

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

Lark Distilling Co. Ltd (ASX: LRK) ("LARK" or the "Company") is pleased to provide a business update for the quarter ended 30 September 2023 (Q1FY24 or Q1) and Appendix 4C.

### Q1FY24 Highlights:

- Net operating activity cash outflows were \$0.3 million for the first quarter, this reflects a \$0.6m improvement versus the pcg outflow of \$0.9 million.
- Q1FY24 Net Sales revenue was \$3.1m, with the fall vs. Q1FY23 of \$1.1m mainly due to the expected impact of selling previously flagged limited releases in the pcg. As reported at our FY23 results, there were approximately \$2m of Net Sales from limited releases left over from previous years sold in 1H23, with circa 70% or \$1.4m being in Q1FY23.
- The challenging trading environment and general consumer confidence previously flagged persist, with the company focussing on opportunities for FY24, while setting solid foundations for long term growth.
- The core Whisky ranges of Lark Signature Collection and Symphony delivered Net Sales growth of 3% vs. pcg.
- The September quarter saw relatively lower sales in Export down \$0.5m vs pcg, driven by lower Chinese indirect export purchases. This reflects a slowdown in this channel amid cautious consumer sentiment and lower discretionary spending within China.
- Lark's Global Travel Retail presence within key Australian airports continued to grow in the first quarter, with the first off-shelf activations contributing to Net Sales of \$0.3m, fully incremental to pcg, and helping to showcase Lark Single Malt and Forty Spotted Gin to travelling consumers.
- Production cash savings achieved in Q1FY24 following adjustments to distilling output and consolidation of distilling to Cambridge during Q4FY23, with Whisky Bank of 2.4 million litres at 30 September 2023, unchanged from 30 June 2023.
- Cash balance of \$6.6m at 30 September 2023, with \$15 million undrawn committed bank facility available.

### Lark CEO Sash Sharma added:

*"Our first quarter net sales of \$3.1 million were in line with our previous guidance and expectations, with pcg performance impacted by limited releases and timing of export sales in Q1FY23. Pleasingly, the underlying performance of our core Signature and Symphony product ranges continued to perform well against a backdrop of softening consumer confidence and challenging trading conditions.*

*As we embark on our journey to drive international sales momentum, creating repeatable and diversified revenue streams it's pleasing to have onboarded a highly qualified Regional Director for Asia and signed three MOUs with distributors within Southeast Asia. Work is ongoing on the necessary registrations to set up these markets, as well as distributor assessment elsewhere.*

*Additionally, as a direct result of our decision to consolidate production to our Cambridge Distillery during Q4FY23, we have seen a significant operating cash reduction in our product manufacturing and operations. These actions reflect our cash and capital discipline which underpins our Strategic Priorities as launched at our Investor Day on 17 October 2023, namely to Build Long Term Brand Value and to create International Sales Momentum while protecting our Domestic Leadership Position as we make Lark a leader in New World Whisky.*

## STRATEGIC PRIORITIES



### September 2023 Quarter Cashflow Highlights

Net operating activity cash outflows were \$0.3 million for the first quarter, this reflects a \$0.6m improvement versus the pcq outflow of \$0.9 million.

Operating activity inflows through customer receipts totalled \$5.1 million representing a \$0.2m decrease on the prior quarter, and down \$1.6m versus the pcq of \$6.7 million, largely reflecting the sale of limited releases in the pcq.

Payments for product manufacturing and operating costs decreased significantly from the pcq, down \$1.2 million to \$1.7 million. The reduction in product manufacturing and operations includes the benefit of the decision made during Q4FY23 to exercise cash and capital discipline by consolidating production at Cambridge only. Advertising and marketing costs declined vs. the prior quarter and pcq as a result of timing as plans and activities are being tailored to enable export expansion in 2HFY24.

Increase in payments for staff costs compared to prior quarter was driven timing of payments and restructuring costs paid relating to the prior quarter, with normalised costs anticipated going forward. Other operating cash movements were in line with prior quarters and expectations. Payments for investing activities predominantly related to detailed design and planning works for the distillery building at Pontville.

Payments disclosed in section 6.1 relate to Non-Executive Director fees and Executive Director Remuneration.

Cash at bank at 30 September 2023 of \$6.6 million, down \$0.6 million from \$7.2 million last quarter, with a \$15 million undrawn committed bank facility available.

### About Lark Distilling Co:

Founded by pioneers Bill and Lyn Lark in 1992, LARK Distilling Co. has been crafting world-class, award-winning Tasmanian whisky for more than 30 years. From humble beginnings on a kitchen table, curiosity and courage bore Tasmania's very first licensed distillery in 154 years. LARK, Australia's No.1 Luxury Single Malt Whisky brand, houses a range of spirits headlined by its Single Malt Signature Collection; Classic Cask 43% ABV, Rebellion Chinotto Citrus Cask 44% ABV, and Tasmanian Lightly Peated 46% ABV, and its unique blended-malt whisky,

Symphony No.1 40.2% ABV. The distillery also handcrafts a range of Forty Spotted Gins with native pepperberry, and Tasmanian liqueurs.

LARK is locally and internationally recognised for its quality, innovation, and people; awarded numerous prestigious accolades over the past three decades. At the World Whiskies Awards in August 2023, LARK took home Best Single Malt and Best Blended Malt in the region, as well several gold medals across the portfolio. Bill Lark was recognised and honoured for his life-long dedication to the advancement of Tasmanian whisky with the prestigious 'Lifetime Achievement Award' at the 2022 Spirits Business Awards in London.

At the Australian Whisky Awards in March 2023, LARK was proudly awarded "Distillery of the Year", DARK LARK was crowned "Single Malt of the Year", Bill Lark was named "Personality of the Year", and Master Distiller Chris Thomson was named "Distiller of the Year". In August 2022 LARK received the Master Medal Award, in the World Whisky Masters for its innovative Chinotto II Cask Strength release, alongside a further seven gold medals across the portfolio.

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

LARK can be enjoyed at the iconic Hobart Cellar Door and neighbouring award-winning Whisky & Cocktail Bar The Still, as well as at leading cocktail, whisky and hotel bars across the world. LARK Distilling Co, a fabric of our community, is crafted from grain to glass, using the purest, natural elements from Tasmania. Welcome to the New World of Whisky.

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**For more information contact:**

Lark Investor Relations  
Peter Kopanidis  
+61 412 171 673  
[investors@larkdistilling.com](mailto:investors@larkdistilling.com)

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

## Appendix 4C

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

**Name of entity**

Lark Distilling Co. Ltd

**ABN**

62 104 600 544

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

30 September 2023

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (3 months) \$A'000</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	5,077	5,077
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(1,729)	(1,729)
(c) advertising and marketing	(350)	(350)
(d) leased assets	(5)	(5)
(e) staff costs	(2,474)	(2,474)
(f) administration and corporate costs	(900)	(900)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	16	16
1.5 Interest and other costs of finance paid	(49)	(49)
1.6 Income taxes/GST paid	102	102
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	-	-
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(312)</b>	<b>(312)</b>
<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(157)	(157)
(d) investments	-	-
(e) intellectual property	(31)	(31)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
	(f) other non-current assets	-	-
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
<b>2.6</b>	<b>Net cash from / (used in) investing activities</b>	<b>(188)</b>	<b>(188)</b>

<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	-
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	-
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (payment of lease liabilities)	(62)	(62)
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	<b>(62)</b>	<b>(62)</b>

<b>4.</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of period	7,160	7,160
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(312)	(312)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(188)	(188)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(62)	(62)
4.5	Effect of movement in exchange rates on cash held		
4.6	<b>Cash and cash equivalents at end of period</b>	<b>6,598</b>	<b>6,598</b>

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	6,598	7,160
5.2	Call deposits		
5.3	Bank overdrafts		
5.4	Other (provide details)		
5.5	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>6,598</b>	<b>7,160</b>

6.	Payments to related parties of the entity and their associates	Current quarter \$A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	155
6.2	Aggregate amount of payments to related parties and their associates included in item 2	
<i>Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.</i>		

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

<b>8.</b>	<b>Estimated cash available for future operating activities</b>	<b>\$A'000</b>
8.1	Net cash from / (used in) operating activities (item 1.9)	(312)
8.2	Cash and cash equivalents at quarter end (item 4.6)	6,598
8.3	Unused finance facilities available at quarter end (item 7.5)	15,000
8.4	Total available funding (item 8.2 + item 8.3)	21,598
8.5	<b>Estimated quarters of funding available (item 8.4 divided by item 8.1)</b>	69.2
	<i>Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.</i>	
8.6	If item 8.5 is less than 2 quarters, please provide answers to the following questions:	
8.6.1	Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?	
	Answer: N/A	
8.6.2	Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?	
	Answer: N/A	
8.6.3	Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?	
	Answer: N/A	
	<i>Note: where item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered.</i>	

## Compliance statement

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

Date: 25 October 2023

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

## Notes

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