87,000

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

Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in note 29 to the financial statements.

The directors are satisfied that the provision of non-audit services during the financial year, by the auditor (or by another person or firm on the auditor's behalf), is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001.*

The directors are of the opinion that the services as disclosed in note 29 to the financial statements do not compromise the external auditor's independence requirements of the *Corporations Act 2001* for the following reasons:

- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Company, acting as advocate for the Company or jointly sharing economic risks and rewards.

OFFICERS OF THE COMPANY WHO ARE FORMER PARTNERS OF RSM AUSTRALIA PARTNERS

There are no officers of the Company who are former partners of RSM Australia Partners.

DIRECTORS' REPORT, CONT'D

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

RSM Australia Partners 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

28 August 2023

AUDITOR'S INDEPENDENCE DECLARATION

RSM

RSM Australia Partners

Level 21, 55 Collins Street Melbourne VIC 3000
PO Box 248 Collins Street West VIC 8007

T +61 (0) 3 9286 8000
F +61 (0) 3 9286 8199

www.rsm.com.au

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the financial report of Lark Distilling Co. Ltd. for the year ended 30 June 2023, 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.

RSM AUSTRALIA PARTNERS

B Y CHAN
Partner

Dated: 28 August 2023
Melbourne, Victoria

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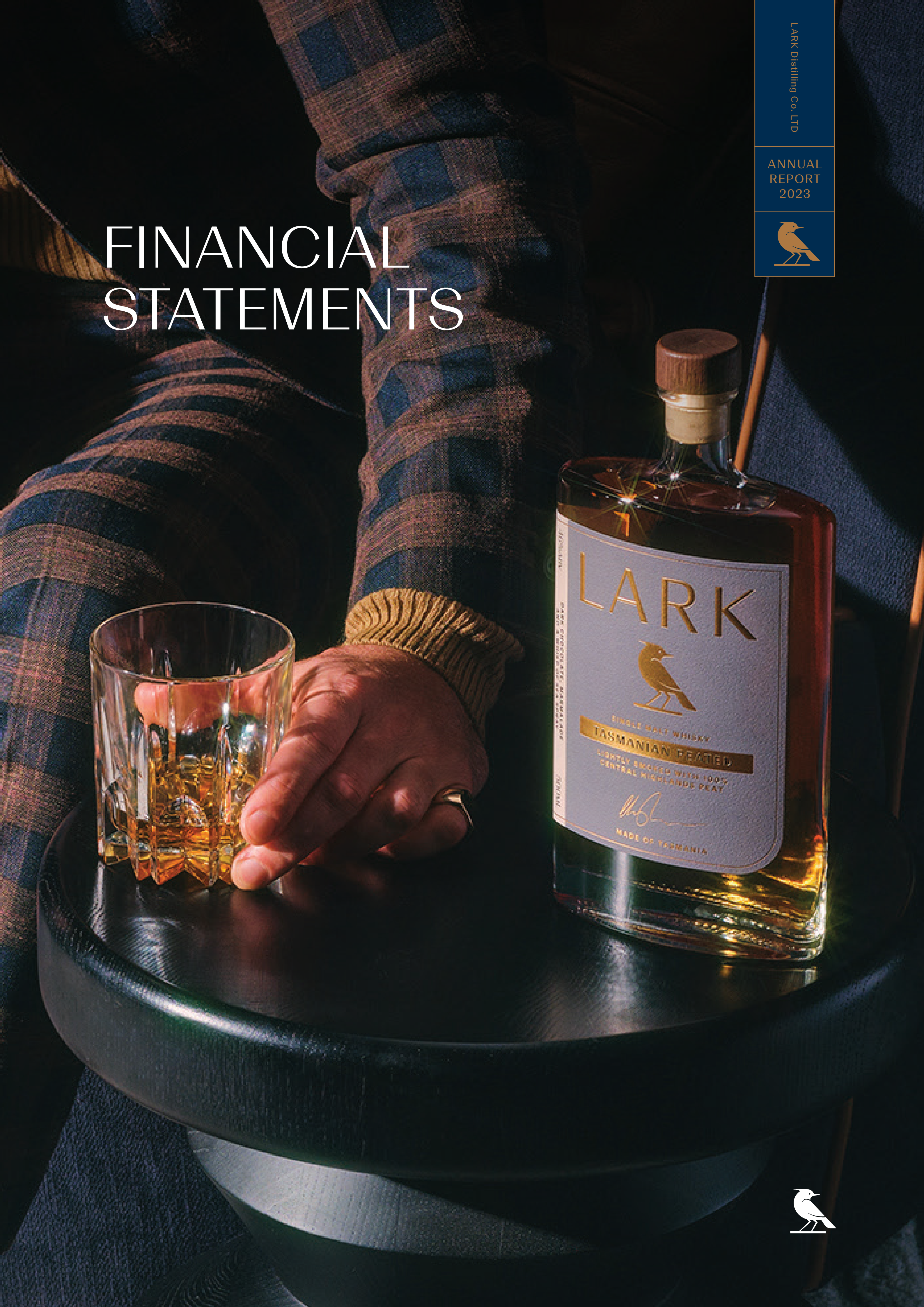
FINANCIAL STATEMENTS



Statement of profit or loss and other comprehensive income

FOR THE YEAR ENDED 30 JUNE 2023

	Note	Consolidated 2023 $	2022 $
Revenue			
Revenue	5	**19,877,457**	24,337,904
Cost of sales		**(8,151,411)**	(10,856,197)
Gross profit		**11,726,046**	13,481,707
Other income	6	**383,465**	633,147
Expenses			
Selling and distribution expenses		**(3,087,660)**	(3,122,808)
Administration expenses	7	**(6,401,106)**	(5,067,103)
Employee benefit expense	8	**(7,366,216)**	(4,525,751)
Depreciation and amortisation	9	**(877,235)**	(466,274)
Costs relating to acquisition and equity raise		**(346,813)**	(598,706)
Operating (loss)/profit		**(5,969,519)**	334,212
Finance costs	10	**(267,799)**	(326,473)
Finance income		**42,268**	3,378
(Loss) / profit before income tax benefit / (expense)		**(6,195,050)**	11,117
Income tax (expense) / benefit	11	**1,287,021**	(481,515)
Loss after income tax benefit / (expense) for the year attributable to the owners of Lark Distilling Co. Ltd		**(4,908,029)**	(470,398)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation		-	2
Other comprehensive income for the year, net of tax		-	2
Total comprehensive income / (loss) for the year attributable to the owners of Lark Distilling Co. Ltd		**(4,908,029)**	(470,396)
		Cents	**Cents**
Basic earnings per share	37	**(6.51)**	(0.66)
Diluted earnings per share	37	**(6.51)**	(0.66)

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 2023

	Note	Consolidated 2023 $	2022 $
Assets			
Current assets			
Cash and cash equivalents	12	**7,159,778**	16,096,404
Trade and other receivables	13	**1,994,999**	4,110,428
Inventories	14	**15,993,162**	20,430,247
Prepaid assets	16	**116,820**	180,591
Total current assets		**25,264,759**	40,817,670
Non-current assets			
Inventories	14	**45,916,614**	39,741,486
Property, plant and equipment	17	**15,201,278**	15,271,786
Right-of-use assets	15	**4,521,931**	1,631,574
Intangibles	18	**21,238,641**	21,602,426
Deferred tax	19	**3,994,389**	2,525,040
Total non-current assets		**90,872,853**	80,772,312
Total assets		**116,137,612**	121,589,982
Liabilities			
Current liabilities			
Trade and other payables	20	**2,676,684**	5,676,914
Financial liabilities	22	**369,906**	420,191
Employee benefits	23	**463,448**	448,789
Deferred government grants	24	**3,675,000**	-
Total current liabilities		**7,185,038**	6,545,894
Non-current liabilities			
Borrowings	21	**-**	5,000,000
Financial liabilities	22	**4,216,367**	1,255,513
Employee benefits	23	**59,664**	34,647
Total non-current liabilities		**4,276,031**	6,290,160
Total liabilities		**11,461,069**	12,836,054
Net assets		**104,676,543**	108,753,928
Equity			
Issued capital	25	**116,486,221**	116,448,720
Reserves	26	**2,769,873**	1,976,730
Accumulated losses		**(14,579,551)**	(9,671,522)
Total equity		**104,676,543**	108,753,928

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 2023

Consolidated	Issued capital $	Reserves $	Accumulated losses $	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 25)	56,571,214	-	-	56,571,214
Share-based payments (note 38)	-	876,224		876,224
Shares issued as Consideration for business acquisition (note 26)	1,378,620	-	-	1,378,620
Balance at 30 June 2022	**116,448,720**	**1,976,730**	**(9,671,522)**	**108,753,928**

Consolidated	Issued capital $	Reserves $	Accumulated losses $	Total equity $
Balance at 1 July 2022	116,448,720	1,976,730	(9,671,522)	108,753,928
Loss after income tax benefit for the year	-	-	(4,908,029)	(4,908,029)
Other comprehensive income for the year, net of tax	-	-	-	-
Total comprehensive loss for the year	-	-	(4,908,029)	(4,908,029)
Transactions with owners in their capacity as owners:				
Contributions of equity, net of transaction costs (note 25)	37,501	-	-	37,501
Share-based payments (note 38)	-	793,143	-	793,143
Balance at 30 June 2023	**116,486,221**	**2,769,873**	**(14,579,551)**	**104,676,543**

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 2023

	Note	Consolidated 2023 $	2022 $
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		**24,192,173**	25,087,220
Payments to suppliers and employees (inclusive of GST)		**(19,700,209)**	(17,344,696)
Production and purchase of inventory		**(10,162,510)**	(15,835,380)
Interest paid		**(203,067)**	(260,715)
Interest received		**42,268**	3,378
Government grants and tax incentives received		**379,755**	634,861
Net cash used in operating activities	36	**(5,451,590)**	(7,715,332)
Cash flows from investing activities			
Payment for purchase of business, net of cash acquired	33	**(1,119,850)**	(37,251,965)
Payments for property, plant and equipment		**(610,005)**	(2,175,370)
Payments for intangibles		**(204,026)**	(76,105)
Proceeds from sale of property, plant and equipment		**9,091**	5,000
Government Grants towards purchase of equipment		**3,675,000**	-
Net cash from/(used in) investing activities		**1,750,210**	(39,498,440)
Cash flows from financing activities			
Proceeds from issue of shares		**37,501**	57,860,000
Proceeds from the exercise of options		**-**	55,053
Proceeds from borrowings		**-**	5,000,000
Repayment of borrowings		**(5,000,000)**	(5,000,000)
Repayment of financial liabilities		**-**	(81,892)
Payment of lease liabilities under AASB 16		**(272,747)**	(264,339)
Share issue transaction costs		**-**	(1,904,520)
Net cash (used in) / from financing activities		**(5,235,246)**	55,664,302
Net (decrease) / increase in cash and cash equivalents		**(8,936,626)**	8,450,530
Cash and cash equivalents at the beginning of the financial year		**16,096,404**	7,645,874
Cash and cash equivalents at the end of the financial year	12	**7,159,778**	16,096,404

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 28 August 2023. 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.

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 recognized 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.

Parent entity information

In accordance with the *Corporations Act 2001*, these financial statements present the results of the Group only. Supplementary information about the parent entity is disclosed in note 32.

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

As at reporting date, the assets and liabilities of all controlled entities have been incorporated into the consolidated financial statements as well as their results for the year then ended. Where controlled entities have entered the consolidated group during the year, their operating results have been included from the date control was obtained.

All inter-company balances and transactions between entities in the Group, including any unrealised profits or losses, have been eliminated on consolidation. Accounting policies of subsidiaries have been changed to ensure consistencies with those policies applied by the parent entity.

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 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.

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.

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.

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

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for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

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.

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.

Rounding of amounts

The Company is of a kind referred to in Corporations Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Corporations Instrument to the nearest dollar.

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.

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. Critical accounting judgements, estimates and assumptions have been applied in the assessment of impairment. Further information on the goodwill impairment assessment is 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.

Revenue from contracts with customers involving sale of goods

When recognising revenue in relation to the sale of goods to customers, the key performance obligation of the Group is considered to be the point of delivery of the goods to the customer, as this is deemed to be the time that the customer obtains control of the promised goods and therefore the benefits of unimpeded access.

Provision for impairment of inventories

The provision for impairment of inventories assessment requires a degree of estimation and judgement. The level of the provision is assessed by taking into account the recent sales experience, the ageing of inventories and other factors that affect inventory obsolescence.

Estimation of useful lives of assets

The Group determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and finite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

Lease term

The lease term is a significant component in the measurement of both the right-of-use asset and lease liability. Judgement is exercised in determining whether there is reasonable certainty that an option to extend the lease or purchase the underlying asset will be exercised, or an option to terminate the lease will not be exercised, when ascertaining the periods to be included in the lease term. In determining the lease term, all facts and circumstances that create an economical incentive to exercise an extension option, or not to exercise a termination option, are considered at the lease commencement date. Factors considered may include the importance of the asset to the Group's operations; comparison of terms and conditions to prevailing market rates; incurrence of significant penalties; existence of significant leasehold improvements; and the costs and disruption to replace the asset. The Group reassesses whether it is reasonably certain to exercise an extension option, or not exercise a termination option, if there is a significant event or significant change in circumstances.

Incremental borrowing rate

Where the interest rate implicit in a lease cannot be readily determined, an incremental borrowing rate is estimated to discount future lease payments to measure the present value of the lease liability at the lease commencement date. Such a rate is based on what the Group estimates it would have to pay a third party to borrow the funds necessary to obtain an asset of a similar value to the right-of-use asset, with similar terms, security and economic environment.

Employee benefits provision

As discussed in note 23, the liability for employee benefits expected to be settled more than 12 months from the reporting date are recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at the reporting date. In determining the present value of the liability, estimates of attrition rates and pay increases through promotion and inflation have been taken into account.

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

  a) 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

  b) 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 are 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. Operating segments are therefore split into the three segments: Whisky, Gin and Other.

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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 2023, approximately 18.5% of the Group's external revenue was derived from sales to one customer (FY22: 13.9%) with revenue of the Group from direct customers being materially derived from the Australian geographical market.

Operating segment information

Consolidated - 2023	**Whisky $**	**Gin $**	**Other $**	**Total $**
Revenue				
Sales to external customers	16,014,758	2,506,771	1,355,928	19,877,457
Other revenue	308,948	48,359	26,158	383,465
Total revenue	16,323,706	2,555,130	1,382,086	20,260,922
EBITDA	(3,406,246)	(1,299,999)	(386,039)	(5,092,284)
Depreciation and amortisation	(706,766)	(110,629)	(59,840)	(877,235)
Finance costs	(215,759)	(33,772)	(18,268)	(267,799)
Interest Income	34,055	5,330	2,883	42,268
Loss before income tax benefit	(4,294,716)	(1,439,070)	(461,264)	(6,195,050)
Income tax benefit				1,287,021
Loss after income tax benefit				(4,908,029)

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
Total revenue	20,073,962	3,843,042	1,054,047	24,971,051
EBITDA	1,433,161	(724,535)	91,860	800,486
Depreciation and amortisation	(373,019)	(69,941)	(23,314)	(466,274)
Finance costs	(261,178)	(48,971)	(16,324)	(326,473)
Interest income	2,702	507	169	3,378
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)

Accounting policy for operating segments

Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers ('CODM'). The CODM is responsible for the allocation of resources to operating segments and assessing their performance. The CODM does not assess the balance sheet in separate segments as it is impractical to do so.

NOTE 5. REVENUE

	Consolidated	
	2023 $	2022 $
Whisky revenue	**16,014,758**	19,567,444
Gin revenue	**2,506,771**	3,716,413
Other revenue	**1,355,928**	1,054,047
	19,877,457	24,337,904

Revenue recognition

The Group recognises revenue as follows:

Accounting policy for revenue from contracts with customers

Revenue relating to sale of goods is recognised at a point in time. The amount recognised 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 is recognised at the time of transfer of ownership of goods. Typically, this occurs at the time of dispatch of goods, unless otherwise specified in the trading terms of that customer. 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 when it is received or when the right to receive payment is established.

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NOTE 6. OTHER INCOME

	Consolidated	
	2023 $	**2022 $**
Excise rebates	**350,000**	350,006
R&D grant income	**-**	164,938
Other income	**29,755**	118,203
Gain on sale of fixed assets	**3,710**	-
Other income	**383,465**	633,147

Accounting policy for R&D tax incentive income

Research and Development tax incentives are recognised in accordance with *AASB 120: Accounting for Government Grants and Government Assistance.* The Research and development tax credit is recognised when there is reasonable assurance that the grant will be received, and all conditions have been complied with.

Accounting policy for excise rebates and other incomes

Excise rebates and other incomes are recognised when it is received or when the right to receive payment is established.

NOTE 7. ADMINISTRATION EXPENSES

	Consolidated	
	2023 $	**2022 $**
Consulting fees	**694,806**	1,045,776
Legal fees	**234,243**	279,128
Directors' fees	**610,001**	653,334
Insurance costs	**311,561**	244,486
Inventory losses	**1,331,953**	506,123
Occupancy costs	**485,896**	713,686
IT and communications	**68,786**	41,324
Travel, transport and entertainment	**565,731**	373,793
Other administration and corporate costs	**2,098,129**	1,209,453
	6,401,106	5,067,103

NOTE 8. EMPLOYEE BENEFIT EXPENSE

	Consolidated	
	2023 $	**2022 $**
Salaries and wages	**5,715,254**	3,033,290
Superannuation	**525,005**	231,408
Movement in employee benefit provisions	**39,676**	132,316
Share based payments expense	**793,143**	876,224
Other employee expenses	**293,138**	252,513
	7,366,216	4,525,751

NOTE 9. DEPRECIATION AND AMORTISATION

	Consolidated	
	2023 $	**2022 $**
Depreciation of property, plant and equipment	**577,725**	268,695
Depreciation of right-of-use assets	**228,227**	178,924
Amortisation of intangibles	**71,283**	18,655
	877,235	466,274
Depreciation capitalised into inventory	**411,607**	379,307

NOTE 10. FINANCE COSTS

	Consolidated	
	2023 $	**2022 $**
Interest expense	**65,939**	193,538
Bank and other fees	**201,860**	132,935
	267,799	326,473

Accounting policy for finance costs

Finance costs attributable to qualifying assets are capitalised as part of the asset. All other finance costs are expensed in the period in which they are incurred.

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NOTE 11. INCOME TAX (BENEFIT) / EXPENSE

	Consolidated	
	2023 $	**2022 $**
Income tax (benefit)/expense		
Deferred tax - origination and reversal of temporary differences	**(1,256,913)**	388,694
Adjustment in respect of prior year	**(30,108)**	92,821
Aggregate income tax (benefit) / expense	**(1,287,021)**	481,515
Numerical reconciliation of income tax (benefit) / expense and tax at the statutory rate		
(Loss) / profit before income tax benefit / (expense)	**(6,195,050)**	11,117
Tax at the statutory tax rate of 25%	**(1,548,763)**	2,779
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Share-based payments	**198,286**	219,056
R&D offset income	**-**	(41,235)
Other	**6,861**	24,087
Acquisition related costs	**86,703**	91,380
	(1,256,913)	296,067
Restate tax effect balances to reflect change in tax rate	**-**	92,627
Prior year under/over	**(30,108)**	92,821
Income tax (benefit) / expense	**(1,287,021)**	481,515

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 2023, the Group's tax rate 25% in 2022/23 financial year (2021/22: 25%) as per the requirements of the *Treasury Laws Amendment Act 2018.*

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

	Consolidated	
	2023 $	**2022 $**
Amounts credited directly to equity		
Deferred tax assets (note 19)	**-**	(476,130)
Tax losses not recognised		
Unused tax losses for which no deferred tax asset has been recognised	**18,362,305**	18,362,305
Potential tax benefit @ 25% (2022:25%)	**4,590,576**	4,590,576

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 2023 was Nil (30 June 2022: Nil).

NOTE 12. CASH AND CASH EQUIVALENTS

	Consolidated	
	2023 $	**2022 $**
Current assets		
Cash on hand	**2,313**	2,313
Cash at bank	**7,157,465**	16,094,091
	7,159,778	16,096,404

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	
	2023 $	**2022 $**
Current assets		
Trade receivables	**1,965,557**	3,998,130
Less: Allowance for expected future credit losses	**(45,000)**	-
	1,920,557	3,998,130
Other receivables	**19,442**	36,978
Deposits paid	**55,000**	75,320
	1,994,999	4,110,428

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.

Other receivables are recognised at amortised cost.

NOTE 14. INVENTORIES

	Consolidated	
	2023 $	**2022 $**
Current assets		
Raw materials - at cost	**2,023,326**	3,843,114
Work in progress - at cost	**2,605,512**	1,737,390
Finished goods - at cost	**2,049,282**	3,793,620
Inventory in casks	**9,940,969**	11,222,598
Provision for obsolescence	**(625,927)**	(166,475)
	15,993,162	20,430,247
Non-current assets		
Inventory in casks	**45,693,973**	39,519,561
Finished Goods - at cost	**222,641**	221,925
	45,916,614	39,741,486

Accounting policy for inventories

Raw materials, work in progress and finished goods are stated at the lower of cost and net realisable value.

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.

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.

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

NOTE 15. RIGHT-OF-USE ASSETS

	Consolidated	
	2023 $	**2022 $**
Non-current assets		
Land and buildings - right-of-use	**5,047,082**	1,933,250
Less: Accumulated depreciation	**(525,151)**	(301,676)
	4,521,931	1,631,574

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 buildings right-of-use $**	**Total $**
Balance at 1 July 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
Additions	3,118,584	3,118,584
Depreciation expense	(228,227)	(228,227)
Balance at 30 June 2023	**4,521,931**	**4,521,931**

Additions to the right-of-use assets during the year were $3,118,584.

The Group leases land and buildings for its offices, warehouses and retail outlets under agreements of between five to fifteen years with, in some cases, options to extend. The leases have various escalation clauses. On renewal, the terms of the leases are renegotiated. The Group also leases plant and equipment under agreements of between three to seven years.

The Group leases office equipment under agreements of less than two years. These leases are either short-term or low-value, so have been expensed as incurred and not capitalised as right-of-use assets.

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.

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NOTE 16. PREPAID ASSETS

	Consolidated	
	2023 $	**2022 $**
Current assets		
Prepaid wood	-	176,451
Prepaid packaging and other	**116,820**	4,140
	116,820	180,591

NOTE 17. PROPERTY, PLANT AND EQUIPMENT

	Consolidated	
	2023 $	**2022 $**
Non-current assets		
Land and buildings at cost	**9,464,644**	9,364,644
Impairment	**(529,683)**	(529,683)
	8,934,961	8,834,961
Building improvements - at cost	**1,514,502**	1,514,502
Less: Accumulated depreciation	**(607,923)**	(261,109)
	906,579	1,253,393
Plant, equipment & production assets - at cost	**6,222,273**	5,819,243
Less: Accumulated depreciation	**(2,032,005)**	(1,553,472)
	4,190,268	4,265,771
Motor vehicles - at cost	**94,157**	154,044
Less: Accumulated depreciation	**(55,712)**	(102,525)
	38,445	51,519
Capital work in progress	**1,131,025**	866,142
	15,201,278	15,271,786

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 buildings $	Building improvements $	Plant, equipment and production assets $	Motor vehicles $	Capital WIP $	Total $
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 33)	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
Additions	100,000	-	245,122	-	264,883	610,005
Additions through business combinations	-	-	314,200	-	-	314,200
Disposals	-	-	-	(5,381)	-	(5,381)
Capitalised to inventory	-	-	(406,788)	(4,819)	-	(411,607)
Transfers in/(out)	-	-	-	-	-	-
Depreciation expense	-	(346,814)	(228,037)	(2,874)	-	(577,725)
Balance at 30 June 2023	**8,934,961**	**906,579**	**4,190,268**	**38,445**	**1,131,025**	**15,201,278**

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:

Property, plant and equipment	*depreciation rates*
Building improvements	2.5% - 44%
Plant, equipment and 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.

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NOTE 18. INTANGIBLES

	Consolidated	
	2023 $	**2022 $**
Non-current assets		
Goodwill - at cost	**20,735,100**	21,231,628
Intangible assets - at cost	**738,836**	534,810
Less: Accumulated amortisation	**(235,295)**	(164,012)
	503,541	370,798
	21,238,641	21,602,426

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 30 June 2021	10,934,839	289,675	11,224,514
Additions	-	78,506	78,506
Additions through business combinations (note 33)	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
Additions	-	204,026	204,026
Additions through business combinations	(496,528)	-	(496,528)
Amortisation expense	-	(71,283)	(71,283)
Balance at 30 June 2023	**20,735,100**	**503,541**	**21,238,641**

During the year ended 30 June 2023, as part of the completion of business combination accounting, the Group transferred $496,528 from goodwill to property, plant and equipment. Refer note 33 for further information.

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 recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions, including:

Cash flow forecasts

Forecast future cash flows are based on the most recent Board approved six-year financial plans.

The financial plans comprise forecasts of revenue, profit margin, staff costs, selling and distribution costs, and overheads. The financial plans have been based on current and anticipated market conditions, and anticipated costs of expanding to new export markets and have been referenced against industry projections. While the Group have a level of control over the staff and overheads cost, revenue forecasts are inherently subject to uncertainty due to macro-economic factors and timing of expansion into new export markets. The financial plans include assumptions to changes in working capital based on historical and expected future trends.

For the purposes of assessing impairment of goodwill, cash forecasts have assumed that the whisky litres under maturation balance is maintained over time. Capital expenditure has been based on historical and expected future costs to maintain this inventory level.

Long- term growth rates

Cash forecasts beyond a six-year period have been extrapolated using a conservative terminal growth rate of 2%. The rate has been applied for the purposes of assessing impairment of goodwill only, which Management and the Board believe is prudent in assessing for indicators of impairment.

Discount rates

The discount rate applied 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.

Sensitivity Analysis

Increases in discount rates or changes in other key assumptions, such as operating conditions or financial performance, may cause the recoverable amount to fall below carrying values. Management and the Board have assessed sensitivity analysis of the impact of reductions to cash flow growth, and increases to the discount rate. Based on the extent of changes to these assumptions required to reduce headroom to nil, Management and the Board are comfortable that there are no indicators of impairment as at 30 June 2023.

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.

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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	
	2023 $	**2022 $**
Deferred tax asset and liabilities comprises deductible temporary differences attributable to:		
Tax losses	**3,407,650**	1,799,906
Inventories	**15,283**	214,364
Provisions and accruals	**372,757**	232,333
Other liabilities	**1,146,568**	418,926
Capital raising costs	**367,811**	76,168
Foreign exchange	**55**	12,117
Other	**63,857**	-
Fixed assets and right of use assets	**(1,350,386)**	(703,868)
Prepayments	**(29,206)**	(1,036)
Total deferred tax asset recognised in profit or loss	**3,994,389**	2,048,910
Amounts recognised in equity:		
Transaction costs on share issue	**-**	476,130
Net deferred tax asset	**3,994,389**	2,525,040
Movements:		
Opening balance	**2,525,040**	2,501,104
Credited/(charged) to profit or loss (note 11)	**1,287,021**	(481,515)
Credited to equity (note 11)	**-**	476,130
Additions through business combinations	**182,328**	29,321
Closing balance	**3,994,389**	2,525,040

NOTE 20. TRADE AND OTHER PAYABLES

	Consolidated	
	2023 $	**2022 $**
Current liabilities		
Trade payables	**1,053,024**	2,161,743
Sundry creditors and accrued expenses	**1,623,660**	2,515,171
Deferred consideration payable on business combination	**-**	1,000,000
	2,676,684	5,676,914

Refer to note 27 for further information on financial instruments.

Accounting policy for trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

NOTE 21. BORROWINGS

	Consolidated	
	2023 $	**2022 $**
Total secured liabilities - non-current		
Loan- National Australia Bank	**-**	5,000,000

The Company maintains a $15 million debt facility from National Australia Bank. The key terms of the debt facility from National Australia Bank are as follows:

- Facility amount up to $15,000,000;
- 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 30 June and thereafter yearly. The Group did not fulfil the financial ratio requirements outlined in its financial agreement at 30 June 2023. A letter of waiver was received from the National Australia Bank Limited on 24 May 2023 stating no action would be taken as a result of the breach. The facility remains available to be drawn.

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.

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NOTE 22. FINANCIAL LIABILITIES

	Consolidated	
	2023 **$**	**2022** **$**
Current liabilities		
Lease liability	**369,906**	420,191
Non-current liabilities		
Lease liability	**4,216,367**	1,255,513

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 27 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 Group'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	
	2023 **$**	**2022** **$**
Current liabilities		
Employee benefits - current	**463,448**	448,789
Non-current liabilities		
Employee benefits	**59,664**	34,647

NOTE 23. EMPLOYEE BENEFITS, CONT'D

Accounting policy for employee benefits

Amounts not expected to be settled within the next 12 months

The current provision for employee benefits includes all unconditional entitlements where employees have completed the required period of service and also those where employees are entitled to pro-rata payments in certain circumstances. The entire amount is presented as current, since the Group does not have an unconditional right to defer settlement. However, based on past experience, the Group does not expect all employees to take the full amount of accrued leave or require payment within the next 12 months.

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 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. DEFERRED GOVERNMENT GRANTS

	Consolidated	
	2023 $	**2022 $**
Current liabilities		
Deferred government grants	**3,675,000**	-

Government grant

Grants from the government are recognised at their fair value (where there is a reasonable assurance that the grant will be received), and the Group will comply with all attached conditions. Government grants relating to costs are deferred and recognized in profit or loss over the period necessary to match them with the costs that they are intended to compensate. Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred income and are credited to the income statement on a straight-line basis over the expected lives of the related assets.

NOTE 25. ISSUED CAPITAL

	Consolidated			
	2023 Shares	**2022 Shares**	**2023 $**	**2022 $**
Ordinary shares - fully paid	75,430,044	75,306,377	116,486,221	116,448,720

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NOTE 25. ISSUED CAPITAL, CONT'D

Movements in ordinary share capital

Details	Date	Shares	Issue price	$
Balance	1 July 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	$4.500	1,378,620
Exercise of options	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
Exercise of options	9 September 2022	16,667	$2.250	37,501
Exercise of performance rights	17 October 2022	57,000	$0.000	-
Exercise of performance rights	28 February 2023	30,000	$0.000	-
Issue of shares to employees	14 March 2023	20,000	$0.000	-
Balance	30 June 2023	**75,430,044**		**116,486,221**

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.

Accounting policy for issued capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

NOTE 26. RESERVES

	Consolidated	
	2023 $	**2022 $**
Foreign currency reserve	**48,466**	48,466
Share-based payments reserve	**2,721,407**	1,928,264
	2,769,873	1,976,730

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 27. 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 2023 (30 June 2022: Nil).

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.

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NOTE 27. 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 2023 $	Non-interest Bearing 2022 $	Total 2023 $	Total 2022 $
Cash	7,159,778	16,096,404	7,159,778	16,096,404
Trade and other receivables	1,994,999	4,110,428	1,994,999	4,110,428

Financial liabilities	Interest Rate 2023 %	Interest Rate 2022 %	Total 2023 $	Total 2022 $
Trade payables	-	-	2,676,684	4,676,914
Loan- National Australia Bank (Floating interest rate)	-	2.38%	-	5,000,000

Leases	Implicit interest rate 2023 %	Implicit interest rate 2022 %	Total 2023 $	Total 2022 $
Operating leases	2.70%	2.70%	4,586,273	1,675,704

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

	30 June 2023 $	30 June 2022 $
Less than 6 months	2,676,684	4,676,914

	Consolidated	
	2023 $	2022 $
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

NOTE 27. FINANCIAL INSTRUMENTS, CONT'D

	Consolidated	
	2023 $	**2022 $**
Maturity analysis of total lease liabilities as at the reporting date are as follows:		
1 year or less	**369,906**	420,191
Between 1 and 2 years	**356,479**	189,768
Between 2 and 5 years	**1,054,533**	355,653
Over 5 years	**2,805,355**	710,092
	4,586,273	1,675,704

The Group maintains a $15 million secured loan facility.

	Consolidated	
	2023 $	**2022 $**
Drawn	-	5,000,000
Undrawn	**15,000,000**	10,000,000
	15,000,000	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 these risks are not material to the Group.

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 28. 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	Non-Executive Director (Resigned as Interim Managing Director and appointed as Non-Executive Director on 1 May 2023)
Mr Warren Randall	Non-Executive Director
Mr Domenic Panaccio	Non-Executive Director

Other key management personnel

The following persons 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 Satya Sharma	Chief Executive Officer (appointed on 1 May 2023)
Mr Iain Short	Chief Financial Officer (appointed on 12 June 2023)
Mr Alex Aleksic	Chief Financial Officer (resigned on 31 December 2022)

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NOTE 28. 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	
	2023 $	2022 $
Short-term benefits to employee / consultants	**1,503,589**	1,039,066
Share-based payments	**401,105**	352,841
	1,904,694	1,391,907

NOTE 29. REMUNERATION OF AUDITORS

During the financial year the following fees were paid or payable for services provided by RSM Australia Partners and Deloitte Touche Tohmatsu (Resigned as auditor on 5 April 2023) (2022: Deloitte Touche Tohmatsu), the auditor of the Company:

	Consolidated	
	2023 $	2022 $
Audit or review of the financial statements		
RSM Australia Partners (Audit fees at 30 June 2023)	**75,000**	-
Deloitte Touche Tohmatsu (Audit and review fees at 31 December 2022 and 30 June 2022) (Resigned as auditor on 5 April 2023)	**82,000**	142,800
	157,000	142,800

NOTE 30. COMMITMENTS AND CONTINGENT LIABILITIES

The Group is in planning phase for distillery expansion, 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 2023.

The Group had no contingent liabilities as at 30 June 2023 and 30 June 2022.

NOTE 31. RELATED PARTY TRANSACTIONS

Parent entity

Lark Distilling Co. Ltd is the parent entity.

Subsidiaries

Interests in subsidiaries are set out in note 34.

Key management personnel

Disclosures relating to key management personnel are set out in note 28 and the remuneration report included in the directors' report.

Transactions with related parties

During the period ended 30 June 2023, the Group made purchases amounting to $144,558 (30 June 2022: $341,052) 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 2023 (30 June 2022: Nil).

Loans to/from related parties

There were no loans to or from related parties at the current and previous reporting date.

Terms and conditions

All transactions were made on normal commercial terms and conditions and at market rates.

NOTE 32. PARENT ENTITY INFORMATION

Statement of financial position

	Parent	
	2023 $	**2022 $**
Total current assets	**4,504,520**	12,628,686
Total assets	**106,314,857**	110,831,267
Total current liabilities	**2,269,843**	713,083
Total liabilities	**3,649,434**	6,417,986
Equity		
Issued capital	**116,486,222**	116,448,720
Foreign currency reserve	**16,397**	16,397
Share-based payments reserve	**2,721,407**	1,928,264
Accumulated losses	**(16,558,603)**	(13,980,100)
Total equity	**102,665,423**	104,413 ,281

Financial performance

	Consolidated	
	2023 $	**2022 $**
Profit for the year	**2,578,503**	**4,360,323**
Other comprehensive income	-	-
Total comprehensive income	**2,578,503**	**4,360,323**

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 2023 and 30 June 2022.

Contingent liabilities

The parent entity had no contingent liabilities as at 30 June 2023 and 30 June 2022.

Capital commitments - Property, plant and equipment

The parent entity had no capital commitments for property, plant and equipment as at 30 June 2023 and 30 June 2022.

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.

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NOTE 33. 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 $9.8 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	888,467
Patents and trademarks	21,272
Trade and other payables	(176,821)
Deferred tax asset	211,650
Net assets acquired	30,198,208
Goodwill	9,800,261
Acquisition-date fair value of the total consideration transferred	39,998,469
Representing:	
Cash paid or payable to vendor	37,500,000
Lark Distilling Co. Ltd shares issued to vendor	1,378,620
Deferred consideration paid on 23 February 2023	1,000,000
Working capital adjustment payable	119,849
	39,998,469

	Consolidated	
	2023 $	**2022 $**
Cash acquired on business combination	**-**	**248,035**
Purchase consideration paid to vendor	**(1,000,000)**	**(37,500,000)**
Net cash used in business combination	**(1,000,000)**	**(37,251,965)**

As part of the acquisition outlined above, the Group agreed to pay a deferred consideration of $1,000,000, which was paid on 23 February 2023.

NOTE 33. BUSINESS COMBINATIONS, CONT'D

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 34. 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**	**2023 %**	**2022 %**
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%	100.00%
Shene Distillery Pty Ltd	76 Shene Rd, Pontville TAS 7030	100.00%	100.00%

NOTE 35. EVENTS AFTER THE REPORTING PERIOD

No matter or circumstance has arisen since 30 June 2023 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 36. RECONCILIATION OF LOSS AFTER INCOME TAX TO NET CASH USED IN OPERATING ACTIVITIES

	Consolidated	
	2023 $	**2022 $**
Loss after income tax benefit / (expense) for the year	**(4,908,029)**	(470,398)
Adjustments for:		
Depreciation and amortisation	**877,235**	466,274
Net gain on disposal of property, plant and equipment	**(3,710)**	-
Movement in deferred taxes recognised to equity	**-**	476,129
Movement in deferred taxes related to acquisition	**182,328**	-
Non-cash share-based payments	**793,143**	1,015,830
Change in operating assets and liabilities:		
Decrease/(increase) in trade and other receivables	**2,115,424**	(1,473,324)
Increase in inventories	**(1,326,436)**	(9,876,356)
Decrease/(increase) in deferred tax assets	**(1,469,349)**	5,386
Decrease in prepayments	**63,771**	527,498
Increase in other provisions	**39,676**	182,750
Decrease/Increase in trade creditors and accruals	**(1,815,643)**	1,430,879
Net cash used in operating activities	**(5,451,590)**	(7,715,332)

NOTE 37. EARNINGS PER SHARE

	Consolidated	
	2023 $	**2022 $**
Loss after income tax attributable to the owners of Lark Distilling Co. Ltd	**(4,908,029)**	(470,398)

	Number	**Number**
Weighted average number of ordinary shares used in calculating basic earnings per share	**75,375,916**	71,033,931
Weighted average number of ordinary shares used in calculating diluted earnings per share	**75,375,916**	71,033,931

NOTE 37. EARNINGS PER SHARE, CONT'D

	Cents	Cents
Basic earnings per share	**(6.51)**	(0.66)
Diluted earnings per share	**(6.51)**	(0.66)

As at 30 June 2023, the Group had and 2,270,523 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 share nor increase the loss per share, from continuing operations.

Accounting policy for earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to the owners of Lark Distilling Co. Ltd, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

NOTE 38. SHARE-BASED PAYMENTS

Employee incentive plan

An employee incentive 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 and performance rights to certain key management personnel and employees of the Group. These options and performance rights 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, exercised and expired / forfeited under the plan:

2023

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
02/11/2020	31/12/2022	$2.250	141,666	-	(16,667)	(124,999)	-
			141,666	-	(16,667)	(124,999)	-

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**

The weighted average remaining contractual life of options outstanding at the end of the financial year was Nil years (30 June 2022: 0.5 years).

NOTE 38. SHARE-BASED PAYMENTS, CONT'D

Performance rights

During 2020 and 2021 financial years, the Company issued performance rights to employees and key management personnel with the following vesting conditions;

- Target market share price $1.95 and continued service 31 December 2022
- Target market share price $2.25 and continued service 31 December 2023
- Target market share price $2.55 and continued service 31 December 2024

During the year ended 30 June 2023, the Company issued performance rights to employees and directors with the following vesting conditions;

- Continued service until 30 June 2025 (there are no performance conditions, i.e Nil target market share price).
- Target market share price $3.814 and continued service until 30 June 2025

Chief Executive Officer Performance Rights

Mr Satya Sharma was appointed as Chief Executive Officer on 1 May 2023 and issued with the following performance rights;

- 343,357 performance rights as part of Short-Term Incentives (Sign-on Share Rights). These performance rights will vest provided Mr Sharma completes continuous service with the Group until 1 May 2024.
- 197,280 performance rights as part of Long-Term Incentives (LTI). These performance rights will vest and be exercisable upon the satisfaction of a service condition of continuous service until 1 May 2026 and Target Market Share Prices (performance conditions), which were agreed as part of the LTI.

The LTI entitles Mr Sharma to acquire shares in the Company valued at up to $975,000. If at any point during the Relevant Period the Company achieves the target market share price specified in the table below, then Mr Sharma's LTI will entitle him to shares equal to the value specified in the adjacent column, upon satisfaction of the service condition. The notes to the table provide further detail of how Mr Sharma's entitlement is to be determined.

Target market share price	Value of entitlement (AUD)	Notes
$4.00	$195,000	-
>$4.00 to $5.00	>$195,000 to $650,000	Entitlement is $195,000 plus additional entitlement determined on a pro-rata, straight line basis from $4.00 to $5.00.
>$5.00 to $6.00	>$650,000 to $975,000	Entitlement is $650,000 plus additional entitlement determined on a pro-rata, straight line basis from $5.00 to $6.00.

197,280 performance rights noted in Mr Sharma's LTI performance rights table and their fair value for accounting purposes have been determined based on estimated grant date, probability of achieving the vesting conditions and the Company's closing share price at 30 June 2023. Actual number of performance rights may be different at the grant date and are subject to shareholder approval.

Set out below are summaries of performance rights granted, exercised and expired / forfeited under the plan:

2023

Grant date	Expiry date	Vesting hurdle	Balance at the start of the year	Granted*	Exercised/ converted*	Expired/ forfeited/ other changes	Balance at the end of the year
25/11/2019	31/12/2026	$1.950	70,000	-	-	-	**70,000**
25/11/2019	31/12/2026	$2.250	300,000	-	-	-	**300,000**
25/11/2019	31/12/2026	$2.550	550,000	-	-	-	**550,000**
16/03/2020	31/12/2026	$1.950	60,000	-	(30,000)	-	**30,000**
16/03/2020	31/12/2026	$2.250	53,334	-	-	-	**53,334**
16/03/2020	31/12/2026	$2.550	46,666	-	-	-	**46,666**
12/02/2021	31/12/2026	$1.950	50,000	-	-	(40,000)	**10,000**
12/02/2021	31/12/2026	$2.250	168,332	-	-	(100,000)	**68,332**
12/02/2021	31/12/2026	$2.550	171,668	-	-	(130,000)	**41,668**
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	60,500	-	(57,000)	(3,500)	**-**
29/11/2021	31/12/2026	$2.250	45,000	-	-	-	**45,000**
29/11/2021	31/12/2026	$2.550	45,000	-	-	-	**45,000**
01/03/2023	01/06/2025	$0.000	-	3,147	-	-	**3,147**
01/03/2023	01/06/2025	$3.814	-	12,587	-	-	**12,587**
03/01/2023	01/06/2025	$0.000	-	3,252	-	-	**3,252**
03/03/2023	01/06/2025	$3.814	-	13,006	-	-	**13,006**
08/03/2023	01/06/2025	$0.000	-	3,357	-	-	**3,357**
08/03/2023	01/06/2025	$3.814	-	13,426	-	-	**13,426**
14/03/2023	01/06/2025	$0.000	-	15,734	-	-	**15,734**
14/03/2023	01/06/2025	$3.814	-	62,937	-	-	**62,937**
15/03/2023	01/06/2025	$0.000	-	5,770	-	-	**5,770**
15/03/2023	01/06/2025	$3.814	-	23,076	-	-	**23,076**
15/03/2023	01/06/2025	$0.000	-	4,196	-	-	**4,196**
15/03/2023	01/06/2025	$3.814	-	16,783	-	-	**16,783**
16/03/2023	01/06/2025	$0.000	-	4,196	-	-	**4,196**
16/03/2023	01/06/2025	$3.814	-	16,783	-	-	**16,783**
01/05/2023	01/05/2026	$0.000	-	343,357	-	-	**343,357**
01/05/2023	01/05/2026	$4.000	-	197,280	-	-	**197,280**
			1,895,500	738,887	(87,000)	(273,500)	**2,273,887**

2022

Grant date	Expiry date	Vesting hurdle	Balance at the start of the year	Granted*	Exercised/ converted *	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	-	(45,000)	(35,000)	**168,332**
12/02/2021	31/12/2026	$2.550	256,668	-	(45,000)	(40,000)	**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**

* During the current and previous financial years, the performance rights were converted to ordinary shares on vesting at Nil exercise share price.

The weighted average share price during the financial year was $2.18 (2022: $4.24).

The weighted average remaining contractual life of performance rights outstanding at the end of the financial year was 3.21 years (June 2022: 4.37 years).

Set out below are the performance rights exercisable at the end of the financial year:

Grant date	Expiry date	2023 Number	2022 Number
25/11/2019	31/12/2026	**70,000**	-
16/03/2020	31/12/2026	**30,000**	-
12/02/2021	31/12/2026	**10,000**	-
		110,000	-

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
01/05/2023	01/05/2026	$2.400	$0.000	57.00%	-	3.23%	$1.32000

Accounting policy for share-based payments

Equity-settled and cash-settled share-based compensation benefits are provided to employees.

Equity-settled transactions are awards of shares, or options over shares, that are provided to employees in exchange for the rendering of services. Cash-settled transactions are awards of cash for the exchange of services, where the amount of cash is determined by reference to the share price.

The cost of equity-settled transactions are measured at fair value on grant date. Fair value is independently determined using either the Binomial or Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the Group receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

The cost of equity-settled transactions are recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

The cost of cash-settled transactions is initially, and at each reporting date until vested, determined by applying either the Binomial or Black-Scholes option pricing model, taking into consideration the terms and conditions on which the award was granted. The cumulative charge to profit or loss until settlement of the liability is calculated as follows:

- during the vesting period, the liability at each reporting date is the fair value of the award at that date multiplied by the expired portion of the vesting period.
- from the end of the vesting period until settlement of the award, the liability is the full fair value of the liability at the reporting date.

All changes in the liability are recognised in profit or loss. The ultimate cost of cash-settled transactions is the cash paid to settle the liability.

Market conditions are taken into consideration in determining fair value. Therefore, any awards subject to market conditions are considered to vest irrespective of whether or not that market condition has been met, provided all other conditions are satisfied.

If equity-settled awards are modified, as a minimum an expense is recognised as if the modification has not been made. An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification.

If the non-vesting condition is within the control of the Group or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the Group or employee and is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited.

If equity-settled awards are cancelled, it is treated as if it has vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new award is treated as if they were a modification.

LARK DISTILLING CO. LTD
DIRECTORS' DECLARATION

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 2023 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.

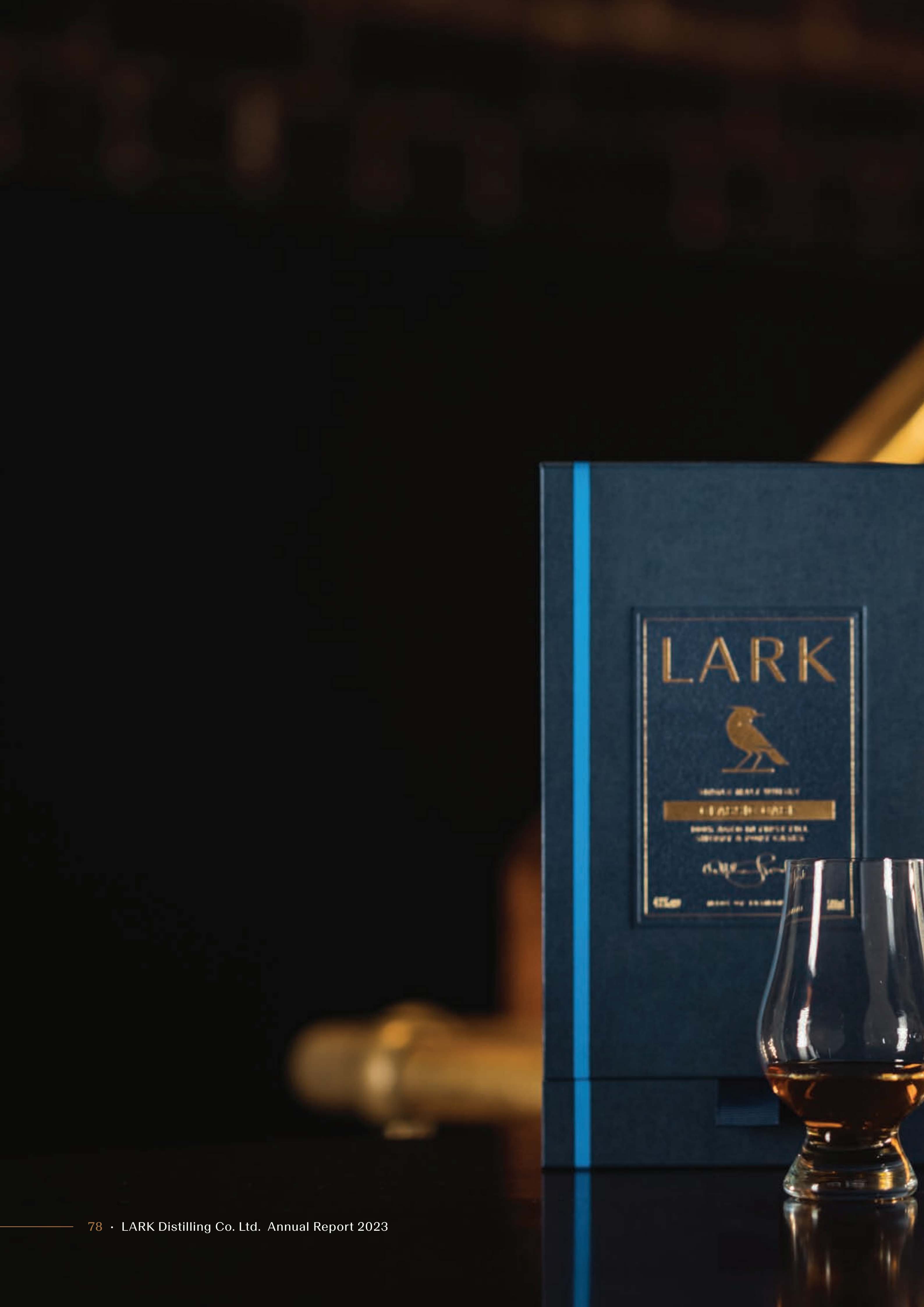
The directors have been given the declarations required by section 295A of the *Corporations Act 2001*.

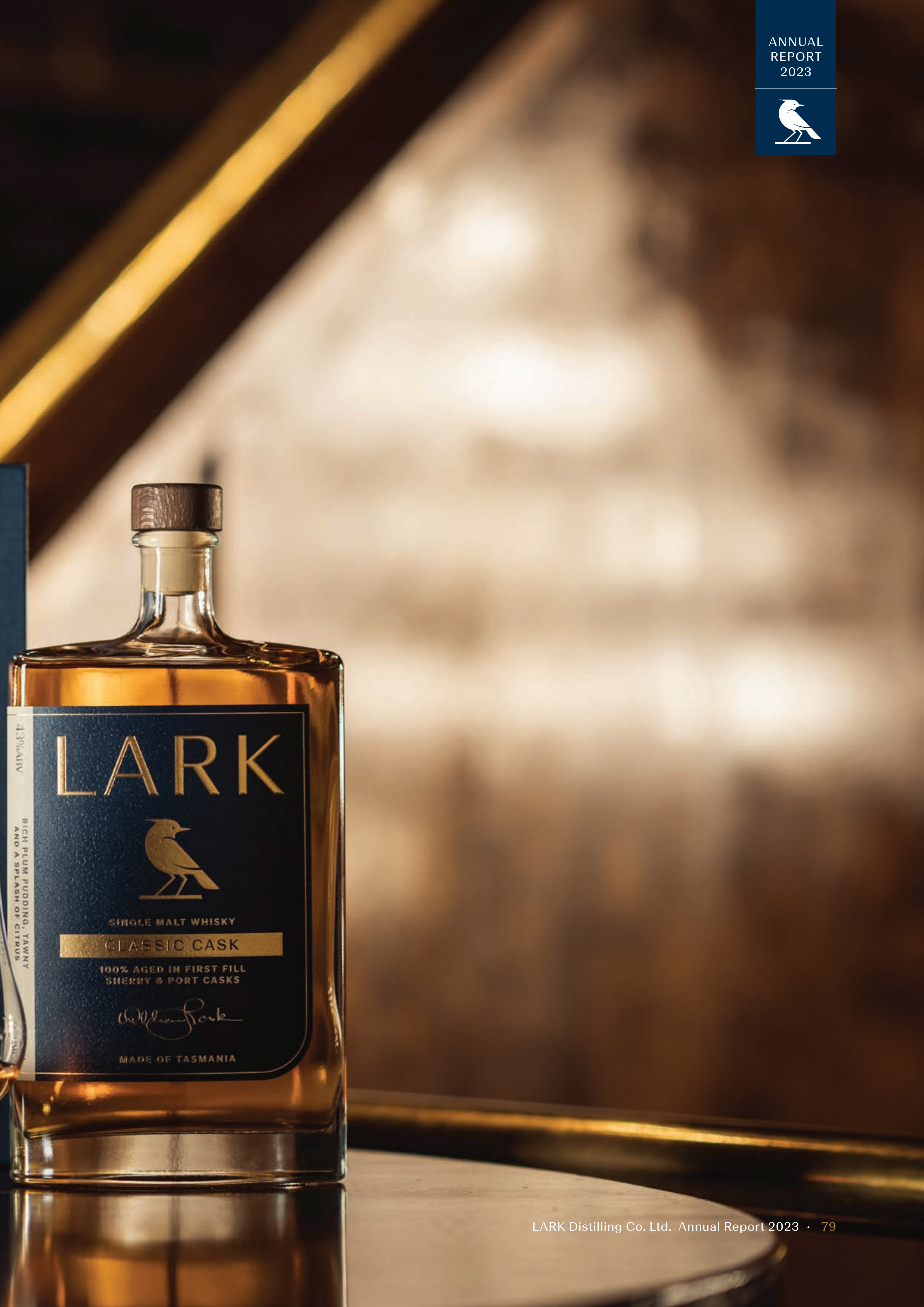
Signed in accordance with a resolution of directors made pursuant to section 295(5)(a) of the *Corporations Act 2001*.

On behalf of the directors

David Dearie
Non-Executive Chairman

28 August 2023


LARK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INDEPENDENT AUDITOR'S REPORT

To the Members of Lark Distilling Co. Ltd

Opinion

We have audited the financial report of Lark Distilling Co. Ltd. (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2023, 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 the directors' declaration.

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

(i) giving a true and fair view of the Group's financial position as at 30 June 2023 and of its financial performance for the year then ended; and
(ii) 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 and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of 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 of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

RSM

Key Audit Matters (continued)

Key Audit Matter	How our audit addressed this matter
Revenue Recognition Refer to Note 5 in the financial statements	
Revenue for the year ended 30 June 2023 was $19.9 million. Revenue recognition was considered a key audit matter due to the materiality and significance of the balance.	Our audit procedures in relation to the recognition of revenue included: • Assessing whether the Group's revenue recognition policies were in compliance with AASB 15 *Revenue from Contracts with Customers*; • Evaluating and testing the operating effectiveness of the Group's internal controls related to revenue recognition; • Performing tests of detail on a sample basis to test the validity and accuracy of revenue transactions, including the inspection of sales contracts and delivery documentation; • Performing cut-off testing over transactions recorded either side of the period end, to ensure that revenues were recorded in the appropriate period; and • Assessing the appropriateness of the disclosures in the financial report.

RSM

Key Audit Matters (continued)

Key Audit Matter	How our audit addressed this matter
Valuation of inventory Refer to Note 14 in the financial statements	
The Group has inventory with a carrying value of $61.9 million as at 30 June 2023. The existence and valuation of inventory is considered a key audit matter, due to the materiality of the balance, and the significant judgments involved in: • Valuing finished goods, including assumptions about the conversion costs of direct labour, overheads, utilities, raw materials and other variable costs; • Assessing the net realisable value of inventories; and • The determination of a provision for obsolescence.	Our audit procedures in relation to the valuation of inventory included: • Performing analytical procedures on the inventory balance; • Attending year end inventory counts for a sample of locations; • Testing inventory costing by verifying the key inputs in the costing calculations against supporting documentation and evaluating the reasonableness of management's estimates; • Verifying that inventory is being held at the lower of cost and net realisable value; • Assessing the reasonableness of the Group's inventory methodology for determining the provision for obsolescence and its application; and • Evaluating management assumptions and estimates applied to the provision for obsolescence through analysis of historical sales levels by inventory product.

Lark Distilling Co. Ltd
Independent Auditor's Report

RSM

Key Audit Matters (continued)

Impairment of goodwill and intangible assets Refer to Note 18 in the financial statements	
The Group has goodwill and intangible assets of $21.2 million as at 30 June 2023. Management is required to assess the intangible assets for impairment in accordance with AASB 136 *Impairment of Assets*, with a value in use cashflow model needing to be prepared for each identified cash-generating-unit (CGU). There is an inherent risk that the future cash flows of each CGU do not support the carrying value of intangible assets. Managements' assessment of the 'value in use' of the CGU involves judgements about the future underlying cash flows of the CGU and the discount rates applied to them. For the year ended 30 June 2023 management have performed impairment assessments over the Intangibles and Goodwill by: • Identifying the CGUs to which the goodwill belongs; • Calculating the value in use for the CGU using a discounted cash flow model. These models used cash flows (revenues, expenses and capital expenditure) for the CGU for 6 years; • The model includes a terminal growth rate applied to the 6th year; • These cash flows were then discounted to net present value using CGU specific weighted average cost of capital ("WACC"); and • Comparing the resulting value in use of the CGU to the respective book values.	Our audit procedures in relation to impairment of intangibles and goodwill included: • Assessing management's determination of the CGU applied to the goodwill based on the nature of the Group's business and the manner in which results are monitored and reported; • Assessing the overall valuation methodology used to determine the value in use; • Checking the mathematical accuracy of the discounted cash flow models and reconcile input data to supporting evidence; • Considering and challenging the reasonableness of key assumptions, including the cash flow projections, budgets, revenue growth rated, discount rates and sensitivities used; and • Reviewing the accuracy of disclosures of critical estimates and assumptions in the financial statements in relation to the valuation methodologies.

RSM

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 2023, but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly 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 have no realistic alternative but to do so.

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.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf. This description forms part of our auditor's report.

Lark Distilling Co. Ltd
Independent Auditor's Report

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2023.

In our opinion, the Remuneration Report of Lark Distilling Co. Ltd., for the year ended 30 June 2023, 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.

RSM AUSTRALIA PARTNERS

B Y CHAN
Partner

Dated: 28 August 2023
Melbourne, Victoria

Lark Distilling Co. Ltd
Shareholder information

30 JUNE 2023

The shareholder information set out below was applicable as at 31 July 2023

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	2,254	965,954	1.281
1,001 to 5,000	1,454	3,526,242	4.675
5,001 to 10,000	383	2,835,593	3.759
10,001 to 100,000	356	9,956,054	13.199
100,001 and over	71	58,146,201	77.086
	4,518	75,430,044	100.000
Holding less than a marketable parcel	1,113	212,994	0.282

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
QUALITY LIFE PTY LTD <THE NEILL FAMILY A/C>	7,278,128	9.649
CITICORP NOMINEES PTY LIMITED	6,688,443	8.867
NATIONAL NOMINEES LIMITED	6,549,861	8.683
BAINBRIDGE FAMILY PTY LTD <BAINBRIDGE FAMILY A/C>	3,472,605	4.604
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED-GSCO ECA	3,333,333	4.419
SEPPELTSFIELD PTY LTD <SEPPLESFIELD ESTATE A/C>	2,889,295	3.830
J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	2,866,583	3.800
QUALITY LIFE PTY LTD <THE NEILL FAMILY A/C>	2,858,406	3.789
MR TIMOTHY TULLOCH BROCK LEWIS & MRS CATHERINE ANNE LEWIS <JG LEWIS NO2 WILL A/C>	1,544,166	2.047
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 2	1,205,089	1.598
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	1,192,528	1.581
RHODIUM CAPITAL PTY LTD <RHODIUM INVESTMENT A/C>	1,166,666	1.547
GLENLORE SUPER PTY LTD <GLENLORE SUPER SCHEME A/C>	1,076,807	1.428
MARK MURTON PTY LTD <MARK MURTON P/L S/F A/C>	1,001,666	1.328
REX FAMILY PENSION PLAN PTY LTD <REX FAMILY PENSION PLAN A/C>	945,000	1.253
SUETONE PTY LTD <THE AK SHADFORTH FAMILY A/C>	940,429	1.247
FAIRISLE HOLDINGS PTY LIMITED <THE TILANBI A/C>	843,450	1.118
PJ & KE O'DWYER SUPER PTY LTD <PJ & KE O'DWYER S/F A/C>	750,000	0.994
GJ BAINBRIDGE SUPER FUND PTY LTD <BAINBRIDGE S/F NO 1 A/C>	638,928	0.847
BNP PARIBAS NOMS PTY LTD <DRP>	584,188	0.774
	47,825,571	63.404

Lark Distilling Co. Ltd
Shareholder information

30 JUNE 2023

Unquoted equity securities

There are no unquoted equity securities.

SUBSTANTIAL HOLDERS

Substantial holders in the company are set out below:

	Ordinary shares	
	Number held	**% of total shares issued**
QUALITY LIFE PTY LTD <THE NEILL FAMILY A/C>	7,278,128	9.649
CITICORP NOMINEES PTY LIMITED	6,688,443	8.867
NATIONAL NOMINEES LIMITED	6,549,861	8.683

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.

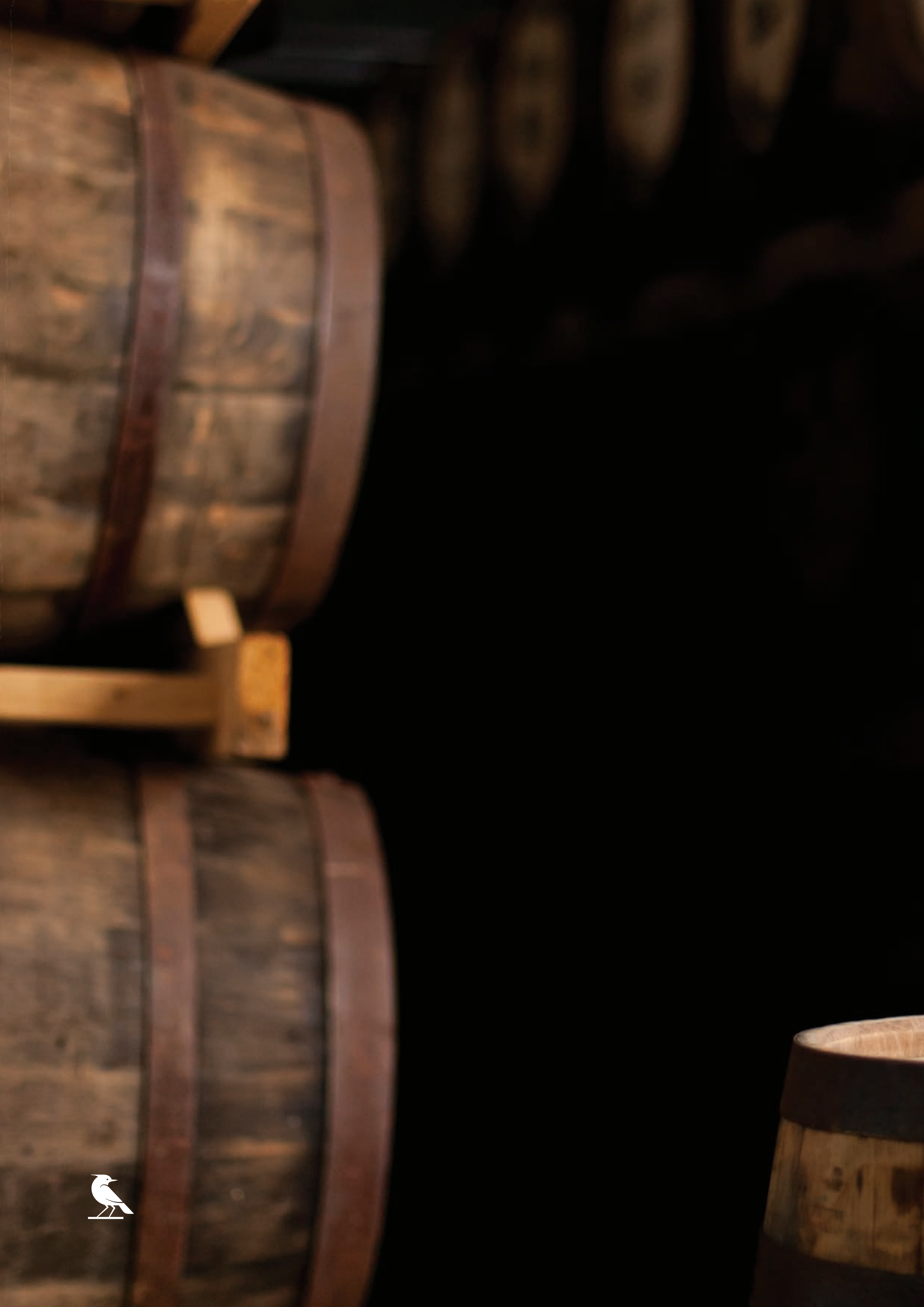
CORPORATE GOVERNANCE STATEMENT

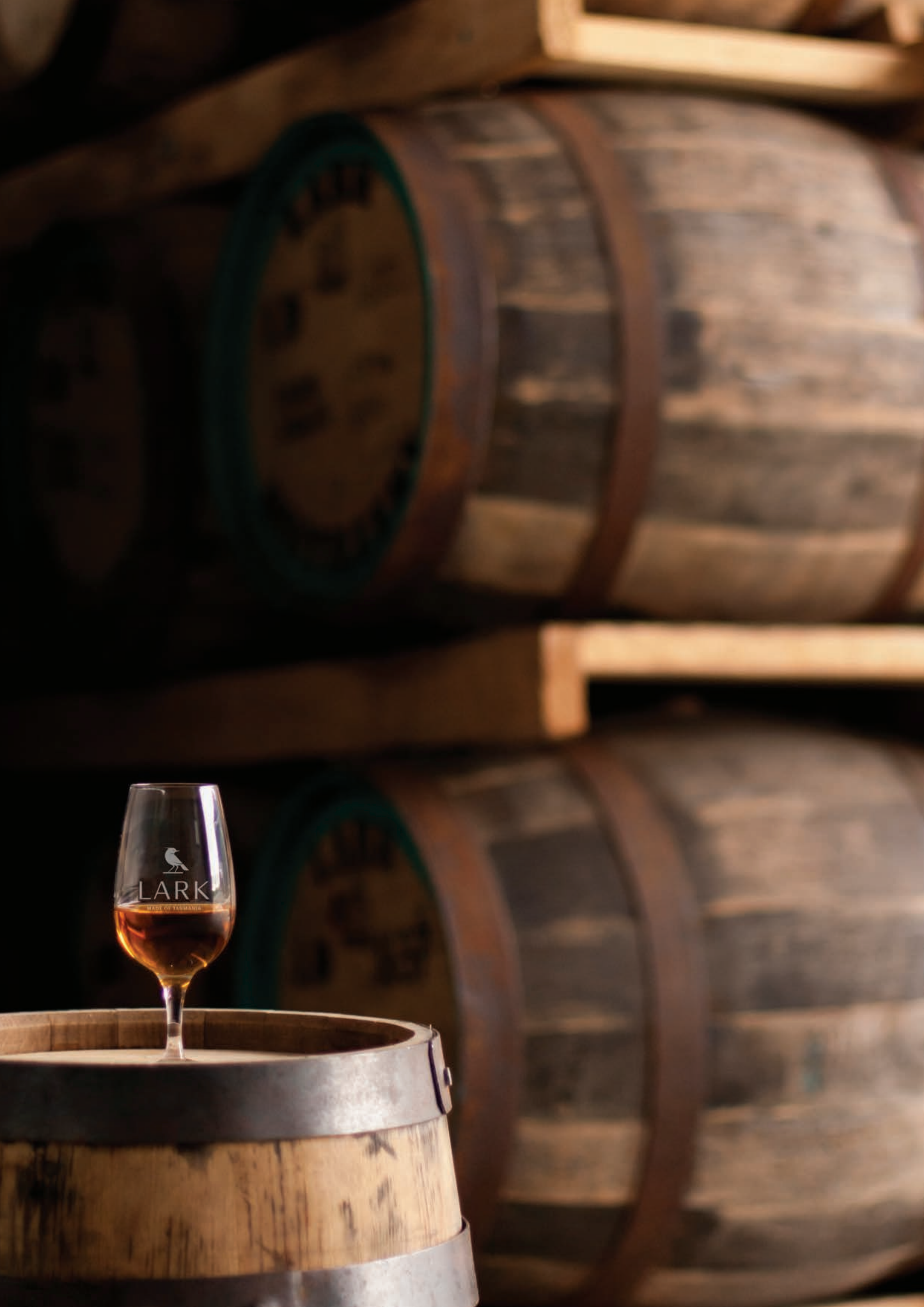
The Company's 2023 Corporate Governance Statement has been released to ASX on this day and is available on the Company's website at: https://larkdistillery.com/investor-centre/

ANNUAL GENERAL MEETING AND DIRECTOR NOMINATION

Lark Distilling Co. Ltd advises that its Annual General Meeting will be held on or about Thursday, 23 November 2023. 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 Thursday, 5 October 2023. Any nominations must be received in writing no later than 5.00pm (Melbourne time) on Thursday, 5 October 2023 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.




LARK
MADE OF TASMANIA

LARK

SINGLE MALT WHISKY

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